Health Care Fraud: A Rising Threat

December 1981

Pennsylvania Crime Commission

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The Commission

The Pennsylvania Crime Commission is an independent state agency mandated to investigate organized crime and public corruption, to issue reports on these investigations to the General Assembly and the people, and to refer information on criminal violations to prosecutors and other law enforcement agencies.


Due to the Commission's unique status, it can focus on broad or narrow patterns of organized criminal activity. Its purpose is not to look at isolated, transactional, incidents of criminal activity in one municipality or another. The Commission looks at patterns and interrelationships of criminal activity across the state, which extend beyond the public's ability to recognize and stop the activities of existing police agencies.

The Commission maintains one headquarters and four regional offices in the state. It has a current authorized personnel complement of 67 positions. In addition, the Commission is the recipient of two federal grants with authorized personnel complements totaling 13 positions.

Those two grants fund the Leviti-cus and MAGLOCLEN projects. Leviti-cus is a seven-state consortium of law enforcement and regulatory agencies which focuses on fraud in the coal industry. MAGLOCLEN is an association of more than a dozen major law enforcement agencies in eight states. It is designed to provide investigative and technical support, an information system, and auxiliary funding to aid those agencies in the apprehension of organized criminals involved in interstate activities.

Through its work with these projects and its ongoing investigations, the Pennsylvania Crime Commission continues working toward cooperative law enforcement activities in Pennsylvania. The realization of this goal will greatly enhance law enforcement's ability to fight organized crime.
Investigative Summary

This report is one result of a three-year investigation by the Pennsylvania Crime Commission into the influence of organized crime in the field of prepaid health care services and the questionable business activities engaged in by some health care plan providers.

As examples of these situations in the health plan industry, the Commission looked into three companies: Labor Health Plans, Inc. (LHP), of Chicago; the A.M.M.A. Health Center, Inc., in Philadelphia; and American Health Programs, Inc. (AHP), located in Trenton, Bucks County.

The Commission's investigation found links between traditional organized criminals and two of the companies—Labor Health Plans and A.M.M.A. This report shows that La Cosa Nostra members or associates were instrumental in helping these companies receive union contracts. Moreover, there were indications that, in other cases, the unions were aware that La Cosa Nostra groups would reap financial benefits if the contracts were awarded to particular companies.

This association between some unions and traditional organized crime figures displays the influence over ranking union members which organized criminals sometimes have.

The Commission further investigated the two local companies, A.M.M.A. and AHP, to determine if there was any fraudulent activities in the administration of dental and health plans offered by these companies. In both cases, it was found that services rendered were substantially overreported to the client unions and that the companies were involved in questionable investments.

In the case of A.M.M.A., the Commission obtained records from participating doctors and clinics. These reports showed that, in relation to a contract with Teamsters Local 837, A.M.M.A. over-reported the value of services received by union members by $254,715.

AHP had several large contracts with local unions including AFSCME District Council 33 and the Retail Clerks Union, Delaware Valley Health and Welfare Fund. The Commission obtained worksheets prepared by an AHP employee, Carol P. Lozanoff, which showed wide discrepancies between actual and reported usage of services of these two unions. In all, AHP reported over $2 million in value of services to the unions which were never received.

Through the falsification of utilization reports and the omission of actual profits made from the contracts, both companies were able to convince union leaders that their services were necessary and within a reasonable price range.

While the Commission was unable to determine the actual profits garnered by either company, there are some indications that the companies had money readily available for some questionable investments.

A.M.M.A., for example, was able to loan nearly $160,000 to companies which had close ties to its owners over a three-year period. In some cases, these loans were interest-free and were never repaid.

AHP used nearly $2.5 million for bonuses to top-level employees and loans and investments during a two-year period. A number of these investments have shown no appreciable return to date.

In summary, the Crime Commission found that the three health plan providers used questionable marketing techniques, did not provide their clients with actual accountings of their services or profits, and utilized these profits in an unsound business manner.
Conclusions
As a result of the Crime Commission's exhaustive investigation, the following conclusions have been reached:
1. Traditional and non-traditional organized criminals have infiltrated pre-paid health and dental care plan organizations throughout the country. These organized criminals and their associates have diverted millions of dollars from union health and welfare trust funds through these organizations.
2. Various union health and welfare fund trustees and administrators have neglected their fiduciary responsibility by awarding contracts to health plan organizations, which might not have been given if the unions had been more vigilant. These beneficiaries are sometimes awarded on the basis of favoritism rather than cost-effectiveness. While the contracts are in force, the unions may neglect to require the health plan organizations to provide them with detailed accounting of services rendered, actual costs and profits made.
3. Some Pennsylvania-based pre-paid health care plan organizations have submitted misleading and deceptive reports to union health and welfare fund trustees regarding benefit utilization by union members. These reports have contained figures inflated to as much as 600 percent of actual cost and have resulted in contract renewals which might not have been given if the actual number of services had been reported.
4. Some pre-paid health care plan organizations have utilized questionably deceptive marketing techniques. Payments have been made to individuals who were in some way associated with the awarding of health care plan contracts. Substantial commissions and consulting fees have been paid to individuals in return for minimal services.
5. Pennsylvania-based health care plan organizations have been involved in financial transactions which reduced the financial soundness of the organization. Several of these transactions involved loans to or through individuals with close ties to the health care plan organizations.
6. Pennsylvania law does not regulate profit making pre-paid health care plan organizations. Loopholes in the current law encourage the types of questionable activities found in this report.
7. Municipalities in the Commonwealth have no authority over the award and administration of health care benefit contracts for public sector or municipal employees.
8. These findings are not unique to health care plan organizations in the Commonwealth. Similar activities have been uncovered in other jurisdictions.

Recommendations
A. The Professional Health Services Corporations Act in Pennsylvania should be amended to include the following provisions to regulate profit-making health care plan providers:
   - the submission of clear and complete statements of benefit coverage
   - limitations on the amount that these companies can spend on marketing and administration
   - the filing of detailed annual reports
   - the regulation of investments
   - a certification of authority to transact business
   - the disclosure of the identity of consultants to the company, particularly those used for marketing
   - yearly audits and certification by a Certified Public Accountant that the incorporators must be competent and trustworthy
   - a strict conflict of interest provision
B. The Employee Retirement and Income Security Act (ERISA), should be amended to cover trustees and administrators of public employee health and welfare funds.
C. Municipalities should be allowed to audit health and welfare funds for which they provide funding and should be part of the benefit provider selection process.
D. The U.S. Department of Labor should conduct periodic and random audits of union health and welfare and pension funds.
E. Union members should have the ability to initiate a civil action to recover trust fund money that has been lost through either criminal or negligent conduct of the trust fund trustees or administrator.
F. In the case of public sector unions, the governmental unit that supplies the funds for the purchase of benefit programs should have the ability to initiate a civil action to recover health and welfare fund money that has been lost through criminal or negligent conduct by trust fund trustees or administrators.
G. The government should have the ability to recover on behalf of union trust funds, excess commissions or finder's fees.
H. Trustees and administrators should be liable for treble damages for losses resulting from their conduct.

Chapter One
A National Problem
A National Problem

The national problem of organized crime in health care involves a number of businesses that are engaged in various forms of organized crime. In the health care industry, this problem is manifested through a variety of activities, including

- The illegal distribution of prescription medications
- The manipulation of health insurance claims
- The fraudulent billing of health care services

These activities are carried out by criminal organizations, such as the Cosa Nostra, the Lucchese, and the Gambino families, among others. These organizations use their criminal profits to finance other illegal activities, such as drug trafficking, money laundering, and terrorist activities.

The Commission's investigation focused on the involvement of organized crime in the health care industry. The Commission found evidence of the following activities:

- The use of kickbacks and other forms of bribery to influence the selection of health care providers
- The use of criminal networks to facilitate the sale of health care services
- The use of money laundering to disguise the proceeds of health care fraud

The Commission concluded that organized crime has a significant impact on the health care industry, and that it is essential to take steps to prevent and punish these activities.

How Health Plans Work

In 1979, the Health Care Financing Administration of the Department of Health and Human Services published a report titled "How Health Plans Work." This report provided a detailed description of the operations of health insurance plans.

The report explained that health insurance plans are run by private companies, and that they operate on a for-profit basis. The profits of these companies are used to cover the costs of administering the health insurance programs and to provide a return on investment for the shareholders.

The report also described the various types of health insurance plans, including indemnity plans, preferred provider organizations (PPOs), and health maintenance organizations (HMOs).

Under an indemnity plan, the insurer pays a portion of the medical expenses incurred by the policyholder. The policyholder is then responsible for paying the remaining costs. Under a PPO, the policyholder pays a monthly premium and then pays a portion of the medical expenses incurred by the policyholder. Under an HMO, the policyholder pays a monthly premium and then receives a set of services for a fixed fee.

The report also explained the role of the health care provider. The provider is paid a fee for each service rendered, regardless of the cost of the service. The fee is determined by the insurance company and is based on the provider's geographic area and the type of service provided.

The report concluded that health insurance plans are a complex and sophisticated industry, and that they play a critical role in the delivery of health care services to the American public.

The Roles Of Organized Crime

The Crime Commission's report on organized crime in health care included a section on the involvement of organized crime in the health care industry. The report described the following activities:

- The use of kickbacks to influence the selection of health care providers
- The use of criminal networks to facilitate the sale of health care services
- The use of money laundering to disguise the proceeds of health care fraud

The report concluded that organized crime has a significant impact on the health care industry, and that it is essential to take steps to prevent and punish these activities.

