

LEG REG REVIEW

2009, Third Issue January 26

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.

NOTICE TO LEG-REG REVIEW SUBSCRIBERS

If you receive this publication by fax, please note that this is the last issue you will receive by that medium. Please convert it to e-mail so as to not miss anything by contacting Joan Troutman at jtrout2792@aol.com.

BLUES WITHDRAW MERGER

Faced with an Insurance Department rejection, the state's two largest Blues, Independence Blue Cross and Highmark Blue Shield, opted to withdraw their application to the Department to approve a consolidation. A day later at his press conference, Commissioner Joel Ario said that the companies had met five out of seven conditions including the companies' contention that economies of scale would result in considerable administrative overhead savings. The two that were not met according to the Commissioner were competition and 'hazards' to the public and providers.

The Department's view is that the combined company would have 51% of all the health insurance sold in Pennsylvania and the insurance-buying public would have fewer choices resulting from less competition between carriers. Ario pointed to central PA where Capital Blue Cross competes with Highmark now as the best insurance landscape because there is Blue on Blue competition. He noted that the four Blues command almost sixty percent of the market and the top three non-Blue for-profit carriers only have eighteen percent of the market between them. The other area determining the rejection was the Department's position that a consolidation would also create a hazard for consumers regarding pricing with fewer competitive pressures and a hazard for health care providers who would have even less say-so about reimbursements.

BUDGET OUTLOOK WORSE

Governor Rendell announced new revenue figures for this fiscal year showing an additional \$700 shortfall. The shortfall resulted in tax revenues coming in at less than expected levels. This means that the General Assembly and the Administration will have to come up with over \$2 billion to make the current year. Rendell will announce his proposed budget for Fiscal Year 2009-10 (starting July 1, 2009) in early February.

SPEESE TO LEAVE INSURANCE

House Insurance Committee Executive Director Rick Speese is taking a new position to direct legislation for Majority Leader Todd Eachus (D-Luzerne) in early February. Speese had gained a reputation for friendly frankness with the insurance industry during his tenure under both current Insurance Chairman Tony DeLuca (D-Allegheny) and former Chairman Nick Colafella (D-Beaver). Previously, Rick served at the Insurance Department in consumer services. As of this writing, it is uncertain who his successor will be.

REPUBLICANS BEGIN TO SHAPE POLICY FRAMEWORK

New House Republican Policy Committee Chairman Stan Saylor (R-York) has begun the process of shaping the Republican set of core caucus policies by establishing a number of task forces in program areas. The task force charged with taxation policy is convening two hearings this coming week on state fiscal policy centering on recommendations made to Governor Rendell by a Blue Ribbon Task Force that he convened. Unclear is whether or not closing the so-called Delaware loophole will be discussed. Gov. Rendell has suggested that the state could gain significantly by this, a view not shared by some in the business community. The Health Reform Task Force has also met as has the group focusing on workforce development.

REGULATORY UPDATE

- The Insurance Department has issued an updated list of eligible surplus lines carriers in the January 24 PA Bulletin. (www.pabulletin.com)
- The PA Council of Aging posted 2009 meeting dates. They are: Feb. 24, 25; April 29; June 10; August 12; December 9.
- Maximum weekly compensation for injuries occurring after January 1, 2009 under Workers' Compensation is \$836.00. For purposes of calculating the update in medical treatment payments on and after January 1 is a 3.6% percentage increase in the Statewide Average Weekly Wage.
- Small businesses seeking the new energy grants announced by DEP this month will need to enroll in DEP's Star Portfolio Manager Program offered January 29 and February 5. Details: Julien Gaudion jgaudion@state.pa.us

OBITUARY COMMENT John Matternas (Intercorp in Ephrata, PA) was laid to rest last week. He was a lion of the industry, daring to explore new markets such as risk retention groups, and was known both for his sincerity and kindness as well as earning a reputation for plain speech. I and many others will certainly miss him. *Vince Phillips*

NOTE: Rough Notes magazine has recognized PA insurance agency William B. Parry & Son, Ltd. of Langhorne as exemplary. The agency also won recognition by the national Big I as a Best Practices Agency in 2007.

FRAUD PUBLICATION WARNS OF HEIGHTENED FRAUD

Per the January 25 quarterly issue of Fraud Focus produced by the Coalition against Insurance Fraud, this economic downturn means an accelerated climate for insurance fraud. Other articles include case studies in staged car accidents, an elected judge who made phony-auto claims, and two elderly women who killed homeless men for life insurance money. Details: www.coalition@insurancefraud.org