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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE COUNCIL COMMITTEE ON RULES

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, February 23, 1999
2:20 p.m.

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BILL 970744 - Adding a new Chapter 9-2100 to The
Philadelphia Code entitled "Registration of
Apparel Manufacturers and Contractors". . .

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Bill 990059 - Declaring it is desirable for the
health, safety, and welfare of the people in the
area served by Jefferson Health System, Inc.
("The System"), Frankford Health Care System,,
Inc. ("FHCS"), the Frankford Hospital of
Philadelphia ("Frankford Hospital") and the
Delaware Valley Medical Center ("DVMC") for the
Hospitals and Higher Education Facilities
Authority of Philadelphia to participate. . .

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(Full text of both ordinances contained within
body of transcript.)

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PRESENT: COUNCILWOMAN ANNA C. VERNA, Chair
COUNCILMAN DAVID COHEN
COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN W. THACHER LONGSTRETH

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5 Bill 990059

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12 Hospitals and Higher Education Facilities
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2 P R O C E E D I N G S

3 COUNCIL PRESIDENT Verna: Good

4 afternoon. This is a public hearing of the Rules
5 Committee. I would ask Mr. DeMarco to please read
6 the title of Ordinance No. 970744.

7 MR. DEMARCO: Bill No. 970744, an
8 ordinance adding a new Chapter 9-2100 to The
9 Philadelphia Code entitled "Registration of
10 Apparel Manufacturers and Contractors," providing
11 for the registration and licensing of apparel
12 manufacturers and contractors, imposing duties
13 upon the Department of Licenses and Inspections
14 for the inspection of apparel industry records and
15 premises, requiring the posting of performance
16 bonds by such manufacturers and contractors, and
17 providing penalties for noncompliance; all under
18 certain terms and conditions.

19 COUNCIL PRESIDENT Verna: It is my
20 understanding that we do not have witnesses to
21 testify on this bill. Consequently, it will be
22 held until the call of the Chair.

23 Mr. DeMarco will please read the title
24 of Ordinance No. 990059.

25 MR. DEMARCO: An ordinance declaring

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2 that it is desirable for the health, safety, and
3 welfare of the people in the area served by
4 Jefferson Health System, Inc. ("The System"),
5 Frankford Health Care System,, Inc. ("FHCS"), the
6 Frankford Hospital of Philadelphia ("Frankford
7 Hospital") and the Delaware Valley Medical Center
8 ("DVMC") for the Hospitals and Higher Education
9 Facilities Authority of Philadelphia to
10 participate with the System, FHCS, Frankford
11 Hospital, and DVMC in a financing to provide for
12 the acquisition by the System of the sole
13 corporate membership interest in FHCS, for the
14 acquisition by Frankford Hospital or its assignee
15 of substantially all the assets of DVMC, and for
16 constructing and equipping improvements to the
17 facilities of DVMC.

18 (Donald Cramp, Michael Curran, Austin
19 McGreal come forward.)

20 COUNCIL PRESIDENT Verna: Good
21 afternoon. Please identify yourself for the
22 record and proceed with your testimony.

23 MR. CRAMP: Thank you, Madam
24 Chairperson. May I take the privilege of a
25 prestatement before my prepared statement?

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2 COUNCIL PRESIDENT VERNA: Certainly.

3 MR. CRAMP: Thank you. It's certainly
4 unrehearsed and it's coming from the heart rather
5 than from the page.

6 It seems particularly fitting, Madam
7 Chairperson, that today marks our 25th year. It's
8 almost to the day in 1974 and I believe in this
9 very room that the Authority was constituted. And
10 it's \$4 billion later, nothing in tax monies, and
11 a great deal of improvement, I believe in jobs
12 created in Philadelphia that the wisdom of that
13 decision back in 1974.

14 And it's really testimony today that
15 we're here with our friends from one of the
16 premiere medical centers in the United States to
17 show the service of the Authority and the City of
18 Philadelphia raising these kinds of funds to help
19 -- without tax revenues. And it is just a
20 pleasure to be here with the Jefferson Medical
21 Center, as a demonstration on the very day 25
22 years later.

