



PENNSYLVANIA HEALTH UNDERWRITER

The Official Publication of the Pennsylvania
Association of Health Underwriters

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PAHU MISSION STATEMENT

To unify health insurance
professionals of Pennsylvania for
the purpose of educating our
members and the public.

To preserve and perpetuate
professional health insurance
delivery while being an advocate
for the consumer in the public
and private sectors.

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Pennsylvania Association of Health Underwriters

Message From the President

Charles A. Neiman, PAHU President

The “State” of the State

As the first year as President draws to a close, I want to bring you up to date on our accomplishments and the tremendous strides we have made

in the last 12 months, thanks to the dedication and support of your PAHU Board and you as members.

We started off the year conducting our first State Convention in York, PA. This event was a great success and we are eagerly planning our second Convention scheduled for May 2005 in Harrisburg, PA. After the 2003 Convention, we finalized the merger of our Pocono and Northeast chapters, which were struggling individually. The merger resulted in a larger, stronger chapter with a new Board, which is focused on growing the new Northeast PA AHU chapter.

Realizing the large size of our State, the Board decided to hold it’s quarterly meetings at various locations throughout the State, with conference call capacity, allowing all Board Members to attend without inconvenience. This has proven to be beneficial in terms of attendance and discussion.

PAHU also conducted its first Strategic Planning Meeting focusing on the strengths and weaknesses of our organiza-

tion and creating an action plan for the future. Several of the ideas resulted in the established of a Ways and Means Committee and the recent formation of a PAHU-PAC that will definitely increase our presence in Harrisburg. Although much remains to be done, PAHU now has a true sense of direction.



On the legislative front, our Legislative Committee, with the superb help of our lobbyist Vince Phillips, conducted Staff Briefings and the Day on the Hill. They also arranged for testimony from PAHU members at hearings on issues of critical importance to our industry. Our legislative efforts and your support of PAHU-PAC on the State level and HUPAC on the Federal level is essential to our recognition as the “Go to Organization” on health related issues.

In terms of numbers, our membership continues to grow at a face pace, 30% to date. We are no longer considered a “small state” and we look forward to continuing membership growth in the future. Our efforts to develop a Northwest AHU chapter in the Erie area are also moving forward quickly. With the support of the Pittsburgh AHU, we now have a corps of “spark plug” leaders to recruit new members and promote the formation of a chapter. If you are interested in supporting this effort, please contact me without delay. I will gladly put you in touch with the key people.

We are also expanding the Affinity Membership Incentive Program that offers discounted E&O and other services. Additional member services include Continuing Education offerings, Legislative Advice and Assistance from your PAHU lobbyist and, a “Members Only” Voluntary Disability Income program, which we hope to announce in the near future. Information on the value of membership is just a click away. Check the web sites for the PAHU and local chapter information.

To top off a very successful year for PAHU, 26 members attended the 74th NAHU Annual Convention, from June 27 to the 30th in Baltimore, Maryland, where PAHU chapters won two prestigious awards, The Pacesetter and Distinguished Service Award.

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MEMBER FEEDBACK & CONTRIBUTIONS WELCOME AND APPRECIATED!



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These are not “feel good” awards – they are highly competitive and require complete documentation of all criteria, which is evaluated by the NAHU Awards Committee. This year there were 114 submissions from the 50 states. A maximum of twelve (12) Distinguished Service Awards recognized members who have made a significant contribution in the areas of public service and community activities, the health insurance industry and NAHU on the national, state and local level. The Pacesetter Award honors local chapters for outstanding achievement and excellence in association affairs such as Membership, Meetings and events, Public Service Projects, Newsletter and Web site, Board Meetings and Education. A maximum of fourteen (14) Pacesetter Awards are given each year.

I was extremely proud when the Central Pennsylvania AHU was named as a recipient of the Pacesetter Award and stunned and humbled when my name was announced for the Distinguished Service Award. I want to sincerely thank the CPAHU Awards Committee for considering me for this honor, for all their time and the laborious work in gathering, compiling and submitting all the required documentation to the Committee. And, I want to express my thanks to the PAHU Board

and members for their support during the past year. I couldn't have done it without you.

Let's all dedicate our efforts to making 2005 even better!

Regards,



Charles A. “Chub” Neiman
PAHU President

BRING IN A NEW MEMBER!

We have a great organization. Be proud of what we stand for. Help us continue to improve. You know where they are. It is just like selling insurance. You just have to ask. If each of you brought in one new member, we can become a better organization. Please ask.

