¡›î›

COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE ON LAW AND GOVERNMENT

- - -

Room 696, City Hall
Philadelphia, Pennsylvania
Wednesday, December 11, 2002
1:10 p.m.

- - -

RESOLUTION 000476 - Resolution authorizing the Committee on Law and Government to investigate whether the City-administered health plan currently and in the past has provided the most comprehensive and cost-efficient coverage to City employees for the premiums paid, and whether the City could provide more comprehensive and less costly coverage to the approximately 8000 employees and retirees currently covered by this plan, if other options were pursued.

- - -

PRESENT:
COUNCILMAN DAVID COHEN, Chair
COUNCILMAN DARRELL CLARKE
COUNCILMAN ANGEL ORTIZ
COUNCILMAN FRANK RIZZO

- - -

V A R A L L O, Incorporated
Litigation Support Services
Eleven Penn Center
1835 Market Street, Suite 600
Philadelphia, Pennsylvania 19103
(215) 561-2220

¡›î›

I N D E X

RESOLUTION 000476 PAGE
LINDA BERKOWITZ 5
GAIL KLEIN 68

12/11/02 - LAW AND GOVERNMENT - RES. 000476

COUNCILMAN COHEN: Good afternoon, everyone. Is this is a continued hearing on Resolution 000476; therefore, there is a continuing quorum. The Chair would like the note the presence of Councilman Frank Rizzo and Councilman Darrell Clarke, who are members of the Committee and who are here together with the Chair David Cohen who is now talking. This is to update us, because the first issue relates to the fact that my office was deluged with calls from unrepresented employees beginning -- I think it was late last week with announcements that they had gotten information about the health plan and they had to answer it very quickly, with being given only a limited number of days, and what happened to my promise to them to see that they would have much more time given, which I had given based upon a recommendation or announcement or an answer in a letter -- I'm not sure exactly what it is -- by Ms. Berkowitz, Linda Berkowitz, who said that as soon as certain contracts were conformed, my office would be notified. We waited patiently, but we learned today as a result of her giving us documents prior to the beginning of the hearing that the contracts were conformed by October 9th is the date we have noted. And we have not yet until this afternoon received notice that that happened. And that was why we had not been able to give any information to people that anything was prepared. We were waiting for that.

So Ms. Berkowitz, after I have Mr. Kearney read the title of the resolution, I'm going to ask you to appear as a witness and we'll have some preliminary questions.

Mr. Kearney, proceed as Clerk of the Committee.

THE CLERK: Resolution 000476, resolution authorizing the Committee on Law and Government to investigate whether the City-administered health plan currently and in the past has provided the most comprehensive and cost-efficient coverage to City employees for the premiums paid, and whether the City could provide more comprehensive and less costly coverage to the approximately 8,000 employees and retirees currently covered by this plan, if other options were pursued.

COUNCILMAN COHEN: Ms. Berkowitz, would you step forward to the desk?

You heard, Ms. Berkowitz, in my brief

original statement that we had no information until you gave us the documents today about the contract settlement conformed two months ago. And I assume "conformed" means approved by the Administration; is that accurate?

MS. BERKOWITZ: Councilman Cohen, the copies of the two agreements that I gave you right before the hearing convened are not the agreements with the providers of the health coverage. Those two agreements are with our healthcare consultants. Our negotiations, as I indicated in the other handout that I gave you on the status of the City-administered health plan for 2003, we did not conclude negotiations with our healthcare providers until late November.

COUNCILMAN COHEN: And there was no indication until the final conclusion in late November that there would be any agreement at all, I take it?

MS. BERKOWITZ: We knew there would be agreements. What we were negotiating were the rates. And as you will see from the material that I gave you, we were successful in lowering, not significantly, but lowering the initial quotes that we received both from Independence Blue Cross and AdvancePCS for prescription coverage.

COUNCILMAN COHEN: Well, we hope you're going to be explaining that later on, but we did not know whether they were increased -- since the payments by covered employees is going to be higher, our understanding is that rates went up and not down.

MS. BERKOWITZ: The rates went up from last year, but the final negotiated rates were, in two instances, lower than the original quoted rates that we received from Independence Blue Cross and AdvancePCS for 2003.

COUNCILMAN COHEN: Well, I'm going to be making a recommendation to President Bush that the former Governor Ridge employ you or somebody you direct to maintain a secrecy code because I think you do very, very well. You've managed to keep from your allies who are the people that are covered by this the necessary information so that if it's good news, they can appreciate what you've done. They don't know that. And if it's bad news, you don't give them any opportunity to participate in whatever takes place. We don't know whether to call it negotiations or conferences or whether you have tea parties and just hand out goodies or whether the other side hands out goodies to the City people. We know nothing about that because the City's policy, apparently, is to maintain utmost secrecy. And if so, you've never given any explanations as to why that degree of secrecy is needed. You've created a situation which it's very likely that Council is going to have to begin negotiating on its own behalf and opt out of the City's plan and do what both the State and Federal Government do, where the legislative bodies -- in fact, each of them has their own separate plan, probably because of running into the same blocks by their executive authorities as we're running into and dealing with you.

We don't understand how anybody justifies keeping City Council in the dark about details. We don't understand how you justify feeling that Council has no role to play in participating in either questions concerning the program itself. We're given no opportunity to participate in any meaningful way with respect to determining what areas should be covered.

You've known for about a year, at least, of the strange inconsistency that exists, that at certain times retirees -- and no offense meant to the retirees and this is not meant to indicate that in general they fair better, but in this crazy situation of coverage that you've developed over the years, you exclude from coverage families and dependents of the veteran employees who choose to remain on the job rather than to retire as soon as they become eligible for retirement. At least that's the facts as we seem to know it. And you've done nothing for this last year, knowing that there are many thousands of employees who are uncovered if anything happened to them while they continue their work for City, while any colleagues who had retired because they were eligible to and chose to do so do have their families covered. You've done nothing on that. You've kept you us in the dark so that we don't know any of the goodies, if there are any goodies involved in the health insurance, nor do we know the pitfalls except the ones we know about which are those that affect the pocketbook that people are going to have to pay more for whatever coverage they had in the past.

I'd like to know, do we take that to

mean that is the firm policy of the City, the giving of no knowledge to the City Council or the Committee, that you've known for over a year, has been actively pursuing the area of health coverage, that the back of the hand is all we're going to get and, therefore, in our own interests we have to proceed, beginning with this forthcoming budget year, to consider the option of covering ours and opting out of the City Plan.

What is your comment with respect to that lengthy question and comment that I made just now?

MS. BERKOWITZ: I really --

COUNCILMAN COHEN: The Chair wants to acknowledge the presence of Councilman Ortiz who has come into the hearing at the appropriate time, as he always does.

MS. BERKOWITZ: I really don't have a comment. I understand your concern.

COUNCILMAN COHEN: Can you tell me one thing? When you say you have no comment, does that mean that you are powerless to do anything about it and we're addressing the wrong party? That may well be. If so, just say, "That's a matter outside of my jurisdiction."

MS. BERKOWITZ: Councilman Cohen, that is a matter outside my jurisdiction, and I have expressed that before. My role is to make recommendations to the Administration on the City-administered health plan.