23 And thank you.

24 COUNCIL PRESIDENT VERNA: I will say
25 happy anniversary to the Authority. And we

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2 certainly want to thank you for all the work that
3 you've done.

4 MR. CRAMP: Thank you. Thank you very
5 much, Madam Chair.

6 My name is Donald Cramp. I serve as
7 the Chief Executive Officer of the Hospitals and
8 Higher Education Facilities Authority of
9 Philadelphia. I wish to make a brief introductory
10 statement in support of the proposed bill before
11 you this afternoon.

12 On October 13, 1998, representatives
13 from Jefferson Health System/Frankford Health Care
14 System attended the Hospitals and Higher Education
15 Facilities Authority of Philadelphia at our Board
16 of Directors meeting seeking the Authority's
17 assistance in this financing. The Jefferson
18 Health System/Frankford Health Care System
19 application was accepted and approved by the
20 Authority Board.

21 A Tax Equity and Fiscal Responsibility
22 hearing on behalf of Jefferson Health System and
23 Frankford Health Care System, Inc. Will be held in
24 our board room in accordance with a published
25 newspaper advertisement.

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2 Today we have the privilege together of
3 assisting Jefferson Health System/Frankford Health
4 Care System and the many people associated with
5 these outstanding organizations.

6 To close, may I, as always, express my
7 appreciation to each member of the Rules Committee
8 and Council on behalf of the Authority for
9 scheduling this meeting and forwarding this
10 financing.

11 Thank you very much.

12 COUNCIL PRESIDENT Verna: You're
13 welcome.

14 Good afternoon. Good afternoon.
15 Please identify yourself for the record.

16 MR. CURRAN: Good afternoon. I'm Mike
17 Curran, Chief Financial Officer of the Jefferson
18 Health System.

19 And, Don, I'm glad to be a part of
20 history today. I didn't quite realize when we
21 were coming that it was going to be such a
22 momentous occasion.

23 But it is very nice to be back in front
24 of City Council. This is my third visit here in
25 about 18 months. The good news is, they were all

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2 scheduled visits in the sense when we met with you
3 the first time, we told you a story about the
4 Jefferson Health System and the fact that it was
5 coming together with the Mainline Health System,
6 and that as a part of that, we wanted to stay
7 committed to the City; and, therefore, we brought
8 you the TJUH refinancing.

9 Subsequent to that, we came in about
10 eight months ago, I guess, with the Einstein piece
11 and looked for a refunding on the Einstein piece
12 of our debt. This is the third scheduled meeting,
13 I guess, where we're in to talk about the
14 Frankford refinancing. And the majority of the
15 240 million that we're talking about today
16 actually relates to refunding the existing debt
17 that comes with Frankford Hospital.

18 There is a piece of the transaction,
19 roughly \$40 million, that does relate to the
20 Delaware Valley piece that was mentioned in the
21 ordinance.

22 It is, again, our privilege to be
23 here. We have found working with the Authority
24 over the last couple of years to be a very
25 satisfactory relationship in the sense that these

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2 are difficult transactions to go through, and Don
3 and his staff have just done a fantastic job for
4 us. And again, it is a real honor to be here with
5 him on his 25th anniversary.

6 As I mentioned, it's a \$140 million
7 transaction. There is significant savings that
8 will go to Frankford Hospital because of this
9 refinancing. Right now, depending on current
10 market conditions, that could be as much as
11 \$2.5 million in savings relating to the
12 re-funding.

13 These initiatives, these re-fundings
14 that are made available through this Authority
15 really makes it easier for us to perform our
16 health care mission mechanism in light of the very
17 difficult reimbursement mechanisms that are out
18 there today. So, again, the \$2.5 million savings
19 goes a long way for us to accomplish the things
20 that we feel are so mission-critical to our
21 communities.

