

LEG REG REVIEW

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LEG REG REVIEW is a periodic newsletter produced by PHILLIPS ASSOCIATES, a professional lobbying and consultant firm located near the State Capitol. It contains news on the legislative and regulatory scene in Pennsylvania that may be of interest to the Insurance and Business Communities. It is a free member benefit for those who are members of the Pennsylvania Association of Health Underwriters (PAHU) or Manufacturers Association of South Central PA (MASCOPA). Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/728-1164 or e-mail to xenobun@aol.com. Please email jtrout2792@aol.com supplying both your name and e-mail address if you wish to be removed from this list.

WATCH HOUSE BILL 1

House Bill 1 has finally been introduced as one of the top two House bills affecting health insurance this legislative session (the other being HB 746 on rating reform). Sponsored by Majority Leader Todd Eachus (D-Luzerne), the bill:

- Expands the adultBasic program and re-names it Expanded Adult Basic
- Sets monthly premiums at \$zero for 150% of the Federal Poverty Level (FPL); \$40 between 150% and 175%; \$50 for persons at between 175% and 200% of the FPL
- Enriches benefits to include prescriptions and behavioral services
- Establishes a premium assistance program modeled on HIPP to pay worker premiums for those eligible for Expanded Adult Basic if it is deemed to be more cost effective
- Limits the “offerors” (Insurers seeking to bid for the Expanded Adult Basic contract) to ten-percent administrative costs

Funding for the program comes from Federal matching money should the Federal Government decide to do so; use of \$362 million of the MCARE abatement program’s \$700 million surplus which had been used to help doctors with medical malpractice insurance costs until the fund’s authorization expired on December 31, 2007; Community Health Reinvestment Agreement if re-negotiated – if not renegotiated, the Blues would pay a premium tax; Tobacco Settlement money now being used to pay for the existing adultBasic program.

Interest groups are already actively lobbying on HB 1. The AARP will have massive Days on the Hill this week supporting passage. PAHU has sent out an Operation Shout action alert to members opposing the expansion of adultBasic. PAHU does support one component of the plan, the premium assistance program because it keeps workers in the private sector group market. The House Insurance Committee plans to take up the bill this week on a fast-track to House passage. Text is available at www.legis.state.pa.us.

BUDGET GAUNTLET BEGINS

With June comes a marathon of legislative activity centering on passage of the Fiscal Year 2009-2010 Budget. Per Pennsylvania’s Constitution, the General Assembly must pass a balanced budget by June 30. Given an estimated deficit of \$3.2 billion, there are two questions, where to cut spending and where to raise new revenues. The Senate in May passed SB 850 which reduced spending \$1.35 billion below what Governor Rendell proposed back in February. The House Appropriations Committee in response convened two days of hearings May 21-22 which highlighted program pain from SB 850 cuts, setting the stage for some to call for an increase in the Personal Income Tax (PIT) to restore funding cuts. (Of interest to insurance interests is the elimination of the Crop Insurance Premium Subsidy Program.)

On the revenue side in addition to speculation re the PIT are taxes on smokeless tobacco, a tax on natural gas extraction, a possible slow-down of the phase-out of the Capital Stock & Franchise Tax, plugging the so-called Delaware loophole for larger employers and imposition of a two-percent “assessment” on all Managed Care Organizations in the Commonwealth.

LEGISLATIVE SESSION DAYS IN JUNE

House: 1,2,3,4,8,9,10,11,15,16,17,18,22,23,24,25,26,29,30
Senate: 1,2,3,8,9,10,15,16,17,22,23,24,25,26,29,30

HEARINGS

- The Senate Banking & Insurance Committee will hold a public hearing June 9 on whether or not insurers would be prohibited from requiring use of mail order pharmacies (SB 616).
- The Insurance Department's Office of Consumer Liaison (717/787-3289) is convening a number of hearings in early June as follows:
 - Insurance info for the uninsured and unemployed June 2 in Center Valley and June 4 in Bristol
 - Health privacy June 11 in Camp Hill
 - Discount health cards June 25 in Windber
 - Renter's insurance June 10 in Shenandoah, June 10 in Mahoney City, June 12 in Schuylkill Haven, June 16 in Pottsville and June 16 in Tremont

HOUSE INSURANCE SETS MOVE ON HB 746

The House Insurance Committee meets this week to consider House Bill 746 (DeLuca-D-Allegheny), the rating reform bill. Among other things, it prohibits medical underwriting, requires college students to have insurance, sets rate bands, and establishes an 85% medical loss ratio. At this meeting several amendments will be offered including those which would:

- Permit medical underwriting for those insurers with less than 10% of the market in a particular region
- Exempt an insurer with less than one-percent of the state market from rate regulation and the prohibition on medical underwriting
- Allow two dissimilar businesses to form a group for insurance purposes only (Another would allow individuals to 'piggy-back' on to such a group.)

POLITICS

- The Republican Party retained control of now Senator Dave Argall's Schuylkill County House seat with the special election of Jerry Knowles May 19.
- Tort reform advocate Joan Orié Melvin will be the Republican nominee against Democrat Jack Panella in the race for PA Supreme Court this fall.

MORE ON DEPENDENT AGE 30 LEGISLATION...

Leg Reg Review received numerous phone calls and e-mails from readers regarding passage by the General Assembly of Senate Bill 189 (Corman-R-Centre) which extends the dependent age for health insurance to 30. Most numerous were questions on effective date and qualifications to be considered a dependent. First, the bill is not yet signed into law. Once Governor Rendell signs it, it will be fully in effective 180 days later (December 2009?). There is nothing that allows for retroactive classification of a dependent. For example, if a person loses eligibility as a dependent in June because of graduation, he/she is an adult and must secure individual coverage. On or after the effective date, the health plan does not have to take them back as a dependent.

Eligible persons will have to be under 30, unmarried, have no dependents of their own and be a Pennsylvania resident (unless away at school with the legal residency being PA). Other questions came up on how insurance companies will bill for the 'new' dependents (unknown) and if employers may contribute to cover this added cost. (An employer may choose to but is not required to.) Text of the bill is found at www.legis.state.pa.us.