COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON LABOR AND CIVIL SERVICE

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, April 28, 2011
12:20 p.m.

PRESENT:
COUNCILMAN BILL GREEN, CHAIR
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN CURTIS JONES, JR.
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ

RESOLUTION 110019 - Resolution authorizing the Committee on Labor and Civil Service to hold hearings investigating ways that targeting medical resources can help the City of Philadelphia improve the quality and reduce the cost of providing health care services to its employees and citizens.

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COUNCILMAN GREEN: Good afternoon. I am going to call to order the hearing on Resolution No. 110019 on targeted healthcare.

Would the Clerk please read the resolution.

THE CLERK: Resolution 110019, authorizing the Committee on Labor and Civil Services to hold hearings investigating ways that targeting medical resources can help the City of Philadelphia improve the quality and reduce the cost of providing health care services to its employees and citizens.

COUNCILMAN GREEN: I note for the record that to my left is Councilwoman Quinones-Sanchez. To my right is Councilman Wilson Goode and Councilman Curtis Jones, which constitute a quorum.

The first to testify will be the Law Enforcement Health Benefits organization. Would Tom Lamb please come to testify.

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(No response.)

COUNCILMAN GREEN: Who is here to testify from the Law Enforcement Health Benefits organization?

(No response.)

COUNCILMAN GREEN: No one? Okay. Well, we'll give them some more time, and we'll ask Cathy Scott to come testify, please.

(Witness approached witness table.)

COUNCILMAN GREEN: Good afternoon, Ms. Scott. Please proceed.

MS. SCOTT: Good afternoon, Chairman Green and members of the Committee. My name is Catherine Scott and I am President of AFSCME District Council 47 and I also serve as the Chair of the Board of Trustees of the AFSCME District Council 47 Health and Welfare Fund. We welcome the opportunity to participate in the Committee on Labor and Civil Service's hearings investigating ways that targeting medical resources can

help the City of Philadelphia improve the quality and reduce the cost of providing health care services to its employees and citizens.

I believe I have a unique vantage point from which to view the best health policies. As a longtime labor leader, I have seen firsthand for decades the health challenges that our members and their families face. As a Trustee and now Chair of the Board of Trustees of our Health and Welfare Fund, I am confronted with the need to deploy the Fund's scarce resources strategically to ensure that members and their families receive the health coverage that they need and deserve. These needs are similar to the health needs of many other residents of the City of Philadelphia.

While I am not in a position to make suggestions about the comprehensive targeted healthcare delivery model that is the topic of these hearings, I can share certain tools that the Committee

may want to consider in developing this progressive program.

I am very serious when I talk about the need to deploy health resources strategically. As we all know, it's easy to spend a huge amount of money on healthcare. This city is famous for its many teaching hospitals, superb medical schools and army of world-famous medical specialists. However, too often what's lacking is the basic care, delivered on an ongoing basis that can prevent small or chronic problems from developing over time into hugely expensive problems. As Atul Gawande wrote in his recent New Yorker article, "It's like arriving at a major construction project with nothing but a screwdriver and a crane." But tools of real and effective wellness programs, unglamorous, inexpensive, work-a-day tools, are absent from the approach to wellness most often employed by employers and insurers.

Trustees of the Fund and I have

thought long and hard about the best way to use healthcare dollars. I can share some of the real frustration the Trustees of the Fund experience over the City's refusal to negotiate a collective bargaining agreement with this union in order to reach a reasonable and sustainable level of support for the Health Fund, and I will note the fact that the funds are left with dwindling assets, obviously compromising many progressive programs and the potential long-term savings that could be achieved. In March 2010, our union presented the City with a comprehensive proposal for wellness programs, which I have provided to you. I believe that many of the components of the proposal are relevant to the resolution which this Committee is examining.

Notwithstanding the funding constraint, the Trustees of the District Council 47 Health and Welfare Fund have moved ahead with a program based on

extensive research into wellness programs that really work not only in reducing costs but in actually making people healthier. Before launching any program to manage the health of a large group, regardless of whether it is for the residents of the City of Philadelphia or the participants in the DC 47 Health and Welfare Fund, the sponsor must start with data, lots and lots of data.

This is the approach that Dr. Brenner found he was forced to develop if he was going to get his arms around the medical problems of the people in Camden. The New Yorker article focused in on Dr. Brenner's early reasoning about data. If he could find people whose use of medical care was highest, he figured, he could do something to help them. If he helped them, he would also be lowering their healthcare costs. And if the stats approach to crime was right, targeting those with the highest healthcare costs

would help lower the entire city's healthcare costs. His calculations revealed that just one percent of the hundred thousand people who made use of Camden's medical facilities accounted for 30 percent of its costs. That's only a thousand, about half the size of a typical family physician's panel of patients.

We are all aware of the limp and useless programs that are often called, quote, "wellness," end quote, programs, those that too often consist of postcards that get thrown into the trash upon receipt or generalized communications about quitting smoking or losing weight. The programs that work, by contrast, are personalized and directed to detect and encourage treatment of specific conditions.

After considering many models, we have rolled out a program called Know Your Numbers. The numbers in question include, among others, weight, blood

pressure, blood glucose levels, cholesterol and BMI. This is a pilot program that we developed in partnership with Independence Blue Cross. I will share the details of this program, developed and implemented with Blue Cross, a little later, but it's important to understand the why and how of building a program that can work.

Back to facts. First, we looked at facts; namely, the Fund's detailed claims history. Too often initiatives to curb costs and improve outcomes are not based on the most basic but most important facts that should drive such programs, facts about the medical conditions and the demographics of the targeted population, rather than on generalized ideas from one consultant or another about the latest fad for cost containment.

What the Trustees found, working with a health actuarial firm with sophisticated tools and access to

relevant databases, was that DC 47 Fund participants have a higher prevalence of certain chronic diseases, not only as compared to the other City employees overall but also compared to the entire book of business of Independence Blue Cross. These conditions include asthma, coronary artery disease, congestive heart failure, chronic obstructive pulmonary disease and diabetes. Disappointingly, we also found that our Fund participants and their family members were below the benchmarks in getting the regular tests and checkups that would assist them in monitoring and controlling these conditions.

As the doctors seeking to improve health outcomes found in Camden, each of these conditions, if untreated and unmonitored, can explode in short order to very expensive and debilitating conditions. These five conditions, which affect less than 20 percent of the Fund's participants and their families, account

for nearly half of the dollars spent by the Fund. Therefore, once the Fund knows the conditions to target, what's next? Gather more facts. If you want to have an aggressive, successful targeted health program, you need to know a lot of information about the group you're working with. Again, I urge you not to stint on the data-gathering part of building this program.

We urge the Committee to analyze the level of risk for illness of the target population. Like all groups, the Fund's participants and their families fall across the spectrum of wellness to illness. The most progressive wellness programs divide the population into five categories.

First, healthy individuals.

Second, individuals who are currently healthy, engage in risky behaviors; for example, smoking, not controlling high blood pressure but are not yet symptomatic.

Third, individuals who are reasonably healthy, engage in risky behaviors but are beginning to show symptoms.

Four, individuals who are chronically ill.

And, five, individuals who are seriously ill.

And in order to identify where these individuals are on a wellness spectrum, at least with respect to our most prevalent diagnosis, our Know Your Numbers initiative requires that all participants visit their primary care physician and have the following health measures taken: blood pressure; height and weight measured; cholesterol; total cholesterol; HDL, or good cholesterol; LDL, or bad cholesterol; triglycerides; and blood glucose - hemoglobin A1c.

Next I have the doctor tell him or her their test results. In Year 1 of Know Your Numbers, participants will then be required to complete a personal health

profile, which includes recording this data. The downside of failing to do so will be a less favorable payroll deduction in 2012. The upsides are substantial, both for the participants and the Fund. Participants will have communicated with their primary care physicians, who can explain the significance of the tests, prescribe any needed medication or alternative care available and suggest follow-up care. The Fund will have key information about the health of its participants in order to move to the strategic planning for the next steps in the program for Years 2, 3 and beyond.

I want to emphasize that the Committee will want to consider adding a realtime requirement for obtaining this testing data. If the City relies only on claims data, it will know only the services received. It won't necessarily know the health status of the target population.

The Know Your Numbers campaign grows out of the much more comprehensive targeted wellness program that I mentioned above. Unfortunately, the City responded with the same tired, unproved programs that they call wellness and disease management, but are really only about decreasing benefits and raising costs to participants. As I said earlier, I will leave aside for now the collective bargaining aspects of the City's position. By electing to use no program or programs with very limited demonstrated success, the City is squandering an opportunity to establish progressive models for health management and cost controls and, more importantly, the opportunity to improve the health of its employees.

Any wellness program must have a comprehensive communication program that provides comprehensive and current health information. Our wellness program began on April 1st, 2011. We will be

doing a monthly newsletter which highlights one of the disease conditions discussed earlier. I have a copy of our first newsletter for each of you. And you should have a copy of this. As you can see, we are providing comprehensive information on the provisions of the Healthcare Reform Act, which requires no co-pay for preventative services. We are emphasizing this benefit to our members and providing them with the provider codes so that they can access this care at no cost to themselves.