COUNCILMAN COHEN: And you don't go beyond that and you have no power?

Did you ever recommend or inform the Mayor -- who is your direct boss? Is it the Mayor directly? Or do you go through the Managing Director?

MS. BERKOWITZ: I go through the Mayor's Chief of Staff and the Finance Director.

COUNCILMAN COHEN: And have you informed either or both of them of the dissatisfaction frequently expressed by Council as to a lack of information received?

MS. BERKOWITZ: I think that there is a general awareness of Council's dissatisfaction.

COUNCILMAN COHEN: And you say the ability to satisfy those objections is outside your jurisdiction?

MS. BERKOWITZ: In terms of at what

point coordination should occur with Council is outside of my jurisdiction.

COUNCILMAN COHEN: All right. Well, then we'll excuse you with respect to that aspect of the question from responsibility except as you indicate wherever you have it.

That leads us to your explanation on why we are receiving the information just today on the ground that it just recently occurred at the end of November about these contracts. You say that there was no ability of your office prior to that point to inform the City Council because nothing had actually occurred until the contracts were conformed.

MS. BERKOWITZ: The contracts, Councilman Cohen, have not been conformed with the providers of a coverage yet because those -- the new coverages are not effective until January 1. The two documents that I gave you today, in terms of agreements, are with our healthcare consultants. They are not the coverage agreements.

COUNCILMAN COHEN: Just the contracts with our healthcare --

MS. BERKOWITZ: That is correct.

COUNCILMAN COHEN: That's the

relationship between the City Council and their own consultants? Who are the contracts with?

MS. BERKOWITZ: One is with Brokerage Concepts, Inc., and the other one is with Capital Management Enterprises.

COUNCILMAN COHEN: Wasn't that the specific request made by the Council Committee, to learn about the people that we have representing us, advising us, consulting with? It's my understanding that's what we had requested before.

MS. BERKOWITZ: These are renewals of prior year agreements, and you have copies of those prior year agreements. These are renewals.

COUNCILMAN COHEN: With our own people, not with the providers.

Do these people that are mentioned in these contracts you showed us at the beginning of the meeting, are they providers or are they people who help the City?

MS. BERKOWITZ: They are people who help the City. Capital Management Enterprises assists the City with its dental prescription and vision plans. And Brokerage Concepts, Inc., for the second year has provided assistance to the City relative to medical coverage.

COUNCILMAN COHEN: Now, that was confirmed when?

MS. BERKOWITZ: These are renewals that -- these two renewals were conformed in October. Unfortunately, at the time they were conformed, I was not at work. So I take full responsibility for the fact that these were delayed in getting to you.

COUNCILMAN COHEN: What's the significance of these contracts?

MS. BERKOWITZ: You had asked for them. Ms. Bricklin had asked that we ensure that you and the Committee receive copies of the agreements, of the most current agreements.

COUNCILMAN COHEN: So does that mean that until these agreements were conformed -- does "conformed" mean approved by the City Administration? Is that the meaning of the word "conformed"?

MS. BERKOWITZ: Conformed is the Law Department's term for a fully executed contract.

COUNCILMAN COHEN: Well, until then, nobody negotiates for coverage for the next year?

MS. BERKOWITZ: No. Again, they were

assisting the City all along. The problem was, there was a delay in getting them conformed and a delay in getting them to you because I was out of work for a fairly lengthy period, and I am responsible for the fact that there was a delay in them getting to you. But they were assisting the City under their prior agreement. This is simply a renewal.

COUNCILMAN COHEN: Had you not asked anybody in your office -- isn't there anyone in your office that carries on when you're not there?

MS. BERKOWITZ: To be very candid with you, Councilman Cohen, for a period of time I was not thinking about any of this. So again, that's why I take full responsibility for the delay. But in no way was there an impact on our ability to negotiate with our health coverage providers.

COUNCILMAN COHEN: Now I'm beginning to understand that you're telling me that it was probably a matter of health that kept you out of your office?

MS. BERKOWITZ: Yes.

COUNCILMAN COHEN: For which the Committee will and I personally will express full regret. I can understand that aspect.

But let me ask you this. Did you ever inform others that the City Council was very much concerned about the content of the contracts, not just the contracts with its own consultants, but with the whole scope of the health program with certain aspects of it that have been raised during hearings? And did the people you mentioned before know about that concern and took no action to see that those concerns were met? Is that right? You're taking responsibility --

MS. BERKOWITZ: For the delay in getting these documents to you, that is correct.

COUNCILMAN COHEN: But beyond that, no?

MS. BERKOWITZ: I think that there is general understanding about the fact that Council is concerned about the City-administered health plan. The ability to satisfy Council's concerns is another issue. I'm prepare to address some of that today.

COUNCILMAN COHEN: Go ahead, address it now. Because we don't understand that at all, particularly since the Mayor is the former head of the City Council. It seems hard for us to understand the taking of a position by the Executive

Department that would tend to exclude rather than include City Council.

MS. BERKOWITZ: I'm not prepared to address that issue. I am prepared to address the contents of the City-administered health plan and why we are where we are in terms of what that's going to look like for 2003.

COUNCILMAN COHEN: What are you not prepared to discuss within the framework of my question and your response to that question? What are you excluding?

MS. BERKOWITZ: As I thought we agreed just a few minutes ago, I am not prepared to address the question of at what point does the Administration involve Council in discussions about anything.

COUNCILMAN COHEN: Are you saying that you would not feel at liberty on your own without approval by someone in a superior position than the one you hold, unless you get direct instructions from them, you do not feel free to include Council?

For example, you were not able, you felt, apparently, to pick up a phone and call me and say, "We have started discussions. I'll tell you where we are at this stage."

MS. BERKOWITZ: I do not believe that is my prerogative. I have never believed that was prerogative in any of the positions I've held in government. I think my --

COUNCILMAN COHEN: Did you ever inquire --

MS. BERKOWITZ: I think my initial obligation is to my direct superiors.

COUNCILMAN COHEN: Well, I understand that. But in your obligation to your direct superiors, don't you have an obligation to maintain good relations and to give them notice when relations are getting on rocky grounds for certain reasons?

MS. BERKOWITZ: It's my understanding that the Administration has had conversations. I don't know the extent of them. I don't know the total substance of them. But it's my understanding that there have been discussions between the Administration and Members of Council about the City-administered health plan. And I'm not prepared to go beyond that.

COUNCILMAN COHEN: Well, have you ever

been told not to go beyond that?

MS. BERKOWITZ: I've never asked the question because I believe that Council is perfectly capable of speaking to the Administration at its discretion, and the Administration is perfectly capable of speaking to Council at its discretion. And I don't feel the need to get in between that.

My obligation -- as I explained, my responsibility is to assist the Administration in negotiating its health coverage under the City-administered health plan and to make recommendations to the Administration for those plans.

COUNCILMAN ORTIZ: David, if may?

COUNCILMAN COHEN: Yes, just right after this.

May I suggest that I believe you limit your job in a way that makes you much less effective. I've always believed when I've been in positions like your own that it was always part of my duty to inform my superiors what the situation was as it appeared to be with all the participants with whom I was working in order to prepare my superiors for problems that may occur if they didn't handle certain phases of the problems.