The report also recommended the following actions:

- The establishment of a national commission to study the problem of organized crime in health care
- The development of a national strategy to combat organized crime in health care
- The allocation of additional resources to the federal government to combat organized crime in health care

The report concluded that organized crime is a significant threat to the health care industry, and that it is essential to take action to address this problem.
Guideposts for Union Trustees

In order to ensure the most effective operation of a trust fund and avoid breaches of fiduciary responsibility, trustees and administrators should employ basic precautions in their general activities. The trustees should:

- be aware of their civil and criminal liabilities under the ERISA law;
- employ an independent consultant to analyze and evaluate the competitive bids submitted by potential benefit plan providers;
- ascertain to whom brokers’ fees or commissions have been paid in relation to the amount of benefits package;
- employ a financial consultant to review the health plan provider’s financial and utilization records during the life of the contract;
- require in-depth periodic reports by the benefit plan provider which should include figures relating to utilization by the eligible members, services received, an itemized cost of administration and the amount of trust fund monies actually spent to provide the benefits to union members.

Union Trust Funds

The key ingredient in the provision of health care services is the recipient of those services, the union or employee group member. It is on their behalf, and ostensibly for their benefit, that these contracts are entered into.

Generally, it is the union’s officials or trust fund trustees who make the decision on who will provide the union with health care services. As was mentioned in the previous section and is detailed in later chapters, the Commission found that some union officials allegedly received financial remuneration for their acquiescence to certain contract proposals.

Labor racketeering and the infiltration of organized crime into union trust funds has been described as the nation’s number one investigative priority by many law enforcement authorities. It has been documented that once in control of that trust fund or the organization that is to provide health care benefits for the union members, organized crime figures have been able to drain millions of dollars from the fund.

Marvin Steinberg, Chief Counsel for the United States Senate Permanent Subcommittee on Investigations, testified before the Pennsylvania Crime Commission and described the methods employed by organized crime figures to fraudulently deplete union health and welfare trust funds.

These methods include multiple billings to the trust fund by the health care provider, false or fraudulent loans from the trust fund to outside parties, inflated service contracts, kickbacks to union or trust fund officials, unnecessary or inflated commissions relating to the health care benefit contracts and questionable investments.

In addition, Steinberg testified that the health care provider or insurer often billed the trust fund for services that were never supplied or reported an inflated number of services.

Instances such as those described by Steinberg were found to occur in several local health plan contracts. The union’s role in some instances was necessary or inflated commissions of several local health plan contracts.

A question remains, however, of the unions’ responsibility to their members to demand accurate reporting of service usage from the health plan provider.

Non-traditional organized crime activity was further found in the daily operations of American Health Programs, Inc., and the A.M.M.A. Health Center, Inc. Chapters 3 and 4 detail the way in which both companies provided their unions with inflated reports on usage of their services, and, in essence, defrauded the union about what its employees were receiving in return for the health care premiums.

It can be seen, therefore, that both traditional and non-traditional organized crime figures are heavily involved in at least some health care plan companies, and that their involvement is for the purpose of their personal financial gain. It is the belief of the Commission and other law enforcement officials that the companies in this report are indicative of similar operations in health care companies across the nation.

New Jersey Plan Tied to Bruno

In December 1988, the New Jersey State Commission of Investigation conducted public hearings and later issued a public report detailing organized crime infiltration of New Jersey dental care plans.

The New Jersey report revealed that North American Dental Plans, Inc, a Wayne, Pennsylvania, corporation, had hired a consulting firm, Rittenhouse Consulting Enterprises, Ltd. of Cherry Hill, New Jersey, run by Lawrence A. Smith, to secure a prepaid dental benefit contract with Local 170 of the Hotel and Restaurant Employees Union in Camden, New Jersey. The union, which later became known as Local 33, was run by Ralph Natale and Albert Daidone, the vice-president of the local.

The New Jersey investigation revealed that Rittenhouse had received substantial monies from N.A.D.P. in return for obtaining the contract, although other work was supposed to be provided. The investigation also revealed that the trustees of the health and welfare fund of the union made little or no determination as to which plan was to be chosen; rather they relied upon the advice of one or two individuals who were connected with organized crime.

"N.A.D.P. is run by Joseph R. Cusumano of Devon, Pennsylvania. The company is a subsidiary of Health Corporation of America, also located in Wayne, Pennsylvania. For more on N.A.D.P. and HCA see pages 22.

"Ralph Natale is a close associate of many organized crime figures and has been described by organized crime figure Charles Allen as a member of the Philadelphia crime family. Natale is currently serving a 12-year prison term for his role in the arson of the Mr. Livingroom Furniture Store in Merion.

"New Jersey was also convicted in June 1980 of smuggling cocaine into the United States.

It could be argued that these questionable marketing techniques are not dissimilar to those used in the business world on a daily basis, everyone to do business with someone known rather than someone unknown is not a crime. Fratianno claimed that the union officials with whom he dealt were aware that their acceptance of the health plan would be financially rewarding to Fratianno and were agreeable to that.

Aldena "Jimmie the Wesser" (hooded figure) testifying before the Pennsylvania Crime Commission, July 28, 1981.
FRAUD IN NEW YORK

In March 1981, the State Commission of Investigation in New York issued a public report entitled "A Trust Breached: Fraud, Bribery of Public Duty and Waste at the Teamsters Loan..." The report listed the various transactions regarding Teamsters Loan 237, a union representative earning over $14,000 yearly.

As a result of the joint efforts by New York's 138th State Senate and State Insurance Department in April 1980, better known as the "Big Tuna," organizers of such crimes were funneled to Angelo Bruno, "Ralph the Muscle" as he was called, and John Natale, president of the Teamsters Loan 237 Welfare Fund. The report outlined the various transactions regarding Teamsters Loan 237, a union representative earning over $14,000 yearly.

The Sub-Committee's investigation concluded that the approximately $3 million in union insurance premiums obtained by Hauser's companies, $1 million was diverted to other firms in the form of questionable commissions and commission advances, worthless personal expenses and legal fees.

Hauser, who operated with Bernard Rubin, President of the Southeast Florida laborer's unions in Miami, Florida, was convicted in 1977 for his activities in attempting to bribe union officials to do business with his firm, National Prepaid Health Plans.

In 1979, Hauser also pleaded guilty to federal charges in Arizona for related activities. Rubin pleaded guilty in December of 1980 and was sentenced to 12 months in prison with Hauser in Arizona.

"As a result of the manner in which further documents organized crime infiltration concluded that this could not be stopped by the insurance company of the Florida Crime Family Santo Trafficante and the boss of the Chicago organized crime family Anthony "Big Tuna" Accardo.

Joseph Hauser was named in the indictment as an unincorporated co-conspirator and hanger to the laborers in the nation.

The indictment charged that the principals had established a scheme whereby the laborers and their co-conspirators would obtain policy prices from various insurance companies.

In 1979, the federal government filed a suit in the United States District Court of the Eastern District of New York against the defendant, Joseph Hauser, and the various insurance companies. The suit was based on the theory that the defendants had conspired to defraud the laborers.

The insurance company of the Florida Crime Family Santo Trafficante and the boss of the Chicago organized crime family Anthony "Big Tuna" Accardo.

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The indictment charged that the principals had established a scheme whereby the laborers and their co-conspirators would obtain policy prices from various insurance companies.
Under almost every statute, the health care plan organization must issue a clear and complete statement of benefit coverage, furnishing to every enrolled member the plan description, benefits available, limitations on service, co-payment responsibilities, and deductibles. It must also state where and in what manner information regarding the benefit program is available.

Health care plan organizations controlled by these laws must also file detailed annual reports, including financial statements and utilization information. Other provisions included in the laws provide for the looting of bankers and agents, approval of advertising material, regulation of investments, and civil and criminal penalties for violations of the law.

In addition to the above provisions, the New Jersey State Commission of Investigation has recently recommended amendments to the New Jersey law. Included in these recommendations are provisions that would require the financial statement filed by the organization to be audited and certified by a Certified Public Accountant. Also, it would require regulation of and enforcement by all contributors to the organization and the regulation of broker or finder's fee paid to such individuals. Also regulated would be loans made by health plan organizations.

While these provisions do not constitute the full range of considerations in the development and regulation of prepaid health care plan organizations, they do reflect some of the common concerns in other states.

ERISA and Other Controls

The federal Employee Retirement Income Security Act (ERISA) does not cover public sector union health and welfare trust funds, but most other union groups are guided by the restrictions in this law.

Generally, ERISA places strict fiduciary responsibility on health and welfare fund trustees and on the administrators of such funds. A breach of this responsibility, either through neglect or intention, may result in either civil or criminal liability. As is noted on page 00, the Commission recommends that ERISA be amended to cover public sector unions.

Pennsylvania has two laws which relate to public sector unions, but neither have provisions similar to ERISA. In addition, many municipalities in Pennsylvania have no power or authority over health and welfare bene-

The Commission's Investigation

The investigation by the Pennsylvania Crime Commission into the medical and dental plan industry was, by far, the most complex investigation the Commission has done to date. The initial resolution to open the investigation was passed by the Commissioners in the spring of 1976. When the Commission was reformed in 1979, another resolution continued the investigation. A total of two and a half years was spent on the investigation.

The financial complexity of the case required substantial and lengthy field analyses by Special Agents who are Certified Public Accountants. The magnitude of the case required the close cooperation with a multitude of other law enforcement agencies. This investigation required a total of 138 subpoenas to be served. Seventy-one were for public or private testimony, while 57 subpoenas were given to banks, corporations or other entities for records. Of the persons who were subpoenaed to testify, 29 asserted their constitutional right against self-incrimination. Immunity was later granted to the following four persons: Carol Lozenoff (AHP), Libby Bartand (LMH), Sanford Roth (LMH), Rosann DiGasio (AMMA). Sixteen litigations were entered into during the investigation, for the primary reason of enforcing subpoenas.

Those who fought the Commission's subpoenas and the length of the court cases follow:

- Robert Flehr (AMARC) - 4 months
- Robert Rovner - 3 months
- Howard Davidson - 3 months
- Thomas Garvey - 5 months
- Merrill Glickstein - 8 months
- Alan Cohen and James Cox fought their subpoenas in court for less than a month.