22 We are a system that is indeed
23 committed to our communities. The movement up
24 into Bucks County is a complete reaction to some
25 of the people who are now living in Bucks County

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2 who have a strong desire to be a part of the
3 Frankford Health Care System, and that is the
4 explanation for our movement up into Delaware
5 Valley and why that is included with Frankford in
6 this offering.

7 I'll be happy to answer any questions
8 relating to the transaction.

9 COUNCIL PRESIDENT VERNA: The Chair
10 recognizes Councilman O'Neill.

11 COUNCILMAN O'NEILL: Mr. Curran, could
12 you explain what the relationship is now between
13 Frankford and Jefferson? Is it wholly-owned, are
14 they merged in but are retaining their identity?
15 I know there's different ways you can affiliate
16 and there's all kinds of levels of joinder that
17 goes on up to pure merging.

18 How would you describe this one?

19 MR. CURRAN: Well, there's always a
20 tough questions when there's so many lawyers in
21 the room, but let me try to give you the
22 layperson's explanation.

23 Frankford joined basically with TJUH
24 Mainline Health and --

25 COUNCILMAN O'NEILL: What's TJUH?

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2 MR. CURRAN: Thomas Jefferson
3 University Hospital, I apologize. It was
4 Frankford, Thomas Jefferson University Hospital,
5 Einstein, and Mainline Health and now Magee that
6 all came together in essence.

7 COUNCILMAN O'NEILL: Let me just stop
8 you. What's Mainline Health?

9 MR. CURRAN: Mainline Health is
10 Lankenau, Bryn Mawr, Paoli and Bryn Mawr Rehab.
11 Mainline Health was a health-care system that was
12 formed approximately 15 years ago, and it got
13 together with Thomas Jefferson University Hospital
14 to form the Jefferson Health System two and a half
15 years ago.

16 Since then, we've added three more
17 founding members. Einstein came in as a founding
18 member, Frankford came in as founding member, and
19 Magee came in as a founding member. Three of the
20 four parties come in as equals. Each brings seven
21 members to the Board. Magee, because of its size,
22 brought two members to the Board. They share in
23 the ownership, if you can use the word
24 "ownership," but in the governance and in the
25 control over the Jefferson Health System.

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2 We are a system that is very
3 member-driven; we're there for our members.
4 There's no big corporate staff. I'm probably one
5 of probably 22 people, max, that are actually
6 system people, and the members basically govern
7 the direction of the system.

8 COUNCILMAN O'NEILL: So the people that
9 were running Frankford prior to this are still
10 running Frankford on a day-to-day basis.

11 MR. CURRAN: That's correct. Jefferson
12 has --

13 COUNCILMAN O'NEILL: And the things
14 they do with the community are still controlled
15 out of that.

16 MR. CURRAN: Yes, that is correct. We
17 basically look at the system level to do strategic
18 planning, to do things like group debt where
19 there's economies to be made; group purchasing,
20 where, again, our size can give us economies;
21 budget planning; business planning. The actual
22 day-to-day operations still stay with our member
23 hospitals. The system does not run day-to-day
24 operations with the hospitals.

25 COUNCILMAN O'NEILL: But there's an

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2 easier relationship, say, in Frankford being a
3 community hospital and you being a teaching
4 hospital. And if I've got something fairly
5 serious wrong with me and I get into Frankford,
6 it's a lot easier for them to connect with
7 Jefferson or one of the others hospitals within
8 the system than if they were just out there by
9 themselves.

10 MR. CURRAN: Absolutely.

11 COUNCILMAN O'NEILL: In addition to the
12 savings.

13 MR. CURRAN: Absolutely.

14 COUNCILMAN O'NEILL: Go on.

15 MR. CURRAN: That's how it's supposed
16 to work. We're supposed to put the best clinical
17 people together from both the academic world and
18 the community world to make sure that the
19 appropriate level of care is available to
20 everybody within our communities. And those
21 dialogs exist between all members of the medical
22 community to make sure that it exists. And we've
23 had many good examples of that happening.

24 We've also taken some programs that may
25 have been considered classic academic programs

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2 and, because of this relationship, been able to
3 move that out further into the communities,
4 whether it's some of the advancements in heart
5 programs at Einstein or if we're talking about
6 neurosciences being performed at Frankford.

