

ANNUAL REPORT

of the

OFFICE OF THE INDEPENDENT ADMINISTRATOR

of the

**KAISER FOUNDATION HEALTH PLAN, INC.
MANDATORY ARBITRATION SYSTEM**

for

DISPUTES WITH HEALTH PLAN MEMBERS

January 1, 2017 - December 31, 2017

Table of Contents

	Page
Table of Contents	i
Exhibits	vii
Charts and Tables	vii
Report Summary	ix
I. INTRODUCTION & OVERVIEW	1
A. Goals of the Arbitration System Between Members and Kaiser	2
B. Format of This Report.	2
II. DEVELOPMENT AND CHANGES IN THE SYSTEM IN 2017.	4
A. Change in Membership of the AOB	4
B. Neutral Arbitrator Redacted Decisions.	4
C. Rules Sub-Committee Created	4
III. POOL OF NEUTRAL ARBITRATORS	4
A. Turnover in 2017 and the Size of the Pool at Year-End.	4
B. Practice Background of Neutral Arbitrators	5
C. Number in the Pool of Arbitrators Who Served	6
1. The Number of Neutral Arbitrators Named on a List of Possible Arbitrators.	6
2. The Number Who Served	7
3. The Number Who Wrote Awards	7
4. The Number Who Have Served After Making a Large Award	7
5. Comparison of Cases Closed by Neutral Arbitrators Selected Ten or More Times with Cases Closed by Other Neutral Arbitrators	7

IV.	DEMANDS FOR ARBITRATION SUBMITTED BY KAISER TO THE OIA.....	8
A.	Types of Claims	8
B.	Length of Time Kaiser Takes to Submit Demands to the OIA.....	9
C.	Claimants With and Without Attorneys	9
V.	SELECTION OF THE NEUTRAL ARBITRATORS	10
A.	How Neutral Arbitrators are Selected.....	10
B.	Joint Selections vs. Strike and Rank Selections	12
C.	Status of Cases with Postponements of Time to Select Neutral Arbitrators	12
D.	Status of Cases with Disqualifications	14
E.	Length of Time to Select a Neutral Arbitrator	15
1.	Cases with No Delays.....	16
2.	Cases with Postponements	16
3.	Cases with Disqualifications.....	17
4.	Cases with Postponements and Disqualifications.....	17
5.	Average Time for All Cases	17
F.	Cases With Party Arbitrators	18
VI.	MAINTAINING THE CASE TIMETABLE	19
A.	Neutral Arbitrator’s Disclosure Statement	19
B.	Arbitration Management Conference	19
C.	Mandatory Settlement Meeting	20
D.	Hearing and Award.....	20
E.	Status of Open Cases Administered by the OIA on December 31, 2017.....	20
VII.	THE CASES THAT CLOSED.....	22

A.	How Cases Closed	24
1.	Settlements – 47% of Closures	24
2.	Withdrawn Cases – 25% of Closures	24
3.	Abandoned Cases – 5% of Closures	25
4.	Dismissed Cases – 4% of Closures	25
5.	Summary Judgment – 11% of Closures	25
6.	Cases Decided After Hearing – 8% of Closures	26
a.	Who Won	26
b.	How Much Claimants Won	26
c.	How Long It Took	26
B.	Cases Using Special Procedures	27
1.	Expedited Procedures	27
2.	Complex Procedures	28
3.	Extraordinary Procedures	28
4.	Rule 28 Extensions of Time to Close Cases	28
VIII.	THE COST OF ARBITRATIONS IN THE OIA SYSTEM	28
A.	What Fees Exist in OIA Arbitrations	28
B.	Mechanisms Claimants Have to Avoid These Fees	29
1.	How to Waive Only the \$150 Arbitration Filing Fee	29
2.	How to Waive Both the Arbitration Filing Fee and the Neutral Arbitrators’ Fees and Expenses	29
3.	How to Waive Only the Neutral Arbitrators’ Fees and Expenses	30
C.	Number of Cases in Which Claimants Have Shifted Their Fees	30

1.	The \$150 Arbitration Filing Fee	30
2.	The \$150 Arbitration Filing Fee and the Neutral Arbitrators’ Fees and Expenses	30
3.	The Neutral Arbitrators’ Fees and Expenses	30
D.	The Fees Charged by Neutral Arbitrators.	31
IX.	ANALYSIS OF LIEN CASES	32
A.	Demands for Arbitration Submitted by Kaiser to the OIA.	32
1.	Length of Time Kaiser Takes to Submit Demands to the OIA.	32
2.	Members With and Without Attorneys.	32
B.	Selection of the Neutral Arbitrators	32
1.	Joint Selections vs. Strike and Rank Selections	32
2.	Cases with Postponements of Time to Select Neutral Arbitrators	32
3.	Cases with Disqualifications.	32
4.	Length of Time to Select a Neutral Arbitrator	33
a.	Cases with No Delays	33
b.	Cases with Postponements	33
c.	Cases with Disqualifications.	33
d.	Average Time for All Cases	33
5.	Cases With Party Arbitrators	33
C.	Maintaining the Case Timetable.	33
1.	Suspensions.	33
2.	Mandatory Settlement Meeting	33
3.	Status of Open Lien Cases Administered by the OIA on	

	December 31, 2017	34
D.	The Cases That Closed	34
1.	How Cases Closed	34
a.	Settlements – 37.5% of Closures	34
b.	Withdrawn Cases – 12.5% of Closures.....	34
c.	Summary Judgment – 17% of Closures	34
d.	Cases that Closed after Hearing – 33% of Closures.....	34
2.	Cases Using Special Procedures.....	35
E.	The Cost of Lien Arbitrations in the OIA System	35
1.	Number of Lien Cases in Which Members Have Shifted Their Neutral Fees	35
2.	The Fees Charged by Neutral Arbitrators.....	35
X.	EVALUATIONS OF NEUTRAL ARBITRATORS AND THE OIA SYSTEM.....	36
A.	The Parties Evaluate the Neutral Arbitrators	36
B.	The Neutral Arbitrators Evaluate the OIA System.....	38
C.	The Parties Evaluate the OIA System and Ease of Obtaining Medical Records	39
XI.	THE ROLE OF THE ARBITRATION OVERSIGHT BOARD	41
A.	Membership	41
B.	Activities.....	42
XII.	TRENDS AND DATA OVER THE YEARS OF OPERATION OF THE OIA	43
A.	The Number of Demands for Arbitration	43
B.	The Number of Neutral Arbitrators Has Decreased	44
C.	The Number Who Served	44

D.	The Number Who Wrote Awards	45
E.	The Number Who Have Served After Making a Large Award	45
F.	Claims Primarily Allege Medical Malpractice	46
G.	Claimants Without Attorneys	46
H.	The Parties Select the Neutral Arbitrators by Strike and Rank in Majority of Cases	47
I.	Less than Half of the Claimants Use Procedures Contained in OIA <i>Rules</i> and State Law to Delay Selecting the Neutral Arbitrator, While Time to Select Remains Timely	47
J.	The Parties Consistently Close Most Cases Themselves	49
K.	The Results After a Hearing	50
L.	Cases Close in Twelve Months.	50
M.	Claimants Shift Cost of Arbitration to Kaiser in Vast Majority of Cases	51
N.	Neutral Arbitrators and the OIA System Receive Positive Evaluations.	51

Exhibits

Exhibit A:	Description of OIA Staff.	E-1
Exhibit B:	<i>Rules for Kaiser Permanente Member Arbitrations Administered by the Office of the Independent Administrator, Amended as of January 1, 2016</i>	E-4
Exhibit C:	Lists of Neutral Arbitrators on the OIA Panel as of December 31, 2017.	E-30
Exhibit D:	Qualifications for Neutral Arbitrators.	E-39
Exhibit E:	List of 2017 Awards to Claimants and to Kaiser	E-41
Exhibit F:	<i>Pro Per</i> and Attorney Evaluations of Neutral Arbitrators	E-44
Exhibit G:	Neutral Arbitrator Evaluations of OIA Procedures and Rules	E-51
Exhibit H:	<i>Pro Per</i> and Attorney Evaluations of OIA Procedures and Rules	E-58
Exhibit I:	Kaiser Arbitration Oversight Board Comments on the Annual Report for 2017.	E-64

Charts And Tables

Table 1	Number of Neutral Arbitrators by Region	5
Table 2	Percentage of Practice Spent as a Neutral Arbitrator	5
Table 3	Percentage of Practice Spent as an Advocate.	6
Table 4	Comparison of Cases Closed with Neutral Arbitrators Selected Ten or More Times vs. Cases Closed with Other Neutral Arbitrators.	8
Chart 1	Types of Claims	9
Chart 2	Claimants With and Without Attorneys	10
Chart 3	How Neutral Arbitrators Were Chosen	12
Chart 4	Status of Cases with Postponements.	13
Chart 5	Status of Cases with Disqualifications	15

Chart 6	Parties’ Use of Options During Selection.	16
Chart 7	Average Days to Select a Neutral Arbitrator – OIA and Old Kaiser Systems Compared	18
Chart 8	Status of Open Cases on December 31, 2017.	21
Chart 9	How Cases Closed	22
Chart 10	Average Days for Cases to Close, by Manner of Disposition	23
Chart 11	Length of Time to Close Cases by Type of Procedure.	24
Chart 12	Who Paid Neutral Arbitrators’ Fees	31
Chart 13	How Lien Cases Closed	35
Table 5	Parties’ Evaluations of Neutral Arbitrators	37
Chart 14	Parties Would Recommend Their Arbitrator to Another Person	37
Table 6	Neutral Arbitrators’ Opinions Regarding OIA System	38
Chart 15	Neutrals Compare Cases at OIA & in Superior Court	39
Table 7	Parties’ Evaluations of the OIA System.	40
Chart 16	Parties Compare Cases at OIA & in Superior Court	40
Chart 17	Year to Year Comparison of Number of Demands Received by the OIA.	44
Chart 18	Subsequent Service of NAs Who Made Large Awards	46
Chart 19	Year to Year Comparison of Percentage of Neutral Arbitrators Selected Without Delay vs. Neutral Arbitrators Selected With Only a Postponement	48
Table 8	Year to Year Comparison of No Delay vs. Delays: Percentage and Average Number of Days to Select Neutral Arbitrators	49
Table 9	Year to Year Comparison of How Cases Closed	50
Table 10	Year to Year Comparison of Average Number of Days to Close, by Disposition	51

REPORT SUMMARY

This is the annual report for the Office of the Independent Administrator (OIA) for 2017. It discusses the arbitration system between Kaiser Foundation Health Plan and its affiliated groups of physicians and hospitals (collectively Kaiser) and its members.¹ Since 1999, the OIA has administered such arbitrations, and its Independent Administrator is Marcella A. Bell. From the data and analyses in this report, readers may gauge how well the OIA system meets its goals of providing arbitration that is fair, timely, lower in cost than litigation, and protects the privacy of the parties.

Status of Arbitration Demands

The total number of demands for arbitration increased from the previous year. Most of the claims were for medical malpractice. The same percentage of claimants were without attorneys, proceeding in *pro per*, as did last year.

- 1. Number of Demands for Arbitration.** The OIA received 687 demands, 71 more than last year. The number of demands increased in all three regions: Northern California, Southern California, and San Diego. Fifteen lien cases were received, five less than last year. See pages 8, 32, and 43 – 44.
- 2. Types of Claims.** Ninety-three percent (93%) of the cases involved allegations of medical malpractice. Less than two percent (2%) presented benefit and coverage allegations. Lien cases made up two percent (2%). The remaining cases were based on allegations of premises liability and other torts. See page 9. Because lien cases differ significantly from cases brought by members, they are reported separately in Section IX.
- 3. Twenty-Eight Percent (28%) of Claimants were Without Attorneys.** Claimants in 185 cases, or 28%, were not represented by counsel, the same as last year. See pages 10 and 46.

How Cases Closed

In the majority of cases, the parties themselves resolved their claims. Neutral arbitrators decided the remaining cases. All cases that went to hearing were decided by a single neutral arbitrator.

- 4. More Than Three-Quarters (77%) of Cases Closed by the Parties' Action.** The parties settled 47% of cases, 3% more than last year. Forty-two cases settled at the Mandatory Settlement Meeting. Of the cases that settled at the MSM, in

¹Kaiser has arbitrated disputes with its California members since 1971. In the 1997 *Engalla* case, the California courts criticized Kaiser's arbitration system, saying that it fostered too much delay in the handling of members' demands and should not be self-administered.

three claimants were in *pro per*. Claimants withdrew 25% and abandoned another 5% by failing to pay the filing fee or get the fee waived. See pages 24 – 25, and 49 – 50.

5. **Nearly One-Quarter (23%) Closed by Decision of Neutral Arbitrator.** Eight percent (8%) of cases closed after an arbitration hearing, 11% were closed through summary judgment, and 4% were dismissed by neutral arbitrators. In the cases that went to an arbitration hearing, claimants prevailed in 45%. See pages 25 – 26, and 50.
6. **More Than Half (51%) of Claimants Received Some Compensation.** Claimants receive compensation either when their cases settle (47%) or when they are successful after a hearing (4%). See pages 24 and 50.
7. **Eight Percent (8%) of Cases Went to Hearing.** Claimants prevailed in 45% of these cases. The average award was \$1,175,578, and the range was from \$29,999 to \$15,007,152. See pages 26, 50, and E-49 (Exhibit E, List of 2017 Awards to Claimants).
8. **All Cases Heard by a Single Neutral Arbitrator Instead of a Panel.** All of the hearings involved a single neutral arbitrator rather than a panel composed of one neutral and two party arbitrators. See pages 18 – 19.

Meeting Deadlines

The OIA *Rules* allow the parties to delay the selection process and extend the completion date. Even with such delays, the process is expeditious.

9. **More Than Half (52%) of Neutral Arbitrator Selections Proceeded Without any Delay.** The *Rules* give parties the option to postpone the deadline to select a neutral arbitrator, but more than half (52%) of the neutrals were selected without the parties exercising this option. This year, the claimants made all but five of the requests for 90 day postponement. California law gives parties the opportunity to timely disqualify neutral arbitrators. In three percent (3%) of the cases, parties disqualified the neutral arbitrator. In four percent (4%) of the cases, parties exercised both the postponement and disqualification options. Claimants disqualified 40 neutral arbitrators and Kaiser disqualified 28. See pages 13 – 15.
10. **Average Length of Time to Select Neutral Arbitrator is 64 Days.** The time to select a neutral arbitrator in cases with no delay remained the same (24 days). The time to select a neutral with a 90 day postponement decreased by six days (104 days). It decreased by three days in cases with only a disqualification (61 days), but increased by seven days in cases with both a postponement and disqualification (165 days). The overall average length of time to select a neutral arbitrator for all cases decreased by 2 days (64 days). See pages 15 – 18, and 47 – 49.

11. **On Average, Cases Closed in Twelve Months.** Cases closed, on average, in 368 days, 5 days longer than last year. No case closed beyond the deadline required by the *Rules*. Eighty-three percent (83%) of the cases closed within 18 months (the deadline for “regular” cases) and 56% closed in a year or less. See pages 22 – 23, 50 – 51, and Table 10.
12. **On Average, Hearings Completed in Less than Twenty Months.** Cases that were decided by a neutral arbitrator making an award after a hearing closed on average in 598 days (less than 20 months). This average includes cases that were designated “complex” or “extraordinary” or that received a Rule 28 extension because they needed extra time. “Regular cases” closed in 435 days (less than 15 months). See page 26.

Pool of Neutral Arbitrators

More than half of the OIA pool spend all of their time acting as neutral arbitrators. More than half of the neutral arbitrators served on a case. The two methods of selecting a neutral arbitrator – strike and rank or joint selection – allow parties to select anyone they collectively want. The majority of neutral arbitrators the parties jointly selected were from the OIA pool.

13. **The Neutral Arbitrator Pool.** The OIA has 228 neutral arbitrators in its pool, 21 fewer than last year. Forty-two percent (42%) of them, or 95, are retired judges. See page 4.
14. **Neutral Arbitrator Backgrounds.** The applications completed by the members of the OIA pool show that 134 arbitrators, or 59%, spend all of their time acting as neutral arbitrators. The remaining members divide their time by representing plaintiffs and defendants, though not necessarily in medical malpractice litigation. Ninety-three percent (93%) of the neutral arbitrators report having medical malpractice experience. See pages 5 – 6.
15. **More Than Half (59%) of Arbitrators Served on a Case.** Fifty-nine percent (59%) of the neutral arbitrators in the OIA pool served on a case. Arbitrators averaged two assignments each. Forty-four different neutrals, including arbitrators not in the OIA pool, decided the 57 awards made. Seventy-five (75%) of the neutral arbitrators wrote only a single award. See pages 7 and 45.
16. **Majority of Neutral Arbitrators (67%) Selected by Strike and Rank.** Sixty-seven percent (67%) of neutral arbitrators were selected through the strike and rank process, and 33% were jointly selected by the parties.² Seventy-three percent (73%) of the arbitrators jointly selected were members of the OIA pool. In the

²One neutral arbitrator was selected by court order.

other cases, the parties chose a neutral arbitrator who was not a member of the OIA pool. See page 12.

Neutral Arbitrator Fees

While the OIA arbitration filing fee is less than the comparable court filing fee, claimants in arbitration can be faced with neutral arbitrator fees, which do not exist in court. These fees, however, can be shifted to Kaiser.