During the course of this investigation, allegations of criminal or civil wrongdoing were forwarded to the United States Attorney (Philadelphia), the United States Strike Force (Philadelphia), the District Attorney (Philadelphia) and the Internal Revenue Service.

As a corroboration to the investigation, the Commission held public hearings in Philadelphia on July 28, 29 and 30. Testimony was received from Commission personnel, law enforcement officers from other jurisdictions, and persons involved with the three companies being investigated. A significant witness at those hearings was Aladena "Jimmy the Weasel" Frattaroli. His appearance and security were arranged through the cooperation of the United States Strike Force in Los Angeles, California, the United States Marshall's Service, and the Pennsylvania State Police.

In addition, testimony has been requested and given by Crime Commission personnel before the Pennsylvania House Committee on Consumer Affairs (September 9, 1981), and the United States House of Representatives Select Committee on Aging (November 4, 1981).
Labor Health Plans, Inc.: From Chicago to the Coasts

Labor Health Plans, Inc., of 230 North Michigan Avenue in Chicago, came to the attention of the Crime Commission when its owner, Angelo T. Commito, began an attempt to market his plan in the Philadelphia area. A further investigation of Commito and his company showed a pattern of activity which had been repeated in locations from coast to coast.

Commito's usual procedure for gaining health contracts in various states was to first make contact with the local organized crime family. In the world of La Cosa Nostra, this contact is necessary for anyone who wishes to do business in another family's territory.

Moreover, these contacts can help the potential health plan provider to find sources of financing for his local effort (as Commito attempted in Philadelphia), or they can provide him with introductions to local union leaders (as Commito found in Atlantic City and Ohio).

The following sections illustrate these contacts and their value to the health plan company.

A Local Sales Pitch

Labor Health Plans, Inc. is a Chicago-based company which administers medical and dental programs for unions. It is operated by Angelo T. Commito, who has residences in Chicago, Illinois and Brea, California.

During an attempt to market these services locally, Commito was observed meeting on several occasions with high-level organized crime figures in the Philadelphia area.

Commito's first observed local contact took place on July 24, 1980. During a routine surveillance, special agents saw several men leaving the home of Frank "Frankie Flowers" D'Alfonso, a significant Philadelphia organized crime figure. (See D'Alfonso's first organized crime family member, and Angelo Commito walking on a South Philadelphia street.

Raymond "Long John" Martorano, long-time associate of murdered mob boss Angelo Bruno, with James Cos, President of the Amalgamated Meatcutters' Union and Theodore Manuele, the vice president of Pickwell Markets. See page 20 for more details.

John J. Allu

These men were accompanied by D'Alfonso and drove to Philadelphia International Airport where one, later identified as Angelo T. Commito, boarded a Chicago-bound flight. A picture of Commito obtained during this surveillance is on page 90.

In November of 1980, a man named John James Allu, met with D'Alfonso and Merco Riccobene at Riccobene's residence. Allu, of New York, is an associate of the Genovese Cosa Nostra family. He is a former Teamsters Union official.**

When the Commission checked the registration of the car driven to Philadelphia by Allu, it found that the car was registered to Labor Health Plans, Inc., Commito's company. Moreover, it learned that the registration for Labor Health Plans in New York is 12-29 31st Avenue, which is Allu's address and the address of a James Catalano, identified as a Gambino family member.

Merco Riccobene is a close associate of Philadelphia organized crime figures including his brother-in-law, Harry "Hunchback" Riccobene, who is a member of the Bruno Testa crime family. In February of 1981, both of the Riccobenes were indicted by a federal grand jury in Philadelphia for their alleged roles in an illegal gambling operation which purportedly was in existence from 1972 to 1981.

While in Philadelphia, Allu was introduced to Nathan Steven Monti, a Chicago insurance broker. Monti was later introduced account-ant Alan Cohen to Commito. Cohen was purportedly going to help get financing for the venture.

During January of 1981, D'Alfonso flew to Palm Springs, California and was observed in a meeting by California enforcement officials. Two of the individuals attending that meeting fit the descriptions of Commito and Allu. Furthermore, one of the vehicles used by these individuals was registered to an address used by Commito.

Also attending the Palm Springs meeting was a man identified as Frank Pria, also known as Frank Guinni. New York authorities identify Prias as an administrative assistant for the Hotel and Restaurant Employees Union Local 69 in Long Island, New York. They also claimed that Pria has associated with Sonny Frantzese, an influential member in the Colombo crime family in New York.

On February 6, 1981, Commito and Allu were again seen meeting with Frank D'Alfonso and Harry Riccobene in Philadelphia. During this meeting, Commito and Riccobene left the house and walked around the block three times while they spoke. They then re-entered the house.

When Commito departed, he was observed meeting Harran's Hotel Casino in Atlantic City, New Jersey. He also said that arrangements have been made for an eight o'clock meeting at Barabander's; the account-ant, Alan Cohen, will be there.

Commito's crimping meeting took place just five days later on February 11, 1981. The crimping meeting was observed by D'Alfonso, local entertainer Jerry Blavat, and Alan Cohen, a Philadelphia account-ant.

The Crime Commission was later able to obtain information on the purpose of the meeting from Alan Cohen. Cohen said that Commito discussed the financing of an Atlantic City building which he was trying to purchase to be the site of a health clinic to be used by members of the Teamsters Local 331. During the meeting, Commito telephoned a Teamsters official, Dick Kavner, in St. Louis, Missouri and introduced him to Cohen. Arrangements were then made for Cohen and Kavner to meet at Harrah's regarding the project.
Cohen also detailed results from other meetings he had with Comitto and his associates. He said that he first met Comitto in April of 1980 when he was introduced to him by N. Steven Montross. A meeting was held in Cohen's office between Montross, John Aliu and Comitto.

According to Cohen, the discussion during this meeting involved the types of financing that Cohen could provide for clients. At the time, Cohen was not given the specifics of the project for which financing was needed.

During the summer of 1980, a second meeting was held at Palumbo's Nostalgia Room Restaurant in South Philadelphia. The participants at this meeting included Cohen, Aliu, Commi to and D'Alfonso. As in the first meeting, only generalities were discussed.

In January of 1980, Cohen was contacted and a meeting was held at the coffee shop of the Bellevue Stratford Hotel in Philadelphia. Cohen met with Comitto, Montross and Aliu. For the first time, Comitto detailed the specifics of his plan.

Cohen was attempting to market a prepaid health plan with the Teamsters Local 331 in Atlantic City. He wanted to purchase a building to house the medical facilities which would serve the union members. Cohen was asked to forward a letter to the attorney for the union outlining what services Cohen could provide, as well as the financing of the building as to be assured by the union health and welfare fund.

Teamsters Local 331 was a unit of the Chauffeurs, Warehousemen and Helpers of America and represented various workers employed at Harrah's Hotel Casino in Atlantic City.

About one week after the Bookmaker's meeting, Cohen and Teamsters officials Dick Kenner and Jack Miller met with Hansen. During this meeting, Kenner and Miller outlined the health plan they were attempting to put together for approximately 2,000 members of the local Teamsters. The Teamsters needed between $4 and $7 million in loans for the project. Cohen, however, viewing the union's cash flow and re-payment ability, decided to attempt to find funding for the project.

Cohen, however, was unable to get financing, despite his appeal to several lenders. Consequently, Comitto's plan fell through.

Frank D'Alfonso
Frank D'Alfonso is a major gambling figure and a significant associate of the Bruno Testa crime family in Philadelphia.

D'Alfonso, of 821 South 9th Street, Philadelphia, has risen to power since the death of former Cosa Nostra boss Angelo Bruno in 1980. D'Alfonso is now active as the liaison for the Philadelphia Cosa Nostra with other organized crime families.

Michelangelo D'Alfonso, Frank's wife, owned the South Philadelphia restaurant, Coa's, at which Bruno had his last meal before being murdered. Harry "Hunchback" Riccobene, a member of the Cosa Nostra family, operated a sizeable loan-shark business out of a storefront at 821 South 9th Street.

D'Alfonso has run bingo games for St. Paul's Roman Catholic Church in South Philadelphia. In November 1980, the Philadelphia Police raided one of those games and confiscated illegal slot machines were made.

On October 29, 1981, D'Alfonso was brutally attacked on the street near Cosa's Restaurant. He was reportedly beaten with a baseball bat and a tire iron, and suffered several major injuries. It is not known if this had any connection to his role in La Cosa Nostra.

* Frank D'Alfonso and Harry Riccobene were subpoenaed to testify before the Pennsylvania Crime Commission but they refused to testify on the basis of their Constitutional privileges.

Helping the Union
In the course of their marketing effort, Comitto and Aliu were also present at a meeting with union officials and Harrah's management which resulted in several employee complaints.

John Allan, the manager of Harrah's, told law enforcement officials that during the winter of 1980, commissary workers at Harrah's had various complaints. The employees were members of Local 331 and the hotel's management entered into negotiations to resolve the complaints with Local 331 representatives Jack Miller and Bob Cecero.

The problem could not be resolved and, in an effort to settle the dispute, Allan met with Franca Kelly, the director of Harrah's Casino Relations department; Harold J. Gibbons, International Teamsters Western Region; and Angelo Comitto; John Aliu; and Richard Costello, a labor consultant from New York.

The meeting had been arranged after Kelly, attending a function in New York in January of 1981, met a former friend, Richard Costello, and Comitto. Kelly told the man of the union problem. Costello and Comitto said they could be of assistance in the negotiations which at that time had been engaged.

At another meeting the same day, the health plan project was discussed, but no agreement was made at that time. Both Gibbons, the International vice president, and Comitto spoke in favor of the health plan. John Allan later said that Comitto was like a "godson to him." It is interesting to note that during the time negotiations with the Pennsylvania Crime Commission, Allan was introduced to Frank D'Alfonso. D'Alfonso was the president of Harrah's Entertainment International, the company of Aliu and Richard Costello. According to New Jersey officials, D'Alfonso is a member of the Gambino crime family in New York. D'Alfonso is affiliated with the Teamsters Local 854 in New York. Among his close associates is Vincent Zappi, a Gambino crime family member and radio personality, and Anthony Zappi, a capo in the Gambino family.