I also urge the City to consider including in any targeted healthcare program some of the more comprehensive wellness initiatives proposed by our union and the Fund. These include, in addition to work site screening opportunities, much more comprehensive screening, including mineral and vitamin deficiencies; direct communication healthcare providers and educators to patients about programs for

medication compliance, diet and exercise, et cetera, as well as a menu of complementary programs. We believe that the program we've developed is broadly applicable to a wellness model for a broader group, which is why we have shared the union's detailed wellness proposal with the members of this Committee.

We offer a variety of plans. As you can see, the payroll deductions for some of these plans are very significant. And I refer you to Page 4 in the newsletter at the top shows you our different plans that we offer as well as our very significant payroll deduction costs.

We are attempting to create a climate where a culture shift can occur and members can feel comfortable preparing for the visit and questioning their doctor about recommended care and lower-cost alternatives, such as generic drugs rather than brand name drugs. You

will see these things as you go through the newsletter.

Last year our Fund provided participants with Healthier At Home, a guide to self-care and wise health consumerism, and I have a few samples of the books with me, which I've given to the Chair.

We are in discussions with Independence Blue Cross about expanding the network of physicians participating in the medical home model, which is very similar to the Atlantic City model referred to in the New Yorker article. Our Fund Trustees are very committed to the approach we are pursuing, and welcome and support from the City would be welcomed.

Thank you for the opportunity to testify today.

COUNCILMAN GREEN: Thank you for your testimony. This is really an issue that the City and the country can't ignore, and, that is, how to deal with

ever-rising healthcare costs. We're expected to spend $400 million on healthcare this year, more than 35 percent of employee benefit costs and almost ten times the annual budget for the Department of Parks and Recreation. I introduced this resolution to really start the conversation about innovative strategies for, at once, improving healthcare and reducing healthcare costs.

I was prompted in part by the article that you cited, and really the key things there are improving health outcomes by targeting resources and outpatient care to patients with high recurrent medical costs, which was the focus of the article. And the other thing that we're going to talk about today is questioning claims and the ability to get reimbursements for money that somehow seemed to be paid out by our providers every year, millions and millions of dollars, that shouldn't have been paid out and recovering that back

into our system.

Union members and hospital employees in Atlantic City who had or were identified as likely to have high recurrent medical costs were invited to become patients of one center. Approximately 1,200 chronically ill patients elected to join. The union and the hospital piloted an innovative care delivery model at the center, including a monthly flat fee per patient instead of per visit fees, allowing patients -- which was paid for by the insurance company or the employer, allowing patients unlimited access to the center, without co-payments or insurance bills, to encourage the people who are the highest utilizers of healthcare to go get treatment when symptoms first arise or to keep getting recurring treatment to manage their healthcare costs, without any cost associated with that, because their utilization rates were way more expensive than we recovered in co-pays,

et cetera -- or than they did. And using an open access scheduling system to ensure that it's open whenever -- it's available whenever people want to show up.

The center also has an innovative staffing model, which includes eight full-time health coaches, lay people who work with patients to help them achieve their healthcare goals, such as taking prescribed medicine, making changes in diet and exercise, and monitoring chronic conditions, who sort of become the ombudsman for people getting healthcare, making sure they're going to appointments, making sure they're making appointments appropriately, et cetera.

After just one year -- and I find these statistics amazing -- the center delivered reduced costs and improved health outcomes. An independent economist found that healthcare costs for the casino workers had fallen by 25

percent in comparison to those in Las Vegas. As for healthcare outcomes for the center's entire patient population, at the one-year mark, emergency room visits and hospital admissions for these high utilizer patients were down 40 percent, surgical procedures were down 25 percent, and the blood pressure of 501 out of 503 patients with high blood pressure was under control.

In Camden, the physician you mentioned, Jeffrey Brenner, who founded the Camden Coalition Healthcare Providers to focus on super-utilizers, the one percent of patients who account for 30 percent of healthcare costs in Camden, which is astonishing that one percent of patients account for 30 percent of healthcare costs, which was in large part due to frequent ER visits. The grant-funded Coalition delivered patient services through home visits and phone calls and works with patients on issues ranging from medical crisis to unfilled

prescriptions to housing stability. As in Atlantic City, the Coalition's work is resulting in reduced costs and improved outcomes.

So in preparing for this hearing on this topic, I learned about examples right here in Philadelphia where people are using models like non-medical coaches for people getting healthcare, et cetera, and specifically of the Law Enforcement Health Benefits organization, which provides health insurance for the FOP Lodge 5, and I wanted to sort of expose some of the innovative things that are happening there and in your union, DC 47, the firefighters and other places, that are saving the City money and if expanded or if become part of a program that taking the best practices from everybody that get incorporated system-wide, that there's the potential for significant savings.

We'll hear that LEHB saves over $61 million since 2002 based on its

efforts, which includes both cost containment and disease management.

So the goal of this hearing is to provide us, Council, and the public with the opportunity to learn about the innovation that's currently being pursued, including focusing on preventative and comprehensive care, and to start a conversation about how we can expand those efforts.

So I'd like to talk to you specifically about preventative care. You talked a lot about wellness programs, which I certainly think are tremendous. What specifically did you recommend the City do to get the realtime healthcare, realtime Know Your Numbers information so that basically the health status of City employees and your members was known so that they could be targeted if that was appropriate?

MS. SCOTT: Well, let me clarify. The proposal that we made to the City was specifically designed for

our Health Fund. We didn't make proposals for the City's plan itself. However, we do think that the model that we put forth could be applicable to the City's plan as well as our plan.

What we wanted to -- one of the things that you have to be very conscious about when I said we wanted to be very strategic is, there is this erroneous presumption that if people have not been diagnosed with a disease, that they're healthy. Lots of people just don't go to the doctor. And so you are really not able to determine the specific health or lack of health of people unless they are getting a physical examination and they actually do know what their numbers are.

So the suggestion that we made, and it is a very comprehensive proposal that we made to the City, was to try to get as much buy-in as we could for people to get an annual physical, get baseline so the funds would know exactly what the health status is of the majority of their

population. So we focused on -- we've done a lot of research on this, and companies who do this and other funds who do it, if it is work based, there's a higher level of success.

So part of the proposal we made to the City was to develop a work-based opportunity for physical examinations, for getting that testing done, that the City would allow people to go to the place in their workplace to have it done, and those numbers would then be reported to their primary care physician so that you would close the loop and make sure that there was not any gap in information, as well as to them, and then encourage them to do a personal health profile. If they were signing on to the program, they would go through the whole thing.

As it is now, we are not able to do the workplace annual physicals, because there was no buy-in from the City. So we have moved forward with

doing the annual physicals, and, of course, it's up to the person to go to their primary care physician.

In addition, because we know from the data that we've gathered and the Fund paid to have that actuarial evaluation done, we know the five conditions that we need to treat, and the major focus that we did in the program with the City was focusing on diabetes and CVS. So we had two components. One was identifying the high users, because diabetes is a very high prevalence in our particular population. It is also a very debilitating condition, and if not kept in control, it can lead to very high personal costs in healthcare but also high cost to the Fund. So we targeted two specific programs for disease management that we wanted to very aggressively deal with, and those programs include the things that you were talking about earlier, which is having a team that would work on behalf of the

person, some of whom are not physicians but lay people who would be working on it. So people would get nutrition counseling, they would -- if they were in the medical home model, which is sort of the non-clinic version, it's a physician-based version of the clinic model that you were talking about, there is more money that is paid for that model by the insurance company, because there's a higher expectation that people will get a higher level of care.

So generally that was the proposal that we put out to the City to try to address those issues.

COUNCILMAN GREEN: So my question is, will those proposals -- do you have an estimate of potential savings as a result of adoption of those specific programs that has been common citywide that we could expect to see --

MS. SCOTT: Yes. We had return on investment estimates done by The Segal Company, who is the consulting firm that

worked with us. Of course, any of these programs, you have to understand the return on investment. The return on investment was to be 1.5. For every $1 you would spend, you would get 1.5 dollar return initially. Of course, as it goes out, the savings are greater, and one of the advantages we think for the City is because most City employees are long-term employees, they're really making a long-term investment and could really, because there isn't significant turnover in the City, they could really see the fruits of those investments, because people would stay there and they would continue to be healthy.

COUNCILMAN GREEN: Do you have an initial estimate of how much would be spent in the first year?

MS. SCOTT: Our initial proposal to the City was in the area of $2 million for the entire comprehensive program.

COUNCILMAN GREEN: Within your

Fund. So that would result in savings the first year of $3 million -- or a million dollars in savings.

MS. SCOTT: We were estimating that, yes.

COUNCILMAN GREEN: Right. And the savings would increase in the out years?

MS. SCOTT: Yes. That's the expectation, and the health of the -- just as important, the health of the members and City employees also.

COUNCILMAN GREEN: So I'm going to allow my colleagues to ask whatever questions they have for you and then bring up Mr. Gault and then LEHB. And I apologize to everyone. We had two hours for this hearing, so this is a much broader discussion than the time we're allotting for today, and so I would expect that after we get through everybody's testimony, we'll come back and continue this topic based on the information we have. So thank you.

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Councilman.

COUNCILMAN JONES: Thank you, Mr. Chairman, and thank you for conducting these hearings. To operate a government, we have to take care of our employees, and to take care of our employees, we have to be constantly monitoring cost of healthcare, because it is such a huge expense.

I have a couple of questions. In your testimony did you say that members of District Council 47 had particular illnesses in higher proportion than the general workforce? Is that what you said?