17. **Kaiser Paid the Neutral Arbitrators' Fees in 92% of Cases Closed.** Claimants can choose to have Kaiser pay the entire cost of the neutral arbitrator. For the cases that closed, Kaiser paid the entire fee for the neutral arbitrators in 92% of those cases that had fees. See pages 30 – 31.
18. **Cost of Arbitrators.** Hourly rates charged by neutral arbitrators range from \$150/hour to \$975/hour, with an average of \$495. For the 509 cases that closed, and for which the OIA has information, the average fee charged by neutral arbitrators was \$8,236. In some cases, neutral arbitrators reported that they charged no fees. Excluding cases where no fees were charged, the average was \$8,771. The average fee in cases decided after a hearing was \$34,810. See page 31.

Evaluations

When cases are concluded, the OIA sends questionnaires to the parties or their attorneys asking them about the OIA system, and if the cases closed by neutral arbitrator actions, an evaluation of the neutral arbitrators. Of those responding, the parties gave their neutral arbitrators and the OIA system positive evaluations. When cases close by neutral arbitrator actions, the OIA also sends the neutral arbitrators a questionnaire about the OIA system. Neutral arbitrators gave positive evaluations of the OIA system.

19. **Positive Evaluations of Neutral Arbitrators by Parties.** Most parties who responded to the OIA evaluation expressed satisfaction with the neutral arbitrators and would recommend them to others, with an average of 4.4 on a 5 point scale. *Pro pers* view neutral arbitrators less favorably. See pages 36 – 37.
20. **Positive Evaluations of the OIA by Neutral Arbitrators.** Fifty-six percent (56%) of the neutral arbitrators reported that the OIA experience was better than a court system, 42% said it was about the same, and 2% said it was worse. See pages 38 – 39.
21. **Positive Evaluations of the OIA by Parties.** Sixty-five percent (65%) of the responding parties and attorneys reported that the OIA system was better than the court system, 29% said it was the same, and 6% said it was worse. See page 39 – 41.

Development and Changes in the System

The OIA and the Arbitration Oversight Board (AOB) continuously strive to improve the arbitration system.

22. **Change in Membership of the AOB.** Richard Spinello became the chair of the AOB, and Dr. Cornelius Hopper became the vice-chair. Two members resigned, Albert Ybarra and Rosemary Manchester. The selection of their replacements is in progress. See pages 4 and 41 – 42.
23. **Neutral Arbitrator Redacted Decisions.** Redacted decisions issued by OIA neutral arbitrators within the last five years are available on the OIA website. See page 4.
24. **Rules Sub-Committee Created.** The OIA and AOB explored changes to the OIA *Rules*. Some of the potential changes are in response to suggestions from parties and neutral arbitrators on evaluations submitted at the conclusion of cases. See pages 4 and 42. Some are based on suggestions from the OIA. The AOB convened a sub-committee to address possible modifications.

Conclusion

The goal of the OIA is to provide an arbitration system that is fair, timely, lower in cost than litigation, and protects the privacy of the parties. To summarize:

- Neutral arbitrators are selected expeditiously, and the cases close faster than in court.
- Parties can, and do, disqualify neutral arbitrators they do not like.
- The filing fee is lower than in court, and parties can and do shift the costs of the neutral arbitrators to Kaiser.
- OIA arbitrations are confidential, and neither the OIA nor neutral arbitrators publish the names of individual claimants or respondents involved in them.
- Neutral arbitrators on the OIA panel have plaintiff, defendant, and judicial backgrounds. The cases are distributed among them.
- Neutral arbitrators and the OIA system receive positive evaluations.
- The OIA publishes the annual reports, information about its cases in compliance with California law, and neutral arbitrator redacted decisions. This information is available on the website for the parties and the public.

I. INTRODUCTION & OVERVIEW

The Office of the Independent Administrator (OIA) issues this report for 2017.¹ It describes the arbitration system that handles claims brought by Kaiser members against Kaiser Foundation Health Plan, Inc. (Kaiser) or its affiliates.² Marcella A. Bell, an attorney, is the Independent Administrator. Under her contract with the Arbitration Oversight Board, the OIA maintains a pool of neutral arbitrators to hear Kaiser cases and independently administers arbitration cases between Kaiser and its members. The contract requires that Ms. Bell write an annual report describing the arbitration system. The report describes the goals of the system, the actions being taken to achieve them, and the degree to which they are being met. While this report mainly focuses on what happened in the arbitration system during 2017, the final section compares 2017 with earlier years.

The Arbitration Oversight Board (AOB), an unincorporated association registered with the California Secretary of State, provides ongoing oversight of the OIA and the independently administered system. Its activities are discussed in Section XI.

The arbitrations are controlled by the *Rules for Kaiser Permanente Member Arbitrations Administered by the Office of the Independent Administrator Amended as of January 1, 2016 (Rules)*. The *Rules* consist of 54 rules in a 21 page booklet and are available in English, Spanish, and Chinese.³ Some important features include:

Procedures for selecting a neutral arbitrator expeditiously;⁴

Deadlines requiring that the majority of cases be resolved within 18 months;⁵

Procedures to adjust these deadlines when required;⁶ and

¹The OIA has a website, www.oia-kaiserarb.com, where this report can be downloaded, along with the prior annual reports, the *Rules*, various forms, and other information, including organizational disclosures. The OIA can be reached by calling 213-637-9847, faxing 213-637-8658, or e-mailing oia@oia-kaiserarb.com. A description of the OIA's staff is attached as Exhibit A.

²Kaiser is a California nonprofit health benefit corporation. Since 1971, it has required that its members use binding arbitration. Kaiser arranges for medical benefits by contracting with the The Permanente Medical Group, Inc. (Northern California) and the Southern California Permanente Medical Group. Hospital services are provided by contract with Kaiser Foundation Hospitals. Almost all of the demands are based on allegations against these affiliates.

³The *Rules* are attached as Exhibit B.

⁴Exhibit B, Rules 16 and 18.

⁵Exhibit B, Rule 24.

⁶Exhibit B, Rules 24, 28 and 33.

Procedures under which claimants may choose to have Kaiser pay all the fees and expenses of the neutral arbitrator.⁷

The 18 month timeline that the *Rules* establish for most cases is displayed on the next page. Details about each step in the process are discussed in the body of this report.

A. Goals of the Arbitration System Between Members and Kaiser⁸

The system administered by the OIA is expected to provide a fair, timely, and low cost arbitration process that respects the privacy of the parties. These goals are set out in Rule 1. The data in this report are collected and published to allow the AOB and the public to determine how well the arbitration system meets these goals.

B. Format of This Report

Section II discusses developments in 2017. Sections III and IV look at the OIA's pool of neutral arbitrators, and the number and types of cases the OIA received. The parties' selection of neutral arbitrators is discussed in Section V. That is followed by Section VI on the monitoring of open cases and Section VII which analyzes how cases are closed and the length of time to close. Section VIII discusses the cost of arbitration in the system. Sections IV.B. through VIII exclude lien cases.⁹ Section IX then presents all the analyses for lien cases. The parties' evaluations of their neutral arbitrators and the parties' and neutral arbitrators' evaluations of the OIA system are summarized in Section X.¹⁰ Section XI describes the AOB's membership and activities during 2017. Finally, Section XII compares the operation of the system over time.

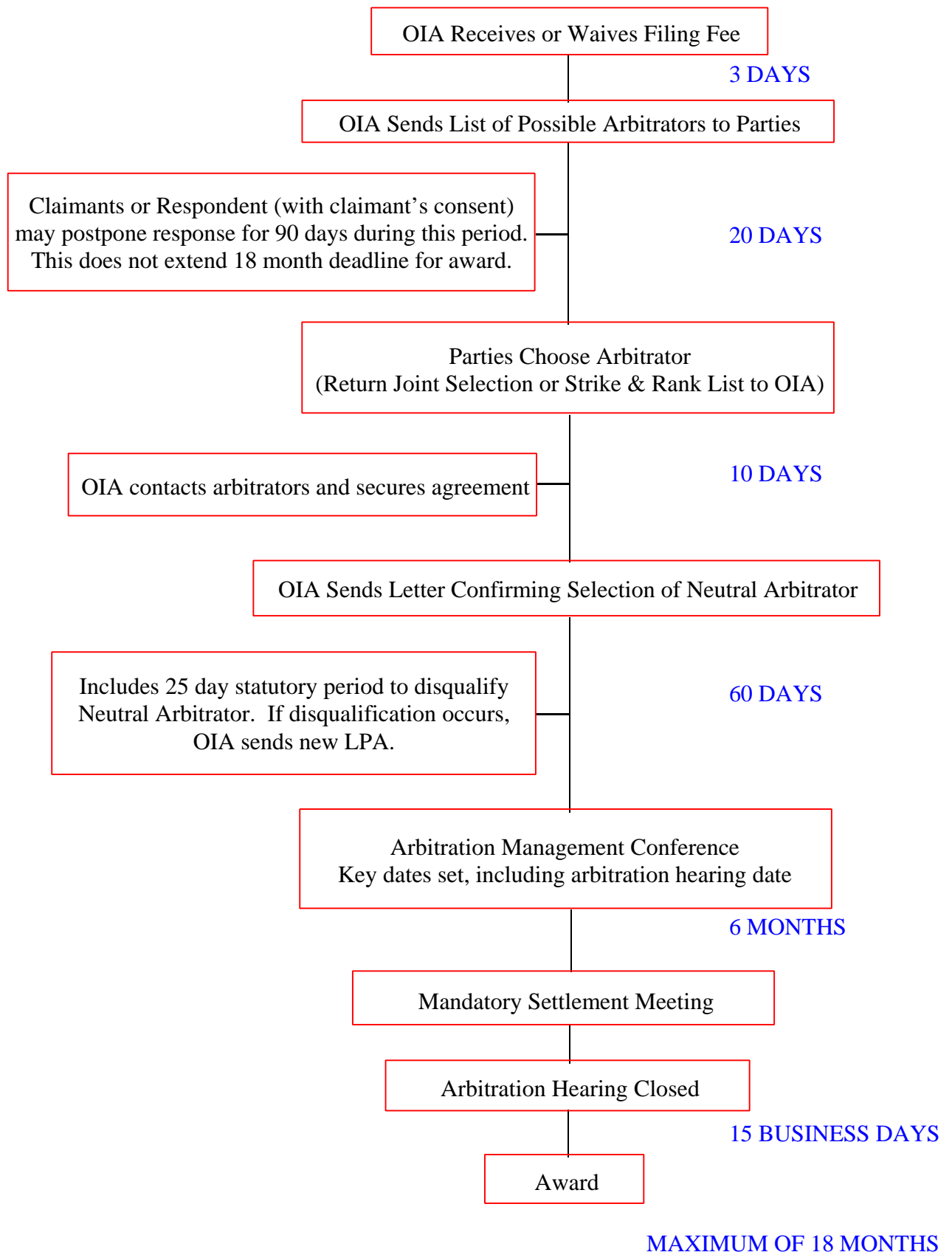
⁷Exhibit B, Rules 14 and 15; *see also* Section VIII.

⁸For a discussion of the history and development of the OIA and its arbitration system, please see prior reports. The OIA was created in response to the recommendation of a Blue Ribbon Panel (BRP) and began operating March 28, 1999. Ms. Bell has served as the Independent Administrator since March 29, 2015. The OIA met all of the recommendations that pertain to it since its first operating year. A full copy of the BRP report is available on the OIA website. In addition, a separate document that sets out the status of each recommendation is available on the website.

⁹Lien cases are brought by Kaiser against its members to recover costs of medical care provided to a member who received a third party recovery.

¹⁰Because these are anonymous, all of the evaluations are considered together, regardless of the type of cases.

Timeline for Arbitrations Using Regular Procedures



II. DEVELOPMENT AND CHANGES IN THE SYSTEM IN 2017

A. Change in Membership of the AOB

Dr. Cornelius Hopper announced his resignation as the chair. Richard Spinello, the former vice-chair, became the chair. Dr. Hopper will remain as the vice-chair until his retirement from the AOB in March 2018.

Albert Ybarra, the former Secretary-Treasurer of the Orange County Central Labor Council, AFL-CIO resigned after 13 years on the AOB serving as the labor representative.

Rosemary Manchester, MBA, has been a Kaiser member for many years. She served as a volunteer counselor with the Health Insurance and Counseling Programs which handled medicare counseling. Ms. Manchester became a member of the AOB in 2002 and retired in December 2017 after serving 15 years as the members' representative.

The selection of their replacements by the AOB is in progress.

B. Neutral Arbitrator Redacted Decisions

Beginning October 2017, redacted decisions issued by OIA neutral arbitrators within the last five years are available on the OIA website.

C. Rules Sub-Committee Created

The OIA and AOB explored changes to the OIA *Rules*. Some of the potential changes are in response to suggestions from parties and neutral arbitrators on evaluations submitted at the conclusion of cases. See Section X. Some are based on suggestions from the OIA. As a result, the AOB convened a sub-committee to address possible modifications. The sub-committee has met and will continue to meet to discuss potential changes.

III. POOL OF NEUTRAL ARBITRATORS

A. Turnover in 2017 and the Size of the Pool at Year-End

On December 31, 2017, there were 228 people in the OIA's pool of neutral arbitrators. Of those, 95 were former judges, or 42%.

Members of the OIA pool are distributed into three geographic panels: Northern California, Southern California, and San Diego. See Table 1. Members who agree to travel without charge may be listed on more than one panel. Exhibit C contains the names of the members of each panel.

Table 1 - Number of Neutral Arbitrators by Region

Total Number of Arbitrators in the OIA Pool:	228
Northern California Total:	114
Southern California Total:	114
San Diego Total:	71
<p>The three regions total 299 because 52 arbitrators are in more than one panel; 19 in all three panels, 1 in No. Cal & So. Cal, and 32 in So. Cal & San Diego.</p>	

At the beginning of the year, the OIA pool of neutral arbitrators contained 249 names. During the year, 26 arbitrators left the pool, 14 were removed for failing to update their applications, and 19 joined the pool.¹¹ Three applicants were rejected.¹²

B. Practice Background of Neutral Arbitrators

The neutral arbitrator application requires applicants to estimate the amount of their practice spent in various professional endeavors. On average, neutral arbitrators in the OIA pool spend their time as follows: 71% of his or her time acting as a neutral arbitrator, 8% as a claimant (or plaintiff) attorney, 7% as a respondent (or defense) attorney, 12% in other forms of employment, including non-litigation legal work, teaching, mediating, etc., and less than 1% acting as a respondent’s party arbitrator, a claimant’s party arbitrator, or an expert.

More than half of the pool, 134 members, report that they spend 100% of their practice acting as neutral arbitrators. The full distribution is shown in Table 2.

Table 2 - Percentage of Practice Spent as a Neutral Arbitrator

Percent of Time	0%	1 – 25%	26 – 50%	51 – 75%	76 – 99%	100%
Number of NAs	7	56	12	7	12	134

¹¹Neutral arbitrator applications can be obtained by contacting the OIA, or by downloading it from the OIA website.

¹²The qualifications for neutral arbitrators are attached as Exhibit D. If the OIA rejects an application, we inform the applicant of the qualification(s) which he or she failed to meet.

The members of the OIA pool who are not full time arbitrators primarily work as litigators. See Table 3.

Table 3 - Percentage of Practice Spent as an Advocate

Percent of Practice	Number of NAs Reporting Claimant Counsel Practice	Number of NAs Reporting Respondent Counsel Practice
0%	184	189
1 – 25%	17	14
26 – 50%	14	15
51 – 75%	5	4
76 – 100%	8	6

Finally, while the qualifications do not require that members of the OIA pool have medical malpractice experience, 93% of them do. At the time they filled out or updated their applications, 212 reported that they had medical malpractice experience, while 16 did not. Of the 16 who reported no medical malpractice experience in their applications, 13 of them have served as a neutral arbitrator in an OIA case and may have acquired medical malpractice.

C. Number in the Pool of Arbitrators Who Served¹³

The first four parts of this section consider the number of neutral arbitrators named on the List of Possible Arbitrators; the number who served; the number who wrote awards; and the number who have served after making a large award. The final section compares cases closed by neutral arbitrators selected ten or more times with cases closed by other neutral arbitrators.

1. The Number of Neutral Arbitrators Named on a List of Possible Arbitrators

All neutral arbitrators in the OIA pool were named on at least one List of Possible Arbitrators (LPA) sent to the parties by the OIA. The average number of times Northern California arbitrators appeared on a LPA was 32. The range of appearances was 2 – 49 times.¹⁴

¹³The procedure for selecting neutral arbitrators for individual cases is described below in Section V.A.

¹⁴In addition to chance, the number of times a neutral arbitrator is listed is affected by how long a given arbitrator has been in the pool, the number of members in each panel, and the number of demands for arbitration submitted in the geographical area for that panel. Some neutral arbitrators have been in the OIA pool since it started, and one joined in November and the other in December. The number of times an arbitrator is selected also depends on whether the individual will hear cases when the claimant has no attorney (*pro per* cases). Twenty-seven percent (27%) of the pool will not hear *pro per* cases.

In Southern California, the average number of appearances was 29. The range was 2 – 51. In San Diego, the average number of appearances was 6. The range was 0 – 14.¹⁵

2. The Number Who Served

This year, 156 different neutral arbitrators were selected to serve in 583 cases. The great majority (134) were members of the OIA pool. Thus, 59% of the OIA pool were selected to serve in a case. The number of times a neutral was selected ranges from 0 – 26. The neutral arbitrator at the highest end was jointly selected 21 times. The average number of appointments for members of the pool was 2.

3. The Number Who Wrote Awards

Forty-four different neutral arbitrators wrote 57 awards. Thirty-three arbitrators wrote a single award, while nine decided two. Two neutral arbitrators wrote three awards. The neutral arbitrators who decided six cases wrote five in favor of Kaiser and one in favor of the claimant.

