



August 19, 2014

The Honorable Kamala D. Harris
Attorney General
State of California
1300 "I" Street
Sacramento, CA 95814-2919

RE: Blue Shield's \$2.5 Million Luxury Skybox at Levi's Stadium is More Evidence of Abuse of "Non-profit" Tax-Status – The AG Should Impose a Charitable Trust on Blue Shield's Assets

Dear Attorney General Harris:

California taxpayers and patients were outraged to read the *San Francisco Chronicle's* story this weekend on the "non-profit" Blue Shield's recent purchase of an executive skybox at the 49ers' new Santa Clara stadium that cost between \$2.5 million and \$8 million.

This multi-million dollar skybox, which Blue Shield admits will be used to wine and dine certain corporate "membership groups," is just the latest example of Blue Shield's abuse of its privileged "non-profit" tax-status at the expense of California taxpayers and patients. The company also has amassed a reserve that is \$3.68 *billion* – or 1667% – more than that required by state law. These unnecessary reserves were funded by years of excessive premium charges to California patients.

Blue Shield is organized as a "Nonprofit Mutual Benefit Corporation" and is exempt from California's 8.84% corporate income tax.¹ When corporations like Blue Shield don't pay their share of taxes that fund needed services, Californians suffer. Blue Shield has abused its tax-exempt status and profited as a result. The Attorney General has the authority to impose a "charitable trust" on Blue Shield's assets to ensure that the money that would have benefited Californians but for Blue Shield's non-profit status is not wasted.²

We urge you to investigate Blue Shield's abuse of its non-profit status and use your authority to impose a "charitable trust" on Blue Shield's assets and block any additional wasteful spending that robs taxpayers and average California patients of their financial health.

Proposition 45, a November ballot initiative, will require health care companies to get approval for rate hikes in California. Prop 45 will ensure that companies like Blue Shield are not increasing premium charges to patients to fund excessive executive compensation, lavish

¹ California Physicians' Service dba Blue Shield of California, the parent company of Blue Shield Life and Health Insurance Company, is exempt from California's corporate income tax as a result of its non-profit status.

² Health and Safety Code section 1399.75(e). *See also* Corporation Code section 7135.

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entertainment and excessive reserves. Under current law, the California Department of Insurance does not yet have the authority to block excessive rate increases that funded Blue Shield's skybox. Before November, only you have the power to protect California taxpayers.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Court". The signature is stylized and cursive.

Jamie Court
President, Consumer Watchdog