In addition, it should be noted that Angelo Comitto was introduced by Steven G. Maloney to Wendell Young, president of Local 1357 of the United Food and Commodity Workers Union in Philadelphia. Comitto attempted to maintain his membership in Local 1357 members, but Young was not interested in this program.

Organizing Crime Association with Union Health Plans
The appearance of Mr. Gibbons' name on the Crime Commission Chart is presently in litigation in a Pennsylvania Court.

Coast to Coast Connections
Because of Comitto's interest in obtaining health contracts in this area, the Crime Commission investigated some of his out-of-state dealings.

Labor Health Plans, Comitto's company, is located at 230 North Michigan Avenue in Chicago, Illinois. It was incorporated on March 30, 1973. The president of the company at the time of its incorporation was Leonard Fishman. Angelo Comitto was its secretary and Anthony Ponzo was treasurer. Comitto and Nancy Fishman were also listed as directors.

Also in 1973, Comitto formed another company known as Angelo T. Commi to and Associates. Official records indicate that Comitto, Anthony Ponzo and Leonard Fishman were the principals in the venture. This business was an insurance agency.

Leonard Fishman, Comitto's partner, is a close business associate of Alan Dorfman, a key advisor for the International Brotherhood of Teamsters' Retired Officers Pension Fund. In 1979, Dorfman was convicted of conspiring to accept a $65,000 kickback in return for arranging a $1.5 million loan from the Pension Fund. Dorfman was sentenced to one year in prison.

Comitto and Fishman were also involved in another corporation and the Arizona Health and Benefit Plans, Inc. This corporation was formed on August 4, 1975 by Lawrence P. D'Alfonso, Esq, and Gary V. Tocci.

Fishman was listed as president of the corporation and Comitto was listed as vice-president. Law enforcement authorities in California and Arizona have indicated that one of the directors of this corporation was Joseph Iatros, a bodyguard and associate of organized crime figure Joseph Bonen­no. Iatros's name, however, was removed from the corporation shortly after an interview with the Federal Bureau of Investigation. Iatros acknowledged to law enforcement officials during a 1975 interview that he had been involved in the corporation but that he had disassociated himself from Comitto.

Arizona Health and Benefit Plans, Inc., had obtained prepaid dental contracts with labor groups representing Tucson City employees. Investigation by Arizona authorities revealed that the funds for his employees were being directed into a tax account in a Phoenix, Arizona bank and then to Labor Health Plans in Chicago.

Investigative background material revealing Angelo Comitto also revealed an association with Michael Rizzitello, a key member of the Dragna crime family in Southern California. Law enforcement authorities in California have revealed that in November 1977, Comitto and Rizzitello met with a California dentist; Gorden Hansen, who was an union organizer for Teamsters Local 692 and James Hall, former business agent for Local 692. The meeting took place at a restaurant in San Pedro, California. Prior to this meeting, Comitto met with Rizza­tello and William Damold in August of
1977 at a Los Angeles delicatessen. Darold has been identified by California officials as an explosives expert.

In addition, Commito met with Aladena "Jimmy the Waasewa" Fratianno, former co-boss of the Dragna Family in September of 1977.

At the Crime Commission's public hearings on July 28, 1981, Fratianno testified about his introduction to Commito through Mike Rizzitello. Fratianno had become a government witness in 1977 after he learned that there was a murder contract out for him. Following are some of Fratianno's statements about Commito during the Commission's hearing.

Q: Mr. Fratianno, do you know an individual by the name of Angelo Commito?
A: Yes, sir.
Q: And how did you know Mr. Commito?
A: Well, Mike Rizzitello introduced me to Commito, and I don't know if it was late '66 or early '77 (sic). I don't actually recall the time.
Q: And who was Mike Rizzitello?
A: He was a capo in our family.
Q: What was the purpose of Mr. Commito's introduction to you by Mike Rizzitello?
A: Well, Mike wanted, asked me about getting him to meet some union people so he can put out these programs that he had. He had some different kinds of medical programs.
Q: By "medical programs," sir, are you referring to dental and health plans for union members, where contracts are made with the union itself for the services of the program to the benefit of the members of the union?
A: Yes, well, not particularly dental or—they had eight or ten different programs: life insurance. And they had all kinds of programs.
Q: Mostly related to health and welfare benefits?
A: Right.
Q: What, if anything were you and Mr. Rizzitello to get out of the assistance you were giving to Mr. Commito, if he ended some of these plans?
A: Well, at that time Commito was giving Mike some money. Mike did tell me that we would make a lot of money if we got any of these programs to the union. Now how much, I don't know.

Fratianno then told of the introductions he made for Commito to various union officials.

*More of Fratianno's testimony can be found in Appendix B.*

Q: Now what, if anything, did you and Mr. Rizzitello do for Mr. Commito?
A: Well, I took him to one of the leaders of the Teamsters in San Francisco. I also took him to a fellow by the name of Rudy Tham. And I took him to a guy by the name of Jim Richars.
Q: ...Who was Mr. Tham?
A: Well, Tham was the head of a local there. And he was also vice-president of the joint council.
Q: Do you know what particular locals he was the head of at the time that you brought Mr. Commito to him?
A: I think it was Local 855.
Q: Was Mr. Tham to make any money out of himself, if it was to give the work—the contract to Mr. Commito?
A: Yes, sir.
Q: And how did you know that?
A: Well, I told him he'd get some money from me.
Q: Who is Tim Richards?
A: Well, he had Local 80 or 85, I forget which one of the two it is. He also has a big local.
Q: Was it the same procedure: You were to introduce Mr. Commito to Mr. Richards, and if Mr. Commito got the contract, you and Mr. Rizzitello would receive money and some of it would be passed on to Mr. Richards?
A: That's correct.

Commito had obtained dental contracts with at least two other additional unions in the midwest. Labor Health Plans received a contract with the Teamsters Local 413 in Columbus, Ohio in 1976. This contract was negotiated by Commito and Vito Mango, then president of Local 413. According to Mango, Commito "wired and wired" him prior to the signing of the contract. Commito also provided Mango with a trip to the Bahamas. Mango later introduced Commito to John E. Scales, Business manager of Teamsters Local 423 in Columbus, Ohio. Commito was subsequently awarded a contract with this union in November of 1977. This contract was also for prepaid dental services.

**High Teamsters Tie**

During his testimony, Fratianno claimed that Jack Licavoli (aka Jack White), boss of the Cleveland La Cosa Nostra family, has a close association with Jack Presser, Vice-President of the International Brotherhood of Teamsters.

Q: Do you know whether Mr. Presser has any connection with Mr. Licavoli?
A: Yes, I do, sir.
Q: And what is that connection?
A: Well, at the time I was out, he never made a move unless, unless Jack White gave the okay. They practically ran him.
Q: Jack White ran Presser?
A: The Cleveland family, whoever the bosses is. It doesn't matter.
Q: Why, to your knowledge, would the Cleveland family have control over the vice-president, International Vice-president of the Teamsters, such as Mr. Presser?
A: Well, how do you think he got up there? That's how he got up there.

Fratianno attempted to use his influence with Presser to assist Commito in obtaining contracts with unions:

Q: Did you have a conversation with Mr. Presser concerning Angelo Commito?
A: Yes, sir.
Q: Would you please relate the circumstances of the conversation you had with Mr. Presser concerning Angelo Commito?
A: Well, I had some other business with Jackie Presser. In the same conversation I told him that Commito was—we were doing business with Commito, and that if he could help him in any way, it would mean money for us.
Q: What was Mr. Presser's response?
A: He said he would (do) what he can for him.

Although Fratianno was not aware if Commito obtained any contracts to supply health and welfare benefits to unions, his testimony did establish the close connection that Commito had with various organized crime figures. Fratianno, in fact, identified Commito as an organized crime associate.
A.M.M.A. Health Center, Inc.

Ties To Organized Crime

The involvement of local traditional organized crime figures in the delivery of health care services is suspected by the A.M.M.A. Health Center, Inc. The center, a subsidiary of Advance Project Corporation, is located at 201 South 26th Street in Philadelphia. According to the Pennsylvania Bureau of Corporations, it was incorporated as a Pennsylvania corporation which administers, on a prepaid basis, out-patient health care benefits for union members and employee groups. The corporation enters into contracts with various health care facilities to pay the physicians on a pre-arranged cost-sharing basis. The inclusion of organized crime figures in these arrangements could result in illegal and unethical practices. The center's contract with the Health and Welfare Fund, which pays for the medical assistance, was signed by Joseph Martorano, a 55 percent owner of A.M.M.A. The incorporation of the Health and Welfare Fund was against the overall management of the A.M.M.A. Medical Center, but it, in turn, pays the physicians on a pre-arranged cost-sharing basis.

Dr. Silk

Dr. Raymond Silk is a Philadelphia Medical Director of A.M.M.A. He was temporarily suspended from participating in the public medical system in 1983 by the Pennsylvania Department of Welfare. Silk's suspension resulted from an investigation which alleged that he performed unnecessary surgical procedures and charged fees that were higher than they should have been. A subsequent agreement with the Department revoked the suspension and allowed Silk to practice subject to certain limitations. Silk resigned from A.M.M.A. in February, 1990.

John's Wholesale Distributors, Inc., at 201 South 26th Street, is also the location of the A.M.M.A. Health Center, Inc.

Manuela denied, when interviewed by Commission agents, that he had been involved in the overall management of A.M.M.A. Later, in 1983, Joseph Martorano invested $2,000 and John Martorano invested $5,000. The location of A.M.M.A. was later moved to 201 South 26th Street location.