4. The Number Who Have Served After Making a Large Award

Concerns have been raised whether Kaiser will allow neutral arbitrators who have made large awards to serve in subsequent arbitrations, since its attorneys could strike them from LPAs or disqualify them if selected. Therefore, annual reports describe what has happened to neutral arbitrators after making an award of \$500,000 or more.

This year, eight neutral arbitrators made nine awards for more than \$500,000. The awards ranged from \$531,024 to \$15,007,152. Two had previously made large awards. One has been selected to serve again after making a large award.¹⁶

5. Comparison of Cases Closed by Neutral Arbitrators Selected Ten or More Times with Cases Closed by Other Neutral Arbitrators

Each year, the OIA compares how cases closed by neutral arbitrators selected ten or more times with cases closed by other neutral arbitrators. There were twelve neutral arbitrators who were selected ten or more times this year. Table 4 shows the results comparing cases closed in 2016 and 2017 with the other cases that closed in those years with neutral arbitrators in place.

¹⁵There were four neutral arbitrators who were not listed on a San Diego LPA but they are also on the Southern California and/or Northern California panels and were listed on an LPA for that panel.

¹⁶Of the seven neutrals who were not selected again, two have retired, and two made awards in November and December.

Table 4 - Comparison of Cases Closed with Neutral Arbitrators Selected Ten or More Times vs. Cases Closed with Other Neutral Arbitrators

Cases Closed 2016 – 2017	Cases with Neutral Arbitrators Selected 10 or More Times in 2017		Cases with Other Neutral Arbitrators	
Settled	136	55.7%	373	46.6%
Withdrawn	54	22.1%	185	23.1%
Summary Judgment	28	11.5%	113	14.1%
Awarded to Respondent	10	4.1%	60	7.5%
Awarded to Claimant	6	2.5%	37	4.6%
Dismissed	10	4.1%	33	4.1%
Total	244		801	

IV. DEMANDS FOR ARBITRATION SUBMITTED BY KAISER TO THE OIA

Kaiser submitted 687 demands for arbitration. Geographically, 335 demands for arbitration came from Northern California, 304 came from Southern California, and 48 came from San Diego.¹⁷

A. Types of Claims

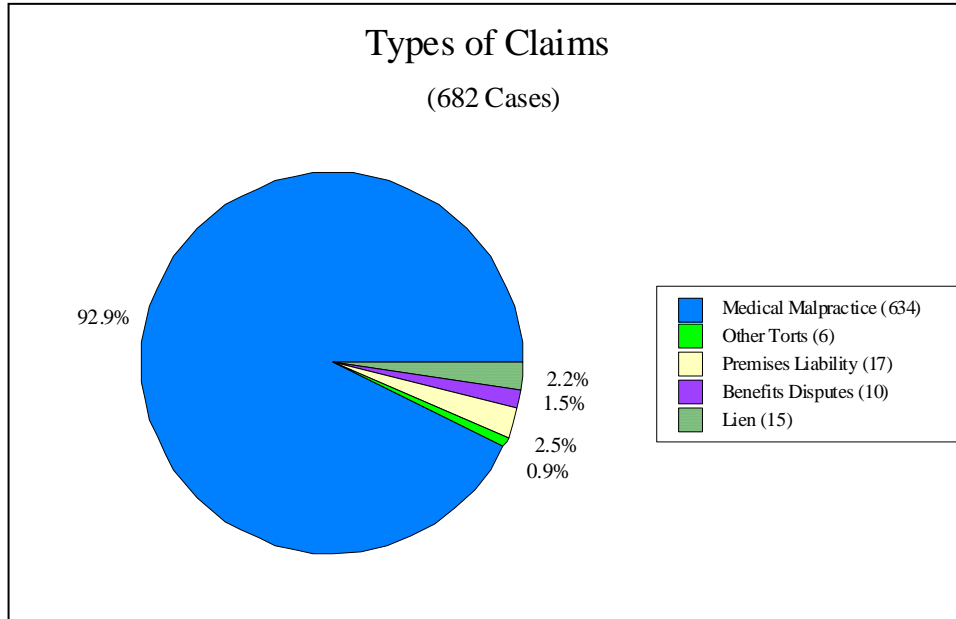
The OIA administered 682 new cases.¹⁸ The OIA categorizes cases by the subject of their claim: medical malpractice, premises liability, other tort, lien, or benefits and coverage. Medical malpractice cases make up 93%, or 634 cases, in the OIA system. Benefits and coverage cases represent about one and a half percent (1.47%) of the system, or 10 cases.

Chart 1 shows the types of new claims the OIA administered during the year.

¹⁷The allocation between Northern and Southern California is based upon Kaiser’s corporate division. Roughly, demands based upon care given in Fresno or north are in Northern California, while demands based upon care given in Bakersfield or south are in Southern California or San Diego. Rule 8 specifies different places of service of demands for Northern and Southern California, including San Diego.

¹⁸A few of these demands submitted by Kaiser do not proceed further in the system because they are “opt ins” – based on a contract that required arbitration but not the use of the OIA. There were 10 “opt ins.” Five of the claimants chose to have the OIA administer their claims; two were returned to Kaiser and three withdrew their cases.

Chart 1



As discussed in Section I.B., the rest of this report, with the exception of Sections IX and X, excludes lien cases from its analysis. Lien cases are discussed in Section IX.

B. Length of Time Kaiser Takes to Submit Demands to the OIA

The *Rules* require Kaiser to submit a demand for arbitration to the OIA within ten days of receiving it.¹⁹ The average length of time that Kaiser took to submit demands to the OIA was five days. The mode was one.²⁰ This means that Kaiser usually sends the demand to the OIA on the day after it is received. The range was 0 – 85 days.

There were 18 cases in which Kaiser took more than 10 days to submit the demand to the OIA. If only these “late” cases are considered, the average was 26 days, and the mode was 12. The range was 11 – 85 days.

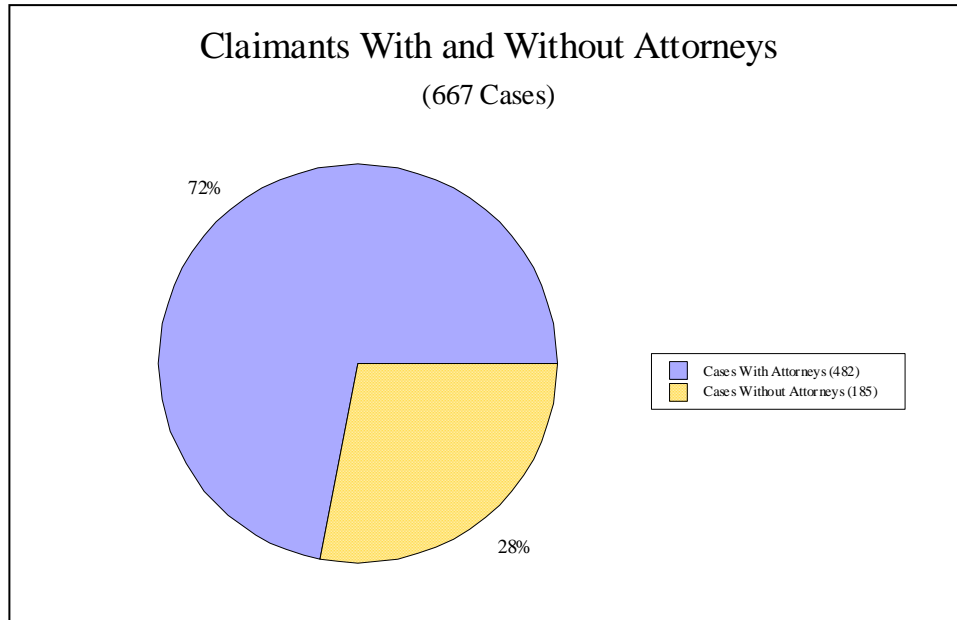
C. Claimants With and Without Attorneys

Claimants were represented by counsel in 72% of new cases (482 of 667). In 28% of cases, the claimants represented themselves (or acted in *pro per*).

¹⁹Exhibit B, Rule 11.

²⁰Mode is the single most commonly occurring number in a given group.

Chart 2



V. SELECTION OF THE NEUTRAL ARBITRATORS

One of the most important steps of the arbitration process occurs at the beginning: the selection of the neutral arbitrator. Subsection A describes the selection process in general. The next four sub-sections discuss different aspects of the selection process in detail: 1) whether the parties selected the neutral arbitrator by joint selection or by striking and ranking the names on their List of Possible Arbitrators (LPA) (subsection B); 2) the cases in which the parties decided to postpone the selection of the neutral (subsection C); 3) the cases in which the parties disqualified a neutral arbitrator (subsection D); and 4) the amount of time it took the parties to select the neutral arbitrator (subsection E). Finally, the report examines cases in which parties have selected party arbitrators (subsection F).

A. How Neutral Arbitrators are Selected

The process for selecting the neutral arbitrator begins when the OIA starts to administer a case²¹ and a claimant has either paid the \$150 arbitration filing fee or received a waiver of that fee. The OIA sends both parties in the case a LPA. The LPA contains 12 randomly computer generated names of neutral arbitrators from the appropriate geographical panel.

²¹For the OIA to administer a case, it must be required by contract (mandatory) or the claimant must have opted-in. The OIA can take no action in a non-mandatory case before a claimant has opted in except to return it to Kaiser for administration. See footnote 18.

Along with the LPA, the OIA sends the parties information about the people named on the LPA. The parties receive a copy of each neutral arbitrator's application and fee schedule, and subsequent updates to the application, if any.²²

If a neutral arbitrator has served in any earlier, closed OIA case, the parties may also receive copies of any evaluations previous parties have submitted about the neutral. Any redacted awards or decisions the neutral arbitrator has written within the last five years are available on the OIA website.

The parties have 20 days to respond to the LPA.²³ Parties can respond in one of two ways. First, both sides can jointly decide on the person they wish to be the neutral arbitrator. This person does not have to be named on the LPA, be in the OIA pool, or meet the OIA qualifications.²⁴ Provided the person agrees to follow the OIA *Rules*, the parties may jointly select anyone they want to serve as neutral arbitrator.

On the other hand, if the parties do not jointly select a neutral arbitrator, each side returns the LPA, striking up to four names and ranking the remaining names, with "1" as the top choice. When the OIA receives the LPAs, the OIA eliminates any names that have been stricken by either side and then totals the scores of the names that remain. The person with the best score²⁵ is asked to serve. This is called the "strike and rank" process.

Before a neutral has been selected, claimant can request a postponement of the LPA deadline under Rule 21 of up to 90 days. In addition, after the neutral arbitrator is selected, but before he or she begins to serve, California law allows either party to disqualify the neutral arbitrator. A number of OIA administered cases close before a neutral arbitrator is selected. Fifty-eight cases either settled (24) or were withdrawn (34) without a neutral arbitrator in place.²⁶

²²Neutral arbitrators are required to update their applications every two years. If an arbitrator has not served on the panel for at least two years, he/she may not have any update. Neutral arbitrators were required to update this year.

²³A member of the OIA staff contacts the parties before their responses to the LPA are due to remind them of the deadline.

²⁴Neutral arbitrators who do not meet our qualifications – for example, they might have served as a party arbitrator in the past three years for either side in a Kaiser arbitration – may serve as jointly selected neutral arbitrators. There is, however, one exception: If, pursuant to California's Ethics Standards, a neutral arbitrator has promised not to take another case with the parties while the first remains open and the OIA knows the case is still open, the OIA would not allow the person to serve as a neutral arbitrator in a subsequent case.

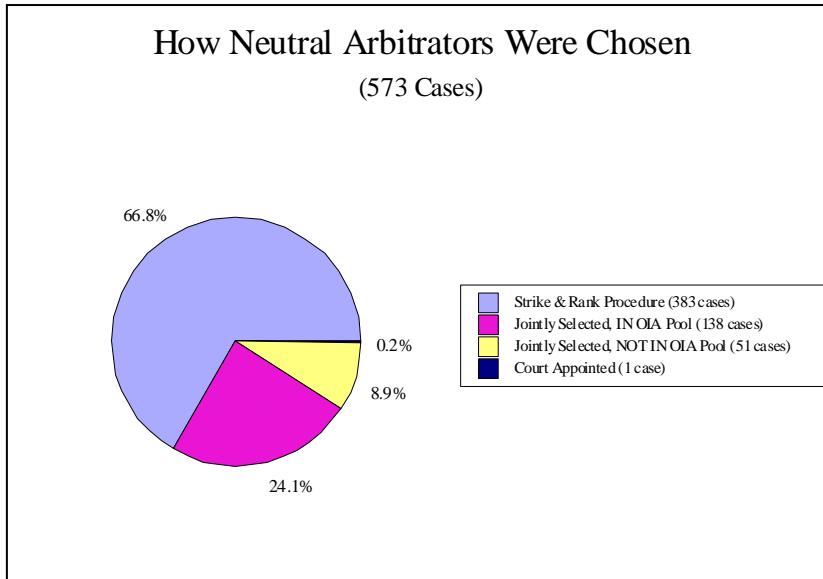
²⁵For example, a person who was ranked "1" by both sides – for a combined score of "2" – would have the best score.

²⁶These cases included both cases with attorneys and cases where the claimant was in *pro per*. For *pro per* cases, 9 settled and 20 were withdrawn. For represented cases, 15 settled and 14 were withdrawn.

B. Joint Selections vs. Strike and Rank Selections

Of the 573 neutral arbitrators selected, 189, or 33%, were jointly selected by the parties and 383, or 67%, were selected by the strike and rank procedure. One was selected by a court confirmed order wherein the neutral arbitrator retained jurisdiction. Of the neutral arbitrators jointly selected by the parties, 138, or 73%, were members of the OIA pool, though not necessarily on the LPA sent to the parties. In 51 cases, or 27%, the parties selected a neutral arbitrator who was not a member of the pool. See Chart 3. Two neutral arbitrators who are not part of the OIA pool account for 29 of the joint selections.

Chart 3



C. Status of Cases with Postponements of Time to Select Neutral Arbitrators

Under Rule 21, a claimant has a unilateral right to a 90 day postponement of the deadline to respond to the LPA. If a claimant has not requested one, the respondent may request such a postponement, but only if the claimant agrees in writing. The parties can request only one postponement in a case – they cannot, for example, get a 40 day postponement at one point and a 50 day postponement later. Many parties request a postponement of less than 90 days. In addition to Rule 21, Rule 28 allows the OIA, in cases where the neutral arbitrator has not been selected, to extend deadlines. The OIA has used this authority occasionally to extend the deadline to respond to the LPA. Generally, parties must use a 90 day postponement under Rule 21 before the OIA will extend the deadline under Rule 28. A Rule 28 extension is generally short – two

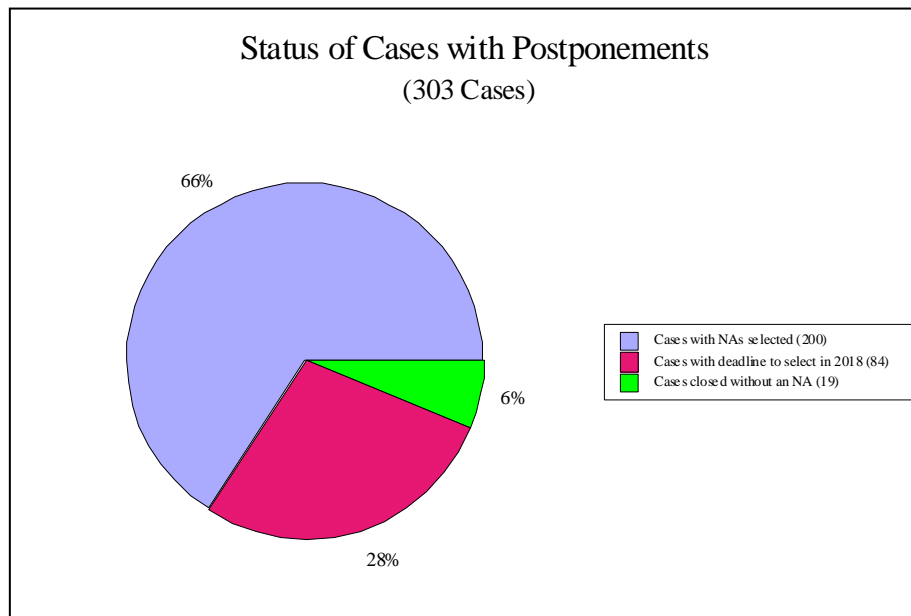
weeks if the case is settled or withdrawn²⁷ – though it may be longer if, for example, it is based on the claimant’s medical condition, or a party has gone to court for some reason.

Under Rule 21, claimants do not have to give a reason to obtain a 90 day postponement. For a Rule 28 extension, however, they must provide a reason. The reasons for a Rule 28 extension are often the same as claimants identify as the reasons they use Rule 21. In some cases, the parties are seeking to settle the case or to jointly select a neutral arbitrator. Some want a little more time to evaluate the case before incurring the expense of a neutral arbitrator. There are also some parties who request more time for health reasons.

There were 303 cases where the parties obtained either a Rule 21 postponement, a Rule 28 extension of the time to return their responses to the LPA, or both. The claimants made all but five of the requests for Rule 21 postponements. Requests for a Rule 28 extension were made in 25 cases. In some, the Rule 21 request was made in prior years but the selection of a neutral arbitrator occurred this year.

Chart 4 shows what happened in those 303 cases. Sixty-six percent (66%), 200 cases, now have a neutral arbitrator in place. Nineteen closed before a neutral arbitrator was selected. For the remaining 84 cases, the deadline to select a neutral arbitrator was after December 31, 2017.

Chart 4



²⁷The extension allows the claimant to send in a written notice of settlement or withdrawal without a neutral arbitrator being selected, which reduces expenses generally.