MS. SCOTT: Yes. The five diseases that I mentioned in the comparison with Independence Blue Cross' book of business, I'll give you an example. Their average book of business, five percent of their population is diagnosed with diabetes. Ours is 11 percent. So we are more than double the Independence Blue Cross' book of

business.

I am not at liberty to go into other information that was gotten at the Healthcare Committee that everyone participated in, but I can tell you Independence Blue Cross' book of business, ours is double their average.

COUNCILMAN JONES: Without violating any HIPAA regulations, but was it environmental? Was it something -- a lifestyle? What were the factors that made your membership more at risk than others?

MS. SCOTT: Well, you know, without having enough data, it's very difficult to speculate on that. I guess maybe a good answer would be, our members, because they have a good health program, get tested and, therefore, they're diagnosed, where maybe the general public is, because it doesn't have as good a healthcare program, may not go to the doctor, may not know that they actually have -- because this is a

silent killer. I mean, lots of people walk around with diabetes and have no idea that they have it until they're very, very sick.

So I guess we haven't drilled down that much yet, because we are really starting to significantly build that database, but what we do know is that we have a serious problem that needs to get addressed, and that is a condition that we know with changing lifestyle and some other initiatives, increased exercise, et cetera, can become a very controlled condition.

COUNCILMAN JONES: The reason I ask, if it's environmental, we share the same environment.

MS. SCOTT: Right.

COUNCILMAN JONES: These illnesses know no union designation or elected official designation.

MS. SCOTT: I'm going to make a comment, because I have raised this before. I do think that the lack of

supermarkets and having fresh fruit in the City of Philadelphia, especially in a significant number of neighborhoods, I believe contributes to perhaps a higher level of diabetes in the population and a higher level of obesity. I know the City has been working on initiatives to try to bring more supermarkets to neighborhoods, but I don't think that we can ignore that as an environmental issue.

COUNCILMAN JONES: We've learned in other testimony that there are causal relationships between a number of environmental, health and lifestyle choices of particular sections of cities economic groups suffer from, but it was just startling to hear that there were about five or so diseases that were higher in your membership.

Okay. So the unintended consequence of getting better healthcare is more diagnosis of illnesses. That might contribute to the spike in that regard?

MS. SCOTT: It could be. I mean, we are looking at that, and part of the problem -- and I think if this Committee is able to move forward on what your, I think, a very ambitious but good vision for healthcare in the City, you may very well find out as people get tested and more people are seeing the doctor that in fact in Philadelphia it isn't five percent, it's 11 or 12 percent.

COUNCILMAN JONES: I just know when we were listening to the firefighters, that there was an issue dealing with diesel fuel that I never forgot and that -- so I was very worried about the membership.

I want to -- my other question, Mr. Chairman, is that in your statistics and also yours that the issue of one percent of the population costing --

COUNCILMAN GREEN: Thirty percent.

COUNCILMAN JONES: -- thirty

percent of the healthcare piece, how do you plan on addressing that particular population? Just clarify that for me.

COUNCILMAN GREEN: That's not City employees. That's an example in Camden that focused care on moving people from emergency rooms into clinics that dealt with them, and there are models.

COUNCILMAN JONES: But if I heard her testimony correctly, she also had a similar program.

Is that true?

MS. SCOTT: Yes. In looking at the information that we were able to ascertain, there is a percentage of our population that is driving the healthcare costs. It's not one percent. It's higher than one percent. I think what I said was 30 percent of the -- 20 percent of the population is driving 50 percent of the cost.

COUNCILMAN JONES: And I know we have the interest of cost containment and then the interest of good healthcare

provided to members, but how do you approach that particular segment to kind of do two worthwhile things; one, get them the healthcare that they need, but also manage the cost? And I heard the Camden example of how they do it, but how is yours different?

COUNCILMAN GREEN: If you could keep your answer as brief as possible, I would appreciate it.

COUNCILMAN JONES: That was designed at me.

MS. SCOTT: Well, that's why we're pursuing the aggressive disease management program. Once we put that in place, we will be able, we hope, to --

COUNCILMAN JONES: So that's a work in progress?

MS. SCOTT: Yes. Yes -- (continued) more aggressively reach out to the population.

COUNCILMAN GREEN: And with hopefully similar results.

Just for the record, what do

your members -- what do you get per member for healthcare reimbursement under your contract?

MS. SCOTT: Nine hundred and seventy-six dollars per person per month.

COUNCILMAN GREEN: Nine hundred and seventy-six dollars per person. Are you aware of what it costs the City for non-exempt employees?

MS. SCOTT: Well, our actuary believes that the cost is close to $1,100. I believe the City disputes that.

COUNCILMAN GREEN: The City disputes that, okay. So you have far greater benefits than we have, lower deductibles than we have, et cetera; is that true?

MS. SCOTT: I think the HMO at this point, our newest HMO program, is equivalent to the City. Our Personal Choice program is superior.

COUNCILMAN GREEN: Superior, okay.

So I want to say to everybody, we all recognize that most of the things that we're talking about here have to be bargained or arbitrated, and fully hope and expect that that will occur in order so that the City and the unions can have better healthcare but also that as collectively there are more resources available to deal with the other subjects in the contracts that are of importance to everybody in this room.

A couple of things come to mind. I'm just going to mention one of them. As part of collective bargaining, obviously we could provide different co-pays or other things for people who choose to participate in a program of healthcare, annual checkups and providing that data versus people who choose not to participate in that healthcare, a sort of carrot and stick approach to getting the data we need to lower healthcare costs.

MS. SCOTT: And I mentioned in my testimony actually that's a program

that we've undertaken.

COUNCILMAN GREEN: That's great. Thank you very much.

Mr. Gault.

(Witness approached witness table.)

MR. GAULT: Good afternoon, sirs.

COUNCILMAN GREEN: Please state your name for the record and proceed with your testimony. Good afternoon.

MR. GAULT: I'm Bill Gault, President of the Philadelphia Firefighters and Medic Union.

Thank you for inviting me to address the Committee today. My name is Bill Gault. I'm President of IAFF Local 22, and I also chair the IAFF Local 22's Health Plan. I served as a Trustee on the Fund for many years and have been a firefighter in the City for almost 28 years.

My remarks will be brief, as I know you will have many experts and

policymakers here to provide facts, figures and philosophy about targeted healthcare efforts. However, I am a firefighter, and the unique insight I can provide today in this, don't forget the obvious.

Let's start with some basics. In most health plans, only a small group of people use a majority of the healthcare dollars. When we analyzed our claims data with our consultants, we found that 2.9 percent of our population represents 38.2 percent of our costs. This is like the results that Dr. Brenner found when he analyzed the medical costs for the City of Camden; namely, that one percent of the population represents 33 percent of the city's medical costs.

From this, it's clear that what the City needs to do and what our plan has started to do is to target care to where it is most needed. We have spent the past few years working with our consultants and insurance carriers to add

programs targeted to those conditions where we feel improvements on cost and our participants' healthcare can be the most effective.

More of the obvious: Telling people what to do isn't enough. For example, we all know that telling people not to smoke doesn't make people stop smoking. Telling people to exercise doesn't get them off the couch and into the gym. Even financial penalties don't seem to do much to motivate people to take some control of their health.

One of the things that research shows is that the only real way to drive compliance in health and fitness programs is to keep the programs local and personal. We haven't had the support from the City on our wellness and disease management programs. In fact, until the last two years, the City scoffed at our wellness efforts. So we have tried to find programs that address the needs of our members in ways that relate directly

to them.

For example, we partnered with Pfizer Pharmaceuticals on a program to quit smoking. We also partnered with Novartis on a blood pressure program directed specifically at firefighters called "Stop, Drop and Control." We've had some success with each of these programs, but we've been stymied by the City's inflexibility. In order to be really effective, these programs need to be brought to the firehouses, the stations. Both Pfizer and Novartis have agreed to accompany us to the stations to meet with the firefighters to provide information and counseling, but the City has refused to cooperate, and without ready access to the firefighters where they work, a portion of the potential benefit of the programs is lost.

This is also what happened with the HEART program from Nazareth Hospital. It's a great program. The hospital was willing to send staff to the firehouses

to give the test for cholesterol, blood glucose, BMI, blood pressure, et cetera. The program would have given the firefighters great timely information to share with their own physicians about issues they need to address. As I said before, the key to the success of a program like this is keeping it local and personal. But the City again refused to cooperate and a great opportunity was lost.

I'm not here to bash the City, although there may be another occasion to talk about the City's endless appeals of the arbitration award and the terrible effects of the delays and not just on our ability to push forward on creative health strategies. What I am saying is that any effort of the kind of targeted healthcare that you are exploring will require that the City get off its inertia -- there was a different word there -- and think in creative ways. The answer isn't always, No, we don't have

the money. Maybe that's not the problem. Maybe the problem is throwing healthcare dollars down the drain because the City is not willing to think in new ways, which I appreciate what you're doing here, Councilman.

My recommendations is, do your homework, start with the statistical analysis and learn who is sick with what and then tailor the programs to fit the people you're trying to target. As I said, it sounds obvious, but too often healthcare initiatives are based on some grandiose idea that doesn't have any relation to what will actually work. Also, be willing to try something new even if the City has never done it before.

Finally, firefighters in this City see every part of the City every day, and not just the charming neighborhoods. We see more of the corrosive effect of chronic bad health and failed health policies than nearly

any group of City employees. Someone has to take a new look. Local 22 commends you for doing so and supports your efforts.

Thank you.