MS. BERKOWITZ: Councilman Cohen, I am --

COUNCILMAN COHEN: But if you're going only on your understanding and you haven't discussed it with them --

MS. BERKOWITZ: I have not said that. What I've said is I am not prepared to discuss that issue here, and I certainly am not prepared to discuss my internal conversations with the people for whom I work.

COUNCILMAN COHEN: The Chair yields to Councilman Ortiz.

COUNCILMAN ORTIZ: Mr. Chairman, we've been through this for quite a few months and months now. And since the City, obviously, one, doesn't answer any question, doesn't give us any answers, it seems like this is a problem that maybe the Congressional Delegation should take a look into. It seems to be a problem that the City doesn't have any answers for.

MS. BERKOWITZ: If I could respectfully say, we have not yet -- there have been yet no questions today about the substance of the

City-administered health plan for 2003. And I would be very happy to do my utmost to respond to any questions about the structure, the cost, the employee contributions, whatever I can do to provide some additional information about the City-administered health plan for 2003.

COUNCILMAN COHEN: But that's only one phase.

MS. BERKOWITZ: I understand that. And that's what I'm prepared to address.

COUNCILMAN COHEN: What did you report to whoever you would have to report to on the question of these unrepresented employees whose dependents would -- whose insurance coverage would end at the end of the calendar year in which the employee died? Did you ever make a recommendation to your employers that that policy ought to be changed?

MS. BERKOWITZ: I have not had discussions with -- I have not had discussions with anyone about that particular issue.

COUNCILMAN COHEN: Why? It's certainly been raised.

MS. BERKOWITZ: Yes, I understand that

it has been raised. But I have not had discussions about that particular issue. That has really, for the most part, been outside of the responsibility that I've had to negotiate the City-administered health plan coverages.

COUNCILMAN COHEN: Well, how do you know what to cover if you don't ask questions, if you don't inform your superiors that there's another question raised? "Apparently there is no coverage for so-and-so. This is being raised. Do you want us to find out what it would cost? The Council Committee has raised that question a number of times. Do you want us to find out if it would cost anything, would it cost a little, would it cost a lot?"

But you apparently made a decision on your own not to even inquire about that?

MS. BERKOWITZ: I believe that the Administration is aware that Council has raised this as an issue.

COUNCILMAN COHEN: And? And what? Or do our weighing of considerations mean absolutely nothing to you?

MS. BERKOWITZ: I have not said that,

Councilman Cohen.

COUNCILMAN COHEN: Well, you have if you didn't transmit to your superiors that a problem has come up, has been Council's constant reiteration of the need to cover the situation; "Do you want me to look at it or not?"

MS. BERKOWITZ: I believe that the Administration is aware of the issue.

COUNCILMAN COHEN: How do you know? I don't know what "believe" means. We don't deal with the other worlds that exist outside of the real world, so we don't know on what basis you're believing that. How can you believe it if you haven't raised the question?

MS. BERKOWITZ: I know that the Administration is aware of the issue.

COUNCILMAN COHEN: And?

MS. BERKOWITZ: What position the Administration wants to take with that has not been a subject of my discussions with the Administration.

COUNCILMAN COHEN: Well, how do you know that they did not want you to take that into consideration?

MS. BERKOWITZ: Because I have full

faith that if they want me to look at it, they will ask me to do so.

COUNCILMAN COHEN: And so the only asked -- did you ask them what issues you should raise with whoever you were going to deal with?

MS. BERKOWITZ: That really would have very little to do in terms of our negotiating with our health coverage providers.

COUNCILMAN COHEN: Why would that be?

MS. BERKOWITZ: I don't understand why it would have an impact. I do not think it would have an impact.

COUNCILMAN COHEN: What would not have any impact?

MS. BERKOWITZ: That issue.

COUNCILMAN COHEN: Which issue?

MS. BERKOWITZ: That issue would have an impact on --

COUNCILMAN COHEN: What issue?

MS. BERKOWITZ: I believe we're talking about the issue of parity for dependents of employees who die -- active employees who die in non-connected service.

COUNCILMAN COHEN: You wouldn't think

it's part of your duty to raise that issue to let the City know, officially know, that you as the person charged by them with responsibility for determining health coverage policies and rates? Or do you believe you don't have any authorization with respect to determining policies, and unless you are separately informed, you just continue the same thing you did before?

MS. BERKOWITZ: I don't determine policy.

COUNCILMAN COHEN: What's your concept of your duties?

MS. BERKOWITZ: My responsibility has been, as you know, since summer of 2001, to look at the City-administered health plan, to make recommendations for improving, and to negotiate with our health coverage providers. There are other issues of policy that have been raised by this Committee that have not been my purview.

COUNCILMAN COHEN: How do you know that? How do you know what's in your purview and what's not in your purview?

MS. BERKOWITZ: Because I have complete trust in the people I work for. They know what I do. And if they want me to expand my responsibilities, they will advise me so.

COUNCILMAN COHEN: So you say there's been no change made in any provision of health insurance in the contracts since you've assumed duty that you see your duties as not advising the Administration of any requests for improvements or things to be changed unless you first hear from them? Is that what you're saying?

MS. BERKOWITZ: Councilman Cohen, I really think we're talking about two very separate issues. The health --

COUNCILMAN COHEN: Well, how did you know what to consider?

MS. BERKOWITZ: In terms of what?

COUNCILMAN COHEN: In terms of what coverage you should talk about with the carriers. Was it your understanding that this contract which exists in the current year that's ending at the end of this month is the official version of the health plan for the City of Philadelphia and must never be changed; unless you are given instructions, you must not raise any questions about any aspect of it?

MS. BERKOWITZ: The agreements with the

healthcare providers for coverage really -- that is an issue separate and apart from the parity issue that you are raising.

COUNCILMAN COHEN: No, it's not any different from any other provision. Have benefits been extended in any way?

MS. BERKOWITZ: To other populations?

COUNCILMAN COHEN: Yes.

MS. BERKOWITZ: No.

COUNCILMAN COHEN: Have they been subtracted in any way?

MS. BERKOWITZ: Are people who were covered --

COUNCILMAN COHEN: Were previously covered now not covered?

MS. BERKOWITZ: Not to my knowledge.

COUNCILMAN COHEN: So the contract as far as what is covered is identical with what existed in the past?

MS. BERKOWITZ: In terms of covering active and retired employees enrolled in the City-administered health plan, that is correct.

COUNCILMAN COHEN: And is it your understanding that the official policies of the government is that there shall never be any change unless somebody tells you that there is to be a change, somebody in a position superior to yours and that you must not raise any question with them?

MS. BERKOWITZ: No, that's my understanding. I don't know what "never" means and I don't --

COUNCILMAN COHEN: Well, I mean never.

MS. BERKOWITZ: And I am free to raise questions with the people for whom I work. But I am not prepared to address my conversations with the people for whom I work in this forum. Those are my conversations with the people for whom I work.

COUNCILMAN COHEN: So you're saying now that you don't believe you ought to discuss any changes in this program with anybody other than your own --

MS. BERKOWITZ: I'm happy to discuss issues, but I came here today to talk about the City-administered health plan, and I'm prepared to do that.