D. Status of Cases with Disqualifications

California law gives the parties in an arbitration the opportunity to disqualify neutral arbitrators.²⁸ Neutral arbitrators are required to make various disclosures within ten days of the date they are selected.²⁹ After they make these disclosures, the parties have 15 days to disqualify the neutral arbitrator. Additionally, if the neutral arbitrator fails to serve the disclosures, the parties have 15 days after the deadline to serve disclosures to disqualify the neutral arbitrator. Absent court action, there is no limit as to the number of times a party can timely disqualify neutral arbitrators in a given case. However, under Rule 18.f, after two disqualifications, the OIA randomly selects subsequent neutral arbitrators who have not been named on prior LPAs.

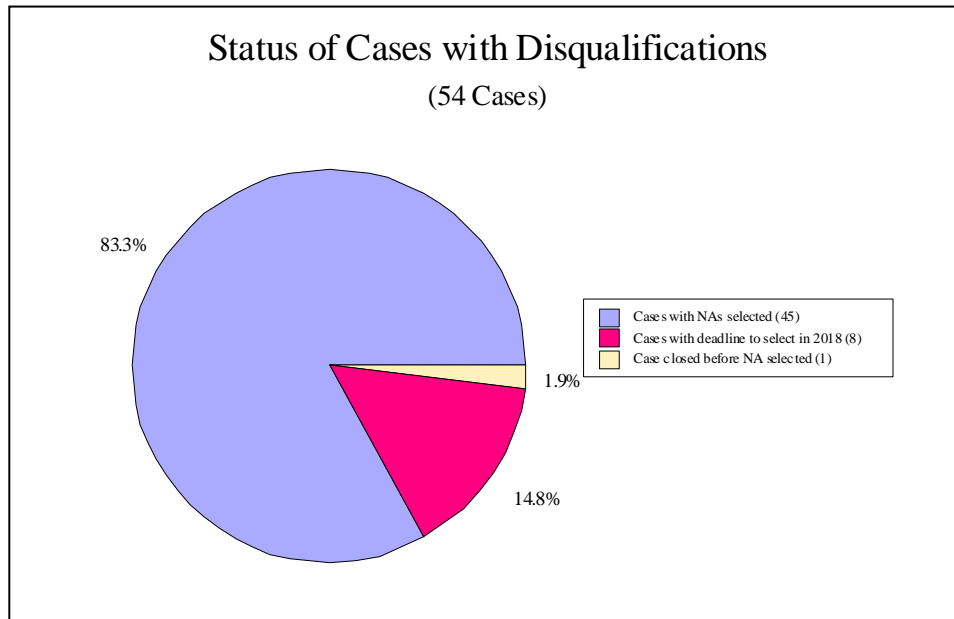
Neutral arbitrators were disqualified in 54 cases. Claimants disqualified 40 neutral arbitrators and Kaiser disqualified 28. Forty-five cases had a single disqualification. Seven cases had two disqualifications, one case had three, and one case had six or more disqualifications.³⁰ Chart 5 shows what happened in those 54 cases. In 45 of the cases with a disqualification, a neutral arbitrator had been selected. In eight of the cases with a disqualification, the time for the neutral arbitrator selection had not expired by the end of the year. One case closed before the new neutral arbitrator was selected.

²⁸California Code of Civil Procedure §1281.91; see also Exhibit B, Rule 20.

²⁹California Code of Civil Procedure §1281.9, especially California Code of Civil Procedure §1281.9(b). In the OIA system, the ten days are counted from the date of the letter confirming service which the OIA sends to the neutral arbitrator, with copies to the parties, after the neutral arbitrator agrees to serve.

³⁰In cases with multiple disqualifications, one of the parties may petition the California Superior Court to select a neutral arbitrator. If the court grants the petition, a party is only permitted to disqualify one neutral arbitrator without cause; subsequent disqualifications must be based on cause. California Code of Civil Procedure §1281.91(2).

Chart 5

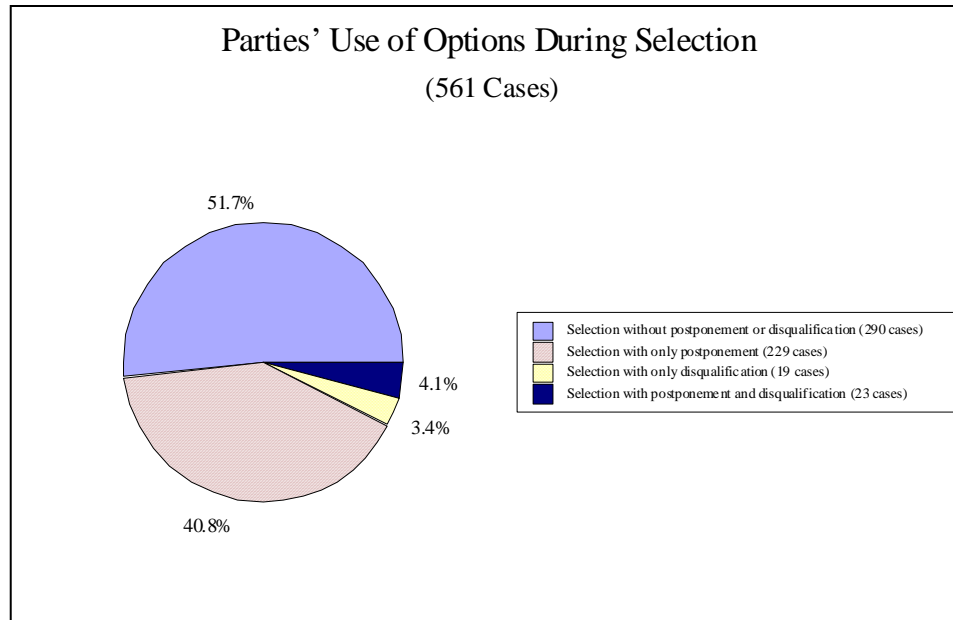


E. Length of Time to Select a Neutral Arbitrator

This section considers 561 cases in which a neutral arbitrator was selected³¹ and divides the selections into four categories when discussing the length of time to select a neutral arbitrator. The first category is those cases in which there was no delay in selecting the neutral arbitrator. The second category is those cases in which the deadline for responding to the LPA was extended. The third category is those cases in which a neutral arbitrator was disqualified by a party and another neutral arbitrator was selected. The fourth category is those cases in which there was both a postponement of the LPA deadline and a disqualification of a neutral arbitrator. The last three categories include cases where the request for postponement and/or the disqualification was made in prior years, but the neutral arbitrator was selected this year. Finally, we give the overall average for the 561 cases. Chart 6 displays the four categories.

³¹Eleven cases in which a neutral arbitrator was selected are not included in this section. In these cases, a neutral arbitrator had previously been appointed, had begun acting as the neutral arbitrator, but had subsequently been removed as the neutral arbitrator. These include cases where a neutral arbitrator died, became seriously ill, was made a judge, or made disclosures in the middle of a case – because of some event occurring after the initial disclosure – and was disqualified. Because we count time from the first day that the case was administered, these cases are not included in these computations of length of time to select a neutral arbitrator.

Chart 6



1. Cases with No Delays

There were 290 cases where a neutral arbitrator was selected in which there was no delay. Under the *Rules*, the maximum number of days to select a neutral arbitrator when there is no delay is 33 days. The average number of days to select a neutral arbitrator in those cases was 24 days, the mode was 23 days, and the range was 2 – 35 days.³² This category represents almost 52% of all neutral arbitrators selected.

2. Cases with Postponements

There were 229 cases where a neutral arbitrator was selected and the only delay was a 90 day postponement and/or an OIA extension of the deadline under Rule 28. Under the *Rules*, the maximum number of days to select a neutral arbitrator when there is a 90 day postponement is 123 days. The average number of days to select a neutral arbitrator in those cases was 104 days,

³²In the case that took 35 days to select a neutral arbitrator, the parties had jointly selected a neutral arbitrator who was out of town for the holidays. Because the neutral arbitrator was returning in a matter of days, the parties did not exercise the option to request a 90 day postponement.

the mode was 114 days, and the range was 20 – 507 days.³³ This category represents almost 41% of all cases which selected a neutral arbitrator.

3. Cases with Disqualifications

There were 19 cases where a neutral arbitrator was selected and the only delay was one or more disqualification(s) of a neutral arbitrator. Under the *Rules*, the maximum number of days to select a neutral arbitrator is 96, if there is only one disqualification.³⁴ The average number of days to select a neutral arbitrator in the 19 cases was 61 days, the mode was 57, and the range was 29 – 92 days.³⁵ Disqualification only cases represent over 3% of all cases which selected a neutral arbitrator.

4. Cases with Postponements and Disqualifications

There were 23 cases where a neutral arbitrator was selected after a postponement and a disqualification of a neutral arbitrator. Under the *Rules*, the maximum number of days to select a neutral arbitrator if there is both a 90 day postponement and a single disqualification is 186 days. The average number of days to select a neutral arbitrator in these cases was 165 days, the mode was 132, and the range was 105 – 295 days.³⁶ These cases represent just over 4% of all cases which selected a neutral arbitrator.

5. Average Time for All Cases

The average number of days to select a neutral arbitrator in all of these cases was 64 days. For purposes of comparison, the California Supreme Court stated in *Engalla vs. Permanente Medical Group*³⁷ that the old Kaiser system averaged 674 days to select a neutral arbitrator over a period of 2 years in the 1980's. See Chart 7.

³³In the case that took 507 days to select a neutral arbitrator with just a postponement, the claimant's attorney first obtained a 90 day postponement and the parties then stipulated to additional postponements under Rule 28, due to claimant's attorney's serious health issues.

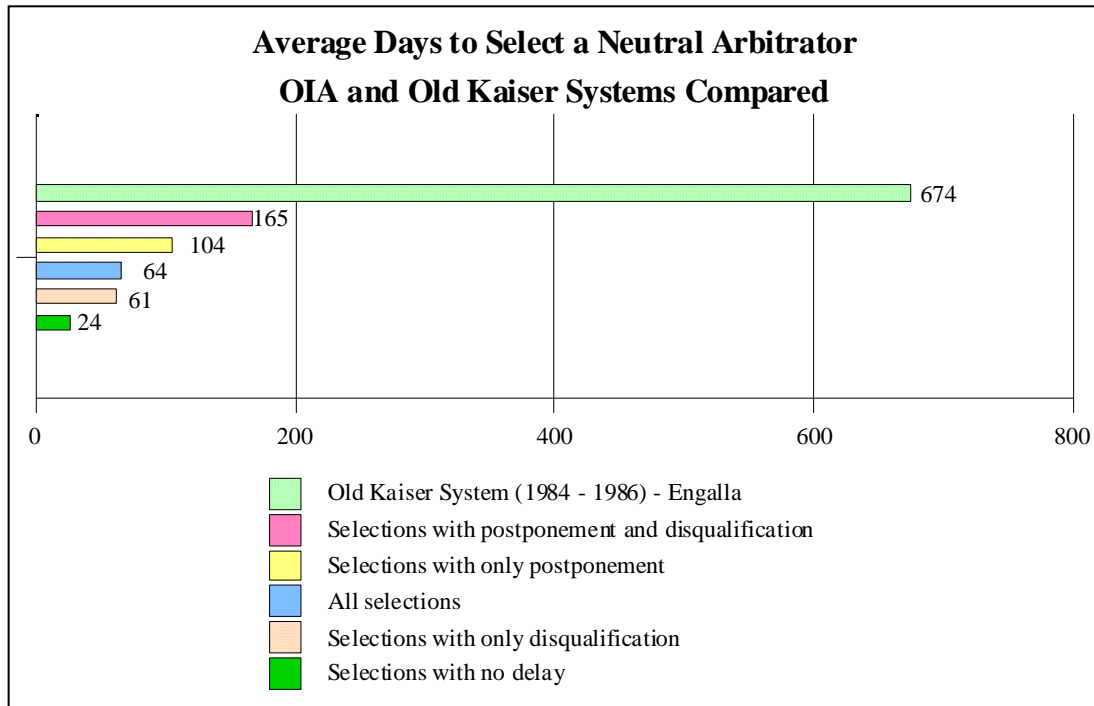
³⁴The 96 days is comprised of the 33 days to select the first neutral arbitrator; the 30 days for the statutory periods for disclosure, disqualification, and service under the California Code of Civil Procedure; and then 33 days to select the second neutral arbitrator. The amount of time increases if there is more than one disqualification.

³⁵In the case that took 92 days to select a neutral arbitrator, Kaiser's attorney disqualified 3 neutral arbitrators before jointly agreeing to a neutral arbitrator.

³⁶In the case that took 295 days to select a neutral arbitrator, the *pro per* claimant first obtained a 90 day postponement and then disqualified the first selected neutral arbitrator. Before the selection of a subsequent neutral arbitrator, the *pro per* requested and received a five month medical delay under Rule 28 pursuant to the recommendation of the *pro per*'s treating physician.

³⁷15 Cal. 4th 951, 64 Cal. Rptr. 2d 843, 938 P.2d 903. The California Supreme Court's criticism of the then self-administered Kaiser arbitration system led to the creation of the Blue Ribbon Panel.

Chart 7



F. Cases With Party Arbitrators

In medical malpractice cases, if the amount of damages exceeds \$200,000, a California statute gives parties a right to proceed with three arbitrators: one neutral arbitrator and two party arbitrators.³⁸ The parties may waive this right. The Blue Ribbon Panel (BRP) that gave rise to the OIA questioned whether the value added by party arbitrators justified their expense and the delay associated with two more participants in the arbitration process. The BRP, therefore, suggested that the system create incentives for cases to proceed with one neutral arbitrator.

Rules 14 and 15 provide such an incentive. Kaiser pays the full cost of the neutral arbitrator if the claimant waives the statutory right to a party arbitrator, as well as any court challenge to the arbitrator on the basis that Kaiser paid him/her. If both Kaiser and the claimant waive party arbitrators, the case proceeds with a single neutral arbitrator.

Few party arbitrators are used in the OIA system. All the cases that went to hearing were decided by a single neutral arbitrator.

Of the cases that remained open at the end of the year, party arbitrators had been designated in three cases by both parties and in one case by one side only.

³⁸California Health & Safety Code §1373.19.

VI. MAINTAINING THE CASE TIMETABLE

This section summarizes the methods for monitoring compliance with deadlines and then looks at the actual compliance at various points during the arbitration process. The OIA monitors its cases in two different ways.

First, through its software, the OIA tracks whether the key events set out in the *Rules* – service of the arbitrator’s disclosure statement, the arbitration management conference, the mandatory settlement meeting, and the hearing – occur on time. If arbitrators fail to notify the OIA that a key event has taken place by its deadline, the OIA contacts them and asks for confirmation that it has occurred. In most cases, the events have occurred and arbitrators confirm in writing. When it has not, it is rapidly scheduled. In some cases, the OIA contacts neutral arbitrators a second time, asking for confirmation. The second notice warns arbitrators that, if they do not provide confirmation that the event took place, the OIA will suspend them until confirmation is received.³⁹

Second, the OIA looks at cases overall and their progress toward closing on time. When a case enters the system, the OIA computer system calendars a reminder for 12 months. As discussed in Section VII, most cases close within 12 months. For those that remain, the OIA contacts the neutral arbitrators to ensure that the hearing is still on calendar and the case is on track to be closed in compliance with the *Rules*. In addition, the Independent Administrator holds monthly meetings to discuss the status of all cases open more than 15 months.

A. Neutral Arbitrator’s Disclosure Statement

Once neutral arbitrators have been selected, California law requires that they make written disclosures to the parties within ten days. The *Rules* require neutral arbitrators to serve the OIA with a copy of these disclosures. The OIA monitors all cases to ensure that disclosures are timely served, and they include reports provided by the OIA that are required by California law. No neutral was suspended for failing to timely serve disclosures.

B. Arbitration Management Conference

The *Rules* require the neutral arbitrator to hold an Arbitration Management Conference (AMC) within 60 days of his or her selection.⁴⁰ Neutrals are also required to return an AMC form to the OIA within five days of the conference. The schedule set forth on the form establishes the deadlines for the rest of the case. It also allows the OIA to see that the case has been scheduled to finish within the time allowed by the *Rules*, usually 18 months. Receipt of the form is therefore

³⁹Neutral arbitrators who fail to comply with deadlines may be suspended – i.e., the OIA removes the neutral arbitrators’ names from the OIA pool – until they take the necessary action. Thus, neutrals are not listed on any LPA when they are suspended and cannot be jointly selected by the parties.

⁴⁰Exhibit B, Rule 25.

important. Two neutrals were suspended for failing to return an AMC form. Both neutral arbitrators complied by the end of the year.

C. Mandatory Settlement Meeting

Rule 26 instructs the parties to hold a mandatory settlement meeting (MSM) within six months of the AMC. It states that the neutral arbitrator should not be present at this meeting. The OIA provides the parties with an MSM form to fill out and return, stating that the meeting took place and its result. The OIA received notice from the parties in 272 cases that they held a MSM. Forty-two of them reported that the case had settled at the MSM. Three of these cases involved a *pro per* claimant. In 40 cases, neither party returned the MSM form to the OIA by the end of the year.⁴¹

D. Hearing and Award

The neutral arbitrator is responsible for ensuring that the hearing occurs and an award is served within the time limits set out in the *Rules*. Three neutral arbitrators were suspended for failing to schedule an arbitration hearing. All have complied and have returned to the pool. Two neutrals were suspended for failing to timely serve the decision, and three were suspended for failing to extend the deadline to serve the award. All but one complied and were returned to the pool.