Dr. Silk also functioned as the medical director of A.M.M.A. His clinic, the Broad Street Hospital, was the largest of the clinics through which A.M.M.A. delivered health care.

The day-to-day activities of A.M.M.A. were originally operated by Joseph Martorano. He was, however, replaced by John Martorano in approximately February of 1979. In addition to the above-mentioned individuals, the Crime Commission learned that Raymond Martorano was also involved in certain aspects of the A.M.M.A. business. Raymond "Long John" Martorano was a longtime associate of deceased mob boss Angelo Bruno and is recognized by many law enforcement agencies as a major crime figure. The former employee also stated that Martorano attended management meetings of A.M.M.A., shown the office facilities to the representatives of a union fund, and had questioned the employees about how many patients were being served at the various satellite clinics.

A final bit of evidence obtained when the Pennsylvania Crime Commission subpoenaed the records of the A.M.M.A. Health Center and the company's cancelled checks were reviewed. Two checks were found which were, apparently, written as substantiated expenses for A.M.M.A. Check #146, written on November 16, 1978, for the D'Medical Restaurant in the amount of $98.50, was endorsed. The check was sent to 111 to 23 months in prison, a $2,000 fine; Martorano to 9 to 23 months in prison, 3 years probation, and a $1,000 fine.

In addition, Martorano was indicted on June 9, 1981, by a federal grand jury on charges of making false Medicare and medical claims in the abs of electronic signatures of elderly persons. Martorano operated a firm which processed insurance claims for nursing homes of his residence. Claims totaling several thousand were submitted to the U.S. Department of Health and Human Services.

Medical Fraud

On July 1, 1981, Joseph Martorano, father of Raypal, and Martin I. Aikin of Philadelphia were sentenced for a forgery and conspiracy conviction. Joseph Martorano was sentenced to 18 months in federal prison, 5 years probation, and a $2,000 fine. Aikin was sentenced to 11 to 23 months in prison, a $2,000 fine, Martorano to 9 to 23 months in prison, 3 years probation, and a $1,000 fine.

In 1980, A.M.M.A. was originally being considered. He had been dealing with Joseph Martorano, but after Martorano's drug association with A.M.M.A., all transactions were conducted through John Martorano.

The contact with A.M.M.A. was ultimately approved by the board of trustees. Several of the members later admitted to the Crime Commission that they were not very satisfied with the A.M.M.A. contract, and one stated that the contract may not have been acceptable as it pertained to the proposal for Howard Bucher.

The Only Contract

The only contract that A.M.M.A. Health Center, Inc. has with the U.S. Department of Health and Welfare Fund is the contract with A.M.M.A. and 20,000 union members and their dependents.

The Health and Welfare Fund is governed by a board of trustees of approximately 2,000 union members and their dependents.

A.M.M.A. Wages

A review of records revealed that wages paid by A.M.M.A. for the period of October 1, 1978, to December 31, 1978, for the five employees of the company was reported as $45,548.33. Key employees for the months were as follows:

John Martorano $22,675
Raymond Silk 12,025
Joseph Martorano 7,740
John Martorano 8,218
A.M.M.A. had no other contracts with unions or other groups in the period. The profit for 1978 shown in the utilization report was $46,548,453. Under the terms of the contract, the Health and Welfare Fund would pay $90.00 each month to each union member. In return the union members and their dependents could utilize the outpatient and diagnostic services of the participating physicians and clinics. The contract was signed by Joseph Martorano on behalf of A.M.M.A. and by Pasquale Tavella for the fund.

In October of 1980, the contract with A.M.M.A. was renewed for a term of five years at the increased cost of $10 per month for each union member. The entire contract renewal continued for a period of approximately May 8, 1980, requesting the above terms. According to Bucher, this contract was approved in October 1980. A copy of this contract was signed by John Martorano and Howard Bucher.

Three of the trustees represent the union and three represent management.
Utilization Reports

Declining Profits

The profits which A.M.M.A. claims to have obtained through its management of health care services for Local 837 can be seen by reviewing its utilization reports.

The utilization reports generally described for the fund members the number of office visits as well as the value of X-ray and laboratory services. The reports also indicated the costs of administration and further indicated the net profit for A.M.M.A. in relation to the contract.

A copy of the submitted utilization report which covers the years 1978 and 1979 is found on page 23.

The report showed 387 office visits from October 1978 to December 1978. The reported value of the office visits was $14,679. The reported value of laboratory and X-ray services was $2,098 for a total value of $16,777. A.M.M.A. showed the cost of administration as $8,296.57.

The fund had paid premiums of $68,162.50 for the period covered and A.M.M.A. reported a profit of $40,262.50. A.M.M.A. did not detail the elements of cost of administration and, as can be observed in the report, A.M.M.A. did not give a thorough breakdown of the services rendered.

The report for the following year, 1979, indicated a total of 3,224 office visits for a total value of $122,745. Laboratory and X-ray services for that period were valued at $39,726 for a total value of $162,471. A.M.M.A. claimed $32,847.20 as the cost of administration.

The premiums paid by the fund for this period was $294,023.50 and A.M.M.A. reported a net profit of $30,305.21.

The utilization report covering the year of 1980 can be observed on page 20. The report indicated that office visits numbered 4,164 for a total value of $122,407. The value of X-ray and laboratory services was portrayed as $15,443 for a total value of $137,890. A.M.M.A.'s cost of administration was $32,500 and when subtracted from the fund premium payment of $235,707, A.M.M.A. was supposedly left with an annual net profit of $4,817.

The report from these three years shows a dramatic decrease in profits, both in dollars and as a percentage of the whole. The following chart summarizes the percentages of costs (office visits and lab tests), administration fees and net profits.

A.M.M.A. Contract with Local 837

A.M.M.A. claims of utilization of monies in their relationship to total premiums paid Value of Services (Doctors & Labs) Administrative Fee Profits 1978 25% 13% 52% 1979 69% 15% 13% 1980 84% 15% 11% A.M.M.A. Costs


Reported Value of Services in thousands Actual 4,633 66,326.50 4,383 29,994 33,285.50 29,994 32,500 39,305 32,847 4,017 32,847 3,234

Administration Prepayment Profits Remaining* In its relationship to total premiums paid A.M.M.A. obtained by subpoena of the Pennsylvania Crime Commission. The actual reported figures are shown on page 23 and 24. The figures relate to both the number of office visits and the value of services rendered.

For 1978, the Commission was able to document 306 office visits with a total value of $4,633. This contrasts sharply to the utilization report figures of 387 visits and value of services of $16,777. The documented visits represented only 79% of those reported. Documented billings were only 27% of the claimed value of services reported to the union.

For 1979, the Commission was able to document 1,677 visits and $29,994 in billings. These figures are even more disparate from reported figures than those in 1978. Documented visits represented 51 percent of the figures reported. Documented billings were only 16 percent of the claimed value of services reported to the union.

For 1980, 3,232 office visits were documented, which is 84 percent of the 3,846 number of visits reported. Documented billings were $8,926 in documented billings were found, which represents 44 percent of the figures reported.

It should also be reiterated that the original contract between A.M.M.A. and Local 837 ran for two years and was renegotiated in 1979. Local 837 officials apparently wondered how A.M.M.A. was managing to stay in business with such low profits in 1980. Howard Bucher testified that at a June 1981 meeting, A.M.M.A. told his trustees that the value of doctors and laboratory fees listed was not money actually paid by A.M.M.A. A.M.M.A. did not, however, explain why those figures were used in their reports to determine annual net profits and no one asked.

Falsified Reports

The Crime Commission has determined that the figures reported to the Health and Welfare Fund of Local 837 by A.M.M.A. were significantly higher than the actual figures.

To make this determination, the Commission used several sets of documents. The primary source of the figures was from the doctors' or clinics' records themselves. A secondary source of information was from ledgers maintained by A.M.M.A. which were obtained under subpoena. The third source of information was from copies of billings from various doctors and clinics maintained by A.M.M.A. which were obtained by the Crime Commission under subpoena. The fourth source of information, which was used only in a few relatively minor instances, was the checking account records of A.M.M.A. obtained by subpoena of the Pennsylvania Crime Commission.

The actual reported figures are shown on pages 23 and 24. These figures relate to both the number of office visits and the value of services rendered.

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April 9, 1981

Board of Trustees

Teamsters Local Union

Local 837 Health & Welfare Fund

ATTN: Howard Bucher, Administrator

RE: Utilization Report for Medical

Out-Patient Services

Dear Mr. Bucher:

The following is a summary of claims activity for participants of Local 837 for the period of October, 1978 through December, 1978 and January, 1979 through December, 1979.

Average number of claims per month:

Total premium paid, January 1979 through December 1979: $234,623.50

Total dollar value of services rendered same period: $162,471.00

Cost of Administration (14%): $33,477.29

Annual Net Profit: $38,905.21

I hope that this summary will be satisfactory to your needs.

Thank you for your cooperation in this matter.

Sincerely,

J. H. M. C.

Administrator
February 7, 1981

Board of Trustees
Teamsters Industrial Union
Local 837, Health and welfare fund

ATTN: Mr. Howard Bucher, Administrator

RE: Utilization Report for Medical Out-Patient Services

Dear Mr. Bucher:

The following is a summary of claims activity for participants of Local 837 for the period of January 1980 through December 1980. This report shows the total number of claims per month, the relative dollar value of office visits per month, the dollar value of laboratory and radiological services rendered per month, and finally the total dollar value of all services rendered to your members. The report also shows the average number of claims per month, and the average dollar value per claim. Injuries related to patients during office visits are included with the total dollar value of laboratory and radiology.

Average number of claims per month: 347
Average dollar value per claim: $76.05

Total premium paid, January 1980 through December 1980: $351,707.00
Total dollar value of services rendered some period: 198,596.00

Cost of Administration (4%) $37,517.00
Annual Net Profit $4,817.00

I hope that this summary will be satisfactory for your needs.
Thank you for your cooperation in this matter.