COUNCILMAN COHEN: You always come prepared to discuss that which the City Executive Department has announced as its policy, but you are never prepared to discuss anything beyond that?

MS. BERKOWITZ: That's correct.

COUNCILMAN COHEN: So that if anybody wants to raise with you why -- well, let me try this way.

Why do you choose to punish people who continue to work as against retirees once they're retirement age and other requirements for retirement have been met? What's the reason for the City policy which says the moment you are eligible to retire, you must, if you choose to keep your family protected with health insurance, you must immediately retire?

MS. BERKOWITZ: I am not prepared to address that issue today, Councilman Cohen.

COUNCILMAN COHEN: Are you ever going to be prepared to discuss that issue?

MS. BERKOWITZ: I don't know that. But today I'm not prepared to discuss that.

COUNCILMAN COHEN: Have you ever been prepared -- in any of your appearances before this Committee, have you ever been prepared to cover that question?

MS. BERKOWITZ: Well, in 2001, I don't

remember that being an issue that I was asked about in 2001.

COUNCILMAN COHEN: Well, you've heard the issue many times.

MS. BERKOWITZ: Yes.

COUNCILMAN COHEN: You didn't have the answer first when the question was asked, when the question first came to light that this situation exists -- no, it was before you. It was with Linda Seyda.

MS. BERKOWITZ: Yes. I don't recall that question being posed to me in my previous appearances before the Committee.

COUNCILMAN COHEN: I believe it was, but that might be open to --

MS. BERKOWITZ: I'm sorry. If it was, I apologize, but I don't recall that.

COUNCILMAN COHEN: Well, tell me this: Do you believe that it's part of City policy to give extremely short notice -- and I define extremely short notice as the notice allowed this year for employees to choose which plan they're going to accept. Do you think that that's City policy in order to make sure employees don't have enough time to consider all potential things?

MS. BERKOWITZ: That is not City policy. Unfortunately, we did not conclude negotiations with our coverage providers until late November. And in order to avoid, to the extent possible, payroll deductions having to be doubled up after January 1, the flex books went out in the first week of December.

COUNCILMAN COHEN: That was the same answer given to us last year and the year before that.

MS. BERKOWITZ: That is correct. That is correct. And actually, we --

COUNCILMAN COHEN: Is it the intention of the City to always manage to conclude negotiations so late that they will not be able to give time? Do you assume that that's the policy --

MS. BERKOWITZ: Is is not the policy.

COUNCILMAN COHEN: How do you know that? Did you ever discuss that with your superiors as to whether there exists such a policy?

MS. BERKOWITZ: My superiors are not the ones who issue the rate quotes; it is the coverage providers who do that. And as a mater of fact, we received our initial quote from Independence Blue Cross in September which they have made very clear to us is extremely unusual for them because they usually do not issue their rate quotes to their clients until November of every year. So we even get ours early. But in order to understand the basis for the quoted increases, we had to have numerous conversations with Independence Blue Cross and make several requests for data from them.

COUNCILMAN COHEN: Several requests for?

MS. BERKOWITZ: For data from them. Because rates, in part, are based on utilization; and we wanted utilization information. We simply did not want to take whatever they quoted us and say, "Sure, fine, we'll pay it, whatever."

So, again, because of trying to keep our costs low, we had extended conversations with Independence Blue Cross and with AdvancePCS, both of whom finally reduced their initial quotes to us, not significantly, but enough to make a monetary difference.

COUNCILMAN COHEN: When you received the information in September, it was sent by the companies?

12/11/02 - LAW AND GOVERNMENT - RES. 000476

MS. BERKOWITZ: Yes.

COUNCILMAN COHEN: Why did they reply at that time and to whom did they reply?

MS. BERKOWITZ: I'm sorry, I don't --

COUNCILMAN COHEN: Well, how did it happen that they suddenly sent to you their information in September?

MS. BERKOWITZ: They don't suddenly send it to us. We requested, as we did last year, quotes from them on our 2003 rates.

COUNCILMAN COHEN: When did you request that?

MS. BERKOWITZ: Probably in August, sometime late August.

COUNCILMAN COHEN: You don't know when?

MS. BERKOWITZ: I don't remember the date, no.

COUNCILMAN COHEN: Who requested it of them?

MS. BERKOWITZ: We requested Capital Management Enterprises to get quotes for dental and prescription as early as possible. We made that request during the summer. And during the summer, we also had a RFP for vision prepared, for vision coverage prepared because that was the only coverage for which we did not have an RFP last year.

COUNCILMAN COHEN: Was that then in writing by Capital Management?

MS. BERKOWITZ: What?

COUNCILMAN COHEN: The request to the carriers.

MS. BERKOWITZ: For the rates?

COUNCILMAN COHEN: For the rates.

MS. BERKOWITZ: I could not tell you that. I know there were conversations. Whether they formally asked in writing, I don't know. But I do know that we get our quoted rates earlier than most employers.

COUNCILMAN COHEN: And do you know what it was they ask for? Did they ask for the same coverage? Was the Council efforts aborted back in the beginning of the summer when they first asked -- were the companies asked to supply rates only for the current coverage?

MS. BERKOWITZ: Yes, they were.

COUNCILMAN COHEN: And for nothing more?

MS. BERKOWITZ: That is correct.

COUNCILMAN COHEN: Do you know whether

there's ever been any --

MS. BERKOWITZ: I'm sorry. With one exception, and that's on vision. As you will note in the information that I've given you and was contained in the flex book, we did ask for a quote on enhanced vision coverage.

COUNCILMAN COHEN: On which coverage?

MS. BERKOWITZ: Vision.

COUNCILMAN COHEN: What was the word you used before vision?

MS. BERKOWITZ: Enhanced.

COUNCILMAN COHEN: Enhanced. And what was the result of that?

MS. BERKOWITZ: We received a quote from Vision Benefits of America for an enhancement that would allow for annual eye examinations and the provision of lenses annually for adults, as well as children. And that has been incorporated into the health plan of 2003. And that determination was made because it has a marginal impact on the General Fund, as you'll see in the information.

COUNCILMAN COHEN: What was the additional cost?

MS. BERKOWITZ: To the General Fund,

it's about -- we're projecting it at about $42,000 a year -- $46,000 a year.

COUNCILMAN COHEN: To cover all the 8,000 unrepresented employees?

MS. BERKOWITZ: Correct.

COUNCILMAN COHEN: So that per employee comes to about $6 per year.

MS. BERKOWITZ: It's about 58 cents a month to provide annual eye examinations and the provision of lenses.

COUNCILMAN COHEN: The provision of?

MS. BERKOWITZ: Lenses. Glasses. Not the frames. The frames continue to be -- that coverage is still once every two years.

COUNCILMAN COHEN: Who is the one that made the decision, if you know, about providing this enhanced vision coverage? How did that happen to be asked for?

MS. BERKOWITZ: We --

COUNCILMAN COHEN: Who is the "we"?

MS. BERKOWITZ: The Administration knew that that was a concern. I knew it was a concern. The Personnel Director knew it was a concern. A number of people in the Administration understood that this was a concern expressed by a fair number of enrollees in the City-administered health plan. And so we agreed that we would look at what the cost of that enhancement would be.