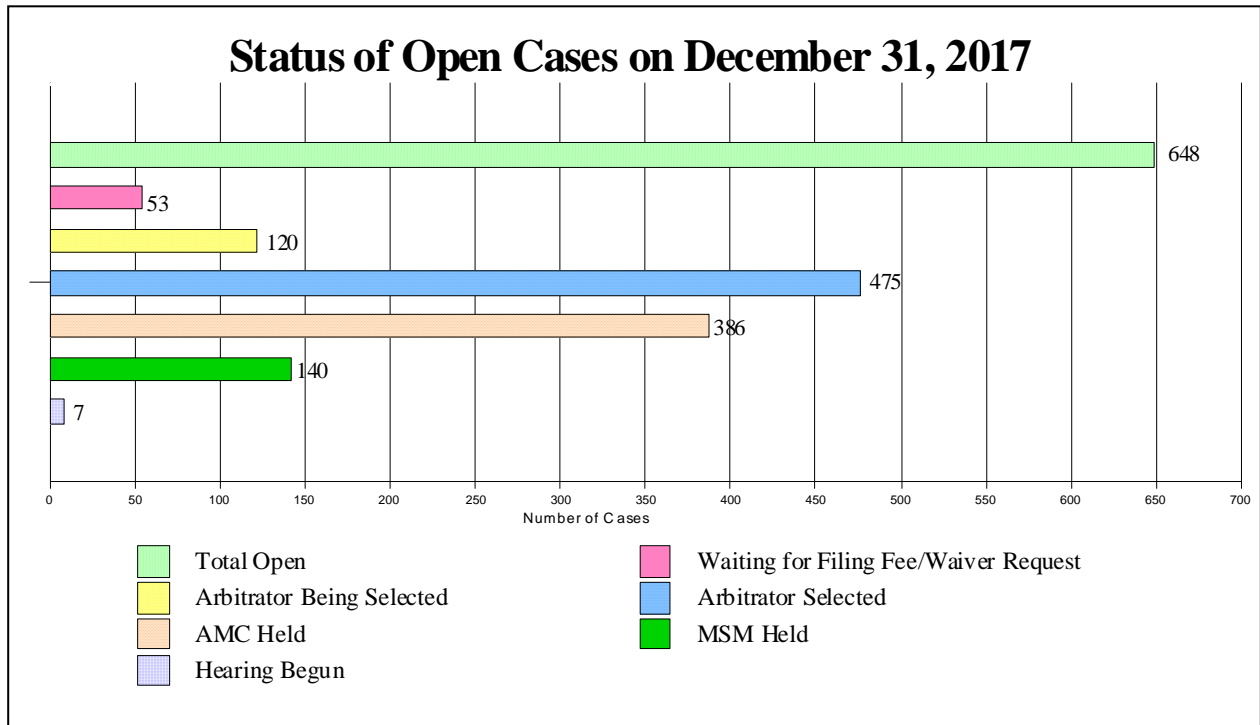
Two neutral arbitrators were suspended for failing to provide the amount of the fee and the fee allocation required by California Code of Civil Procedure §1281.96. Two neutral arbitrators were also suspended for failing to return the questionnaire required by Rule 48. All complied by the end of the year.

E. Status of Open Cases Administered by the OIA on December 31, 2017

There were 648 open cases in the OIA system. In 53 of these cases, the LPA had not been sent because the filing fee had not yet been paid or waived. In 120 cases, the parties were in the process of selecting a neutral arbitrator. In 475 cases, a neutral arbitrator had been selected. Of these, the AMC had been held in 386. In 140 cases, the parties had held the MSM. In seven cases, the hearing had begun, but either there were additional hearing days or the OIA had not yet been served with the award. Chart 8 illustrates the status of open cases.

⁴¹While the OIA sends letters to the parties, it has no power to compel them to report or to meet. A neutral arbitrator, on the other hand, can order the parties to meet if a party complains that the other side refuses to do so.

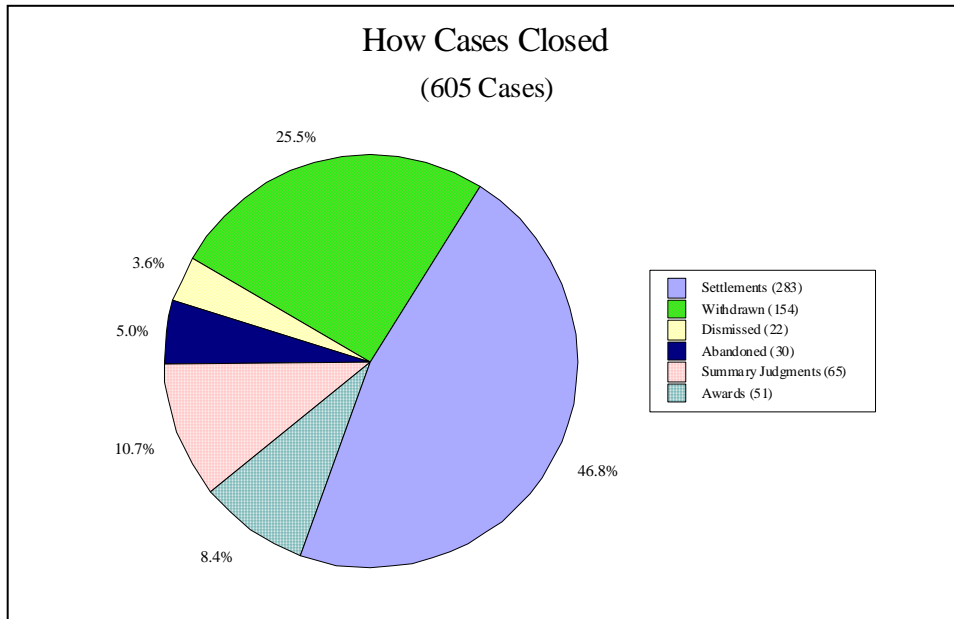
Chart 8



VII. THE CASES THAT CLOSED

Cases close either because of 1) action by the parties (cases that are settled, withdrawn, or abandoned for non-payment of the filing fee) or 2) action of the neutral arbitrator (cases are dismissed, summary judgment is granted, or cases are decided after a hearing). This discussion looks at each of these methods, how many closed, and how long it took. The discussion of cases that closed after a hearing also includes the results: who won and who lost. Chart 9 displays how the 605 cases closed.

Chart 9

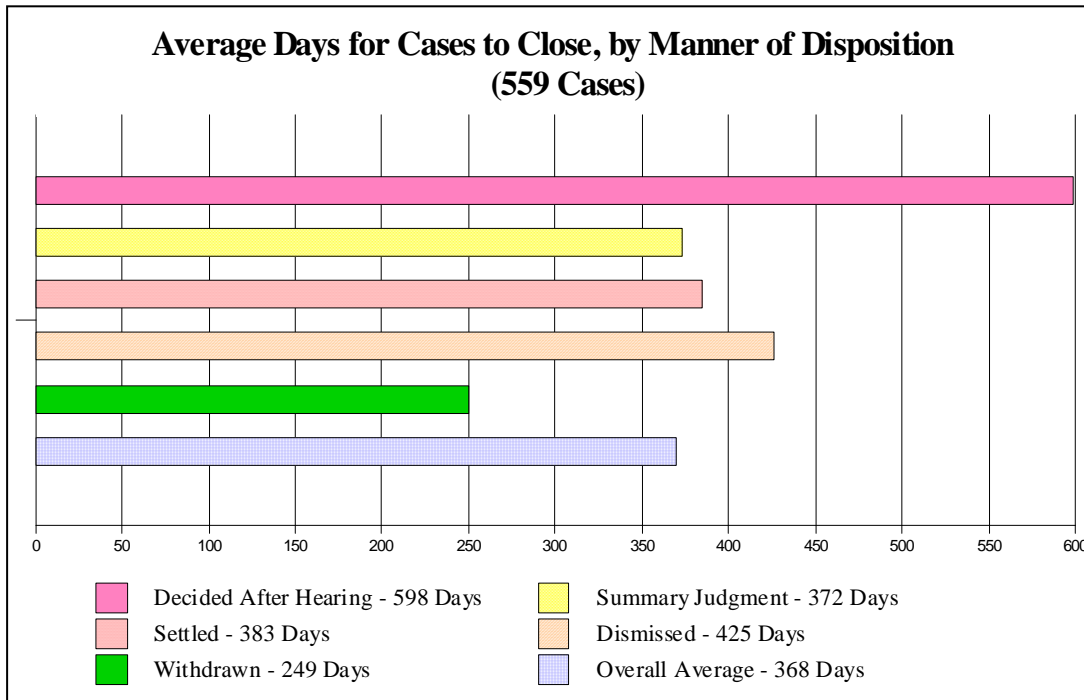


As shown on Chart 10, cases closed on average in 368 days or just over 12 months.⁴² The mode was 267 days. The range was 9 – 1,869 days.⁴³ No case closed after its deadline, i.e., none was “late.”

⁴²Chart 10 refers to 559 closed cases, not 605, because the OIA does not begin measuring the time until the fee is either paid or waived. It excludes 30 abandoned cases, and 16 cases that were withdrawn or settled before the fee was paid.

⁴³The case that took 1,869 days to close is discussed in footnote 54.

Chart 10

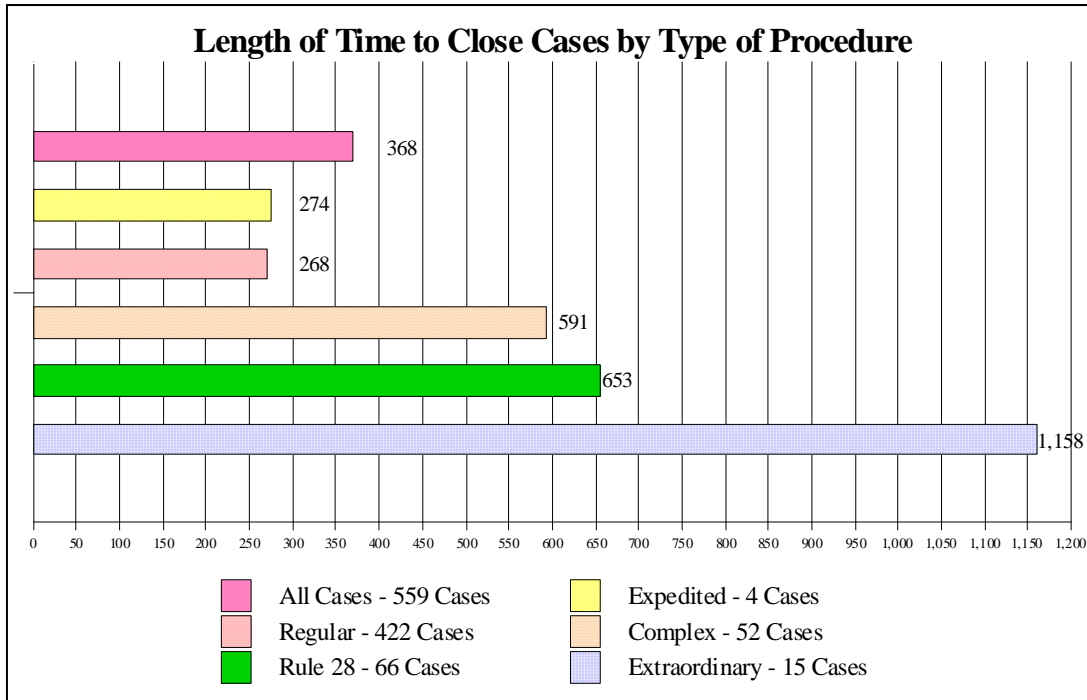


The second half of this section discusses cases that employed special *Rules* to either have the cases decided faster or slower than most. Under the *Rules*, cases must ordinarily be completed within 18 months. Eighty-three percent (83%) of the cases are closed within this period, and 56% close in a year or less. If a claimant needs a case decided in less time, the case can be expedited. If the case needs more than 18 months, the parties can classify the case as complex or extraordinary, or the neutral arbitrator can order the deadline to be extended for good cause under Rule 28.⁴⁴

Chart 11 shows the average time to close by type of procedure.

⁴⁴A complex case can also be the subject of a Rule 28 extension if it turns out the case requires more than 30 months to close. Eleven cases that closed were both complex and had a Rule 28 extension.

Chart 11



A. How Cases Closed

1. Settlements – 47% of Closures

Settlements occurred in 283 cases. This represents 47% of the cases closed during the year. The average time to settle was 383 days, just over 12 months. The range was 11 – 1,802 days.⁴⁵ In 20 settled cases, or 7%, the claimant was in *pro per*. Forty-two cases closed at the mandatory settlement meeting.

2. Withdrawn Cases – 25% of Closures

The OIA received notice that 154 claimants had withdrawn their claims. In 60 of these cases, or 39%, the claimant was in *pro per*. Withdrawals take place for many reasons. We categorize a case as withdrawn when a claimant writes us a letter withdrawing the claim, or when we receive a dismissal without prejudice from the parties. When we receive a “dismissal with prejudice,” we call the parties to ask whether the case was “withdrawn,” meaning voluntarily

⁴⁵In the case that took 1,802 days to settle, there were 28 disqualifications (24 by claimant’s attorney and 4 by Kaiser), 1 neutral died, 1 neutral recused himself, and 1 neutral declined the case before the parties jointly selected the final neutral arbitrator. Shortly thereafter, the case was designated extraordinary. The parties continued the hearing three times before settling the case 1 ½ years after the 32nd neutral was appointed.

dismissed, or “settled” and enter the closure accordingly. Twenty-five percent (25%) of closed cases were withdrawn.

The average time for a party to withdraw a claim was 249 days. The range was 9 – 962 days.⁴⁶

3. Abandoned Cases – 5% of Closures

Claimants failed to either pay the filing fee or obtain a waiver in 30 cases.⁴⁷ These cases were deemed abandoned for non-payment. In 23 of the 30 cases, the claimants were in *pro per*. Before claimants are excluded from this system for not paying the filing fee, they receive three notices from the OIA and are offered the opportunity to apply for fee waivers.

4. Dismissed Cases – 4% of Closures

Neutral arbitrators dismissed 22 cases. Neutral arbitrators dismiss cases if the claimant fails to respond to hearing notices or otherwise to conform to the *Rules* or applicable statutes. Fifteen of these closed cases involved *pro pers*.

5. Summary Judgment – 11% of Closures

Summary judgment was granted to the respondent in 65 cases. In 52 of these cases, or 80%, the claimant was in *pro per*. The most common reasons given by neutral arbitrators were failing to have an expert witness (20 cases), failing to file an opposition (15 cases), exceeding the statute of limitations (6 cases), and no triable issue of fact (23 cases).

The average number of days to close a case by summary judgment was 372 days. The range was 175 – 892 days.⁴⁸

⁴⁶In the case that was withdrawn after 962 days, the claimant’s attorney obtained a 90 day postponement to jointly select a neutral arbitrator. The parties continued the arbitration hearing three times before designating the case complex. Four months after the hearing was continued a fourth time, the claimant’s attorney withdrew the case.

⁴⁷The arbitration filing fee is \$150 regardless of the number of claimants or claims. This is significantly lower than court filing fees except for small claims court. If a Kaiser member’s claim is within the small claims court’s jurisdiction, the claim is not subject to arbitration. Both the OIA and Kaiser inform these claimants of their right to go to small claims court.

⁴⁸In the case that closed in 892 days after a motion for summary judgment, the *pro per* claimant obtained a 90 day postponement and disqualified the first neutral arbitrator. The new neutral arbitrator stayed the matter because the claimant lived in an evacuation area. The *pro per* later obtained an attorney who requested an additional stay due to the medical condition of the claimant, but 14 months later filed a motion to be relieved which was granted. After multiple continuances, a motion for summary judgement was heard and granted. A motion to reallocate the neutral arbitrator’s fees was also heard and granted because the claimant requested various hearings on motions but failed to appear. The fees for those motions were reallocated to the claimant. All other fees were paid

6. Cases Decided After Hearing – 8% of Closures

a. Who Won

Eight percent (8%), or 51, of the cases closed proceeded through a full arbitration hearing to an award. Judgment was for Kaiser in 28 of these cases, or 55%. In two cases, the claimant was in *pro per*. The claimant prevailed in 23 of them, or 45%. None was a *pro per* claimant.

b. How Much Claimants Won

Twenty-three cases resulted in awards to claimants. The range of relief was \$29,999 - \$15,007,152. The average amount of an award was \$1,175,578. A list of the awards made is attached as Exhibit E.

c. How Long It Took

The 51 cases that proceeded to a hearing, on average, closed in 598 days. The range was 157 – 1,646 days.⁴⁹ Cases that go to a hearing are the most likely to employ the special procedures discussed in Section VII.B to give the parties extra time. If only regular cases are considered, the average to close was 435 days.

by Kaiser.

⁴⁹In the case that took 1,646 days to close after a hearing, the claimant's attorney obtained a 90 day postponement. Shortly after the appointment of a neutral arbitrator, the case was designated complex (60 witnesses scheduled to testify) but later designated extraordinary because it also involved a 3 ½ year old child with developing medical conditions. The hearing was continued four times but eventually went forward and resulted in a \$1,019,292 award for claimant.

B. Cases Using Special Procedures

1. Expedited Procedures

The *Rules* include provisions for cases which need to be expedited, that is, resolved in less time than 18 months. Grounds for expediting a case include a claimant's illness or condition raising substantial medical doubt of survival, a claimant's need for a drug or medical procedure, or other good cause.⁵⁰

Claimants in five cases requested that their cases be expedited. All of the requests were made to the OIA. Four requests were granted and one was denied. Kaiser objected to three of the requests; two were granted and the other was denied. In one other case, the request was made to the neutral arbitrator last year but was granted this year.