I've also enclosed at the back of that -- I don't want to read it. It's three more pages of what Local 22 has done in the last two years I've been President, our initiatives.

I'll take any questions, sirs.

COUNCILMAN GREEN: Thank you. Well, I just want to thank you for your testimony and we appreciate your coming in in support for this effort. You know, I want to commend you on what you're trying to do with the City, and hopefully we'll be able to move forward on some comprehensive strategies. Hopefully hearings like this and bringing these issues to light will focus attention where it needs to be focused.

Thank you for your testimony.

I'm sorry. Mr. Jones,

Councilman Jones.

COUNCILMAN JONES: And I'll be brief, Mr. Chairman. I realize we don't get paid by the word.

But I remember in your testimony a couple years back about the diesel fuel emissions that your members face. Has that condition improved any in the firehouses?

MR. GAULT: Some work; some don't. No, it hasn't improved. No, sir, Councilman. And the thing about cancers in firemen is, it's called a latency period. The stuff goes in your system, whether it be inhaled, mouth, skin, absorbed, and the latency period, you don't see the effects for five or ten years. It sits there, lays, goes in your system, goes on your lungs, and in ten years, you have cancer, lymphoma.

I mean, we could go on about cancers with firefighters and medics all day. I'm not going to get into a fight with other unions about who is sicker.

The City is sick, my members are sick. The problem is, we only get five years medical when we retire, and this stuff doesn't hit us until it's done, until after five years. That's problematic.

COUNCILMAN JONES: I remember your testimony and it stuck with me, and whatever we can do to alleviate --

MR. GAULT: Councilman, I appreciate everything you've done. I was there when you offered them the money to stop the brownouts and Everett Gillison sat here and Lloyd sat here, and they didn't have an answer for you. This is what I'm dealing with. It's a stone wall every time I hit something. The only thing they appreciate is when people die or we go to funerals.

Currently, the Fire Department, we're at 106 injuries as of this morning, and I don't want to -- everybody's injuries are bad. My injuries are disfigurement and life-affecting, life-changing injuries. At this time

last year, we were at 65. One hundred and six injuries.

The other day I had to go into the hospital. I had three of my members all burns, all disfigurement burns. One guy dove out a window. He's out of -- they're all out of the hospital except for the one girl. This is the first time I ever seen a girl firefighter with two burnt hands, steam burns, face burns, broken -- I mean, I'm done.

COUNCILMAN JONES: Thank you for what you do.

COUNCILMAN GREEN: Thank you for your testimony.

MR. GAULT: We're still going to do it, and we appreciate your help, but, please, talk to them. They're appealing our contract now. Our health plan, we accrued that reserve by being diligent and fiscally responsible. Right now I'm a half a million dollars of deficit spending a month. We still have 19 million in reserves, so we can last a

little while. We get a contract; they appeal it.

There's a question that you asked Cathy. We get 1,270 per member a month. It costs us 1,500 a month for our plan. And we'll keep cutting it down. We'll do whatever it's got to take, but we need our healthcare, and we're on board with any plan you got. My main thing is to keep my members healthy. That's all I'm about, is to take care of my members, and it's very important you's understand what my members are prepared to do for the City. We all live here. We'll take a bullet for the City, for lack of better wording. We give our lives. We give our health. We want you's to take care of us.

COUNCILMAN GREEN: Thank you, Mr. Gault. That's one of the purposes of this hearing today. We thank you, and we thank you for your passion and your obviously great care for your members. Thank you very much.

MR. GAULT: Thank you.

COUNCILMAN GREEN: I call Mr. Lamb and the members and colleagues at LEHB who will be providing testimony on the program at the Law Enforcement Health Benefits organization.

I see that Mr. McNesby is also joining for the testimony. Welcome.

(Witnesses approached witness table.)

COUNCILMAN GREEN: While everybody is getting situated, when we first introduced this resolution and sent around a letter to the unions, everybody responded with what they were doing, and we were invited out by Mr. Lamb and his colleagues and associates at LEHB at the direction of Mr. McNesby to hear about specifically the programs that they're running there. I thought that it was a terrific model of people already doing a lot of what had been discussed in the New Yorker article as innovative and the model for the future.

The reality is, we have people doing that right here in the City of Philadelphia today, and they've been doing it for ten years. And so I thought it would be useful for us to hear about this as a potential model, not just for the City and City employees but a model that would benefit people providing healthcare in the City and region generally.

So thank you very much, and please proceed with your testimony.

MR. McNESBY: Thank you, Councilman. Thank you to the panel for having us here today to be able to shed some light on our plan.

Law Enforcement Health Benefits is the plan which administers the medical, dental, optical and prescription for the police officers and the deputy sheriffs in the City of Philadelphia. Mainly we have two goals. One is to administer the best possible health plan possible and, number two, to do it at the

least possible cost to the taxpayers of Philadelphia. I believe we do so. I believe we have the sharpest tool in the medical field, and we have one of the best persons running that plan through the FOP, and that's Tom Lamb, who administers -- and is the administrator of Law Enforcement Health Benefits.

And with that, I'll turn the testimony over to Tom and his staff, who have a great presentation put together for the panel today.

COUNCILMAN GREEN: Thank you, Mr. McNesby.

MR. LAMB: I first want to applaud you, Councilman, for taking the time and the initiative to come to our building and sit through the presentation and have your Committee members here to hear what we do. You obviously are aware we're very proud of what we do. The employees that handle the different programs are very proud, and we sit there and develop our own programs and our

initiative.

I think one of the single biggest things that separates us from the City managed plan is, way back in 1993 the LEHB, Law Enforcement Health Benefits, formed its own corporation. The President at the time wanted the medical benefits removed from FOP politics. So we are a separate entity, obviously bound to the FOP, with their support, but the thing that we have that the City managed plan does not have, we are directly accountable to our members.

We have nine directors, active police officers, that are elected every two years. So we just can't hand somebody a piece of paper and say, Your payroll deduction is going up $100 next month, without a repercussion. So we have direct accountability to the members.

I am a retired Philadelphia police officer, took over the plan in 1989 with the purpose that John said, the

highest level of benefits for our members at the lowest possible cost for the taxpayers of Philadelphia.

And just to start off, when we get to the City contribution, in 2007, our binding arbitration contribution was $1,303 a month per member, and we have 8,000 members. We have about 8,000 members. In 2008, at that contract hearings, the arbitrator, because of how efficiently the plan was run, reduced our contribution from $1,303 to $1,165, without any effect to our members. That was a savings of $13.2 million to the taxpayers of Philadelphia, without affecting our members' benefits.

In 2009, we had the second arbitration. The arbitrator ruled that the 1,165 would remain in place because he felt we could provide the benefits to the members. However, since our reserve total was over the normal three-month required reserve, in the second six months he reduced the contribution to

965. That was a savings to the City, a direct savings, of almost $20 million in contributions that would have been required if the 1,303 didn't even increase. So that's $36 million that the taxpayers of Philadelphia were saved because of our efforts.

I'd like to introduce my office manager and customer service manager, Cindy Garey.

MS. GAREY: Thank you. Thank you for having us. I just want to give you a quick overview or summary of -- thank you. I just want to give you a quick summary of customer service for the year of 2010. First of all, our members do not call an 800 number. They call LEHB. Our members are assigned a specialized customer service representative to handle their particular issues. Any issues that they may have, we give them directions and options.

I've combined a report, a summary report, for 2010 for all walk-ins

and phone calls. LEHB staff handled over 103,000 member walk-ins and phone calls. And for each member walk-in and phone call, there was about an average of 11 minutes.

The billing problems that LEHB employees customer service staff handled for the year of 2010 was over 4,000, and they are -- I don't know if you can see clearly, but they are in reason order.

Every one of our members receive a phone call twice a year to address their issues, concerns. We have two officers, retired officers, who make those phone calls. At the end of the day, we receive a report from the retired officers on the phone call or feedback from our membership. As you can see, the comments, I do -- I can't see them, but any questions they have, whether it's, I need medication and don't know how to get it, what do I do, I'm running out; whether it's, I need a nurse, or how do I get a doctor, can you just -- I have some

questions, can you direct me, just help me, we reach out to our members that day or the very next day and give whatever assistance that we can.

Thank you very much, and I'd like to introduce Amber, who is going to tell you about our member education.

MS. DiMARINO: Hello. We educate our members about their benefits and we involve them in controlling costs. We have a two-year medical disk, which we put on there two years of their prescription and their medical history, which they can use for emergency purposes or for just routine visits.

They become eligible when they complete surveys, if they participate in our flu shots, our HeartCams, our health fairs, our Guardian Nurses assistance, our Blue Cross health coach or any clinical trial, and they become eligible for the $250 incentive that we offer all of our members.

The vision -- we have a vision

cost containment survey, for an example. On the first side, it's the routine and medical information for the member, and we ask them questions. For this example, the member states that they have had no idea that the services were his.

The following slide is a vision provider found guilty, which we don't have in our network anymore, because of our investigations.

MR. LAMB: Cost containment programs, obviously we're limited. So Amber just gave you some of the member education that assists improving office visits, emergency room visits and educating the members with their medical history and prescription history, which all equates to lowering costs and one of the reasons how we could save the City $36 million.