COUNCILMAN COHEN: How did you find that out? How did you reach a conclusion on that? Who are the people that you spoke with that expressed --

MS. BERKOWITZ: I'm sorry. About?

COUNCILMAN COHEN: I would like to know that process that you engaged in that resulted in the request for enhanced vision care. How did you learn that there was a demand and that you ought to include that in the insurance? And who made the decisions?

And please don't use pronouns like "we" or "they." Identify who it was.

MS. BERKOWITZ: Councilman Cohen, it was a number of people.

COUNCILMAN COHEN: Well, who made the final decision? Let's start with that. Whose approval was required before somebody --

MS. BERKOWITZ: I made the decision that we would ask the provider of the coverage to give us a quote for what that enhancement would cost.

COUNCILMAN COHEN: How did you get the authority to do that?

MS. BERKOWITZ: To ask?

COUNCILMAN COHEN: Did you get authority from anybody to request that?

MS. BERKOWITZ: No, I did not.

COUNCILMAN COHEN: You did that on your own?

MS. BERKOWITZ: I did that using my own discretion.

COUNCILMAN COHEN: Then who were the people that influenced you to do that? Because Council is not among the influential folks, and I'd like to know who were.

MS. BERKOWITZ: I believe the suggestion was made by -- I know that Capital Management Enterprises made the suggestion that we look at that. Lynda Orfanelli made the suggestion that we look at that. Her Benefits Administrator, Dennis Norwood, made the recommendations that we look at that. And we explored it.

COUNCILMAN COHEN: So if we got the same people to raise the question about the fact that unrepresented employees of retirement age do not obtain the same benefits if they stay on as current workers or as they would for their families if they retired, they would be the appropriate people that might have influence that would convince you that you were authorized to raise it?

MS. BERKOWITZ: I believe, Councilman Cohen, that is a very separate issue.

COUNCILMAN COHEN: It's a very?

MS. BERKOWITZ: It's a separate issue. The issue of parity for retiree benefits is a very separate issue.

COUNCILMAN COHEN: Why is that?

MS. BERKOWITZ: Because it has impacts beyond, as you can probably imagine, those enrolled in the City-administered health plan.

COUNCILMAN COHEN: Could you give us some indication --

MS. BERKOWITZ: The issue of parity has come up and might come up again in labor negotiations. It has certainly come up in arbitration. It has impacts beyond those individuals enrolled in the City-administered health plan. It is a labor management issue, and I am not prepared to address that here.

COUNCILMAN COHEN: Ms. Berkowitz, we're going to only have a few more questions of you because your answers are so unsatisfactory that there doesn't seem to be any purpose in spending time with someone who either has no real power or has the power but who may not understand the requirements of her office. I don't know.

You call this a labor management problem, yet we're talking about unrepresented employees who are not represented by labor, so it can't be a labor management question at all.

You tell us something is not within your purview, yet in a comparison to us that seems totally relevant, is felt by you to be totally irrelevant and you dismiss it as being just a different kind of question.

We find that very unsatisfactory because we don't think we're being given answers properly. And we have to consider what we may have to do with respect to subpoena because you're not testifying today under subpoena and we may in the future want testimony from you only under subpoena so that in the event it's not fully -- your answers do not seem to be responsive, that we're able to take further action in court. But we had such respect for your office and for the Administration, we felt that with respect to something of this kind of concern that we get full answers. And the only full answer we can get is that apparently that Council doesn't have any rights to these questions. I think you're raising the question of subpoena power. And for the first time in maybe 50 or more years, we may have to pursue the subpoena question in court.

But let's try in some other areas briefly whether we can get responses. From the documents you submitted this afternoon, we note that the vision care, the enhanced vision care in some box form where the cost of it would indicate to whom it was going to be charged indicates Capital Management. Was that the body that negotiated the improvement, the enhancement of expanded vision care?

MS. BERKOWITZ: That's correct.

COUNCILMAN COHEN: And we note that there is an indication that the increased cost seems not to be borne by anybody.

MS. BERKOWITZ: I'm sorry, the increased cost is borne by the other funds, and the other funds such as the Water Fund for its employees, aviation for its employees, the other grants funds for its employees. It is certainly borne by the City, the enhancement costs are borne by the City, not by the employees because, as you know, those enrolled in the City-administered health plan do not contribute for the cost of their dental, optical, or prescription coverage.

COUNCILMAN COHEN: What is the role of Capital Management in this proceeding, in the proceeding with the City on healthcare? Are they a consultant?

MS. BERKOWITZ: They are. And Capital Management was the entity that developed and issued the RFP for vision benefits on the City's behalf, did the initial evaluation of the respondents, and made recommendations to the City about the award for coverage.

COUNCILMAN COHEN: Now, the coverage was the same except in this one area?

MS. BERKOWITZ: That is correct.

COUNCILMAN COHEN: And the total cost to the City, however it's being divided, is $42,000?

MS. BERKOWITZ: No. Councilman, if

you'll note in the information that I have given you, under vision it's the annual cost is approximately $58,000 for the enhancement with -- and the estimated impact on the General Fund is approximately $46,000, with the remainder divided among the other funds.

COUNCILMAN COHEN: And what is the cost to the City for the services of Capital Management?

MS. BERKOWITZ: The City does not pay Capital Management.

COUNCILMAN COHEN: Are they contributing or pro bono or --

MS. BERKOWITZ: As we discussed during the last set of hearings, Capital Management is compensated by the dental, vision, and prescription coverage providers.

COUNCILMAN COHEN: So that --

MS. BERKOWITZ: That's not new information.

COUNCILMAN COHEN: So the money he gets comes from the companies that perform the services that he recommends?

MS. BERKOWITZ: That is correct. And as you will also note, I should mention to you -- I'm sorry. It's not in the document that you have. But I should note that because we received a significant increase in the cost of our prescription coverage this year, Capital Management is holding its compensation at its 2002 levels as opposed to receiving additional compensation because of the 2003 rate increase. But you said Capital Management gets its compensation from the providers.

MS. BERKOWITZ: That's correct.

COUNCILMAN COHEN: And we don't pay Capital Management?

MS. BERKOWITZ: That is correct.

COUNCILMAN COHEN: Why do you regard it as such a great thing that they have not increased their charges to the companies that provide the services? How does the City benefit from that?

MS. BERKOWITZ: They wanted to ensure that because there was a significant increase in the cost of prescription coverage that in no way would any additional compensation to them be built into our increased rate.

COUNCILMAN COHEN: So that means they are sensitive to the concern expressed by many, many people, that to get paid by the provider rather than the City means they do the work of the provider and not the work of the City.

MS. BERKOWITZ: I believe that they do the work of the City, and I have expressed that in this forum before.

COUNCILMAN COHEN: I missed the last half.

MS. BERKOWITZ: I said I believe that they work on behalf of the City, that they represent the City's interests, and I have expressed that in this forum before.

COUNCILMAN COHEN: Even though they get paid by the provider.

MS. BERKOWITZ: Even though they get paid by the provider because their compensation is approximately 1 percent of the City's annual payments.