The OIA had four open expedited cases pending at the beginning of the year. Four expedited cases closed. Two settled, and the other two proceeded to an arbitration hearing. The claimants prevailed in both cases, one receiving \$430,331 and the other \$15,007,152. The average for these cases to close was 274 days, and the range was 105 – 360 days. Three expedited cases remained open at the end of the year.

Although originally designed to decide benefit claims quickly, none of the expedited cases involved benefit or coverage issues.

2. Complex Procedures

The *Rules* also include provisions for cases that need more time. In complex cases, the parties believe that they need 24 – 30 months.⁵¹ The designation does not have to occur at the beginning of a case. It may be made as the case proceeds and the parties develop a better sense of what evidence they need. There were 59 cases designated as complex. Fifty-two complex cases closed. The average length of time for complex matters to close was 591 days, about 19 months. The range was 267 – 1,107 days (about 36 months).⁵²

⁵⁰Exhibit B, Rules 33 – 36.

⁵¹Exhibit B, Rule 24(b).

⁵²In the complex case that took 1,107 days to close, Kaiser disqualified the first neutral arbitrator and claimant's attorney sought four continuances from the new neutral arbitrator. Nearly two years later, claimant's attorney filed a motion to be relieved which was granted. The pro per then sought two additional continuances before requesting a dismissal of the case by the neutral arbitrator.

3. Extraordinary Procedures

Extraordinary cases need more than 30 months for resolution.⁵³ Eleven cases were designated extraordinary and fifteen cases closed. The average time to close an extraordinary case was 1,158 days, just over 3 years. The range was 568 – 1,869 days.⁵⁴

4. Rule 28 Extensions of Time to Close Cases

Rule 28 allows neutral arbitrators to extend the deadline for a case to close past the eighteen month deadline if “extraordinary circumstances” warrant it. Neutral arbitrators made Rule 28 determinations of “extraordinary circumstances” in 69 cases. Seventy-six cases with a Rule 28 designation closed. The average time to close cases with a Rule 28 extension was 678 days. The range was 174 – 1,186 days.⁵⁵

According to the neutral arbitrator orders granting the extensions, the claimant’s side requested three, the respondent’s side requested one, and the parties stipulated seven times. Ten orders noted that there was no objection. Sixty-one orders stated there was good cause or extraordinary circumstances. Where neutral arbitrators gave specific reasons, the most common reasons were problems with medical experts.

VIII. THE COST OF ARBITRATIONS IN THE OIA SYSTEM

A. What Fees Exist in OIA Arbitrations

Whether in court or in private arbitration, parties face certain fees. In an OIA arbitration, in addition to attorney’s fees and fees for expert witnesses, a claimant must pay a \$150 arbitration filing fee and half of the neutral arbitrator’s fees. State law provides that neutral arbitrator’s fees be divided equally between the claimant and the respondent.⁵⁶ In addition, state law provides that if the claim is for more than \$200,000, the matter will be heard by an arbitration panel, which

⁵³Exhibit B, Rule 24(c).

⁵⁴The extraordinary case that took 1,869 days to close was originally designated complex because the claimant’s attorney had pending litigation in court and problems with the named parties in the current arbitration which needed to be cured before proceeding. Nineteen months later, the case was designated extraordinary and held in abeyance for nearly two years pending the results of a criminal investigation in order to protect the respondent’s 5th Amendment privileges. Claimant’s attorney attempted to transfer and consolidate the arbitration with a related court case but failed. Nearly five years after the case was filed, claimant’s attorney withdrew and two months later, claimant failed to appear pursuant to an order and the case was dismissed.

⁵⁵In the case with a Rule 28 extension that took 1,186 days to close, the claimant’s attorney obtained a 90 day postponement. The hearing was then continued four times before the case settled.

⁵⁶California Code of Civil Procedure §1284.2.

consists of three arbitrators – a single neutral arbitrator and two party arbitrators, one selected by each side. Parties may waive their right to party arbitrators.

The OIA system provides mechanisms for a claimant to obtain a waiver of either the \$150 arbitration filing fee and/or the claimant’s portion of the neutral arbitrator’s fees and expenses. These provisions are discussed below. When claimants ask for waiver information, they receive information about the types of waiver and the waiver forms. The claimants can thus choose which waiver(s) they want to submit.

B. Mechanisms Claimants Have to Avoid These Fees

There are three mechanisms for waiving some or all of these fees. The first two are based on financial need and required by statute. The third is open to everyone.

1. How to Waive Only the \$150 Arbitration Filing Fee

This waiver is available to individuals whose gross monthly income is less than three times the national poverty guidelines. The OIA informs claimants of the existence of this waiver in the first letter we send to them. They have 75 days to submit the form, from the date the OIA receives their demands for arbitration.⁵⁷ According to statute and Rule 12, this completed form is confidential and only the claimant and claimant’s attorney know if a request for the waiver was made or granted. If claimants’ income meets the guidelines, the \$150 arbitration fee is waived.

2. How to Waive Both the Arbitration Filing Fee and the Neutral Arbitrators’ Fees and Expenses

This type of fee waiver, which is required by state law, depends upon the claimants’ ability to afford the cost of the arbitration filing fee and the neutral arbitrators’ fees. Claimants must disclose certain information about their income and expenses. The fee waiver application is based on the form used by the state court for waiver of the filing fee to allow a plaintiff to proceed *in forma pauperis*. According to the *Rules*, the form is served on both the OIA and Kaiser. Kaiser has the opportunity to object before the OIA grants or denies this waiver.⁵⁸ If this waiver is granted, a claimant does not have to pay either the neutral arbitrator’s fees or the \$150 arbitration filing fee. A claimant who obtains this waiver is allowed to have a party arbitrator, but must pay for the party arbitrator.

⁵⁷California Code of Civil Procedure §1284.3; Exhibit B, Rule 12.

⁵⁸See Exhibit B, Rule 13.

3. How to Waive Only the Neutral Arbitrators' Fees and Expenses

The *Rules* also contain provisions to shift to Kaiser the claimants' portion of the neutral arbitrators' fees and expenses.⁵⁹ For claims under \$200,000, the claimant must agree in writing not to object later that the arbitration was unfair because Kaiser paid the fees and expenses of the neutral arbitrator. For claims over \$200,000, the claimant must also agree not to use a party arbitrator.⁶⁰ No financial information is required. The waiver forms are served on Kaiser, the neutral arbitrator, and the OIA.

C. Number of Cases in Which Claimants Have Shifted Their Fees

1. The \$150 Arbitration Filing Fee

The OIA received 74 forms to waive the \$150 filing fee. The OIA granted 65 and denied 9.⁶¹ Thirty-one of these claimants received both a waiver of the filing fee and the waiver of the neutral arbitrators' fees and expenses. By obtaining the waiver of the filing fee, the neutral arbitrator selection process can begin immediately, without waiting for the second waiver to be granted.

2. The \$150 Arbitration Filing Fee and the Neutral Arbitrators' Fees and Expenses

The OIA received 60 completed fee waiver applications. The OIA granted 57 waivers and denied 3.⁶² Kaiser objected to two requests, one was denied and the other was granted.

3. The Neutral Arbitrators' Fees and Expenses

State law requires arbitration providers, such as the OIA, to disclose neutral arbitrators' fees and fee allocations for closed cases.⁶³ We received fee information from neutral arbitrators for 509 cases that closed.

⁵⁹See Exhibit B, Rules 14 and 15.

⁶⁰If the claimant waives his/her right to a party arbitrator but Kaiser wants to proceed with party arbitrators, Kaiser will still pay all of the neutral arbitrator's fees and expenses.

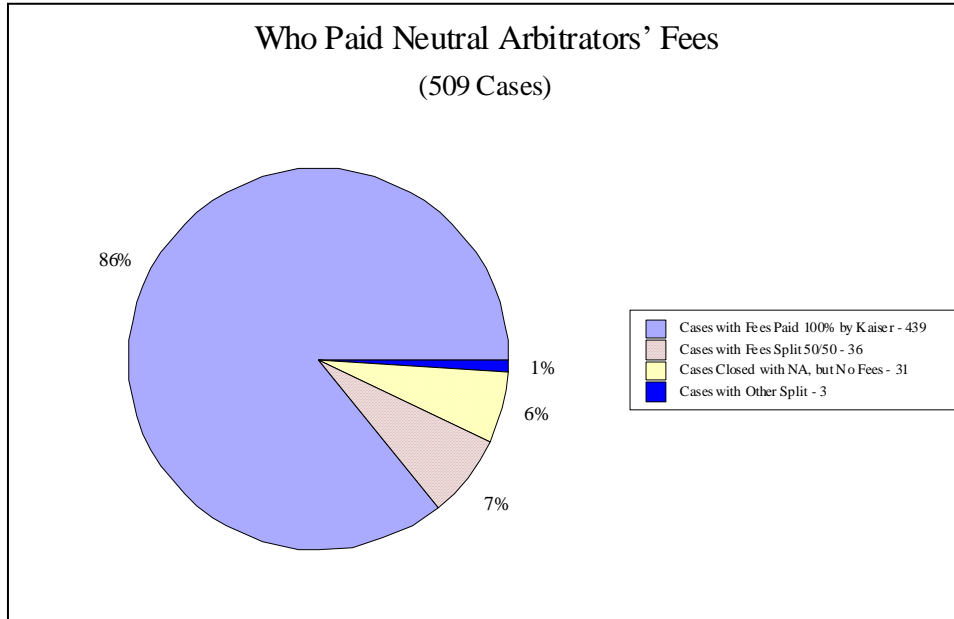
⁶¹Two had the other fee waiver granted. Six paid the filing fee and one case is pending.

⁶²One claimant qualified by submitting the other waivers described in the next section. One claimant submitted a second request providing additional information and it was granted. The other claimant submitted the request after the case had closed and it was denied.

⁶³California Code of Civil Procedure §1281.96. This information is available on the OIA website.

In these cases, fees were allocated 100% to Kaiser in 439 cases, or 86%. In 31 cases, or 6%, no fees were charged. Fees were split 50/50 in 36 cases, or 7%.⁶⁴ See Chart 12. In 478 cases where the neutral arbitrators charged fees, Kaiser paid all of the neutral arbitrators' fees in 92% of the cases.

Chart 12



D. The Fees Charged by Neutral Arbitrators

Members of the OIA pool set their own fees. They are allowed to raise their fees once a year, but the increases do not affect cases on which they have begun to serve. The fees range from \$150/hour – \$975/hour. The average hourly fee was \$495. Some neutral arbitrators also offer a daily fee. This range was \$1,050/day – \$9,000/day. The average daily fee was \$4,056.

Looking at the 478 cases in which neutral arbitrators charged fees, the average neutral arbitrator fee was \$8,771. The range was \$190 – \$115,605. This excludes the 31 cases in which there are no fees. The average for all cases, including those with no fees, was \$8,236.

The arbitrators' fees described in the prior paragraph include many cases where the neutral arbitrator performed relatively little work. If only the cases where the neutral arbitrator wrote an award are considered, the average neutral arbitrator fee was \$34,810. The range was \$6,318 – \$81,299.

⁶⁴Three cases had different splits, with Kaiser paying less than 100% (99%, 98% and 82%).

IX. ANALYSIS OF LIEN CASES

This section applies only to lien cases. In lien cases, unlike the other demands for arbitration, Kaiser makes the demand against a member to recoup the costs of medical care it provided where Kaiser asserts the member has recovered something from a third party, such as in a car accident. Kaiser submitted 15 demands for arbitration based on liens. Geographically, 13 of them came from Northern California, 2 from Southern California, and none from San Diego.

A. Demands for Arbitration Submitted by Kaiser to the OIA

1. Length of Time Kaiser Takes to Submit Demands to the OIA

Under the *Rules*, Kaiser must submit a demand for arbitration to the OIA within 10 days of serving the demand on the member. The average length of time that Kaiser took to submit demands to the OIA was 70 days. The mode was 0. The range was 0 – 221 days. Thirteen of the 15 cases were late. The average for “late” cases was 80 days, the mode was 28, and the range was 14 – 221.

2. Members With and Without Attorneys

Members were represented by counsel in 53%, or 8 cases. In 47% of cases, the members represented themselves.

B. Selection of the Neutral Arbitrators

Neutral arbitrators were selected in 11 cases. The next sections discuss different aspects of the neutral arbitrator selection process: 1) whether the neutral was selected by joint selection or strike and rank; 2) the cases in which a postponement of the time to select a neutral was made; 3) the cases with disqualifications; and 4) the overall time it took to select a neutral arbitrator.

1. Joint Selections vs. Strike and Rank Selections

One neutral arbitrator was jointly selected by the parties. Ten neutral arbitrators were selected by strike and rank.

2. Cases with Postponements of Time to Select Neutral Arbitrators

There were four cases where the member obtained a Rule 21 postponement of the time to respond to the LPA.

3. Cases with Disqualifications

There was one case where the member disqualified the neutral arbitrator.

4. Length of Time to Select a Neutral Arbitrator

The first category in this section reports cases with no delay in selecting the neutral arbitrator. The second reports cases with postponements. The third section reports cases with disqualifications. Finally, we give the overall average number of days to select a neutral arbitrator for all cases.

a. Cases with No Delays

There were nine cases where a neutral arbitrator was selected that had no delay. Under the *Rules*, the maximum number of days to select a neutral arbitrator when there is no delay is 33 days. The average number of days to select a neutral arbitrator was 29, the mode was 28, and the range was 23 – 49. This category represents 82% of all selections.

b. Cases with Postponements

The member requested a Rule 21 postponement in one case. It took 119 days to select a neutral arbitrator.

c. Cases with Disqualifications

In the one case where a neutral arbitrator was selected and the only delay was that a neutral arbitrator was disqualified, it took 69 days.

d. Average Time for All Cases

The average number of days to select a neutral arbitrator in all of these cases was 41 days.

5. Cases With Party Arbitrators

No lien case has ever had party arbitrators.

C. Maintaining the Case Timetable

1. Suspensions

No neutral arbitrator was suspended in a lien case.

2. Mandatory Settlement Meeting

The OIA received six notices from the parties that they held an MSM. None reported settlements.

3. Status of Open Lien Cases Administered by the OIA on December 31, 2017

There were three open lien cases at the end of the year. One was still in the process of selecting a neutral arbitrator. Two had selected a neutral arbitrator and held Arbitration Management Conferences.

D. The Cases That Closed

Twenty-four lien cases closed. Cases close either because of: 1) action by the parties (cases that are settled, withdrawn, or abandoned), or 2) action of the neutral arbitrator (cases are decided after a hearing). This discussion looks at each of these methods, how many closed, and how long it took.

Cases closed on average in 248 days (about 7 months). The range was 50 – 506 days. No case closed late.

1. How Cases Closed

a. Settlements – 37.5% of Closures

Nine of the 24 cases settled. The member was in *pro per* in two cases. The cases closed on average in 220 days. The range was 50 – 416 days.

b. Withdrawn Cases – 12.5% of Closures

The OIA received notice that Kaiser withdrew three cases. The member was in *pro per* in one case. Kaiser withdrew the cases on average in 174 days.

c. Summary Judgment – 17% of Closures

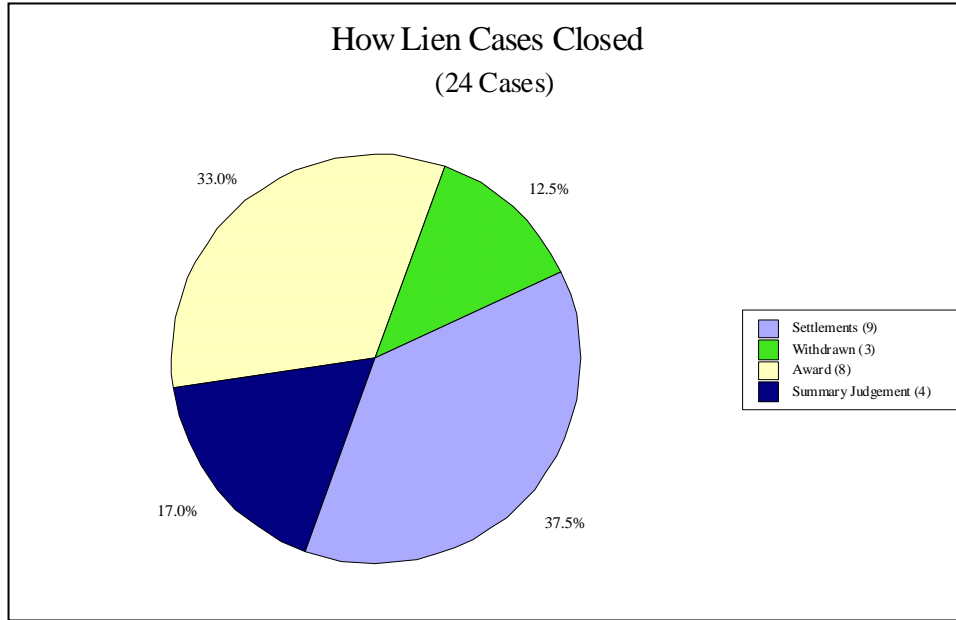
Summary judgment was granted in Kaiser's favor in four cases. The member was in *pro per* in all four cases. Failing to file an opposition (three cases) and no triable issue (one case) were the reasons given by the neutral arbitrator. The cases closed on average in 346 days.

d. Cases that Closed after Hearing – 33% of Closures

Eight cases proceeded through a full arbitration to an award. The member prevailed in one case while Kaiser prevailed in seven cases. The average amount of an award was \$74,626 with a range of \$16,436 – \$375,295.⁶⁵ The member was in *pro per* in six cases. The cases closed on average in 255 days with a range of 112 – 506 days.

