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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE COUNCIL COMMITTEE ON
PUBLIC HEALTH & HUMAN SERVICES

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Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, December 9, 1999
10:30 a.m.

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BILL 990809 - Authorizing the Health Commissioner,
on behalf of the City of Philadelphia, to enter
into an agreement with the Commonwealth of
Pennsylvania, acting through its Department of
Public Welfare, for the City to manage the
HealthChoices Behavioral Health Program, under
which behavioral health services will be provided
to Philadelphia residents who are eligible for
medical assistance, under certain terms and
conditions.

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PRESENT: COUNCILWOMAN MARIAN B. TASCO, Chair
COUNCILWOMAN DONNA MILLER REED
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK DICICCO
COUNCILMAN RICHARD T. MARIANO

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2 I N D E X

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4 Page

5 Michael Covone. 4
6 Deputy Health Commissioner

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2 P R O C E E D I N G S

3 COUNCILWOMAN TASC0: Good morning. The
4 Committee on Public Health and Human Services will
5 come to order.

6 We have a quorum in the presence of
7 Councilman Ortiz, Councilman Mariano, Councilman
8 DiCicco, and myself. We ask the clerk to read the
9 bill.

10 THE CLERK: Bill No. 990809, an
11 ordinance authorizing the Health Commissioner, on
12 behalf of the City of Philadelphia, to enter into
13 an agreement with the Commonwealth of
14 Pennsylvania, acting through its Department of
15 Public Welfare, for the City to manage the
16 HealthChoices Behavioral Health Program, under
17 which behavioral health services will be provided
18 to Philadelphia residents who are eligible for
19 medical assistance, under certain terms and
20 conditions.

21 COUNCILWOMAN TASC0: Thank you very
22 much.

23 Is there anyone here to testify on
24 behalf of this bill?

25 (Witnesses come forward.)

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2 COUNCILWOMAN TASCO: We would also like
3 to recognize that Councilwoman Donna Miller has
4 also joined the committee.

5 MR. COVONE: Good morning Committee
6 Chair Tasco and committee members. I'm Deputy
7 Health Commissioner Michael Covone, testifying on
8 behalf of Health Commissioner Richman. I thank
9 the --

10 COUNCILWOMAN TASCO: Just a minute. Is
11 his mike on?

12 Okay, put the mike closer to your
13 mouth, please.

14 MR. COVONE: Okay. Good morning,
15 Committee Chair Tasco and committee members. I'm
16 Deputy Health Commissioner Michael Covone,
17 testifying on behalf of Health Commissioner
18 Richman. Thank you for the opportunity to testify
19 before you in support of the proposed
20 HealthChoices ordinance bill, 990809 before you
21 today for consideration.

22 With me today are Ellen Steiker, Deputy
23 Health Commissioner of Finance and Administration,
24 Mark Bencivango, Assistant Health Commissioner,
25 Coordinating Office of Drug and Alcohol Abuse

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2 Programs.

3 The proposed ordinance, if approved,
4 will authorize the Health Commissioner to enter
5 into a two-year full-risk agreement with the
6 Commonwealth of Pennsylvania, Department of Public
7 Welfare, substantially in the form attached to the
8 ordinance, but with a term of two years. We are
9 seeking approval in this matter pending receipt of
10 the agreement from DPW prior to its commencement
11 date of January 2, 2000. If approved, the
12 ordinance will allow the City, through the
13 Department of Public Health, to continue managing
14 the HealthChoices Behavioral Health Program,
15 through a contract with Community Behavioral
16 Health, to administer behavioral health services
17 under the program.

18 We understand the Commonwealth of
19 Pennsylvania expects to engage in a new
20 competitive process for proposals to manage the
21 program as of January 1, 2002 to be consistent
22 with the expiration of the waiver approved by the
23 Federal Health Care Financing Administration to
24 implement this program.

