

## LEG REG REVIEW

### 2009, Seventh Issue - February 27

*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 (MASCAPA). 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.*

#### ARIO TESTIFIES AT BUDGET HEARING

**On February 23, Commissioner Joel Ario testified on behalf of the Administration's 2009-2010 FY Budget before the House Appropriations Committee. A formal statement was waived in lieu of direct questioning by legislators to the Commissioner. The Senate did not hold an Insurance Dept. hearing.**

- Rep. Dan Frankel (D-Allegheny) asked if the **current economic turmoil is having an impact on the solvency of property/casualty insurers**. Ario said that the full impact will not be known until March 1 when companies must submit their year end financial reports to the Department. He suggested that P/C is weathering the storm as shown by AIG where conservative state regulators have kept the insurance part profitable versus the federally regulated holding bank part of AIG which was in trouble. He also said that health carriers appeared to be OK but that he was concerned on the life side.
- Rep. Scott Petri (R-Bucks) raised questions about the **MCARE abatement fund (provider retention account)**. Commissioner Ario explained that the Administration proposal would take \$350 million of the abatement fund surplus and put it into the General Fund along with the cigarette funding source to help balance the Budget. Of the remaining \$350 million, \$280 million would be used to reduce unfunded liability (potential medical malpractice lawsuits in MCARE) to help pave the way to a phase out of MCARE by 2013 when doctors would rely solely on the private sector for insurance.
- Rep. Petri also asked re what can be done to **encourage purchase of Long-Term Care Insurance** and reduce taxpayer costs on long-term care. Ario said that LTCi is important and pointed to a mailing from Governor Rendell which he said encouraged people at peak earning levels to purchase the product. Rep. Petri noted that he has reintroduced a Long-Term Care Insurance tax credit bill.
- Rep. Josh Shapiro (D-Montgomery) asked questions relative to **pooling to reduce health insurance costs**. Commissioner Ario said that PA should follow the lead of 48 states in requiring that insurers spread risk more broadly (prohibit medical underwriting).
- Rep. Tom Killion (R-Delaware) asked if the **assessment on Managed Care Organizations (MCOs)** proposed by Governor Rendell would result in the Blues canceling the Community Reinvestment Agreement (CRA) because of a discriminatory tax. CRA provides millions of dollars for the uninsured under adultBasic. Ario said that the assessment might not be discriminatory if all MCOs were affected. The MCO proposal came from the Federal Government's decision to stop funding of DPW managed care insurance because of a PA 5% assessment on MCOs with DPW contracts. Ario said that PA was seeking a one-year delay in the Federal rule.
- Rep. Brian Ellis (R-Butler) and Rep. Mario Scavello (R-Monroe) posed numbers of questions re the **Governor's proposal to expand adultBasic**. Ario said that plans had been scaled back from earlier versions (Cover All Pennsylvanians, Access to Basic Care) which would have covered 500,000 and now seeks to cover 90,000. He said that it was not an entitlement program and that he was confident that HHS would agree to a waiver allowing for matching funds if the adultBasic program benefits meet federal standards (adding Rx). Ario also said that adding Rx benefits might reduce total adultBasic costs since prescriptions can treat a condition and prevent it from requiring more expensive treatment. He also said that adultBasic pricing of \$300 per month per person was valid.

**ANOTHER INSURANCE BUDGET NOTE:** The state's Crop Insurance premium subsidy program would be cut to \$700,000 for the next fiscal year if approved by the General Assembly. In testimony, Agriculture Secretary Dennis Wolff said that the subsidy reduction would add about \$40 to the cost of a Crop Insurance policy in the Commonwealth.

### **COBRA CLARIFICATION RESOURCES**

With the enactment of the Stimulus Package and the extension of COBRA for nine months for those eligible back to September 1, 2008, numbers of workability issues have surfaced. These range from employer notification responsibilities to eligibility questions. On February 25, the Internal Revenue Service issued the 2009 Form 941 (Employer's Quarterly Tax Return) reflecting these changes. ([www.irs.gov/pub/irs-pdf/f941.pdf](http://www.irs.gov/pub/irs-pdf/f941.pdf)).

There are a number of resources that may be of help in understanding the new law.

- Blank Rome LLP has an email newsletter which has featured the COBRA subsidy. To subscribe (free) contact 215/569-5500 x4685. Ask for "Recovery Act Includes COBRA Subsidy".
- National Association of Health Underwriters (NAHU) at [www.nahu.org](http://www.nahu.org) is convening a Webinar to explain COBRA. Unfortunately, all slots were filled but NAHU members will be able to access it after the fact on the NAHU web site. Details: 703/276-38025 Farren Ross
- Groom Law Group in Washington, DC has published guidance on the new COBRA provisions and also had held dial-ins. Details: Christine Keller [clk@groom.com](mailto:clk@groom.com) 202/861-9371

### **HEALTH SAVINGS ACCOUNT RESOURCE UPDATED**

HSA Insider has released the 2009 edition of HSA Road Rules ([www.hsainsider.com](http://www.hsainsider.com)). This guide is a one-stop shop for Health Savings Accounts information, citing the latest in Federal rulings as well as basic listings about what health savings accounts cover etc.

### **REGULATORY UPDATE**

- The Farmers Mutual insurance Company of Dug hill in Manchester, MD is merging into Windsor-Mt. Joy Mutual Insurance Company.
- There are two applications in to the PA Insurance Department from companies wishing to redomesticate to PA. They are stock casualty companies Praetorian Insurance Company from Illinois and Redland Insurance Company from New Jersey.
- Questions have arisen as to where agencies may obtain the text of a new Department Notice explaining the proper use of Certificates of Insurance. Those wishing a copy may contact Leg Reg Review or go to PA Bulletin Vol. 39, No.7 February 14, 2009 ([www.pabulletin.com](http://www.pabulletin.com)).

### **BUDGET HEARINGS CONCLUDE THIS WEEK**

The House and Senate Appropriations Committees' hearings conclude this coming week with Senate hearings for Dept. Public Welfare 3/2; Education on 3/3; DCNR, Aging, PennDOT on 3/4 and Dept. Community & Economic Development (DCED) on 3/5. DCED may see some strong legislative reactions since its budget is cut by more than one quarter. The House Appropriations Committee did not convene a DCED hearing so expect fireworks. House hearings include Education 3/2 and Dept. Public Welfare and the Governor's Office scheduled for 3/3. Of interest may be the state related universities (PSU and Pitt). This year's budget took away a number of dedicated line items and bundled them into a block grant system where the universities will appear to have more discretion as to what gets spent where. The block grant concept is particularly important to agricultural interests because Penn State Cooperative Extension Service and agriculture research are no longer kept separate. **Two separate Education Department budget hearings will be convened by the Senate Education Committee March 25 and 26.**