⁶⁵A list of the awards made in 2017 is attached as Exhibit E.

Chart 13



2. Cases Using Special Procedures

For a discussion of expedited, complex, and extraordinary procedures or Rule 28 extensions, see Section VII.B. No lien case has ever been designated expedited or extraordinary. No case was designated complex and no neutral arbitrator used Rule 28 to extend the time for a case to close.

E. The Cost of Lien Arbitrations in the OIA System

1. Number of Lien Cases in Which Members Have Shifted Their Neutral Fees

We have fee information for 20 cases. There were no fees in one case. In the cases with fees, they were allocated 100% to Kaiser in 15 cases, and split 50/50 in 4.

2. The Fees Charged by Neutral Arbitrators

In the 19 cases in which neutral arbitrators charged fees, the average was \$2,655. The range was \$863 – \$5,421.

X. EVALUATIONS OF NEUTRAL ARBITRATORS AND THE OIA SYSTEM

When cases close, the OIA sends forms to counsel for the parties, *pro per* claimants and neutral arbitrators asking them questions about the neutral arbitrator, the arbitration process, the OIA, or all of the above. This section discusses the highlights of the responses we received from the parties and the arbitrators. The complete statistics and copies of the forms are set out in Exhibits F, G, and H, respectively. This section considers all evaluations returned in all cases, including liens.

A. The Parties Evaluate the Neutral Arbitrators

The OIA was informed by parties that it sent out neutral arbitrator evaluations in too many cases in which the neutral arbitrator had little contact other than the AMC. Parties reported that the information in such cases was not useful to evaluate the neutral arbitrator. Therefore, in 2013, the OIA began sending neutral arbitrator evaluations to counsel for the parties or *pro per* claimants only in cases in which the neutral arbitrator made a decision that ended the case.

The form asks parties to evaluate their experience with the neutral arbitrator in 11 different categories including fairness, impartiality, respect shown for all parties, timely response to communications, understanding of the law and facts of the case, and fees charged. Most important, they are asked whether they would recommend this neutral to another person with a similar case. The inquiries appear in the form of statements, and all responses appear on a scale of agreement to disagreement with 5 being agreement and 1 disagreement. The evaluations are anonymous, though the people filling out the forms are asked to identify themselves by category and how the case closed.

The OIA sent 312 evaluations and received 100 responses in return, or 32%. Twenty-seven identified themselves as claimants (7) or claimants' counsel (20), and 67 identified themselves as respondents' counsel. Six did not specify a side.⁶⁶

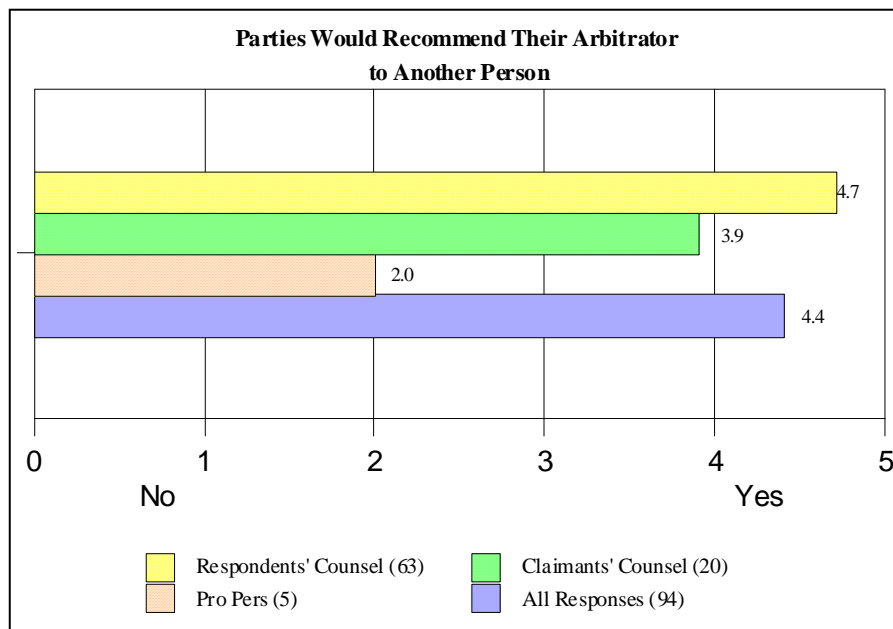
Table 5 highlights the average responses to some of the inquiries.

⁶⁶These responses are included only in the overall averages.

Question	Claimants' Counsel	Pro per	Respondents' Counsel	Not Specified	Total
Impartial and treated parties fairly	4.4	2.4	4.9	5.0	4.6
Treated parties with respect	5.0	3.4	5.0	5.0	4.9
Explained procedures and decisions clearly	4.2	3.0	4.8	5.0	4.6
Understood applicable law	4.4	2.7	4.8	5.0	4.6
Understood facts of the case	4.3	2.3	4.8	5.0	4.6
Fees reasonable for work performed	4.6	3.0	4.8	4.8	4.7
Would recommend this neutral	3.9	2.0	4.7	5.0	4.4

As shown in Chart 14, the average on all responses when asked whether they would recommend this neutral to another person with a similar case was 4.4.

Chart 14



B. The Neutral Arbitrators Evaluate the OIA System

Under Rule 48, when cases close, the neutral arbitrators complete questionnaires about their experiences with the *Rules* and with the overall system. The information is solicited to evaluate and improve the system. As with the evaluations sent to the parties to evaluate the neutral arbitrators, in 2013 the OIA began sending these forms to neutral arbitrators only in cases where the neutral arbitrator closed the case. The reasoning is similar: if the neutral arbitrator has not done much other than hold an AMC, the neutral arbitrator may not have much experience upon which to judge the system. The OIA sent questionnaires in 156 closed cases and received 153 responses. The results continue to show a high degree of approval of, and satisfaction with, the *Rules* and the OIA.

The neutrals average 4.8 in saying that the procedures set out in the *Rules* had worked well in the specific case. The responses average 4.9 in saying that based on this experience they would participate in another arbitration in the OIA system. They average 4.9 in saying that the OIA had accommodated their questions and concerns in the specific case.

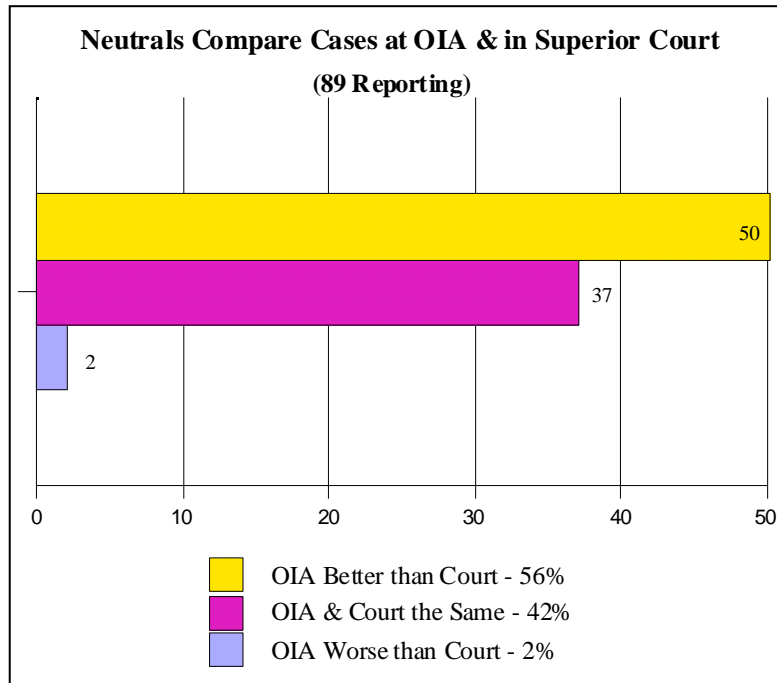
The questionnaires also includes two questions that ask arbitrators to check off features of the system which worked well or poorly in the specific case. The vast majority of those who responded were positive.

Table 6 - Neutral Arbitrators' Opinions Regarding OIA System

Feature of OIA System	Works Well	Needs Improvement
Manner of neutral arbitrator's appointment	107	3
Early management conference	103	1
Availability of expedited proceedings	46	2
Award within 15 business days of hearing closure	52	9
Claimants' ability to have Kaiser pay neutral arbitrator	98	5
System's rules overall	112	1
Hearing within 18 months	60	1
Availability of complex/extraordinary proceedings	36	0

Finally, the questionnaires ask the neutrals whether they would rank the OIA experience as better, worse, or about the same as a similar case tried in court. Eighty-nine neutral arbitrators made the comparison. Fifty, or 56%, said the OIA experience was better. Thirty-seven, or 42%, said it was about the same. Two (2%) said the OIA experience was worse.⁶⁷

Chart 15



Most neutral arbitrators generally praised the system, OIA, or *Rules*. Many, however, mentioned difficulties with *pro pers*, and their inability to follow procedures. Several neutrals asked for more time for awards, a few reported difficulty in collecting their fee, while some requested all communications and transmittal of documents be made electronically.

C. The Parties Evaluate the OIA System and Ease of Obtaining Medical Records

The OIA sends the parties an additional one page evaluation of the OIA system and the ease of obtaining medical records. The form is similar to, but shorter than, the form sent to the neutral arbitrators.

As with the other forms, this asks the recipients, on a scale from 1 to 5, whether they agree or disagree. A “5” is the highest level of agreement.

⁶⁷ One neutral arbitrator complained about the difficulty in maintaining contact with a *pro per* claimant. The other neutral was unhappy about not collecting ½ of the payment from a member in a lien case.

The OIA sent 1,114 evaluations and received 238 responses, or 21%.⁶⁸ One hundred and one identified themselves as either claimants (20) or claimants’ counsel (81), and 120 identified themselves as respondents’ counsel. Seventeen did not specify a side.

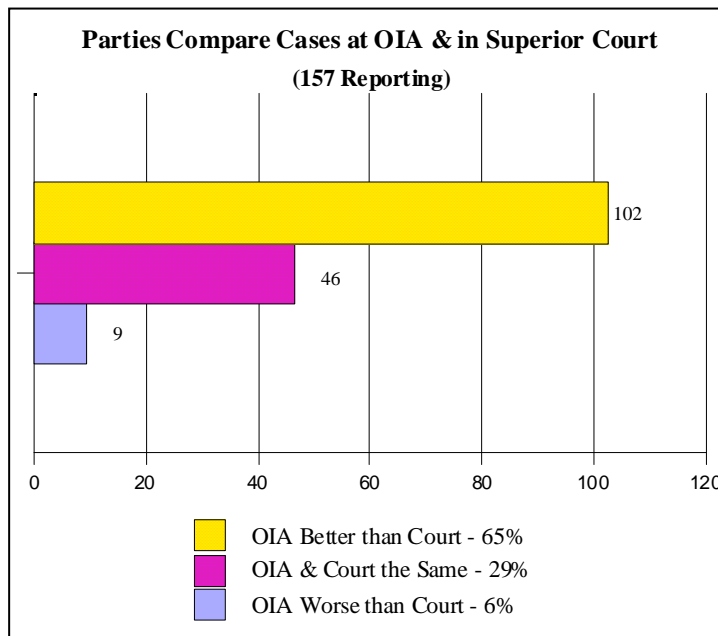
Table 7 highlights the average responses for some of the inquiries.

Table 7 - Parties’ Evaluations of the OIA System

Question	Claimants’ Counsel	Pro per	Respondents’ Counsel	Not Specified	Total
Procedures worked well	4.2	3.4	4.9	4.4	4.5
Obtaining medical records went well	3.8	3.4	4.9	4.5	4.4
OIA responsive to questions/concerns	4.7	4.3	4.9	4.5	4.8

The form also asked the parties if they have had a similar experience in Superior Court and, if so, to compare the two. Of the 157 people who made the comparison, 102 said it was better. Forty-six said it was the same. Nine said it was worse.

Chart 16



⁶⁸Six people returned blank forms.

In general, the most common subject of concern was the neutral arbitrator pool, with opinions that it should be more diverse, objections to the lack of a jury, or that it was inherently biased. The next most common comment concerned obtaining medical records. Those who responded called for making records more accessible, less expensive, and preferred receiving hard copies to electronic versions. There were several requests to change the deadline for the MSM to 60-90 days before the scheduled arbitration hearing, noting that its current deadline of six months from the AMC is too early. There were also a few suggestions to extend the deadline to close a case when a 90 day postponement has been granted. *Pro per* claimants once again expressed their frustration in navigating a legal system without a lawyer. Finally, some complained that the neutral arbitrator fees are too high.

XI. THE ROLE OF THE ARBITRATION OVERSIGHT BOARD

A. Membership

Cornelius Hopper, Vice President for Health Affairs, *Emeritus*, of the University of California System, announced his resignation as the chair of the ABO. Dr. Hopper will remain as vice-chair until his retirement in March 2018. Richard Spinello, retired Executive Director of Financial Risk and Insurance, Children's Hospital of Orange County, became the chair.

Two AOB members retired: Albert Ybarra, the former Secretary-Treasurer of Orange County Central Labor Council, AFL-CIO who served as the labor representative on the AOB, and Rosemary Manchester, a former volunteer counselor with the Health Insurance and Counseling Programs who served as the member representative. The selection of their replacements is in progress.

The members represent various stakeholders in the system, such as Kaiser Health Plan members, employers, labor, plaintiff bar, defense bar, physicians, and hospital staff. There are also outstanding public members. Six are attorneys. No more than four may be Kaiser affiliated. Changing the *Rules* requires the agreement of two-thirds of all the members of the AOB, as well as a majority of the non-Kaiser related board members.

The membership of the AOB is a distinguished one and in alphabetical order, are:

Doris Cheng, medical malpractice attorney representing claimants, San Francisco.

Patrick Dowling, M.D., M.P.H., Professor and Chair Family Medicine, David Geffen School of Medicine at UCLA, Los Angeles.

Sylvia Drew Ivie, Special Assistant to the President, Charles R. Drew University of Medicine and Science, Los Angeles.

Cornelius Hopper, M.D., Vice President for Health Affairs, *Emeritus*, of the University of California System, Oakland.

Beong-Soo Kim, Vice President and Assistant General Counsel, Kaiser Foundation Health Plan, Pasadena.

Bruce R. Merl, M.D., Director of Medical-Legal Affairs, The Permanente Medical Group, Oakland.

Kenneth Pivo, medical malpractice attorney representing respondents, Santa Ana.

Honorable Cruz Reynoso, Professor of Law Emeritus, King Hall School of Law, University of California, Davis, and former California Supreme Court Justice, Davis.

Richard Spinello, retired Executive Director of Financial Risk and Insurance, Children's Hospital of Orange County.

Donna L. Yee, MSW, Ph.D., Chief Executive Officer of the Asian Community Center of Sacramento Valley, Sacramento.

Steven R. Zatkan, retired Senior Vice President and General Counsel, Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals, Oakland.

B. Activities

The AOB takes an active role. It meets quarterly to review the operation of the OIA and to receive reports from OIA staff. This includes quarterly reports of statistics similar to those included in the annual reports.

The AOB requested changes to the OIA's quarterly reports of statistics. More specifically, it requested that the OIA separate Rule 28 and complex cases in its report of the length of time to close these cases. It also requested further analysis of why cases close by summary judgment in cases where claimants were represented.

The needs of *pro pers* remain a concern of the AOB. It requested that the OIA provide instances of the OIA's interaction with *pro pers* and discussed if further changes to the "pro per handout" are warranted. See Exhibit B, Rule 54.

The AOB requested that the OIA contact neutral arbitrators who resign from the panel and inquire as to their reasons for resignation.

It formed a Rules Sub-committee to address potential changes to the OIA *Rules*.

The AOB also discussed at length ideas to improve the diversity of the OIA panel of neutral arbitrators.

Finally, the AOB also reviews the draft annual report and comments upon it. Exhibit I is the AOB Comments on the Annual Report for 2017.

XII. TRENDS AND DATA OVER THE YEARS OF OPERATION OF THE OIA

This report describes a mature arbitration system which is continuously improving. The OIA publishes this report on its website and sends copies to those who request it. The annual reports provide more information about the OIA's arbitrations than any other arbitration provider.⁶⁹ The OIA website provides a searchable database of all its cases since January 1, 2003, in addition to the sortable database about cases received in the past five years as required by state law.⁷⁰ Redacted decisions issued by the OIA neutral arbitrators within the last five years are also available on the OIA website. The OIA posts this information for the parties and the public.

Using the data that the OIA has published in prior reports, this section considers the operation of the OIA over time. As in the preceding sections, lien cases are only considered in the first three Sections (A, B, and C) and the last (K).