25 As you may recall, in response to a

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2 successful bid submitted by the City to DPW, the
3 City and Commonwealth entered into a 35-month
4 full-risk contract approved by City Council, which
5 commenced February 1, 1997, for management an
6 administration of HealthChoices Behavioral Health
7 Program. Under that contract, the City has
8 provided funding to CVH to plan and coordinate the
9 delivery of covered behavioral health services to
10 eligible individuals to engage third-parties,
11 including community providers, to provide mental
12 health and substance abuse services and to monitor
13 and evaluate the services provided by those third
14 parties. However, all operational, financial, and
15 policy decision-making associated with the program
16 have remained subject to final review and approval
17 by the City.

18 Approval of the proposed ordinance will
19 allow the City to continue medical assistance
20 funding which, together with funding which
21 supports the City's Office of Mental Health and
22 Coordinating Office of Drug and Alcohol Abuse
23 Programs, comprise the behavioral system. Since
24 the commencement of the HealthChoices Program, the
25 City's integrated behavioral health system has

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2 ensured one point of accountability as well as
3 flexibility and cost efficiencies in the design
4 and delivery of services. The system has been the
5 recipient of numerous national awards, including
6 prestigious Innovations in Government Award from
7 the Ford Foundation and Harvard University's
8 Kennedy School of Government.

9 Key contract terms, principally
10 financial, under the proposed contract which
11 differ from those which Council previously
12 approved for the program include the following?

13 Risk and contingency funds. The
14 contract adds a new category of risk and
15 contingency funds defined to mean "per-member,
16 per-month capitation funds received by the City
17 under the agreement and/or prior agreements
18 between the City and Commonwealth for the
19 HealthChoices Program, which are not expended on
20 in-plan services or administrative functions and
21 which are in excess of the equity reserve required
22 to be maintained under the agreement. Risk and
23 contingency funds do not include reinvestment
24 funds or funds designated in the reinvestment plan
25 submitted to DPW."

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2 The agreement specifies uses and
3 accounting of risk and contingency funds,
4 including, with DPW approval, meeting an
5 insolvency requirement, which I will discuss, and
6 funding reinvestment plans, which I will also
7 discuss. The agreement provides that risk and
8 contingency funds shall not exceed the equivalent
9 of 90 days of unpaid claims at the end of the
10 contract year. Again, this excludes funds under a
11 reinvestment plan submitted to DPW.

12 Reinvestment plans. The agreement
13 specifies the parameters and the timing and the
14 scope of the City's submission and DPW's review of
15 reinvestment plans, including multi-year
16 investment plans.

17 Third is return of funds. The
18 agreement specifies the circumstances under which
19 the City is required to return funds to the
20 Commonwealth as follows:

21 Within 14 months from the expiration of
22 this agreement, the City is required to return all
23 unexpended program funds, excluding funds under a
24 reinvestment plan approved by DPW or submitted to
25 DPW upon which DPW has not taken positive or

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2 negative action.

3 Within six months after the time
4 approved by DPW for expenditure of reinvestment
5 funds, the City is required to return any
6 investment funds unexpended to the City within the
7 approved timeframe.

8 Upon expiration of the agreement, the
9 City is required to return unexpended funds,
10 excluding funds under reinvestment plan and
11 reserve funds held by the City in the event the
12 City is awarded a new contract pursuant to the new
13 procurement process for the HealthChoices Program.

14 Within 15 days' written notice from
15 DPW, the City is required to return any excess
16 funds to the extent risk and contingency funds
17 exceed the equivalent of 90 days of unpaid claims,
18 excluding funds under a reinvestment plan.

19 In addition to the reserve and
20 reinsurance required under the agreement, the City
21 is required to maintain a financial arrangement
22 satisfactory to DPW to ensure payments to
23 providers in the event of bankruptcy or
24 insolvency. DPW has advised the City that the
25 City's existing level of risk and contingency

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2 funds is sufficient to satisfy this requirement.
3 The agreement provides that the City is required
4 to maintain risk and contingency funds dedicated
5 to this insolvency agreement at a minimum of 60
6 days of unpaid claims, and that in the event this
7 fund falls before the required level, DPW will
8 contact the City to determine other options for
9 meeting the requirement.

