

## LEG REG REVIEW 2009, Eighth Issue March 9

*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.*

### KEY INSURANCE LEGISLATION TO BE HEARD BY COMMITTEE

The House Insurance Committee has scheduled a hearing on one of the most far-reaching pieces of health insurance legislation to be considered this session. Because of its importance, interested parties might want to study the original text of the bill at [www.legis.state.pa.us](http://www.legis.state.pa.us). **House Bill 746** sponsored by Insurance Committee Chairman Tony DeLuca (D-Allegheny) is based on last year's HB 2005. This hearing is the first step toward House passage or amendment.

Specifically:

- The definition of a covered **dependent is increased to age 30** if the person is a PA resident or a full-time student, not married and having no dependents.
- Sec. 4203 has the Insurance Department **develop "standard plans"** for groups of 2-49 which would be effective 180 days after publication in the PA Bulletin. The plans would **not be subject to the regular review process** with public comment, etc. These plans would not have pre-existing conditions.
- The state would be divided into **seven regions** based on county
- **Rates would be considered for Department approval on the following basis:**
  - *No medical underwriting*
  - *Rate changes only once a year unless there are enrollment changes*
  - *"Rates shall not be excessive inadequate or unfairly discriminatory"*
  - *Rates would be disapproved if the costs incurred were the result of failure to follow best practices for cost control including avoidable health infections.*
- There are **differences in rate approval criteria for health insurance plans** in regions with ten percent and more penetration and those with less

#### Ten Percent Plus

Base rate adjusted for age, region, wellness incentives  
Not more 33% above community rate  
85% medical claim ratio  
(Must refund difference if ratio is less than 85%)

#### Less Than Ten Percent

Same except plus industry in rating criteria  
Not more than 50% above community rate  
No set ratio listed

HB 746 also has an **individual mandate for college students** (Section 4206). They will have to show evidence of health insurance to their college or university. The institution must provide health clinics and cover emergency treatment for the student.

There are a number of **insurance marketing stipulations** in the bill (Section 4207). Insurers must offer ALL plans that it actively markets in PA. Producers and insurers may not induce or encourage small employers to exclude employees/dependents from health coverage. Producers' compensation or contract with the insurer must not be negatively affected or terminated because of a health status related factor.

## **SENATE COMMITTEE AGENDA THIS WEEK**

The Senate Banking & Insurance Committee will vote on six bills this week. Two of them are banking and mortgage related. The others include three on health insurance and one on annuities.

- SB 189 (Corman-R-Centre)) increases dependent age to 30. It is included as part of the Senate Republicans' health reform package and is included in Rep. DeLuca's HB 746.
- SB 443 (White-R-Indiana) gives the OK for insurers not to pay claims based on preventable adverse events.
- SB 442 (White) sets up a mini-COBRA in PA for 2-20 lives. There is no linkage in the bill for subsidies per the Obama Stimulus Package. Again, refer to [www.legis.state.pa.us](http://www.legis.state.pa.us) for text.
- SB 237 (Corman) is a repeat of the annuity suitability legislation (SB 1307) he introduced last session. It is based on the NAIC model and protects the agent if the client does not provide complete financial information when the annuity options are assessed.

## **CROP INSURANCE SUBSIDY MAY COME UP IN AG HEARING**

The Senate Agriculture and Rural Affairs Committee plans a hearing March 31 in Harrisburg to discuss Governor Rendell's desire to cut back Department of Agriculture spending in his FY 2009-2010 Budget. Included is a cut in the Crop Insurance subsidy to \$700,000, something which Ag Secretary Wolff said in Appropriations Committee hearings would add an extra \$40 to the cost of a typical Crop Insurance policy.

## **POLITICAL & PERSONNEL NOTES**

- The Senate Republican majority margin increases to ten votes with the election of Dave Argall to fill the seat opened by Senator Rhoades' untimely death last October. An election date for Argall's now open House seat has not been set.
- Insurance Department Consumer Liaison Cindy Fillman has new responsibilities given the reorganization within the Insurance Department. In addition to her existing role, she is now in charge of market surveillance.

## **COBRA (Continued)**

Last issue of Leg Reg Review listed resources to help insurance producers in understanding the COBRA provisions in the Stimulus Package. The learning curve has just been prioritized thanks to a March 5 press release from the Insurance Department where Commissioner Joel Ario said that people recently laid off of a job should contact their former employer now. Employers are supposed to send out notices to former employees (back to September 1, 2008 termination) about the new COBRA 65 percent subsidy from the government. Since employers will have to pay the additional premium up front and get 65% reimbursed each quarter, there is confusion about the notification and about COBRA rules themselves. Commissioner Ario gave a U.S. Department of Labor telephone number 800/444-3272 and DOL's web site, [www.dol.gov/cobra](http://www.dol.gov/cobra) as resources.

Insurance agent resources are repeated below:

- 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) convened a Webinar to explain COBRA. Details: 703/276-38025 Farren Ross [www.nahu.org](http://www.nahu.org)
- 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
- 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)).