Sincerely,

Timothy P. Smith

Secretary

John Martorano

Administrator
In addition, the records showed that A.M.M.A. paid a $90,000 management fee to Med-Bus in 1979, although records show no money changing hands. Since A.M.M.A.'s records show a net income of $87,300 that year and Med-Bus suffered a loss of $92,387, both companies showed a year-end loss after the transfer. As a result, A.M.M.A. successfully avoided paying state taxes on its profits.

A.M.M.A. also loaned John Martorano $25,000 on March 6, 1981. On that same date, Martorano loaned his other business, John's Wholesale Distributors, $32,000. On March 12, Martorano received a check for $25,000 from John's Wholesale and issued a check for the same amount to Evelyn Martorano, his brother Raymond's wife. As of September 1981, A.M.M.A. had not been repaid.

As noted previously, A.M.M.A. rented space at 2001 South 29th Street. This location is owned by John Martorano (majority owner of A.M.M.A.) and his wife, Theresa. From February to May of 1979, A.M.M.A. books indicate that it paid John Martorano $500 a month for the rent on apparently only one room.

In June of 1979, however, the rent escalated by 700 percent to $3,500 per month. Another tenant of the building, Med-Bus, paid Martorano $500 per month for its space until June of 1979. The rent then escalated to $1,750 per month. According to the company's accountant, A.M.M.A. and Med-Bus share the same office.

John's Wholesale, the primary tenant of the building, paid only $1,000 per month in rent until mid-1980, at which time it began paying $2,000 per month.

Both John and Raymond Martorano were subpoenaed to appear before the Crime Commission but they declined to testify on the basis of their Constitutional privileges.
American Health Programs, Inc.: A Success Story

The Pennsylvania Crime Commission’s investigation of American Health Programs, Inc. (AHP) uncovered questionable marketing techniques, inflated benefit utilization reports and evidence that AHP’s board of directors planned to transfer ownership of the company and distribute stock options to individuals with ties to AHP.

Although no direct links were found between AHP and traditional organized crime figures, evidence was obtained which showed that AHP pro-

vided inflated benefit utilization re-
ports to unions in order to keep board members in favor with AHP contracts with these unions.

American Health Programs, Inc. was formed in 1973 as a Delaware con-

pany which creates and admin-

isters dental, vision and drug benefits. The theory behind this approach to the dental program was that it will motivate the prac-
ticing dentists to bring their patients to AHP. Each year, the company’s dental benefit program covers the first $300 of services for each family (capitation) basis as agreed to in the contract, with additional services paid for at the fee per family per month.

On October 15, 1978, AHP signed a one-year contract with the New Jersey State Commission for Health Care Services Administration, which was established to administer dental, vision, and drug prescription benefits for the New Jersey State Commission for Health Care Services Administration. At the time, AHP was restructured to provide the dental services. At the time NADP received this contract, one of the company’s em-

ployees was Robert Fluehr, the brother-in-law of Wendell Young, chairman of the Health and Welfare Fund’s board of trustees. Fluehr, a resident of Philadelphia, was later involved in another health provider known as AHP (see more on this connection, see page 50).

In 1975, AHP had a dental contract with the Pennsylvania State Commission for Health Care Services Administration, which was awarded to NADP employees left and established a company to compete with the newly formed AHP. Among them were Dr. Louis Mattuci and Robert Fluehr, who were involved in creating the dental program for AHP.

In September of 1972, one of the company’s dental contracts was awarded to AHP. This effort was led by Mattuci, who was involved in the creation of AHP.

As a result of internal problems, Mattuci resigned and left to form his own company, American Health Programs, Inc.

While at DDS, Kritzl attempted to se- }


cure several large contracts including a contract with a PSCME (Pennsylvania State Council of Medical Examiners) and a contract with the Tri-State Dental Insurance Company.

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According to Louis Mattucci, D.D.S., of Philadelphia, he was con-

tracted by Wendell Young to review the various dental plans that were being considered by the health and welfare fund. Mattucci placed these pro-

posals in order of priority and his top recommendation was for the selection of the NADP program.

HCA: A Spawning Ground

Health Corporation of America (HCA) was formed as a Delaware cor-

poration in 1972. It began when North American Dental Plans Inc., a Pennsyl-
vania Corporation, was consolidated with a Delaware entity, Capital Re-

turers Inc. In October of 1972, NADP was reorganized in Pennsylvania with the New Jersey Dental Care Corporation as a subsidiary of its holding company, HCA. The concept was to provide the dental services. At the time NADP received this contract, one of the company’s employees was Robert Fluehr, the brother-in-law of Wendell Young, chairman of the Health and Welfare Fund’s board of trustees. Fluehr, a resident of Philadelphia, was later involved in another health provider known as AHP (see more on this connection, see page 50).

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turers Inc. In October of 1972, NADP was reorganized in Pennsylvania with the New Jersey Dental Care Corporation as a subsidiary of its holding company, HCA. The concept was to provide the dental services. At the time NADP received this contract, one of the company’s employees was Robert Fluehr, the brother-in-law of Wendell Young, chairman of the Health and Welfare Fund’s board of trustees. Fluehr, a resident of Philadelphia, was later involved in another health provider known as AHP (see more on this connection, see page 50).

In accordance with the New Jersey State Commission for Health Care Services Administration, which was awarded to NADP employees left and established a company to compete with the newly formed AHP. Among them were Dr. Louis Mattuci and Robert Fluehr, who were involved in creating the dental program for AHP.

In September of 1972, one of the company’s dental contracts was awarded to AHP. This effort was led by Mattuci, who was involved in the creation of AHP.

As a result of internal problems, Mattuci resigned and left to form his own company, American Health Programs, Inc.

While at DDS, Kritzl attempted to se- }


cure several large contracts including a contract with a PSCME (Pennsylvania State Council of Medical Examiners) and a contract with the Tri-State Dental Insurance Company.

On October 15, 1978, AHP signed a contract with the Health Care Services Administration, which was established to provide dental, vision, and drug prescription benefits for the Pennsylvania State Commission for Health Care Services Administration. At the time NADP received this contract, one of the company’s employees was Robert Fluehr, the brother-in-law of Wendell Young, chairman of the Health and Welfare Fund’s board of trustees. Fluehr, a resident of Philadelphia, was later involved in another health provider known as AHP (see more on this connection, see page 50).

According to Louis Mattucci, D.D.S., of Philadelphia, he was con-

tracted by Wendell Young to review the various dental plans that were being considered by the health and welfare fund. Mattucci placed these pro-

posals in order of priority and his top recommendation was for the selection of the NADP program.

HCA: A Spawning Ground

Health Corporation of America (HCA) was formed as a Delaware cor-

poration in 1972. It began when North American Dental Plans Inc., a Pennsyl-
vania Corporation, was consolidated with a Delaware entity, Capital Re-
turers Inc. In October of 1972, NADP was reorganized in Pennsylvania with the New Jersey Dental Care Corporation as a subsidiary of its holding company, HCA. The concept was to provide the dental services. At the time NADP received this contract, one of the company’s employees was Robert Fluehr, the brother-in-law of Wendell Young, chairman of the Health and Welfare Fund’s board of trustees. Fluehr, a resident of Philadelphia, was later involved in another health provider known as AHP (see more on this connection, see page 50).

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As a result of internal problems, Mattuci resigned and left to form his own company, American Health Programs, Inc.
Marketing Techniques

The Crime Commission's investigation showed that, during negotiations with unions for four separate contracts, AHP used questionable marketing techniques. This was found in regard to Teamsters Local Cornwells Heights, the Pennsylvania Social Services Union, AFSCME District 33 and the Philadelphia Fraternal Order of Police.

The conclusion of AHP's marketing techniques appeared to be the awarding of six-alike "finders fees" to persons who were affiliated with the union or had some influence in union leadership's decisions. These "finders fees" were paid to individuals in return for their agreement to sign an AFSCME contract which went to a company owned by Dr. Charles Kravitz.

Dr. Kravitz also entered into business associations with several individuals who were closely associated with the contract award or who had a connection to persons who controlled the contract award.

Following are the details:

Local 169

In September of 1975, the first contracts AHP received was for the employees of Com- 

pany which later became Leaseway. 

The contract was awarded and the local 

in Connellsville Heights and em- 

ploys about 70 members of the Interna- 
tional Union, Pennsylvania Local 169.

The Commission has uncovered evidence that the shop steward for the local went to at least one al "finders fee" for his role in ensuring the award of the contract with the AHP Dental Health Programs, Inc.

The principal negotiators on behalf of AHP for the Leaseway contract were Arnold Segal, Eileen Kerlin, and William J. Graf, (See Cast of Characters)

Graf testified that the chief negoti- 
ator for Leaseway was James Wise, a Local 169 shop steward. He further said that the approval of the health plan was a high priority for his company was con- 

sidered only a formality.

PSSU

AHP's first major contract for serv- 
ses to AHP was with the Pennsylvania Social Services Union, AFSCME Em- 

ployees Association (PSSUEPA), a local 

ving approximately 12,000 Commonwealth em- 

In October of 1975 PSSU's health and 

and welfare fund trustees contracted for 

fice with one of the four providers. Among 

the health plan proposal was one from AHP.

The trustees' counsel, Steven Sheller, 

suggested in January of 1976 that expert advice be sought in evalu- 

ng the varied proposals.

The following month, Peet, Mar- 

ick, Mitchell and Company, an ac- 

cting firm, presented an evaluation of the three plans, and I refused ven- 

ling for benefits, and that's how we got 

the information that there were the possibilities for a dental contract.

A: Okay, I knew a Steve Sheiller who was an attorney ... I think he was at one time in Berle Schiller's law 

firm—which was involved with the union. 

He further acknowledged that he had received the fee.