The cost containment, we currently have 49 cost containment programs. Every month we review them for return on investment. We look at the

ones that we can enhance, improve or new ones that develop, and every month there's another new program that we start to look at to see if we can develop. And we develop everything internal. Dave, the gentleman working the slides, is our computer person. The individual employees, when we sit down, we formulate our programs, we evaluate them, and these are just a sample of some of the programs that we're going to do. And I'll introduce you to Bobbie Bortnick, who is our eligibility specialist.

MS. BORTNICK: Thank you.

This slide represents an Excel spreadsheet that I run monthly for ineligible claims, "ineligible claims" meaning no longer a City employee, terminated, divorced. If we don't receive the information in a timely manner, Blue Cross may process the claims.

Another example of an ineligible claim would be a member and a

child having the same name, the child is off coverage. And the way that we determine if the claim has been processed properly is to check on the date of birth.

This spreadsheet is one page only and it shows the amount of money that we've retrieved.

Next I'd like to introduce Kim Boston, who does the baby report.

MS. BOSTON: Good afternoon. I am Kim Boston, a customer service representative at LEHB, and each month I run the LEHB Baby Report looking for duplicate claims submitted by the hospital for all new babies. We pay special attention also to premature births, where the claims can run very high.

Upon birth, some newborns are not given a name and the hospital bills, for example, as Boy or Girl Smith. Later, after the baby has been named, the hospitals resubmit the claims for the

same services. These claims would be paid twice, if not reviewed by LEHB, and disputed with Blue Cross. After one or two months, Blue Cross then issues a credit to LEHB for the disputed claims.

Thank you, and I would now like to introduce Linda Bloom, who will review duplicate claims.

MS. BLOOM: Good afternoon. My name is Linda, and I do a monthly report also for duplicate claims. I review these claims to see that if a doctor has been paid and also his practice has been paid for the same services and the same date of service. After I review these claims, I send them to Blue Cross to have them reviewed. Then Blue Cross sends us the credits for the duplicate claims, which we then -- it helps LEHB keep the cost down with very good health management.

And I'd like to introduce Nicole.

MS. WILLIAMS: Good afternoon.

My name is Nicole Williams.

The first thing I want to talk about is the Coordination of Benefits form. This form is sent out to over 8,000 active and retired police officers requesting other insurance information. That information is requested from the member, the spouse and/or dependents. The first sheet is also an update sheet to see if we need to update our systems with the correct spelling of names, Social Security numbers, date of birth.

The second form is on the reverse side of the Coordination of Benefits form is the authorization to release personal health information. This form is used to help the members if they need any assistance with the doctors or for the hospital bills. It's also used for sensitive areas when we need to contact Independence Blue Cross.

The next thing I want to discuss is the coordination of benefits, the contested claims that comes from the

Coordination of Benefits form. Once we obtain other insurance information, we run a program, capture any claims that LEHB is not responsible for. What I do is, I send over a list of claims that we pay for which we should have been secondary. This is an example of Medicare claims that LEHB paid for. In 2010 LEHB, recovered over $1 million worth of claims that we shouldn't have paid.

The next slide is the Charge Credit Recharge from the contested claims report. What I noticed was that we would receive credits from Independence Blue Cross. Shortly after I would notice that the charges were re-billed to LEHB. So what I did was, I asked our computer programmer to come up with a program that captures this information. So what you have up there is claims that were originally charged to LEHB, then it was retracted by Blue Cross and recharged by the hospital. This information goes over

to Blue Cross, and what they do is, they once again retract the claim and flag the claim so that the claim could not come back through.

I would like to turn this over to Kelley for disease management.

MS. SWEENEY: Hello. My name is Kelley Sweeney. I'm the head of the Disease Management Team for LEHB. Myself, Kim and Phyllis make up the Disease Management Team. We have a three-tier setup where we deal with Blue Cross, Guardian Nurses and our medical professionals.

Blue Cross starts -- we usually start with Blue Cross, that we can use them for things such as health coaches, healthy lifestyles and case managers. We use this -- for healthy lifestyles, they can help with weight management, so can health coaches. The case managers really come in handy when someone is diagnosed with a particular disease and they can make sure that all of the

pre-authorizations are in order, make sure all their claims are getting paid, anything they can do to help the member on the side of the insurance.

The next thing that we deal with is Guardian Nurses. We really primarily use Guardian Nurses for second opinions. Guardian Nurses is led by Betty Long and her team of nurses. They are great because they are able to get us into center of excellences. For example, if one of our members just, God forbid, got diagnosed with cancer, they can call us, we get in contact with Guardian Nurses, and within days, they have them at a different hospital, getting a second opinion.

In one case that we had, a member was diagnosed with cancer and they had gotten a second opinion and actually the first diagnosis was wrong. The member didn't have cancer. And actually saved LEHB money and it saved the member and his family a lot of trauma and

anxiety.

The newest addition to our disease management is our medical professionals. LEHB and Temple have teamed up. We actually have a nurse on staff. Her name is Sally. She works with us five days a week. Right now she specializes in asthma and diabetes and our high-loss patients.

Whenever a member calls in and an LEHB employee types in their payroll number, we get a screen that comes up like the blue screen at the top and it will say if the member has diabetes, asthma, and they can offer to talk to the nurse right away. She can offer classes to the members in asthma and diabetes, and just makes sure that they're on the right path.

This is an internal average monthly referrals. This just shows that in one month Sally has talked to 92 members just by a phone call. It doesn't even -- they don't even always have to be

calling about their diabetes or asthma. They might call for another reason and we just happen to see this and we get them engaged right away.

Another new program that LEHB has started is our personalized medical benefit. We give this to our high users. We sent them out this letter. They can get engaged. All they have to do is come in, talk to Sally for a little bit, give a little brief history. They go over all their medical. We're actually trying to figure out maybe if they're wasting time going to some doctors or if they're on the right track or not, and we're actually offering them $100 to help and save us money and get them on the right track.

LEHB offers a lot of different incentives for our members. This is just one of many. This is our free flu shots. We offer this every year. For every dollar that is spent, we actually save $3. We do the flu shots at multiple

occasions and at multiple times so that every member has an opportunity. Whether they be on day shift or on night shift, they can come in. It's offered to the member, their family members. The child just has to be over the age of 18.

This is another free offer to the members. It's a HeartCam. The HeartCam is done at Penn Presbyterian and it takes 15 minutes. It's a non-invasive procedure that's done. They check to see if there's plaque or anything in the arteries. The member gets the results right then and there, and if their score is extremely high, they are not allowed to leave and they make sure that they are with a cardiologist as soon as possible.

Our Heads-Up program is designed for children. We do it at the beginning of each school year so that when the children are going into school, they might have -- it shows the effects of drugs, peer pressure, anything that the child may be encountering in the

upcoming school year.

This is a tip sheet that is given out in our diabetes mailing. This just -- we are trying to make every member aware of diabetes and what could happen. They think that just because they have it, they can take a pill and nothing will happen to them. But this is the real life effects. These pictures are a member, and it just shows how important, especially being officers being on their feet all the time, the fact that they really need to get engaged and take care of themselves as much as possible.

The whole point of our disease management is to cut costs and to keep our members as healthy as possible.

MR. LAMB: We have many, many programs, and we appreciate the Councilman inviting us over. The summary is, we have had two benefit changes to our members since 1993 when we were the first largest plan to go into the new

Personal Choice program. In 2006, we had a minor change to our prescription plan because of the arbitration award, and in 2009, the arbitration award mandated that we increase our co-pays for medical office visits, specialist office visits and prescriptions. However, our members still enjoy no payroll deduction, no deductibles and no co-insurance. So it fits right into our goal of the highest level of benefits at the lowest possible cost. And I think the Councilman was very astute in asking us a question at the presentation of your contract, Why are you doing all of this, because the City is obligated to pay every medical claim, and the answer is, we have another contract in July 2014. We want to stay true to our goals of the highest level of benefits at the lowest possible cost.

These are our cost containment program savings. As we discussed before, the disease management, you can on some put a dollar savings and in some you have

to guesstimate. We have actually saved over $61 million since 2002 in medical claims that were retracted from Independence Blue Cross because of LEHB's cost containment programs.

COUNCILMAN GREEN: Thank you so much. I appreciate your testimony, and one of the things that was most impressive is, I've never been to an organization where -- we were down in your basement and we got the presentation from the team that is here. I've never been to an organization where the people, everybody involved, was just so passionate about their job and the mission that they have, and I just want to say that it was a great example. It's clearly a great work environment, and the people who are working for you clearly absolutely love what they do and they do it very well.

MR. LAMB: I think they'll be very appreciative of that, Councilman.

COUNCILMAN GREEN: It was clear

that they're all engaged and really care, and one of the great things I saw was that a lot of the ideas for a new computer program or a new way to catch this charge that we should be contesting or other things come from the people who just testified, because they've seen it once or twice or three times and they think, is there a way we can just catch this without calling every time through implementation of technology and other things.

And so, you know, I just want to commend you for building a great team and let them know how appreciative we are of their efforts.

MR. LAMB: We will surely express that to them. Thank you.

COUNCILMAN GREEN: Well, hopefully I just did, but please tell the rest of the people --

MR. LAMB: I think we're missing one or two.

COUNCILMAN GREEN: Please tell

everybody back at the shop that that's how I feel.

So I would like to talk a little bit about that, about the contested charges. So that means that a claim went to Blue Cross and Blue Cross paid it or approved it and then you later through your auditing methods, your technology, have caught that this was a duplicate claim, a claim that should not have been paid or something like that, and you've gone to Blue Cross, pointed this out and they have then returned the money to the fund or in the future it will be the City. Is that a fair --

MS. WILLIAMS: That's correct.