COUNCILMAN COHEN: And even though they themselves understood that it's a basis for suspicion and concern to the point that they decided not to apply, your understanding of their payment procedure, to the enhanced income that they otherwise would have been entitled to, right? Under their normal procedure, they would have gotten increased compensation as a result of the increased income to providers?

MS. BERKOWITZ: I believe that they are sensitive to the fact that we, like many other employers nationally -- well, all providers nationally who provide health coverage for their employees are experiencing double-digit inflation in the cost of those benefits. I think, yes, they are sensitive to that.

COUNCILMAN COHEN: Well, I don't know what you're indicating they're sensitive to. As I see it, they're sensitive to the notion that employees generally have and it makes good common sense and is the only interpretation I know of that makes any sense at all is that he who pays the bill is the person that's worked for. And if Capital Management pays the bill for these services, it is not good management by the City of Philadelphia to be able to say, "We don't pay the cost of this consultant, we let the provider pay for it," so that the reason the provider says you should have one instead of two of something or you should cover or shouldn't cover may well be influenced by the provider; when the influence should come only from the City. And therefore, to make that suspicious less effective says the middle man, in this case, Capital Management, whoever that may happen to be, says, "I'm going to try to serve both masters. I will serve the company by getting them more money and then I will make it look as if that never influenced me because they're paying me enough already. And to make it look good, I won't charge anything for the extra money."

I mean, to me that's clear evidence of their conscious knowledge that what they do is under severe question as to ethics and propriety. I don't know how the City of Philadelphia can be so gullible as to believe that Capital Management is interested in anything other than in the people who pay their bills; and that's the providers, not the City of Philadelphia.

MS. BERKOWITZ: I believe, number one, if that were the case, they would be charging their compensation at the industry standard, which is between 4 and 5 percent. That's number one.

Number two, if you look at the cost of our prescription, dental, and vision coverage, on vision and dental, our increases in costs are well below the national averages. And prescription is right in line with the national averages in terms of double-digit inflation. So I do not believe that the City of Philadelphia is being taken by its coverage providers because they are compensating Capital Management.

COUNCILMAN COHEN: Well, they may also be compensating others. But Capital Management as the main provider for which --

MS. BERKOWITZ: In fact, we pay -- under our prescription plan, there is a dispensing fee that is included in our cost for every prescription that is dispensed, and our dispensing fee remains among one of the lowest nationally.

COUNCILMAN COHEN: Well, we will at the appropriate time be requesting that you document both that and your previous statement.

MS. BERKOWITZ: Fine.

COUNCILMAN COHEN: But at this point, I'm going to ask Mr. Shapiro to raise a few questions, and then we're going to be done for today, in line with the statement I made previously.

MR. SHAPIRO: I really only have one question. Ms. Bricklin may have some others.

On the prescription coverage on Page 2, your first sentence says that "AdvancePCS originally quoted a 21.38 percent increase in the City's capitation rate for prescription coverage for active employees (eligible retirees are covered under a fee-for-service arrangement in order to lessen the impact on overall prescription costs..."

Which retirees are you talking about there?

MS. BERKOWITZ: The five-year eligible retirees.

MR. SHAPIRO: How is that eligibility different from the eligibility of active employees, when you say fee-for-service? Is that different in your mind from --

MS. BERKOWITZ: There are two cost structures in our agreement with AdvancePCS. One is a capitated rate for active employees, which means we pay them -- as we've stated in here, we pay them a capitated rate of $139.97 for each active enrollee in the City-administered health plan. We pay on a fee-for-service basis, which is the actual cost of the prescription for eligible retirees. And the principal reason for not including eligible retirees in the capitated rate is, as age increases, the probability of greater utilization of prescription medication increases which increases your capitation rate.

MR. SHAPIRO: Does the retiree pay themselves, pay in any different manner or any different amounts than an active employee? Are they also paying 35, 10 and 16?

MS. BERKOWITZ: Yes.

MR. SHAPIRO: They don't notice any difference?

MS. BERKOWITZ: They should not notice a difference.

MR. SHAPIRO: Are there any changes made to post-retirees from last year and the rights that they have?

MS. BERKOWITZ: No.

MR. SHAPIRO: That's all that I have.

MS. BRICKLIN: One about the prescription plan. Do we, one, have a set list of the formulary drugs, what they are?

My understanding is that they're never well communicated and that our list of drugs that are in the formulary is about half of what District

Council 47's list is. That was something that was discovered by the Controller's Office, which I believe is uncontrovertible. Can we get an a list of those?

MS. BERKOWITZ: Well, I'm not certain that I would use the word "uncontrovertible."

MS. BRICKLIN: They count it. They count it. That's all they did. There was not anything subjective. They counted the list of the formulary, which means it cost more for our employees because they have less on the formulary, so they have to pay $16 for the non-formulary drugs.

MS. BERKOWITZ: We will get you information on the formulary. And we will certainly request the list of formulary medications from employees.

MS. BRICKLIN: For all employees?

MS. BERKOWITZ: Yes, absolutely.

MS. BRICKLIN: This is a more general question. Lynda Orfanelli indicated to me that Brokerage Concepts retained an actuary to, I guess, look at our utilization rates and to help with the negotiation of this plan. Do you have the name now of this actuary and how much they were paid?

MS. BERKOWITZ: I will be happy to get you the name of the actuary. The relationship -- it's my understanding that Brokerage Concepts entered into a relationship with an actuary that they use during the regular course of their business. So, I mean, we can certainly ask how much that cost, and we will get you that information.

MS. BRICKLIN: Thank you. And who the actuary is?

MS. BERKOWITZ: Yes.

MS. BRICKLIN: Because I'm assuming, and correct me if I'm wrong, that they must have played a significant part in analyzing whether the increases based on utilization for this health coverage this year.

MS. BERKOWITZ: They only looked at utilization data on the medical side.

MS. BRICKLIN: Well, that seems to be where the significant increases are.

MS. BERKOWITZ: Yes.

MS. BRICKLIN: So they probably did that, and it would be useful to understand the basis upon which these were increased.

MS. BERKOWITZ: I'm sorry.

MS. BRICKLIN: You're not actuary.

MS. BERKOWITZ: That's correct.

MS. BRICKLIN: The actuary could explain to this Committee the basis upon which these increases were set in motion.

MS. BERKOWITZ: No, I do not believe the actuary could because the rates are set by IBC. And we will be very happy to share with you the formula that Independence Blue Cross has given to us for determining the amount of the increase.

MS. BRICKLIN: So then you didn't really negotiate if they already had a formula.

MS. BERKOWITZ: Oh, yes, we did, because Independence Blue Cross, as indicated in the material that I gave you, gave us an initial quote that was an 11.26 increase in PPO cost. And through our negotiations with them, based on questions that we had about our plan and their utilization data, they reduced that to 9.76 percent.

MS. BRICKLIN: Will you be prepared or are you prepared to explain at this time or another time the rationale for the significant increase in the HMO and the Keystone point of service which is double increase for the PPO?