A: Well, Dr. Kravitz talked with myself, 

the three of us talked about it. We, Mr. 

and myself, 

a: Could you present your 

in the first place?

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in the first place?
In 1978, the City of Philadelphia agreed to a union contract which expanded its previous employee benefits plan available to members of the Fraternal Order of Police (FOP) and the Philadelphia Firefighters Association (PFA). A committee was formed to review proposals submitted by health plan providers. This committee included representatives from the FOP and a representative from the PFA. The PFA subsequently decided to independent a health care provider.

According to a confidential informant, the committee decided that it did not want to deal with Kravitz after the alleged proposal, mainly due to the adverse publicity on him.

At that point in time, Kravitz utilized another contract to insure AHP's securing the contract. This contract was formed between the Philadelphia Crime Commission.

In October of 1978, Garvey was investigated, but declined to testify on the basis of the FOP. He further claimed that, apart from one unsuccessful transaction in Atlantic City, he had not been involved in any business ventures with Kravitz.

It was determined that, at the time of the Garvey interview, PEC had already received $70,000 from AHP, pursuant to the agreement. In accord with the agreement, the money was "advance commissions" against money PEC would earn if and when it sold an AHP contract. In the event that PEC sold no contracts, the money was to be repaid.

In addition to Garvey, PEC allocated $2,005.00 to the law firm of David- son, Aaron and Tumini for legal fees. As the name indicates, this is the firm of Aaron Tumini, the FOP attorney. PEC also paid a total of $4,200 to the Police Security and Investigative Systems, Inc. These payments were for the FOP investigations on allegations by Tumini. Joseph Pinto was a FOP member. Tumini's husband, Alfonso Tumini, was the FOP attorney. As a result of his PEC operation and transferred his interest to Paul Lightman, Gary's father, on April 11, 1981, after he was elected FOP president.

The Pinto operation was the law firm of David- son, Aaron and Tumini. In any event, AHP was responsible for setting up a business. Garvey resigned as president of AHP and transferred his interest to Paul Lightman, Gary's father, on April 11, 1981 after he was elected FOP president. There is no indication of wrongdoing by Gary Garvey for his interest in the PEC operation. As a result of his PEC operation, Garvey received a salary of $15,000.00. He also received $3,000 for expenses, although this money was reimbursed. Information received also indicates that Garvey used PEC as a political base. Garvey was able to purchase shooting event tickets and enter various political dignitaries. As an example, when a large number of Phila- delphia Police officers were laid off, Garvey concentrated a lobbying effort via PEC, which he still that would prevent this.

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Utilization Reports

The Crime Commission's investigation showed that AHP significantly increased the figures in the utilization reports it provided to the Retail Clerks and AFSCME District 33. In both cases, the unions received reports indicating that they were saving substantial amounts of money.

AHP works on a capitation or fixed fee basis with its dentists. That is, the dentists receive a fixed amount of money per patient per month, regardless of the amount of services that family receives. However, the utilization reports show the value of services based on the prevailing fees. As a result, the reported fees were presented to the Medical Commission as a true picture of utilization.

The Crime Commission's report showed that AHP agreed to provide its clients with an appropriate amount of services, the value of the services provided to the union, and the savings to the union and the members as a result of the service. Portions of AHP's utilization reports to AFSCME District 33 and the Retail Clerks Union can be seen in Appendix B. In summary, the AFSCME reported that in 1977, 30,008 basic and complex services were rendered with a value of $1,161,012. The Retail Clerks report, which covered August 17, 1976, to December 31, 1977, showed 31,809 basic and complex services rendered at a value of $1,625,600.

The Commission became aware that these figures were falsified when it obtained worksheets which were made up by Carol P. Lozanoff, an AHP employee. Portions of these worksheets can be found in Appendix A. On these sheets, the discrepancies became obvious. In several instances in the AFSCME report, the reported figures were obtained by adding a round number, such as 1,000 or 2,000, to the actual figures. In the Retail Clerks report there did not seem to be any attempt by AHP to increase the discrepancy.

The discrepancy between actual and reported figures in these two cases is grossly portrayed in the bar chart on page 35. It shows the number and value of dental services rendered by members of both unions was largely overstated.

In terms of percentages, the AFSCME reported figures were up to 20 times higher than actual. The reported figures in the Retail Clerks utilization report were up to 300 times higher than actual.

In total, the actual number of basic and complex services rendered to AFSCME was 23,373, a third less than were reported. The actual value of those services, $585,407, was almost one half of the reported $1,161,012.

The actual number of basic and complex services rendered to the Retail Clerks was 7,366, less than a quarter of the reported 31,809. The actual value of those services, $247,071, was less than one third of the reported $1,625,600.

Of further interest in these utilization reports is that they do not reflect the cost to AHP of these services, since both said the dentists do not charge per family per month rather than per visit.

The Commission could not, therefore, determine what AHP's actual costs for dental services were, what the administration of the plan cost, or what profits AHP made. As will be seen later in this chapter, however, it is interesting to note that Dr. Kravitz and Ms. Lozanoff received a total of $178,300 in loans and bonuses from the company in 1977 and 1978, on top of their $170,000 salaries.

The Crime Commission also learned of AHP's inflated reporting from a former employee, Dr. Mervyn Landay, who testified that Carol Lozanoff had told him the figures were altered. He testified that:

"The actual services rendered were far below what the benefits were, and the premiums were coming in all the way very low, and of course American Health Programs didn't want that reported. In a series of discussions with Carol, she began to show me these documents, the documents she was keeping showing the actual services she was rendering, what they were rendering, and she showed me that it and the increased inaccurate utilization figures it seemed to me." When I asked her why she was doing it she said that she carried the actual figures in, to the best of my recollection, and I think she was told to do it, and as far as I remember it, she was being directed by, by Charles Kravitz, to change the figures. What was the exact conversation I was, I wasn't privy to that."

According to the Landay, Lozanoff had been "greatly troubled" by this practice and approached him:

Q: What was her specific problem when she came to you? You mentioned that she was having problems with these figures; what was her problem?

A: I think she wanted to know how to do this without doing it, how to do this without using two sets of figures. She could understand the problem, that she was saving substantial amounts of money. She gave Kravitz a very accurate utilization report to be submitted to his accountant for cost and fees and she was being told that there's a problem.

Q: How do you know that?

A: I think she told me that. I think she told me that, I think the way it was, the words were, we can't send them in like this, something like that. She said that to me.

Q: What was her response to you?

A: "I showed me what the real problem was she was dealing with, and I told her how to solve the problem; how can she construct a utilization report that was closer to what Kravitz wanted to see. I guess that was a falsification of data and that was what she was struggling with."

Landay also gave some indication of how the figures were derived:

Q: Was she working backwards from the dollar figure to arrive at the number of services?

A: Yes, that's my impression, yes. As far as I know she showed me the chart that was in somebody's mind that was the perfect figure to put in there.

Q: Did you know about it? Did she show you that, or did she just laugh?

A: Yes, in so many words, yes. She kind of explained that's what she was doing.

Q: What was the purpose of what she was doing?

A: Yes.
testified that the increased figures were reached through an extrapolation process.

At first, Lozanoff explained that the unions were simply to be mollified when computing the utilizations statistics, but later explained, as he examin

Q. And it was done for both contracts, the APOCME District Council Thirt
tree and the Delaware Valley Fund, the two reports that we have shown
A: Yes.

Q. And it was done for both contracts, the APOCME District Council Thirt
tree and the Delaware Valley Fund, the two reports that we have shown
A: Yes.

A: Embellished, if you will.

Barland's Role

The Commission also subpoenaed Libby Barland, another former employ
er of American Health Programs, Inc., who was aware of the inflation of utili
zation statistics. Testifying under a grant of immunity Barland affirmed that the utilization figures had been in
creased from the figures that had been reported to AHP by the participating
dentists.

Q: How did you cope with the problem of what you considered to be underre
porting by the dentist?
A: How did I cope with the problem of underreporting?

Q: What remedy was proposed in or
A: Why ever you increase the figures to the extent they were two or three times
Q: When you were coming up with accu
A: Accurate projections.

Q: Accurate projections, how do you do it? You are not a dentist, right?
A: That's correct. Very unhappily I have to tell you that I am.

Q: Would you explain that comment.
A: When I was handed actual figures for whatever the percentage areas were performed, it was what was really a pleasant experience to have them turn back and said this is too low to turn it into the union for the number of people involved.

Q: I think one question we really haven't answered was before the basis
Q: How would you project your figures
A: We sat down and tried to make de
A: By pulling numbers out of the air.

Q: You pulled the numbers out of the air?
A: Based on standards, based on ex
A: And that is how it looked for better for a while.

Conflicts

Both Carol Lozanoff and Libby Barl
Q: ... Libby Barland, who appeared be
A: Libby Barland, another former employ
Q: And that it had to look better for a while.

36

During her public testimony, Lozanoff became evasive, contradic

Q: During the Commission's public
A: During the Commission's public

Weisinger's Deals

Chester Weisinger was involved in a number of investment transactions

Q: Weisinger testified before the Crime Commission that the leverage firm was operated by Chester Weisinger.

Q: Regarding her prior testimony be
A: I would have to say yes to that.

Q: You actually have figures in front of me, but I would have to say yes, maybe one or two services.

Q: I am sure that would have been a concern, I am sure that was why the total number of services were increased.

Q: That's not an accurate statement.
A: Why don't you give the projections as to what they should be.

Q: How would you project your figures?
A: We sat down and tried to make de
decisions as to how much people actually went to the dentist, and how many people actually received care, and made sure the services should reflect.

Q: You are telling us what you did, but you are not telling us how you did it.
A: By pulling numbers out of the air.

Q: You pulled the numbers out of the air?
A: Based on standards, based on ex
Q: And that is how it looked for better for a while.

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###Appendix A: Evidence

The Pennsylvania Crime Commission's investigation showed that American Health Programs (AHP) Inc. substantially inflated the figures it provided to union groups in its utilization reports.