10 I thank you for the opportunity to
11 testify before you today and would be happy to
12 answer any questions you may have.

13 COUNCILWOMAN TASC0: Thank you very
14 much.

15 Would you please explain to us what you
16 just read relative to the risk and contingency
17 funds. And also, under the reinvestment plans,
18 what limits does that place on CBH to use the
19 excess funds for extended service or other
20 additional terms?

21 I think in laymen's terms, we'd like to
22 have -- what does this mean as opposed to what we
23 passed in Council before?

24 MR. COVONE: I think what this contract
25 did is make explicit some of the things that

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2 weren't fully clear in the original contract
3 concerning risk and contingency. And what we
4 tried to do in this contract and what the Law
5 Department, I think, was successful in doing, was
6 not having this contract potentially come to the
7 end of a five-year program and have funds remain
8 that we've submitted reinvestment forward to the
9 Commonwealth but which they haven't acted upon,
10 and have DPW come back and say, No, just return
11 the funds.

12 This gives us the ability, with an
13 approved reinvestment plan, to do a multi-year
14 plan, which may extend two and three years out.

15 Some of the initiatives recently
16 approved in City Council for reinvestment --

17 COUNCILWOMAN TASC0: Just a moment,
18 just a moment.

19 Could we tone down the sidebar
20 conversations, please? We are having difficulty
21 hearing. Those people behind the press box, we
22 ask them to please tone down their voices.

23 Thank you.

24 MR. COVONE: Some of the reinvestment
25 plans recently approved by Council actually extend

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2 it for a period longer than a one-year period, and
3 I think what this does is give us the ability as
4 well to go out on a multi-year investment plan, if
5 that exists. And it also gives us the ability and
6 recognizes explicitly in the contract the need for
7 a business risk and contingency fund. And that's
8 what the ability to maintain up to 90-day reserves
9 allows us explicitly to do.

10 COUNCILWOMAN TASC0: Are there any
11 other questions from members of the committee?
12 Councilwoman Miller?

13 COUNCILWOMAN MILLER: Good morning.
14 I'd like to know the dollar amount of the
15 reinvestment plans.

16 MR. COVONE: To date, we've had
17 approved and are in the process of implementing in
18 excess of -- I believe it's \$20.2 million in
19 reinvestment funds.

20 COUNCILWOMAN MILLER: Okay, thank you.

21 COUNCILWOMAN TASC0: Are there any
22 other questions?

23 (No further questions.)

24 COUNCILWOMAN TASC0: Thank you very
25 much for your testimony.

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2 Is there anyone else here to testify on
3 this bill?

4 (No response.)

5 COUNCILWOMAN TASC0: There being no
6 further testimony on this bill this concludes the
7 public hearing on Bill No. 990809

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9 COUNCILWOMAN TASC0: The Committee on
10 Public Health and Human Services will now go into
11 the public meeting.

12 Could we get a motion?

13 COUNCILMAN ORTIZ: Madam Chair, I move
14 that Bill 990809 be approved by the committee with
15 a favorable recommendation and that the rules of
16 Council be suspended so as to permit first reading
17 at the next session City Council.

18 (Duly seconded.)

19 COUNCILWOMAN TASC0: It's been properly
20 moved and seconded that Bill 990809 be reported
21 out of committee with a favorable recommendation
22 and a recommendation for the suspension of rules
23 of Council so that this bill will be read at the
24 next Council session.

25 All in favor will say aye?

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2 Any opposition?

3 There being none, the motion is

4 carried.

5 The public hearing on Health and Human

6 Services is now adjourned.

7 Thank you very much.

8 (Adjourned at 10:42 a.m.)

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RE: COUNCIL COMMITTEE ON PUBLIC HEALTH
AND HUMAN SERVICES

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JOSEPHINE CARDILLO,
Registered Professional Reporter