COUNCILMAN GREEN: So how many members do you have or, I guess, belly buttons to keep, is what I mean when I say "members"?

MR. LAMB: We have approximately 23,000.

Just a comment on the Charge Credit Recharge, Councilman. What is

scary about it, we put all of these resources to find the savings, and if Nicole wouldn't have noticed that the claim came through again two or three months later because the provider has a computer system that simply re-bills and when we called Blue Cross, Blue Cross processes it as a clean claim with a new claim number, and when we brought it up to them, it was very -- it was sort of amazing, because Blue Cross couldn't see the recharge in their computer system. So because of our efforts, they have now cleaned that up.

COUNCILMAN GREEN: Well, hopefully.

MR. LAMB: For everyone.

COUNCILMAN GREEN: Well, hopefully. No; I appreciate that. But how much -- not disease management but the focus on -- and the other services you provide, the cost containment. Do you know how much that costs you a year?

MR. LAMB: Well, our total

administrative cost is between 1.2 and 1.4 million a year, and most of that, as you know, Councilman, overlaps with the employees' regular job. I guess if I had to guess, I would say between 400,000 to 500,000, because it involves the employees' overlapping time.

COUNCILMAN GREEN: So just in cost containment measures, there's a -- let's call it $600,000 -- there's a 11 times return on investment?

MR. LAMB: That's correct.

COUNCILMAN GREEN: In the aggregate on an annualized basis?

MR. LAMB: That's correct.

COUNCILMAN GREEN: And to your knowledge, the City-exempt employee plan, is there any cost containment done or is Blue Cross the final arbiter of whether or not the bill gets paid?

MR. LAMB: Well, the last time we were involved in contract negotiations and had the information available through discovery, it appeared that most of the

City's managed plan, cost containment and disease management, they relied on Independence Blue Cross.

COUNCILMAN GREEN: And in your experience, that could be quite expensive.

MR. LAMB: It could be quite expensive unless you force them to engage, which they willingly do with LEHB.

COUNCILMAN GREEN: Because you are there questioning the claim in the first instance?

MR. LAMB: That's correct.

COUNCILMAN GREEN: Right. And there's no one in the City doing that right now?

MR. LAMB: I know they hired a new benefits manager. I don't know what his restrictions are, but he seems very competent, but I don't know --

COUNCILMAN GREEN: I'm sure he is. I think we'll hear from him shortly.

Has anybody -- don't mention

names, but have other people approached you outside the City to have you do for their organization what you do for your members and the FOP?

MR. LAMB: Yes. We participate with the Delaware Valley Healthcare Coalition. We had an agreement that we would do two building trade unions, the backroom information that we do internally, but when we started -- and they were going to pay us, but we started to be concerned about our reputation and our cutability, because we were not sure how their members would receive the engagement with disease management. That offer is still on the table. In fact, they want to expand it, but we're somewhat reluctant, because that means you have to retrain people and hire new people.

COUNCILMAN GREEN: Is what you do replicable? Could you train other organizations either inside the City or other unions or other people to do what

you do?

MR. LAMB: Yeah. If they have the initiative and the willingness to learn, sure.

COUNCILMAN GREEN: Would you be willing to share your technology and the platforms that you have for that purpose?

MR. LAMB: Obviously we would have to check with President McNesby.

COUNCILMAN GREEN: Of course, yes. Sorry. I didn't mean to put you on the spot.

But do you believe that there are significant savings that could be achieved just in cost containment if, let's just say, the Administration came to you -- and I know you'd have to check with Mr. McNesby, but if the Administration came to you and said, Would you handle all of our exempt employees?

MR. LAMB: That would be almost doubling, and I think with their benefits manager, who seems competent, that may

work. Our problem is, Councilman, since 19 --

COUNCILMAN GREEN: I think we only have 6,000 exempt.

MR. LAMB: Oh, okay. Then not quite double. Okay. I'm sorry.

Our problem is, to be quite frank, since 1992 it is perceived by all of the unions that the City of Philadelphia wants to take control of the union plans and place the management under them. When we had that Health Share Committee, I expressed that concern, and I know it's a concern of the other unions, because I think everyone administers the plan best for their own people. So the firefighters administer it best. So we have to be very concerned about would we end up stabbing ourself in the back.

COUNCILMAN GREEN: I completely understand that concern, and I think we're talking about coordinating best practices and sharing those across all

the different funds, and it's clear that your plan and the other -- many of the other union plans are run far more efficiently and effectively than the City's own plan given the fact that we're not doing any cost containment on that level alone.

Do you have any estimate of what the extensive disease management examples given save any kind of ROI or return on investment for, say, diabetes or -- I mean, just in the aggregate rather than mentioning any specific examples.

MR. LAMB: I think Cathy had said one and a half dollars on every dollar. I think with how our members engage with us because of the customer service and not calling an 800 number, I would tend to think we'd be a little higher. We're probably going to be between $3 to $5 return on every dollar spent for disease management.

COUNCILMAN GREEN: And when you

spend the dollars on disease management, is that included in the million four?

MR. LAMB: That's correct.

COUNCILMAN GREEN: And so now that you're a self-funded plan, those dollars won't come back to you, right? Or explain to me how that's going to work in the future when as a self-funded plan LEHB's operations and investments in reducing costs are going to be paid for.

MR. LAMB: The contract says that the two consultants, Segal, who is our consultant, and Aon, the City consultant, at the beginning of the year and no later than September of that year are supposed to project the trend for the year that you're in, and at the end of the year if LEHB is less than the trend, then the City, realizing the savings, would split the difference with us and send us a check for half of the savings.

COUNCILMAN GREEN: Okay. And you're confident that that's going to more than support your operations going

forward?

MR. LAMB: Yeah. Yes, sir.

COUNCILMAN GREEN: Okay. And do you get any credit for disease management as part of that or is that just only cost containment?

MR. LAMB: Well, what it boils down to is, when we back into the per contract per month based on the claims accumulation and administrative costs, so when we back into what does it actually cost LEHB to operate and provide all of the services and pay all the claims, we would compare that figure to what the two consultants based their trend on. So right now I think our consultant based this year's trend at $1,354. We're still having a discussion with the City on getting their consultant to come up with the trend. I can tell you in the first year, we are going to be substantially less than the trend.

COUNCILMAN GREEN: And the trend -- which means that you're coming

in less than the consultants predict that you would otherwise spend as a result of your cost containment and disease management effort?

MR. LAMB: That's correct. That's correct.

COUNCILMAN GREEN: I don't think you answered my question directly, and I apologize if you did. Do you get any credit for investment in disease management in terms of reimbursement for LEHB's operations?

MR. LAMB: No. The only reimbursement is what I explained.

COUNCILMAN GREEN: Is cost containment only.

MR. LAMB: That.

COUNCILMAN GREEN: Ultimately, I mean, my big fear is that there have to be at a certain point diminishing marginal levels of return on cost containment. I mean, in ten years, that may be much less of what you're able to save compared to the disease management

things that were the subject of the New Yorker article and, et cetera.

Could you talk about -- which we didn't really cover much in your presentation -- how you focus on the top one or two or three percent of utilizers and whether or not since you began that you've been able to track a reduction in what their actual costs are.

MR. LAMB: Yeah. What we're doing -- in fact, that's a program we're currently reevaluating, and what we're doing is, we're looking at the very high users and seeing what medical condition do they have and can we affect their trauma and anxiety and lower cost. Obviously people with stage four cancer, there's little you can do.

So we're trying a new aspect. We are looking at people that are on the lower end of the expenditures, say over $30,000, and we're looking to see why are they incurring these claims, and we're starting to devote our resources to that,

with the hope they don't get to 100,000 or 300,000. But we're not discarding the high users, but we're evaluating them more closely.

COUNCILMAN GREEN: Okay. And I assume you'll track what the impact of that has been and maybe we can talk about it in a year or so?

MR. LAMB: Yeah. What we're doing with the areas that Sally, our internal nurse, she's dealing with diabetes, asthma and high cost members. We took the last 12 months. We found out how many members are in that category, what was the average cost per member and what was the total cost, and we're going to compare that at the end of the efforts to our new disease management program to the future 12 months.

COUNCILMAN GREEN: I just want to apologize for the loss of some of my colleagues. They were all here for 12 o'clock and they all view this as very important. Several of them said to me as

they left that they had an appointment and that they were very impressed with what they were hearing from everybody, and I'm confident more of my colleagues are watching it online. Also, we'll have a record of this hearing now, which I'll share with you and which also will be up on the City's Internet site and you can point to, if you like, from your own website, which your members might enjoy seeing.

So with that said, I will recognize Councilman Jones.

COUNCILMAN JONES: Because one of your colleagues is still here.

I guess what I'm hearing and I guess my question both, Mr. Chairman, and to members, at the end of the day, will there be a grid that says City health plan, Fire, Police, 47, 33 health plans that gives an apples-to-apples comparison of what some of the benefits, factors, cost savings are? And if you were to say apples to apples, a number of members,

apples to apples, amount of contribution, apple to apples, types of benefit coverages, and then do a matrix so that we can kind of make better sense of what those best practices are and what the cost-benefit analysis of those practices are, so that we can say that an ounce of prevention is a pound of cure, that we can make a decision about if we follow up in a statistical manner on ten percent of all invoices, it will yield this many errors and savings and recouping of dollars.