A portion of the AHP's report of Basic Services rendered to AFSCME District 33 members between April 1 and September 30, 1977 can be seen on page 38. Column 2, headed "Total # of Svcs. Rendered," is the key column in this report.

Also on page 39, there is an accurate reproduction of a worksheet prepared by Carol P. Lozanoff which the Commission obtained. This worksheet pertains to AFSCME District 33 over the six months mentioned above.

The utilization report for the Retail Clerks contract shows similar disparities with their companion worksheet. A portion of AHP's utilization report to the Retail Clerks for the period of August 19, 1976 to December 31, 1977 can be seen on page 60. Once again, column two contains the reported number of services obtained by union members through the plan. Also on page 40 is an accurate reproduction of another Lozanoff worksheet which covers the 18-month period of the Retail Clerks contract.

###AFSCME District Council 33 Utilization Report Figures

<table>
<thead>
<tr>
<th>Service</th>
<th>Prevailing Fee</th>
<th>Total # of Svcs. Rendered</th>
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<tbody>
<tr>
<td>CLINIC SERVICES</td>
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<tr>
<td>Clinical Examination</td>
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<td>Bite-wing Series</td>
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<td>Treatment Planning</td>
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<td>29,430</td>
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### Utilization Report Figures

**PREVENTIVE SERVICES**

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### Restorative Planning

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### Appendix B

**Fratia\-**

**Testimony Excerpts**


A: Yes. Was there personal knowledge of Labor Health Plans, Inc. operator Angelo Commoto, and aided Commoto in his attempts to secure health care plans?

Fratia\-no had personal knowledge of Labor Health Plans, Inc. operator Angelo Commoto, and aided Commoto in his attempts to secure health care plans in Ohio (see page 16) and California (see page 16). Following are some of the other statements made by Fratia\-no during his testimony:

**La Cosa Nostra**

Q: Have you ever been a formal member of an organized crime family or La Cosa Nostra?

A: No, sir.

Q: And what family was that, sir?

A: The Los Angeles Family I started with.

Q: And what was the title of that family at the time you started with them?

A: Well, the Los Angeles Family I started with was the Dragna Family.

Q: Now when did you become a member of the Dragna Family in Los Angeles?

A: Well, practically all of us got made at the same time. We took you in one at a time. You hold hands. They stand up. They lock hands. They have a long table, such as this; red long. They have a sword and a gun crossing one another. You hold hands. Then the Boss says something in Italian. It lasts may\-be two, three minutes. And after that they prick your hand with the sword or with a pin and draw blood. Then you kiss each member on the cheek and they introduce you to each member. Then they give you rules later. They tell you what the rules are. Later on, they explain to you what the rules are within the family.

Q: Now who is present during the proceedings of this ritual?

A: Well, practically the whole family. Whoever could attend, you know.

Q: Is it ceremonial within the family, the process of being made?

A: Yes. It's a ceremony. In some states they have--titles, they have big dinners, after the people are made. Some don't.

Q: You know, they have like a little party.

Q: Is there now also a code of silence?

A: Yes sir. Omerta.

Q: What is that?

A: Well, they call it omerta; silence. The code of silence.

Q: Is the omerta described at that ceremony at the ritual?

A: Well, they explain all the rules to you. I mean I'll more or less tell you a few of them.
A: Absolutely.

Q: You're someone who has a lot of experience as to where these trials would have had to come from?

A: Right in the family, sir.

Q: Why is that?

A: Well, because that's the way it works. I go back thirty-two years. And I know firsthand of a man from another family killing somebody in another family, unless they would ask for help.

Q: Okay. Okay. Elaborating on the point that you made, that in all situations, when a family member is murdered, that it's within the family?

A: Absolutely.

Q: And there may be a series of murders from within one family. So that's it? It's all just interfamily war?

A: It's happened many times, sir.

Q: So no response?

A: Some.

Q: In fact, the Bonasera murder was a member of your own family, was murdered by the Costa Nostra?

A: That's correct, sir.

Q: Somebody himself was very close friend of yours, was he not?

A: That's correct.

Q: In fact, when you and he were in prison together in California, you worked together inside the prison, is that not correct?

A: Well, we were together. But we didn't work together. We was in the same prison.

Q: He helped you when he was a clerk.

A: That's right, yes.

Q: And notwithstanding that relationship, ship, you would have been compelled to carry out the execution of this individual if you were so requested by the boss. Is that correct?

A: Yes. That's correct, sir.

Q: You can't just talk to anybody's family, theirs, or anybody's wife or anything like that.

A: They've very, very aggressive.

Q: How many brothers and sisters of narcotics or the sale of narcotics?

A: I did, I deal, dealing in narcotics or using narcotics, that's against the rules, the main rules that they told me you.

Q: Those are the rules that were told to you in 1947?

A: That's correct, sir.
Appendix C
Remarks of Doctor Alan E. Berger, Vice President of Health Care Services for American Health Programs, Inc.

Mr. Chairman, members of the Commission, Commission Staff, ladies and gentlemen:

I believe there is a misunderstanding that I believe exists concerning the value of utilization reporting. I believe the problem is that there is a lack of awareness among participants of the benefits of the capitation program. This is a misunderstanding that needs to be corrected.

The analysis of compiled data is important in a capitation program since it allows capitation plans to evaluate the value and number of services rendered and the dollar value of services rendered by the dentist. The analysis of data is essential to determine the benefit to be provided in the capitation program. This information is valuable to the administrator as it shows the amount of premium paid. Based on these figures, deductibles are determined and premium rates rise or fall.

In a capitation program, utilization reports are not relevant. AHP is marketing good oral health and is not interested in determining the amount of fee for service dental care can be provided. Utilization in a capitation plan means generalized use—how many members of the families are utilizing the benefits of the program by requesting and accepting assignment to the dentists and thereafter following up this assignment with a visit to the beginning of their treatment plans. This will ensure good oral health.

The analysis of compiled data is also different in a successfully administered capitation program. In such a program, the number and value of services rendered to members does not exceed the value of the services rendered. In essence, the dollar premiums received in a capitation program should eventually exceed the value of the services rendered. This fact allows capitation plans to realize a profit on the services rendered.

The important statistic then for the client in a utilization report is usage. We want usage to be high in the sense of the members utilizing the services provided, in order to initiate treatment and promote oral health. Our goal is to arrive at a maintenance level as quickly as possible.

We have honored our pledge to our clients to take steps to promote usage. Our Operation Department continually evaluates, along with the Marketing Department, ways in which to promote optimal usage of the services. In this vein, we provide information for client publications, meetings with shop stewards, and seminars to acquaint members with the services which are available under their benefit program. Pamphlets and brochures are developed for members defining the specific areas of coverage and steps for using their benefits.

In summary, our utilization plan and utilization reports are necessary because it is a capitation, not a fee for service reimbursement system. We are providing prevention and good oral health. We are not marketing dental services. It is our responsibility to determine the value and concept of utilization, one then sees that to increase the value or number of services rendered in a utilization report would be self-defeating.

Our internal use of utilization and procedural reports has enabled us to administer a viable Quality Assurance Program conducted by our consultant staff which includes:
- Procedural audits
- Analytical audits
- Clinical audits
- selected offices and patients
- specialty pretreatment screenings in orthodontics and periodontics
- Peer review when necessary

Conclusion
During the six years AHP has administered prepaid dental capitation programs, we have by necessity been innovative in our approach as there were no generally accepted procedures to follow. We have come to realize and accept the fact that material we gather and compile under a general heading is not reportable but extrapolated to approximate the level of operation within a program. Our earlier reports to member groups included a conventional utilization report in addition to utilization reports containing compiled data on actual utilization of services. This was done purely to share the information available without any intention to promote increased utilization. Actually increasing the value or number of services rendered would be detrimental to the intended goal of the program.

We believe we have a system that is cost effective from the point of view of the client, be it a business, union, or governmental unit. The premium of our contract is fixed for the life of the contract (in some cases three years), and unlike insurance programs, which are experienced rated, as stated earlier, our program is one of the only where the premium is fixed.

Over the past years, AHP has offered assistance to Dental Societies and other agencies, including the Pennsylvania Crime Commission, in the creation and implementation of legislation regarding dental care in the Commonwealth of Pennsylvania. We feel it is necessary as a matter of public health to assist AHP in establishing guidelines which will help standardize the health care benefit industry.
Pennsylvania Crime Commission
Published Reports 1969-1980

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<tr>
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<td>Task Force Report: Corrections in Pennsylvania</td>
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<td>Task Force Report: Alcohol and the Criminal Justice System</td>
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<td>1969</td>
<td>Criminal Justice Planning and Action in Pennsylvania</td>
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<td>Report on Organized Crime</td>
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<td>1971</td>
<td>Criminal Infiltration of Legitimate Business in the Philadelphia Area</td>
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<tr>
<td>1972</td>
<td>Report on an Investigation into the Alleged Fixing of Certain Harness Races at Pocono Downs Track in 1971</td>
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<td>1972</td>
<td>Gambling and Corruption in Philadelphia</td>
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<td>A Case Study of the Second Class Township Code—Chartiers Township</td>
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<td>Conflict of Interest and Self Dealing by Local Public Officials and Employees: Pocono Township, Monroe County and Marple Township, Delaware County</td>
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<td>1977</td>
<td>The Administration of the Criminal Justice System-Liberty Borough and West Mifflin Borough</td>
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<td>Gambling and its Effect Upon the Criminal Justice System—Patterns of Sentencing in Allegheny County Gambling Cases</td>
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<td>Absentee Voting Irregularities in Delaware County</td>
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<td>A Chester City Racketeer: Hidden Interests Revealed</td>
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All the publications prior to the 1980 Report are no longer in print. Members of the public may obtain a copy of the 1980 Report, at a nominal cost, through the State Bookstore, 10th and Market Streets, Harrisburg, PA 17125.