12/11/02 - LAW AND GOVERNMENT - RES. 000476

MS. BERKOWITZ: That is correct. And I can say two things right now. Part of it is utilization, and I've addressed that. I've addressed some of the contributing factors on the first page of the material that I gave you. One is that the increase of over 18 percent in HMO and POS rates is consistent with what is happening naturally. That is the fastest rising portion of medical coverage costs are HMO and POS coverage. And in fact, I would be very happy to share, if the Committee is interested, a report I received yesterday. It's Towers Perin (ph) 2003 Healthcare Cost Summary. So we are right in line with what is happening nationally. Utilization is a big part of that.

The second contributing factor is that we have -- the number of our employees over the age of 45 is higher than the average nationally. We have an older work force because we have a relatively stable work force. That contributes towards the increase in cost. Again, because there is a direct correlation between age and the amount of healthcare required by an individual.

MS. BRICKLIN: Wasn't the City committed

at one point to making sure that every employee had a basic health plan such as an HMO at no cost? This may be something you cannot answer if it's too much of policy question. This seems to me at this point that this cost is so -- has the potential of really escalating. For some people it makes healthcare very difficult when they would have been encouraged to go into the HMO in the first place.

MS. BERKOWITZ: That was a very, very difficult thing for us this year. I recommended that we institute a copayment for HMO coverage. Had we not done that, the cost of coverage for those enrolled in a PPO would have increased dramatically.

And I should add that we should not assume that everyone enrolled in an HMO is at the lower salary scale. Many of those enrolled in HMOs are comparable in terms of salary to those enrolled in the PPOs. Just as an example, without an HMO contribution, in all likelihood, for the City contribution to live within the confines of the City's five-year financial plan, family coverage in Personal Choice 2010 would probably have had to be increased from $187 a month to $256 a month. And that's untenable.

In addition to that, the amount that we're asking people to contribute towards their HMO is on the exceptionally low side compared to what's happening nationally. And I have some information in the handout that I gave you as well.

For example, nationally, the average monthly contribution for HMO coverage for an individual is 24 percent of the cost, which equates nationally to an average of $47. We're asking employees for individual coverage to contribute $14.47 a month.

MS. BRICKLIN: Does that national figure include public and private sector employers combined?

MS. BERKOWITZ: That is correct.

MS. BRICKLIN: I would be interested to know what the figure would be just for public sector employees.

MS. BERKOWITZ: I don't know who does a study just for public sector employees. Generally, they are done for national -- they are done for employers across the board.

But again, there is no escaping the fact -- and I am an enrollee in the City-administered health plan. So I pay for coverage just like all the other enrollees. And it is very frustrating to see what's happening. And we have not seen the end of inflation in the cost of health coverage.

COUNCILMAN COHEN: What is the percentage of the increase that's coming from the City General Fund?

MS. BERKOWITZ: The City's General Fund is increasing 9 percent.

COUNCILMAN COHEN: From your figures, what is the average increase in the cost to employees?

MS. BERKOWITZ: I don't have that, but --

COUNCILMAN COHEN: Could you get us that figure and compare it?

MS. BERKOWITZ: Yes, I can.

COUNCILMAN COHEN: Because I believe you will find that the cost to the City and the increase is lower than what they were charging the employees in the form of the increase.

MS. BERKOWITZ: But I can tell you that in 2002 the City is contributing approximately 93 percent of the total cost of the City-administered health plan.

COUNCILMAN COHEN: And what do you think the cost will be in 2003.

MS. BERKOWITZ: In terms of the City's contribution?

COUNCILMAN COHEN: Yes.

MS. BERKOWITZ: It will represent close to 89 percent of the total cost of the health plan.

If I can add something on that. In reality, therefore, even though we are asking employees in PPO, in the two PPO plans to contribute 20 percent of the cost of their tiered rate cost, which is single plus one and family, in reality -- that's just for medical coverage -- when you add in dental, vision, and prescription coverage, that equates for a single individual to only 3.3 percent of their cost for their total package. And for a family, only 4.7 percent -- I'm sorry, that's for the HMO. So those enrolled in a HMO will be paying -- instead of zero, they will be asked to contribute approximately 3.3 percent for individual coverage and 4.7 percent for family coverage. Those enrolled in the PPO, their contribution for an individual is approximately 16.8 percent of the cost of their total package for a family; and for single, a little less than 13 percent, which is very low when you compare that to what's going on nationally. The City continues --

COUNCILMAN COHEN: Except at this time of increased health costs, the City has seen fit to reduce the City share of the cost to 89 percent what had been 93 percent, so the City is making the employees bear -- I believe the word "unconscionably" applies -- share of the increase. It would seem to me that the City ought, under these circumstances, to increase its share of payment rather than to decrease it.

MS. BERKOWITZ: Councilman Cohen, if I can share something with the Committee, Monday there was a Philadelphia Inquirer article discussing the rising cost of health benefits in the Philadelphia area and the efforts of local businesses to offer, "more restrictive and less expensive" plans and shift "a greater share of cost to employees."

One notable difference between the City and the response of other employers has been the maintenance of benefit levels. We have not decreased our benefit levels, which is one reason that our costs are increasing to the extent that they are. In fact, for the second year in a row, Independence Blue Cross has tried to convince the City to move away from Personal Choice 210 to Personal Choice 310 because it would cost us less and it would cost them less, and the City has refused to do that because of the Administration's desire to maintain benefit levels.

Also, in Towers Parens 2003 Healthcare Cost Survey, it was noted that on average the cost of employers health plans will increase 16 percent, "The highest year over year percentage increase" since they began their surveys 14 years ago.

Among the other key survey findings was that employers are relying on "A combination of short-term cost shifting and long-term consumer strategies to address healthcare cost increases which are expected to continue at the same level or higher for the next several years," and that in 2003, employees will be paying a higher percentage of premium cost. And they cited that on average employees nationally will be paying 19.3 percent of the cost of employee-only coverage and 22.2 percent for family coverage, including those for dental and prescription coverage. Active employees enrolled in the City-administered plan actually contribute between 3.3 percent and 12.8 percent of the total cost of individual coverage, and between 4.7 percent and 16.8 percent of the total cost of family coverage because employee contributions are based solely on the cost of medical coverage.

I believe from everything I have read, heard, from any source I have looked at, the City-administered health plan continues to be a cost-effective plan for employees. And I believe that some of the comparisons that have been made in the past with some of the union-administered plans will prove to have been just that, past comparisons, because their costs are already going up and their cost will continue to go up. It is a national problem.

COUNCILMAN COHEN: That may be, but there are at least two clear deficiencies in the City's plan of major proportions. One is the belief of whoever it is that makes the decision in the City that employees, whether union represented or unrepresented, and whether the legislative body is involved or not, have no place in the bargaining.

And that is dead wrong, and I speak on that for City Council and that's why it looks as if we are going to be headed into a major problem between the City Council and the Executive Department.

The second is that at this time of higher costs, the City is finding a way to lessen its percentage of the cost from 93 percent to 89 percent by its own figures instead of increasing its share to make the burden on its employees less. The City is making the burden on the employees greater than it ought to be.

And these two changes are just on the surface. There may well be others, because I have to tell you that it's been my experience that, without exception, when there are efforts made to hide information, there is reason. And that reason is always that there is some information that the hiders of it choose not to make known because they are either ashamed of it or feel they will be embarrassed by its release. And that's the suspicion the City's health plan lends itself to.