I guess what I'm trying to get to is, is there going to be that kind of matrix prepared out of this so that we can kind of as a Council kind of put the question to all parties, how do we get the best benefits for members, how do we get the best savings for the City and then savings to taxpayers? Is that one of the goals of this? Is there such a comparison, first, and then is that a goal of this Committee's hearing?

MR. LAMB: Go ahead, Councilman.

COUNCILMAN GREEN: The goal here is to try to identify innovative measures that have existed within what our City unions have done that if expanded or invested in the best practices of each of the unions, we can save millions and millions of dollars more --

COUNCILMAN JONES: Sure.

COUNCILMAN GREEN: -- in the City and to bring light to what I think is LEHB being really a model that was way ahead of its time that now other people are undertaking across the country, including some private-sector unions and other organizations who would like LEHB to manage their healthcare.

I would suggest that if they were a private company, they would have -- they would be quickly a billion-dollar company and have customers across the country, and I thought it was

important that Philadelphians know that we have really innovative things going on here in this city.

And so it's my hope that by sharing these best practices publicly, that it will result in more cooperation from the City and across all of our stakeholders.

COUNCILMAN JONES: I think that's a laudable goal and one worth these hearings for sure, but at the end of the day, I think for me personally, I want to know those best practices as they are -- and I'm sure we're going to hear from the City at some point, but at the end of this kind of process, that we have something tangible that we can say, All right, that's a best practice -- and I heard about the customer service thing. I just wish that we could have that kind of responsiveness as to where I get this cold medicine versus that pill or what's the best way to proceed. I mean, those kinds of customer services things are, in

my mind, valuable as a consumer. But I also would want to know how we stack up, if you would, with Blue Cross's and what things don't they do that if we employ them, what will it mean by way of cost and then what it will at the end of the day mean by benefit and/or service.

So in order for -- it's good to know that you exist, but to dissect how you exist to make it replicable -- I know there's a place in my district that produces the best cheese steaks in the world, but if we tried to mass produce it to become the McDonald's of that type of cheese steak, it would be a little more difficult to do. So maybe you have the best cheese steak in healthcare, but in order for us to replicate it like McDonald's does in New York and LA to have that same kind of benefit or same kind of taste, we need to dissect it a little better so that we understand exactly what it is you do and why you do it so well.

So I guess for me, to kind of give those kinds of comparisons of apples to apples, benefits, costs and outcomes would be useful to me, Mr. Chairman.

Thank you.

MR. LAMB: Do you want me to comment on that?

COUNCILMAN GREEN: Sure.

MR. LAMB: We appreciate the insight, because you hit on the key point, customer service. They call LEHB. They get the same employee until their medical billing problem is resolved. Cindy Garey, my office manager, and I sit down every month and evaluate where are the medical problems, why is it costing us so much money, what can we do to minimize it. That all opens the door to trust. So when we start to get involved in disease management, cost containment, the surveys where we identify fraud, the customer service opens up the trust door. And every union and the City, I'm sure, does things, some areas, better than we

do. So everybody has an idea. But in the 2008 contract addressing exactly what you said -- and obviously you're aware we're under binding arbitration, the Police and the Fire. We put on the medical testimony. Ours usually lasts a full day. We are cross-examined by the healthcare experts and the healthcare attorneys from the City, so we can stand up everything that we do.

We asked Blue Cross in 2008, if you compare us to your Personal Choice book of business, and they call it weighted, which allows not -- the firefighters may have a high incident of a specific medical condition relating to their job, 47, the Police. But "weighted" meaning adjusting the co-pays, the deductibles, et cetera, and we received a document from Blue Cross saying that LEHB incurred 23 percent less medical claims than the Personal Choice book of business. When you think about that, it's one hell of a statement.

COUNCILMAN JONES: I mean, again, I want what you have for me.

MR. LAMB: So does Councilman Green.

COUNCILMAN JONES: I can tell. But, again, I'm going to give this. Before we got elected, there was a lady -- and before 3-1-1, there was a lady that if you called City Hall switchboard, she had everyone's number. I mean, she had the number to the number that no one thought existed, and this lady was just the ability to connect people to people that needed to talk to people because of City-related services and emergency. She retired. Actually, probably got a piece of that DROP program. She took her Rolodex with her. So that particular service was unique unto a personality. In order to replicate that, we've invested millions of dollars in computers and we just can't find her Rolodex, is what I'm telling you.

So as we do this in a methodical manner as a managerial tool, that matrix of apples to apples is important to me so that we can take what you have instead of -- how many members do you have?

MR. LAMB: Eight thousand.

COUNCILMAN JONES: If we could replicate that for 30,000 --

MR. LAMB: Eight thousand contracts. I'm sorry. Twenty-three thousand belly buttons.

COUNCILMAN JONES: Right. So if you could double that, can that same quality exist? And that's why I insist upon --

MR. LAMB: I think that would depend again on the member and membership of the City or the -- would they be willing to fill out the Coordination of Benefit forms to make sure that the husband and wife's insurance policy, both were not paying for one medical claim. Would they be willing to get involved in

flu shots, HeartCams. Would they would be willing to fill out the surveys.

COUNCILMAN GREEN: And it may be that each union on its own or each entity on its own can best do that, build out an organization like yours, which may take a couple of years and training and things like that, but subject to -- I recognize that all of that cooperation would have to be approved by Mr. McNesby, but it's certainly one thing we consider.

I did think that your testimony was quite tangible and specific about what works for you, and certainly there will be a record of that, and I do think it's a good idea for us to try to put together some kind of matrix that takes the best practices from everybody, sees what it's saving and have that as part of the record in our continued next hearing, and I certainly will do that.

Are there any other questions from -- no. So thank you very much for coming in today. We really appreciate

it. And, once again, I can't say how impressive it is what you guys do.

MR. LAMB: Well, we appreciate that. Thank you for your time, Councilman.

Thank you, Councilman Green.

COUNCILMAN GREEN: Will representatives of the City please come up to testify while I try to find my list of names.

Will Mr. James Startare please approach. Thanks.

(Witnesses approached witness table.)

COUNCILMAN GREEN: Please state your name and proceed with your testimony.

MR. STARTARE: Good afternoon, Chairman Green and members of the Committee. My name is James Startare and I am the Deputy Human Resource Director responsible for strategic oversight of the City-administered Health Benefits program, also known as the City program.

I also serve as the City Trustee on each of the four City unions' health and welfare joint boards.

The City program is one of five healthcare benefit programs funded by the City of Philadelphia, with each of the four City unions operating an independent health and welfare fund. I am the minority City representative on each union's joint board. Each of the four unions has authority to determine their benefit levels and has administrative oversight of their respective plans. The City pays a fixed monthly per-employee per-month fee to three of the four unions. For the Fraternal Order of Police, the City pays the actual cost of the healthcare programs. Although the City makes payment to the unions, the City does not control the union health and welfare programs.

The City of Philadelphia has authority over the City program. The City program covers approximately 6,700

active employees and retirees. Out of the 6,700, 4,200 are exempt and non-represented civil service employees, 1,500 are District Council 33 fair share employees who waive their union benefits and 1,000 are five-year City credit retirees.

The current annual cost for the City program comprised of medical, prescription drug, dental and vision is $82 million, which is substantially less than the year prior. Seventy-six percent of the cost of the City program is attributed to the self-insured medical program.

In January 2010, the City medical program transitioned to a self-insured funding arrangement, which was the primary cause for the recent healthcare savings. Under the self-insured model, the City is the owner of the plan and has claims payment liability. Under this model, designated representatives have the benefit of

receiving claims detail, allowing the City program to be sophisticated with review of trends and occurrences within the claims utilization data. The City appreciates the fact that a successful program must be able to access the data, understand the data and make smart decisions as a result. A high level example of this is the fact that in Calendar Year 2010, the City program had 40 covered members that accounted for $7.9 million in medical claims costs. In other words, less than a half a percent of the City program members accounted for ten percent of total healthcare costs. The next step is to help these individuals manage their healthcare conditions while also preventing the City program high claim population from rising.

With factors such as medical trend and inflation continually rising, along with the recent passing of the Patient Protection and Affordable Care

Act, the City program realizes that it must look at alternative ways to offset healthcare increases each year. Aggressive employee management is the only true way to, A, continually maintain a financially solvent healthcare program, and, B, to help City employees and their families live healthy and more productive lives.

The City has set the wheels in motion with regard to implementing initiatives revolving around medical and pharmacy data analysis and overall employee health management, both of which were discussed in the New Yorker article in January 2011.

In September 2010, the City selected Active Health Management to assist in the clinical data stratification and disease management efforts. Active Health Management is a subsidiary of Aetna and one of the industry leaders in chronic health management through health coaching and

aggressive member outreach.

Similar to the actions mentioned in the New Yorker article, the City plans to purchase a web-based data analytic software package following the selection of such software through the RFP process. This software will allow the City to reconcile financial and eligibility data, but, more importantly, it will be the reporting and analysis tool allowing the City to examine the claims data. As I mentioned previously in this testimony, in addition to accessing and understanding the data, wise decision-making in areas such as health management, plan design and contracting must result. The preliminary stages of this RFP have begun.

The City program and its selected vendors have a blueprint in place surrounding health management and data analytics. We are, of course, always open for further discussion, idea-sharing and potential collaboration

in order to improve the quality of the products and services offered to City employees while continually managing the bottom line.