7 So there's been a lot of positives that
8 have already come out of the creation of the
9 Health System.

10 COUNCILMAN O'NEILL: And do the
11 individual hospitals or systems retain their own
12 boards of directors?

13 MR. CURRAN: Yes. The member boards
14 still stay intact. There are reserve powers that
15 exist at the system level to make sure that indeed
16 we function as a system. But the local boards do
17 maintain, again, the day-to-day control over their
18 facility and all the community relationships.

19 COUNCILMAN O'NEILL: The nuns
20 established that system where -- they take control
21 ultimately.

22 Thank you.

23 MR. CURRAN: Thank you.

24 COUNCIL PRESIDENT VERNA: Mr. Curran,
25 is there any reason why you did not mention

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2 Methodist Hospital?

3 MR. CURRAN: No. Methodist Hospital is
4 now considered a part of the Thomas Jefferson
5 University Hospital System. They are actually a
6 division very similar to that Mainline has Paoli,
7 Lankenau and Bryn Mawr.

8 As you know, Methodist is a very, very
9 important part of our health system. It our South
10 Philadelphia connection, and we've been proud of
11 many of the things we've been able to do with
12 Methodist over the time they've associated with
13 TJUH and the Jefferson Health System.

14 COUNCIL PRESIDENT VERNA: Thank you.

15 The Chair recognizes Councilman Cohen.

16 COUNCILMAN COHEN: I understand the
17 health systems with respect to, say, group
18 purchasing; I'm not sure I understand it with
19 respect to group liability.

20 What is the liability, say, on this
21 bond issue? Who's liable? Is Einstein, which is
22 a part of the Health System, liable? How does
23 that work, you know with all of the different
24 groups?

25 MR. CURRAN: The liability with the

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2 debt that we're talking about is a Jefferson
3 Health System debt. Now, behind that debt is a
4 debt allocation agreement that exists that
5 basically takes, in this case, the 140 million and
6 makes that a primary obligation of Frankford.
7 However, all of the members are ultimately
8 responsible for that piece of debt. So it is a
9 pure system debt that is backed up by documents
10 that exist between the system and its members,
11 that they will take care of their own debt and, if
12 necessary, take care of the debt of their fellow
13 members.

14 COUNCILMAN COHEN: It's like when an
15 individual person goes to buy a car, and the
16 seller of the cars check with the bank and they
17 say, Well, the credit isn't good, get somebody
18 else whose credit is better to co-sign. Like an
19 hour I spent last night with a constituent who
20 wanted to know, My son wants to buy a car but he
21 needs a co-signer or he has to pay 20 percent more
22 on the interest rate. And he tells me it doesn't
23 mean anything; I just sign my name.

24 And I had to explain, Well, it's just
25 like you're buying the car to the father. You

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2 know, if the son doesn't pay, then the father
3 pays. Is that what it is here? That if for any
4 reason there's a failure to pay by the Health
5 System, then each of the groups that make up the
6 Health System would be individually liable?

7 Have each of them passed on this or is
8 that a general agreement so that they don't have
9 to get involved each time in every bond issue?

10 MR. CURRAN: Actually, we go back to
11 each of our members each time there is a change to
12 the bond documents to again reaffirm their
13 commitment to again standing behind not only their
14 own bonds but the bonds of their fellow members.

15 And we have been through the Frankford
16 piece of this with our members, and we're now
17 going back with the Delaware Valley piece to again
18 reaffirm the fact that they're committed to this.
19 I had my TJUH, Thomas Jefferson University
20 Hospital meeting on Monday. I will hit Einstein
21 and Mainline Health on Thursday.

22 COUNCILMAN COHEN: So does that mean
23 the that the members of the Health System will not
24 be making any individual applications for bond
25 issues but that there will be bond issues on

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2 behalf of the Health System?