MS. BERKOWITZ: Councilman Cohen, in this current calendar year, we are projecting that the next City premium payments will be $58.8

million. That is the City's contribution this year towards health coverage for those enrolled in the City-administered health plan. We are projecting that to increase to $64 million.

COUNCILMAN COHEN: And what you said will be 89 percent of the total cost for the health program?

MS. BERKOWITZ: That is correct, because the City does not have unlimited resources.

COUNCILMAN COHEN: The City has greater resources than the employees have.

MS. BERKOWITZ: And like employers nationally, we have got to ask our employees to contribute toward the cost of their care.

COUNCILMAN COHEN: Only because those in the executive departments are choosing to use funds for purposes other than healthcare. Because if they chose in the proper way, they would place employee healthcare as a prime priority because a City is often judged by the priority it gives to employee rights. How you take care of your own responsibilities acts as a guide and model for all other employers. In the City of Philadelphia, when it increases the share that the employees pay while it decreases its own share of the costs, moves in the opposite direction.

There are fundamental philosophical views that I've just expressed that have been my guiding light. And I believe that the City of Philadelphia ought to be a model for employers and for employees. And the City is not doing that.

The City should get credit for bringing in this new financial company that I read about either this morning or in yesterday's paper, the company that's moving into the City. But at the same time the City is offering the kind of inducements of some $3 million to that company, which I think would better be spent, that the City sought to improve the benefit rights of its own employees.

Its own employees do fine work. They work very hard under very difficult concerns. And except for a small number of employees that may here and there do the wrong thing, the City of Philadelphia boasts of a group of employees that are dedicated to public service. And instead of being rewarded for it, I think when the City cuts down its share of the health costs, they are not being properly rewarded for their great duties to the people of Philadelphia.

At this point, are there any other questions that need to be asked at this time?

We have one question.

MS. BRICKLIN: It has come to my attention -- I don't use this, but someone pointed out that the flex accounts this year, the maximums have been cut in half. Can you explain what the basis for that decision was? This to me, doesn't cost the City anything and can be very helpful to the employees, particularly those who have high medical costs and want to put in pre-tax dollars into those accounts.

MS. BERKOWITZ: I will get you information on the flexible spending accounts. I have not been involved in that arena. But I can tell you that there is liability for the City because the City is liable to the vendor. If an employee leaves after spending the full amount of what they committed to contribute but actually not contributed, the City has to make up the difference. For instance --

MS. BRICKLIN: That's not usually how

they work. They usually work that the employee has to invoice the vendor before having any of the money released. Having done this before, I know that's one of the problems with the flex account. You have to spend first. So I don't see where that liability would come in.

MS. BERKOWITZ: You spend and the employee gets reimbursed. But let's say that I'm an employee and I choose to contribute the equivalent of $3,000 a year to my flexible spending account and the City, therefore, is going to take payroll deductions every pay period to make up that $3,000. I incur $2500 worth of expenses, access my flexible spendable account, I am reimbursed for that full amount in February. And then at the end of February, I leave City service. The money is not in -- it's a prospective arrangement. It's not a retrospective arrangement.

MS. BRICKLIN: Perhaps you can get us information to that effect, documented information to that.

MS. BERKOWITZ: Yes, I'll be happy to do that.

COUNCILMAN COHEN: Mr. Kearney.

MR. KEARNEY: Good afternoon. My name is Tim Kearney, and I'm the Clerk for the Law and Government Committee. And I just want to make one comment following up on Chairman Cohen's comments. That if the City did follow through and keep the HMO at zero without an out-of-pocket cost to the employees, that it would be a very reasonable, very small of amount of money for the overall City Government. And in keeping with what the Chairman said, that the City could far more easily afford it than the workers. And it would probably be less than $3 million, maybe even less than $2 million to the HMO which people had been guided into at a zero payment, which is in keeping with the original philosophy of an HMO to begin with.

COUNCILMAN COHEN: In order to determine effectiveness of that, I would like to receive from you by early next week a report as to whether or not the projection made by Mr. Kearney as to the cost of maintaining HMO which generally covers our lowest income employees. You're right in that it doesn't prove to be so in all cases. Sometimes that's because the employee is also covered by a spouse's insurance where the spouse works somewhere else.

But for whatever reason, we would like to know what the actual savings is being projected by the City and how that can be determined. In other words, give us the figure --

MS. BERKOWITZ: Yes, I understand.

COUNCILMAN COHEN: -- that elimination of HMO costs would come to and how you determined that cost.

MS. BERKOWITZ: Yes.

COUNCILMAN COHEN: If we could have that by mid-week, that would be very helpful.

MS. BERKOWITZ: You will have that next week.

COUNCILMAN COHEN: Thank you.

MS. BERKOWITZ: You're welcome.

COUNCILMAN COHEN: At this point, the Committee will stand in recess until the call of the Chair. Thank everybody for attending.

Let me hold back for one moment. Did you wish to testify?

MS. KLEIN: Yes, I did, actually.

COUNCILMAN COHEN: Ms. Berkowitz, you're excused, but I think you ought to stay here to hear the testimony. This is a representative of an unrepresented group. I don't how to define it otherwise.

Thank you. Please identify yourself for the record.

MS. KLEIN: My name is Gail, G A I L; Klein, K-L-E-I-N. And the only comment -- I guess it's more of a comment I have is, when we originally started having these hearings, a lot of the question was about parity. It was health benefits parity. District Council 47 was there, District Council 33, non-reps, retirees, and fair sharers, which, unfortunately, are not represented here today. The City was supposed to look for -- the Committee asked the City to look at the most comprehensive and cost-effective coverage to City employees for premiums paid and whether the City could provide more comprehensive and less costly coverage to the approximately 8,000 employees and retirees currently covered by this plan if other options were pursued. And I have yet to ever hear of other options. That is my comment.

COUNCILMAN COHEN: All right.

MS. KLEIN: This is straight out of this document. We don't know how many non-reps there are anymore. We know there's a lot more exempt employees. We don't know what 47's paying. I don't really know, at least, or 33 paying on how much the City pays per employee to them for their coverage. But the testimony in the past has proven that both 47 and 33 -- at least 47 has paid a lot less for their coverage.

One of your recommendations as a Committee was that the non-reps, fair sharers and others, retirees, be involved in that bargaining process. Again, it has not happened. I think this is the second year in a row, if I'm not mistaken. And we'd like to know why this is not happening. I don't know if Ms. Berkowitz can answer that today or not. The original questions were asked of the Personnel Director, I believe at the time who is gone now, Linda Seyda. I think Lynda Orfanelli has to be brought into the process, into committee itself also. That's my comment.

COUNCILMAN COHEN: All right. Thank you very much for your comments.

Is there anyone else wishing to be heard?

(No response.)

COUNCILMAN COHEN: If not, the Chair will recess the committee until further call of the Chair. Thank you.

(Council adjourned at 2:45 p.m.)

- - -

¡›î›

C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of December 11, 2002, were reported fully and accurately by me, and that this is a correct transcript of the same.

RE: COMMITTEE ON LAW AND GOVERNMENT

Lisa C. Bradley, RPR
and Notary Public