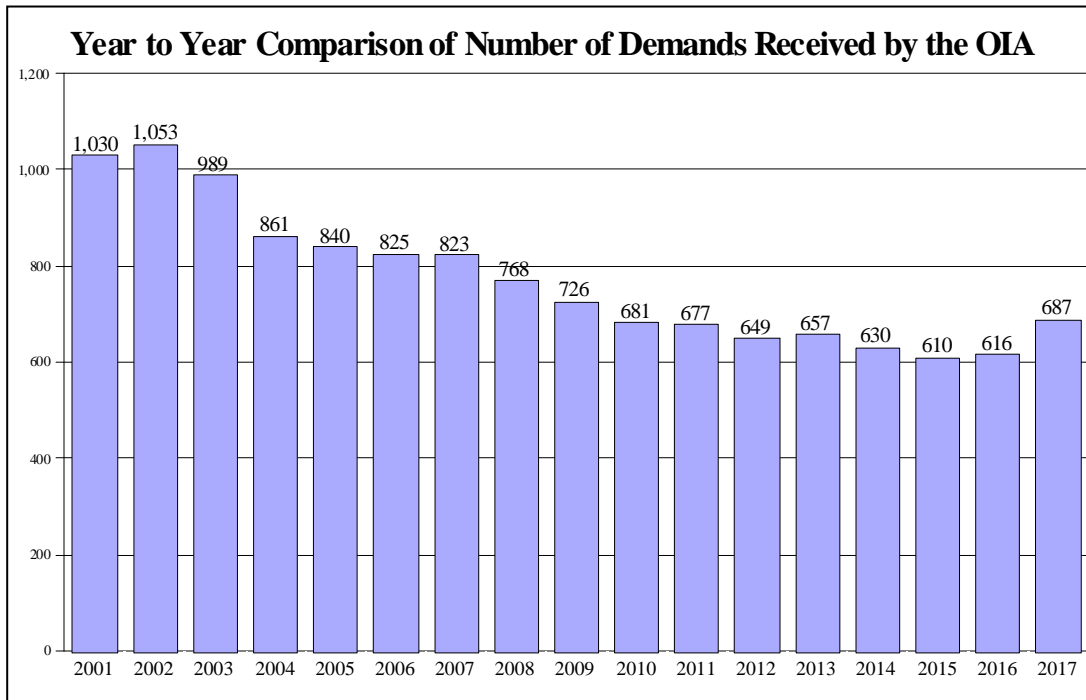
A. The Number of Demands for Arbitration

In 2017, the OIA received 687 demands for arbitration. Although the number of demands has varied by no more than 28 since 2010, this year saw the largest increase since 2002. Chart 17 shows the sharpest decline occurred between 2003 and 2004 (a decrease of 128) with the largest increase from 2016 to 2017 (an increase of 71).

⁶⁹A member of the National Academy of Science's Committee on Science, Technology, and Law published an article largely based on the OIA's annual reports. "Can Mandatory Arbitration of Medical Malpractice Claims be Fair? The Kaiser Permanente System," published in the November, 2015 *Dispute Resolution Journal*, Vol. 70, No. 3.

⁷⁰No names of individual claimants or respondents are included, only corporate entities.

Chart 17



B. The Number of Neutral Arbitrators Has Decreased

The number of neutral arbitrators has remained relatively stable, normally declining in odd numbered years, like this year when neutral arbitrators are required to submit updates, and increasing the next year. This year, 40 neutrals left the pool, leaving 228 neutral arbitrators – 21 fewer than last year when the pool contained 249 neutrals.⁷¹ The pool has ranged from 349 at the end of 2000 to a new low of 228 in 2017. On average, 38% have been retired judges. This year, 42% are retired judges. The composition of the pool of neutral arbitrators includes those who have plaintiff’s side experience and those who have defendant’s side experience. Ninety-three percent (93%) report medical malpractice experience.

C. The Number Who Served

The percentage of neutral arbitrators who have served in any given year remains consistent with the number of demands. It reached a high of 70% in 2003, when the OIA received 989 demands for arbitration and had 287 neutral arbitrators in its pool.⁷² Fifty-nine percent (59%) of

⁷¹ This year neutrals were required to update their applications. Fourteen did not submit an update and were therefore removed from the panel for failing to do so.

⁷²By contrast, compared to 2003, this year there were 302 fewer demands for arbitration and 59 fewer neutral arbitrators in the pool.

neutral arbitrators served this year, the same percentage as last year. For the most part, the percentage of neutral arbitrators who have served in any given year has been between 53% and 63%.

D. The Number Who Wrote Awards

The number of neutral arbitrators who have written awards also remained high, ranging from 44 (this year) to 93 (in 2004). Equally important, the vast majority of those neutral arbitrators, 68 – 87%, only wrote a single award in any year. For all neutral arbitrators who wrote awards in 2017, 75% wrote a single award.

E. The Number Who Have Served After Making a Large Award

During the OIA's existence, 97 different neutral arbitrators have made 131 awards of \$500,000 or more in favor of claimants. Most of the neutral arbitrators who made the awards were members of the OIA pool, but ten were not. The awards have ranged from \$500,000 to \$15,007,152.

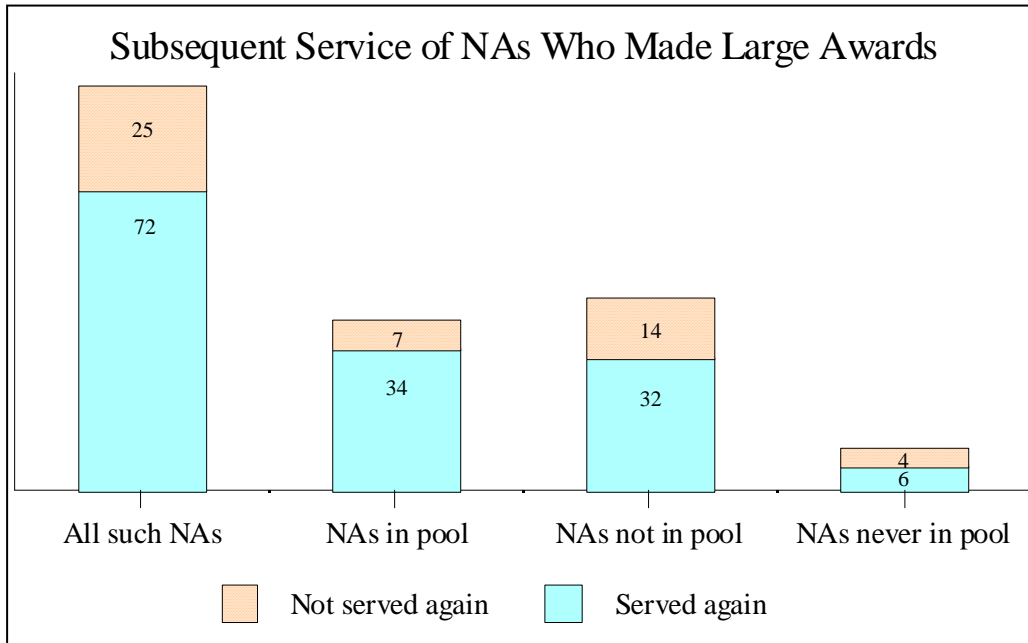
As Chart 18 illustrates, most neutral arbitrators who have made awards of \$500,000 or more served again. Specifically, 72 neutral arbitrators served 1,706 times after making their awards for \$500,000 or more. In almost half of these cases (786), the parties jointly selected the neutral arbitrator.⁷³

Of the 25 neutral arbitrators who were not selected after making their awards for \$500,000 or more, four were never in the OIA pool and 14 left the pool. Seven of the neutral arbitrators who made such awards and were still in the pool have not served again.⁷⁴

⁷³In 2017, 26 neutral arbitrators who made such awards were selected in 103 cases. In 37 of the cases, they were jointly selected.

⁷⁴Four of these neutral arbitrators made their awards in 2017.

Chart 18



F. Claims Primarily Allege Medical Malpractice

The large majority of demands for arbitration are, and have always been, claims that allege medical malpractice. This has ranged from 86 – 97%.⁷⁵ This year 93% of the cases involved allegations of medical malpractice. Benefit claims are generally less than two percent (2%).

G. Claimants Without Attorneys

The average percentage of cases with claimants who are not represented by an attorney was 24%, reaching 29% the first year and dropping to 17% in 2004. This year, 28% of claimants did not have an attorney. Dealing with the concerns raised by *pro per* claimants has been a continuing issue for the OIA, the AOB, and neutral arbitrators. Both the AOB and the OIA have revised forms and the “*pro per* handout” to make them easier for *pro pers* to understand. See Exhibit B, Rule 54. The OIA is also readily available by phone and email to answer questions from *pro per* claimants about the filing fee, neutral arbitrator selection, the *Rules*, and related items.

⁷⁵The range may actually be smaller because during the early years, the OIA categorized a larger percentage of demands as “unknown” when they gave no specifics. Now, Kaiser provides information as to the type of claim being made.

H. The Parties Select Neutral Arbitrators by Strike and Rank in Majority of Cases

The *Rules* give both parties the power to determine who their neutral arbitrator will be – or at least, who their neutral arbitrator will not be. The parties can jointly select anyone who agrees to follow the *Rules* and either party can timely disqualify neutral arbitrators after the selection. The OIA gives both parties identical information about the neutral arbitrators. This includes evaluations of the neutral arbitrators by the parties in earlier cases.

The percentage of neutral arbitrators chosen by strike and rank versus those jointly selected has ranged from 65% (2000 and 2015) to 74% (2003 and 2013). Similarly, the percentage of neutral arbitrators jointly selected who are members of the OIA pool has ranged from 55% (2011) to 84% (2014).⁷⁶ This year, 72% of the neutral arbitrators jointly selected are members of the OIA pool.

I. Less than Half of the Claimants Use Procedures Contained in OIA *Rules* and State Law to Delay Selecting the Neutral Arbitrator, While Time to Select Remains Timely

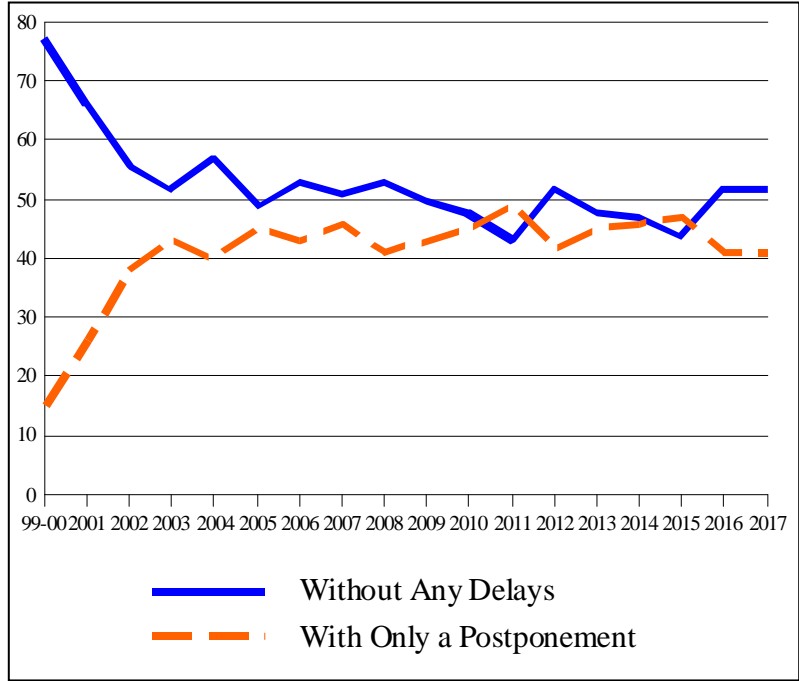
Since 2001, 34 – 57% of the cases used postponement and disqualification allowing more time to select a neutral arbitrator.⁷⁷ Claimants made almost all of the postponements (99%, 6,039 out of 6,074) and the vast majority of disqualifications (78%, 968 out of 1,239). Chart 19 displays the use of the 90 day postponement versus no delays over time.

⁷⁶There have only been 16 cases in which the neutral arbitrator was selected by court order.

⁷⁷A member of the OIA staff contacts the parties to remind them of the deadline to return the List of Possible Arbitrators. When contacting claimants or their attorneys we remind them that they may seek a postponement if they are not able to return their responses by the deadline.

Chart 19

**Year to Year Comparison of Percentage of
Neutral Arbitrators Selected Without Delay vs.
Neutral Arbitrators Selected With Only a Postponement**



The length of time to select a neutral arbitrator has remained consistent since 2003: 24 – 26 days for cases with no postponements. The length of time to select a neutral arbitrator in cases with a postponement has a new low this year of 104 days, 10 days less than the 114 days in 2003 and 2008. Table 8 compares the differing forms of selecting a neutral arbitrator since 2009.

**Table 8 - Year to Year Comparison of No Delay vs. Delays:
Percentage and Average Number of Days to Select Neutral Arbitrators**

	2009	2010	2011	2012	2013	2014	2015	2016	2017
No delay	26 days 50%	25 days 47.7%	25 days 43%	24 days 52%	24 days 48%	25 days 47%	25 days 44%	24 days 51.7%	24 days 51.7%
Only Postponement	113 days 43%	110 days 44.9%	111 days 49%	108 days 42%	108 days 45%	108 days 46%	109 days 47%	110 days 40.9%	104 days 40.8%
Only Disqual.	71 days 3%	80 days 3.5%	72 days 2%	63 days 2%	59 days 2%	66 days 3%	62 days 4%	64 days 3.7%	61 days 3.4%
Postponement & Disqual.	165 days 4%	174 days 3.9%	160 days 6%	175 days 4%	162 days 5%	178 days 4%	173 days 5%	158 days 3.7%	165 days 4.1%
Total Selections	70 days	71 days	75 days	66 days	69 days	71 days	73 days	66 days	64 days

The average number of days to select a neutral arbitrator for all cases dropped by two days to 64 days. While nearly half of the claimants use procedures to delay selecting a neutral arbitrator, the time to select a neutral arbitrator is many times faster than the pre-OIA system.

J. The Parties Consistently Close Most Cases Themselves

The most common way cases close has always been settlement, 40 – 49%. This is followed by cases withdrawn by the claimant, 20 – 28%; cases decided after a hearing, 8 – 18%; and summary judgment, 7 – 13%. The remaining cases were abandoned by the claimant or claimant’s attorney or dismissed by the neutral arbitrator. Table 9 displays the statistics since 2009.

Table 9 - Year to Year Comparison of How Cases Closed

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Settlements	46.5%	44%	44%	44%	44%	46%	44%	44%	47%
Withdrawn	25.6%	25%	26%	26%	27%	27%	26%	25%	25%
Abandoned	4.3%	4%	3%	3%	5%	4%	6%	6%	5%
Dismissed	2.4%	3%	4%	3%	3%	3%	3%	3%	4%
Summary Judgment	7%	11%	11%	11%	9%	13%	10%	12%	11%
Awards	13%	12%	11%	13%	11%	9%	10%	9%	8%

K. The Results After a Hearing

In those cases in which the claimant won after a hearing, the awards have ranged from a single dollar to \$15,007,152. The average was \$487,404. Because the number of cases in any given year is small, the yearly averages can fluctuate greatly from year to year. The lowest average, \$156,001 was in 2001, when the largest award was just over \$1,000,000. The largest average, \$1,282,547, was in 2015, which had an award of \$11,640,000.

Since 2010, the average percentage of cases in which claimants prevailed after a hearing was 36%.⁷⁸ In 2017, 45% of claimants prevailed after a hearing.

L. Cases Close in Twelve Months

The average for all cases was 319 days in 2003 and reached a new high of 368 this year, 5 days more than last year. See Table 10.

⁷⁸Up until 2009, lien cases were included in this percentage. They are now excluded and reported separately in Section IX.

Table 10-Year to Year Comparison of Average Number of Days to Close, by Disposition

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Settlements	375 days	341 days	326 days	330 days	318 days	334 days	344 days	376 days	383 days
Withdrawn	234 days	242 days	268 days	240 days	241 days	226 days	227 days	255 days	249 days
Summary Judgment	366 days	351 days	346 days	343 days	336 days	344 days	371 days	363 days	372 days
Awards	503 days	483 days	555 days	558 days	538 days	510 days	584 days	589 days	598 days
All Cases	357 days	336 days	339 days	340 days	325 days	323 days	342 days	363 days	368 days

The OIA closely follows each case that is still open after 15 months to make sure that the case remains in compliance with the *Rules*. Because of this type of diligence by the neutral arbitrators and the OIA, only 40 cases over time – less than half of one percent – of all closed OIA cases have closed beyond the deadline set by the *Rules*. None closed late in 2017.

M. Claimants Shift Cost of Arbitration to Kaiser in Vast Majority of Cases

California law provides that, absent any other arrangement by the parties, the fees of the neutral arbitrator will be split evenly between the parties. The OIA *Rules*, however, provide several ways to shift those fees to Kaiser and most claimants use them. In 87% of the cases with neutral arbitrator fees that began after January 1, 2003 and ended in 2017, the fees were paid by Kaiser. This is most easily and most commonly done by the claimants signing a form and agreeing not to use party arbitrators. Claimants may also request a waiver based on financial hardship, which also exempts them from paying the \$150 filing fee or giving up the right to party arbitrators. In addition, a waiver created in 2003 by the California Legislature allows claimants who meet certain criteria to avoid the \$150 filing fee.⁷⁹ While some claimants file both waivers, others request only that the \$150 fee be waived, relying on the waiver forms to shift the neutral arbitrators' fees to Kaiser.

N. Neutral Arbitrators and the OIA System Receive Positive Evaluations

Since 2000, the OIA has been sending the parties evaluations of the neutral arbitrators and the OIA. The evaluations ask, among other things, whether the neutral arbitrator treated the parties with respect and whether the parties would recommend the arbitrator to others. The responses to the evaluations have generally been quite positive, especially from the attorneys. This year, the average remained the same for all questions by claimants' attorneys,

⁷⁹Unlike California Superior Courts, the filing fee has not increased during the OIA's operation and is lower than court filing fees (other than small claims).

4.4 (on a 1 – 5 scale). For Kaiser attorneys, the average also remained the same, 4.8. The average for *pro per* claimants increased to 3.3 from 2.0 last year.

The OIA began asking neutral arbitrators to evaluate the OIA system in 2000. The questions ask them to identify whether particular features are useful or not, whether the OIA is helpful or responsive, and to compare the OIA system with the court system. The arbitrators' evaluations have always been positive. This year 98% of the neutral arbitrators and 94% of the parties who answered the question rated the OIA system as good as or better than the state court system.