

## **LEG REG REVIEW**

### **2009, Fifth Issue February 6**

*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 (MASCPA). Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/728-1164 or e-mail to [xenobun@aol.com](mailto:xenobun@aol.com). Please email [jtrout2792@aol.com](mailto:jtrout2792@aol.com) supplying both your name and e-mail address if you wish to be removed from this list.*

### **GOVERNOR PROPOSES AUSTERE, CONTROVERSIAL BUDGET**

On February 4, Governor Rendell presented his Budget for Fiscal Year 2009-2010 eliminating over 100 programs. The proposal was not short of drama and controversy. Allowing tavern slots to fund new scholarships at some state schools and giving other counties authority to impose a one-percent sales tax as Philadelphia and Allegheny County do now were just two proposals that raised an immediate and intense reaction. On the taxing plus side, he did not seek an increase in the Personal Income Tax or the Corporate Net Income Tax rate and pledged to continue phasing out of the Capital Stock & Franchise Tax although he did call for closing the so-called Delaware Loophole. An issue of Leg Reg Review will be devoted to Budget highlights.

Some of the insurance areas to note:

- Double enrollment in adultBasic to last four years assuming the Obama Presidency is able to pass Federal universal coverage legislation through the U.S. Congress
- Add Rx and behavioral services to adultBasic's benefit package in order to secure hoped-for Federal Medicaid matching funds
- Tax smokeless tobacco and add an additional tax on cigarettes
- Use the surplus of the MCARE abatement fund (provider retention account) to fund the potential medical malpractice liability within MCARE. Gov. Rendell did not say what would be done with any surplus left over (fund adultBasic expansion?) or even whether he would allow the abatement fund to be reauthorized. It's been technically out of business since December 31, 2007 because the Governor wanted part of its surplus to fund Cover All Pennsylvanians a.k.a. Access to Basic Care.
- Insurance Department authority to regulate rates, prohibit medical underwriting and presumably require an 85% ratio of premiums to claims although the latter was not expressly mentioned in his speech
- 2% tax on managed care companies under contract with the state's Department of Public Welfare managed care program, replacing an existing assessment

### **BUDGET HEARINGS SET**

House and Senate Appropriations Committees have set schedules for the appropriations hearings on components of the Rendell Budget starting February 23 and ending March 4.

### **HOUSE INSURANCE HAS NEW EXECUTIVE DIRECTOR**

Replacing Rick Speese as House Insurance Committee Executive Director is Art McNulty, General Counsel for the Insurance Department. Among Art's achievements are services as Senate Banking & Insurance Committee Executive Director under the late Senator Ed Holl and as counsel to the MCARE program's predecessor (Medical Malpractice).

## SENATE REPUBLICANS ANNOUNCE HEALTH PACKAGE

Senate Republicans announced their package of health care reforms modeling last session's HealthNet proposals. Included were proposals to expand clinics (diverting poor from emergency room care), risk pools, Health Savings Accounts tax incentives, etc.

## NATIONAL SIDE OF THINGS...DASCHLE, WOW!

President Obama's plans for speedy enactment of health reform appear to have been delayed thanks to the **decision by Tom Daschle to withdraw his name from nomination** as HHS Secretary because of non-payment of taxes. He also was to have headed the new Office of Health Care Reform. Daschle's decision to withdraw rather than see President Obama embarrassed contrasted with the newly confirmed Secretary of the Treasury and overseer of the IRS who was approved by the U.S. Senate despite his 'honest mistake' of \$34,000 of taxes owed to the IRS. ... **SCHIP was passed** by the U.S. Senate and signed into law with both PA Senators Specter and Casey voting for...The **Obama Stimulus Package** is now valued at well over \$800 billion. It includes subsidies for COBRA. Republicans point to pork while Democrats call for speedy passage because of the economic crisis. Governor Rendell's proposed Budget for 2009-2010 banks on a windfall of federal money from the Stimulus Package which would include billions for infrastructure and billions for Medicaid.

## SENATE BANKING & INSURANCE MEMBERS LISTED

The last issue of Leg Reg Review listed members of the House Insurance Committee. Now it's the Senate's turn. Leaving the committee was Senator Bob Robbins (R-Mercer). Retired Senator Gib Armstrong (R-Lancaster) created a vacancy. Members are listed below with an \* denoting a new member of the committee.

### Republicans

Don White (Indiana), Chair  
Kim Ward (Westmoreland)\*  
Patrick Browne (Lehigh)\*  
Jake Corman (Centre)  
Jane Earl (Erie)\*  
Stewart Greenleaf (Montgomery)  
John Rafferty (Montgomery)  
Pat Vance (Cumberland)\*  
Joe Scarnati (Jefferson)

### Democrats

Mike Stack (Phila.) Minority Chair  
Lisa Boscola (Lehigh)  
Lawrence Farnese (Phila.)\*  
Christine Tartaglione (Phila.)  
Anthony Williams (Phila.)

## REGULATORY UPDATE

- Commissioner Joel Ario's list of national committee responsibilities was announced by the National Association of Insurance Commissioners. He chairs the Climate Change and Global Warming Task Force and is vice chair of the Health Insurance and Managed Care Committee. In addition, he is a member of 13 other task forces and committees ranging from Regulatory Framework Task Force to the Surplus Lines Task Force to the Industry Liaison Committee.
- The Commissioner also had a video clip on Claims Journal (<http://claimsjournal.tv/videos/2017>) February 4 where he presented the case for state regulation by showing where the part of AIG regulated by the states was solvent (insurance) while the holding company part with all the financial problems was under federal regulatory authority.
- PA Health Care Cost Containment Council meets February 19 in Harrisburg. Details: Cherie Elias 717/232-6787
- The Department has reorganized its Consumer Services/Enforcement component. ([www.insurance.state.pa.us](http://www.insurance.state.pa.us))