3 MR. CURRAN: That is the case with
4 those members. We have not brought Magee into the
5 group debt. When Magee was becoming a part of the
6 Health System, we actually did not have time to
7 prepare all the necessary paperwork for them to
8 come into group debt. Whether that happens at
9 some later point in time has not yet been
10 determined, but Magee could actually come in with
11 a separate piece of debt.

12 COUNCILMAN COHEN: This probably goes
13 to Mr. Cramp: Are these bonds insured by one of
14 the insurance companies or are they being issued
15 on the credit of the members of the Health
16 System?

17 MR. CRAMP: May I?

18 COUNCILMAN COHEN: Please.

19 MR. CRAMP: The analogy you were making
20 about a purchase of a car, first, if I may
21 comment, with a system of the stature of
22 Jefferson, with no reflection on Frankford as a
23 free-standing, but I think, as you point out, it
24 probably will be a little stronger protection by
25 having something that is stronger than the

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2 present. I want to be careful not to reflect on
3 Frankford, but you make a good point, that,
4 obviously, this is a strengthened debt.

5 Secondly, and there are professionals
6 in the room that can make comment, more technical
7 if you wish, but there will be a letter of credit
8 protection on the initial offering of this debt,
9 which is what we call "an enhancement." In other
10 words, your protection for the bondholder, if the
11 whole sequence of events ever took place -- and
12 that is what Mr. Curran's already explained -- if
13 that safety net did not take place, then we still
14 have another safety net.

15 And it affords the opportunity to make
16 my usual statement that I do, Madam Chairperson,
17 and that is that the documents also have provision
18 that should anything go wrong, the liability does
19 not flow up to the Authority and does not flow to
20 the City. We have a China wall legally built in.

21 COUNCILMAN COHEN: All right. Thank
22 you, Madam Chair.

23 COUNCIL PRESIDENT VERNA: Thank you.

24 Are there any other questions or
25 comments from members of committee?

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2 The Chair recognizes Councilman

3 O'Neill.

4 COUNCILMAN O'NEILL: Mr. Cramp, did you
5 request a rules suspension? I'm sorry, I thought
6 you were all finished.

7 MR. MCGREAL: Mrs. Chairperson, my
8 name's Austin McGreal, and I'm General Counsel to
9 the Authority. And if your committee sees fit to
10 approve this -- hopefully, they will -- I would
11 request a suspension of the rules.

12 COUNCILWOMAN VERNA: We will certainly
13 consider that, Mr. McGreal. Thank you.

14 MR. MCGREAL: Thank you.

15 I also want to say that when Mr. Cramp
16 said it was 25 years ago, I couldn't remember
17 that.

18 Thank you.

19 COUNCIL PRESIDENT VERNA: Do we have
20 anyone else to testify on this bill?

21 MR. CRAMP: No, Madam Chairperson.

22 COUNCIL PRESIDENT VERNA: Thank you.

23 This will conclude the public hearing.

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1 2/23/99 RULES COMMITTEE - Public Meeting

2 COUNCIL PRESIDENT VERNA: We will now
3 go into our public meeting.

4 The Chair recognizes Councilman Kenney.

5 COUNCILMAN KENNEY: Madam Chair, I move
6 that Bill No. 990059 be reported out of this
7 committee favorably and a request made for a rules
8 suspension to allow for first reading at our next
9 Council session.

10 (Duly seconded.)

11 COUNCIL PRESIDENT VERNA: It has been
12 moved and seconded that Bill No. 990059 be
13 reported out of committee with a favorable
14 recommendation; also a recommendation that the
15 rules of Council be suspended so as to permit
16 first reading at our next session of Council.

17 All in favor will signify by saying
18 aye.

19 Those opposed?

20 The ayes have it, the motion is
21 carried.

22 This concludes our public meeting.

23 Thank you very much.

24 MR. CRAMP: Thank you so very much.

25 MR. CURRAN: Thank you very much for

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2 your time.

3 MR. MCGREAL: Thank you.

4 (Adjourned at 2:38 p.m.)

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RE: COUNCIL COMMITTEE ON RULES

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BILL NO. 990059

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JOSEPHINE CARDILLO,

Registered Professional Reporter