I want to thank you for this opportunity to present my testimony, and I welcome any questions that you may have. And also in closing, Councilman, I also welcome the opportunity for you and any other members of Council to meet with me personally so we could better explain the details of our initiatives.

COUNCILMAN GREEN: Thank you very much for your testimony, Mr. Startare.

Mr. D'Attilio, are you just here to answer questions or do you have testimony?

MR. D'ATTILIO: Yes. That's all, I'm just here to answer questions. Mr. Startare is our benefit manager. He's our technical expert.

COUNCILMAN GREEN: Okay. Great.

So I just would like you to respond to what you heard from LEHB and what you think of their program, its effectiveness, et cetera.

MR. STARTARE: Sure. Absolutely. Well, I commend LEHB. They do a very good job. They have taken steps that I believe most employers would like to take, and I could sit before you today and say that the City of Philadelphia for the exempt and non-represented population are also taking those steps. So there's many similarities with the steps that we are taking and there are also some differences.

COUNCILMAN GREEN: Mr. Startare, let's talk about what we're actually doing, not steps we're taking, if you know what I mean.

MR. STARTARE: Yes.

COUNCILMAN GREEN: So like I really -- we could go through each item that LEHB testified to that's in their

PowerPoint with respect to questioning claims. With respect to cost containment for their 23,000 belly buttons, it's about a little under 7 million a year for the last eight years. Can you tell me how much the City has recovered after the claim Blue Cross cost containment measures?

MR. STARTARE: Yes, I can. That answer is, the City is currently not taking that action, but we plan to.

COUNCILMAN GREEN: So that's zero?

MR. STARTARE: That would be correct.

COUNCILMAN GREEN: Okay. And so can you tell me with respect to disease management efforts that are being conducted by LEHB and the firefighters and 47, what kind of investments are we making in disease management today?

MR. STARTARE: Sure. Well, I can speak to the program that we are currently negotiating with our disease

management vendor at the --

COUNCILMAN GREEN: I'm sorry;

that are currently in effect today.

MR. STARTARE: The ones that are currently in effect today? Currently in effect today, there is not a disease management or wellness program, but I can speak to the fact that in the year and a half that I've been with the City of Philadelphia, we have made tremendous leaps and bounds in the area of financial savings and we have a blueprint in place. If you heard Mr. Lamb's testimony, he has been with LEHB since 1988 or '89, if I'm correct.

COUNCILMAN GREEN: '89.

MR. STARTARE: '89. Back in 1989, I was much younger and at a different place, I could tell you that much. But I can say that in my year and a half, the City has taken tremendous steps, and what I do ask you and any other members of the Committee is to take a look at our blueprint, the plan of

action, and you will see the similarities that we have in place.

COUNCILMAN GREEN: Absolutely, but let me ask you a question. Do you think there's any chance that you can do this as successfully as LEHB is currently doing it for its members?

MR. STARTARE: The answer to that is absolutely.

COUNCILMAN GREEN: Well, you have a cynic here, that's all I can say. I don't believe that's the case. We're talking about hiring private-sector people, putting out RFPs for computer programs that look at codes for cost containment as opposed to the very inexpensive compared to the total cost of healthcare, very personal approach that LEHB and the other unions take with their members.

MR. STARTARE: Well, Councilman, I appreciate your honesty, and what I would ask again is, if you spend some time with me, you will also

see that similar passion and also you will see the efforts of building my benefits team in a fashion that is also looking at true data analytics to uncover fraud, abuse, overbilling, so many of the similarities that I mentioned a moment ago that do match or mirror LEHB. Not particularly following their model, but these are due diligence steps that any self-insured plan should take.

In addition to that, the disease management program, which also dovetails the data analytics, also should produce a return on investment, and I also can explain why our impending program is different than LEHB and why I think it would be a success.

COUNCILMAN GREEN: Let me ask you a simple question. How many years do we have to go back to Blue Cross to make a claim for overcharges or misbillings, things that were paid twice that shouldn't have been, et cetera? What's the statute on that under our contracts

with Blue Cross?

MR. STARTARE: In general, there's a one-year statute for timely filing of a claim.

COUNCILMAN GREEN: Okay. So why wouldn't we just start using -- if you got the permission of Mr. McNesby, they have a computer platform that identifies all these things anyway. It's working for them tremendously. Why not build on what's working already with very similar plans to what the City has?

MR. STARTARE: And I'm not sitting here saying that I'm not open to do that. I am absolutely open. I have a very good relationship with Mr. Lamb and LEHB. So I'm open to idea-sharing. Although I like to think I am the expert --

COUNCILMAN GREEN: What about cooperation?

MR. STARTARE: I can't speak for the labor relations side, but on the employee benefits side --

COUNCILMAN GREEN: On the employee benefits side, that's what I'm talking, in terms of utilizing their platform and model.

MR. STARTARE: Well, I can't speak to utilizing their platform because I don't know or understand their platform, because I've never seen it, but I'm open to --

COUNCILMAN GREEN: Well, let me just say we're going to continue these hearings. What I'd like to ask you to do in the next month is go get the full presentation that they gave here today. I mean, they gave a very short version of their presentation. It's several hours. It's extraordinarily impressive. When you're with them, you will see the passion that they have for the job that they do. And I want to suggest to you that an RFP just may not be necessary or it should certainly be written so they could participate.

MR. STARTARE: Sure.

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MR. D'ATTILIO: May I, Councilman?

COUNCILMAN GREEN: Yes.

MR. D'ATTILIO: On the RFP issue, as Mr. Startare has already indicated, we did go out with a published RFP last fall. LEHB, fortunately or unfortunately, did not submit a proposal. So on the disease management side, I believe that legally we would have some issues with engaging LEHB on a contractual basis.

On the data analytics, we intend to go out with an RFP shortly, and if LEHB wishes to submit a proposal, they would get full consideration.

COUNCILMAN GREEN: Have you shared the RFP either related to disease management or related to data analytics, or really I'm talking about cost containment, with LEHB to see if they would recommend things that should be in there that you may or may not --

MR. D'ATTILIO: We went through

the e-Philly contract process. So our RFP was posted on the website --

COUNCILMAN GREEN: I don't mean after it was created. I mean prior to its creation. We have -- I honestly believe that this is a model that needs to be carried out nationally. We have the example right here in the City of Philadelphia, and rather than working with them, we're creating RFPs that the private sector is going to respond to at far more cost than people who would probably be willing to just help us out because, you know, they care about the City. I don't know what else to say about that.

The cost of -- you said that we're a self-funded plan.

MR. STARTARE: That's correct.

COUNCILMAN GREEN: But that's not really true, is it?

MR. STARTARE: I'm not sure I understand the question.

COUNCILMAN GREEN: Okay. Blue

Cross and Blue Shield does not charge us for their actual costs. It's a blended rate; isn't that correct?

MR. STARTARE: If I can explain. So an individual incurs a claim. That claim is discounted based on a negotiated discount between Independence Blue Cross and the hospital or provider. That claim is paid by Blue Cross at the discounted rate. That claim at the discounted rate is reimbursed by the City of Philadelphia. Does that answer your question?

COUNCILMAN GREEN: Yes, but I don't believe that's technically accurate, because it's my understanding based on talking to several people in the industry that what we have from Blue Cross is reimbursements at not the exact rate they pay the hospital, and so it is a blended rate that somehow gets -- so they pay the hospital $25 and may charge you $27, and that there's not an administrative fee for that, that's a

blended rate, and that we'd be far better off as a city contracting to just pay exactly what they've negotiated with the hospital and having them just serve as a TPA.

MR. STARTARE: I can tell you this much: I like the idea of contracting directly with the hospital, even though that involves further discussion and is a much greater process.

With regard to the reimbursement, I'm not -- in my 12 years of experience, I'm not familiar with that direct analogy that you explained, but, I mean, I see every dollar that comes through the City program and --

COUNCILMAN GREEN: The estimates of the blended rate are between eight and 14 percent that we're paying on top of Blue Cross's actual charge, and then additionally, in Medicare publications and elsewhere and from the example in LEHB, we can see that without having the cost containment and disease

management that they have, it's also quite expensive, and that's about eight to 12 percent that we could save just by putting those measures in place, avoiding double billing, et cetera, which if it costs $69 million a year is 6 million a year.

MR. STARTARE: I agree.

COUNCILMAN GREEN: So if we can save 6 million, I think we ought to start doing it immediately, especially if we only have a year to go back and make the claims. Let's run a computer program now and go back a year, save 6 million for last year, 6 million for this year.

MR. STARTARE: I agree. I agree, and that is the purpose of the data analytic tool. But I am open to other ideas to streamline that process, and if part of that streamlining is discussions with LEHB, I am open to it.

COUNCILMAN GREEN: Thank you very much for your testimony.

Any questions from members of

the Committee?

(No response.)

COUNCILMAN GREEN: I appreciate you coming in. I was very impressed by what I saw. I hope you were, and I hope we can find a way to work cooperatively to create greater savings. And, of course, there's only way to do that, and that's to have contracts.

Thank you.

MR. STARTARE: Thank you, Councilman.

MR. D'ATTILIO: Thank you, Councilman.

COUNCILMAN GREEN: I'm going to recess this Committee and this hearing to the call of the Chair.

Thank you.

(Committee on Labor and Civil Service recessed at 2:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on April 28, 2011, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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