COMPANION LIFE

From the Editor

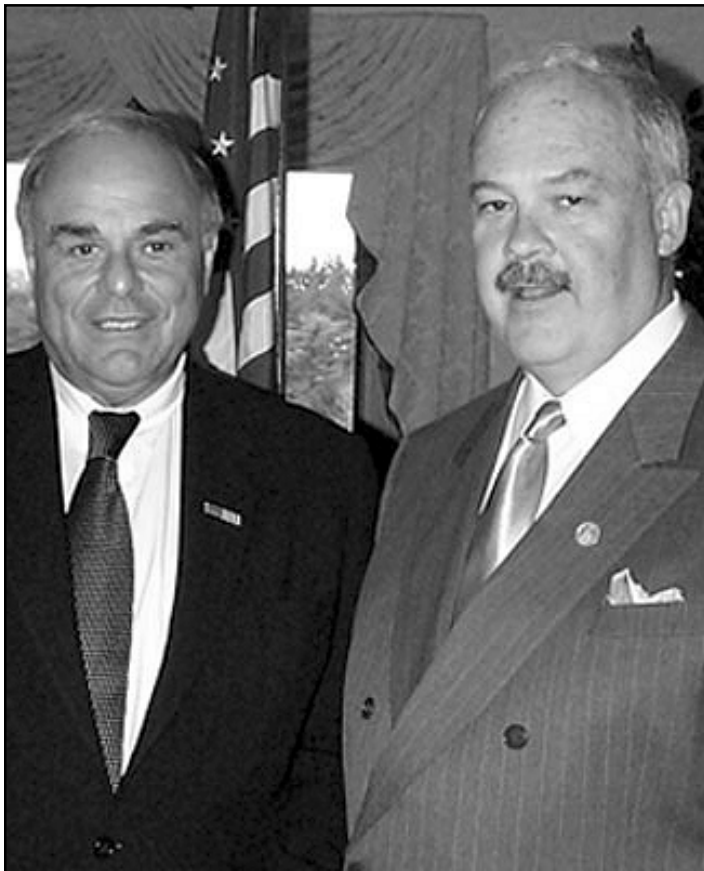
Submitted by Mark L. Shaffer
NAHU Vice President - Region 1



COMMITMENT TO EDUCATION

You may not know this (because on the surface everything appears to flow so ever smoothly), but our Region 1 education chair, Frank Ruggiero was appointed as the national chair of the NAHU Education Committee by newly elected NAHU president, Trei Wild. As a result we needed to find someone to replace Frank and (in my opinion) we needed someone who has devoted his or her life to education. With that narrow criterion we knew the list would be very short.

I've had many opportunities to speak with GPAHU member Tom Beam of the American College. Tom has been an NAHU, PAHU, GPAHU member for many years. I couldn't think of anyone else in our 'club' who has committed as much of his life to education. Tom and I first spoke in May about serving as the Region's education chair, but like the rest of us, Tom has a demanding schedule and many commitments. I was delighted when he informed me in June that he would accept the appointment as the NAHU Region 1 education chair for 2004/2005. Tom will be a major asset on the Region 1 team.



He is ready and extremely qualified to support our membership in the education arena.

PROFESSIONAL DESIGNATIONS

As you might have already determined, the theme of our Association's summer 2004 issue is 'professional education'. In our industry, most states require continuing education, but there is no requirement for professional education. Professional education requires a commitment from the designation seeker to earn the designation; a commitment of both time and money. Those who make the commitment generally establish several goals to succeed. In the end they exhibit a willingness to learn as much as possible; to be on top of the knowledge curve in their field. In contrast to continuing education required by law, professional education is very simply a choice - a preference.

What was interesting as we did the research to develop this issue was the number of Pennsylvania members who hold designations. Out of 461 PAHU members, 115 or 24.5% of our membership hold at least one professional designation. PAHU's rate is slightly higher than the NAHU's national rate of 22.8%. And, while there are many industry designations from which to choose, 8.5% held the CLU or ChFC designation, by far the most popular, followed by 6.3% who earned an RHU or REBC designation.

MAKING A PERSONAL COMMITMENT

I am personally celebrating my twenty-fifth year in the business. Over these years I had plenty of excuses why I didn't need a professional designation. However, this past year, with two children in college, I made a commitment to further my professional education. I'm proud to report I received my RHU designation on July 1st and I'll be taking my last REBC course this month. It's an accomplishment that I will savor

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Region 1 Vice President Mark Shaffer meeting with Pennsylvania Governor Ed Rendell

URL FINANCIAL GROUP

From the Editor *continued from page 4* _____

for the rest of my life. However it all started with the commitment. I suspect there are other PAHU members ready to make the commitment as well. We encourage you to take the plunge!

IN THIS ISSUE

With every new quarterly issue, we strive to provide PAHU members with content of value. In addition to the many articles on education, we have another information packed issue for you to peruse. You will find the latest updates and guidance on HSAs, how Pennsylvania stacks up on mandated benefits and insurance reforms, the GAO small employers report, NAHU's Washington Update, our PAHU president's message and our lobbyist's report, and much more.

Tell us what you really think! We'd like to start a "Letters to the Editor" column so we encourage your comment on the issues.



**The Pennsylvania Association
of Health Underwriters**
America's Benefit Specialists

PAHU Announces the Creation of a State PAC

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*Doug Moore, RHU
PAHU Vice President*

Our state chapter has recently created a Political Action Committee (PAC). The PAC exists to make contributions to candidates for state office who are willing to consider our association's point of view on issues such as state mandates, rating restrictions, long-term care insurance, etc.

Having a state PAC is important for a number of reasons. Perhaps the most important reason is that it adds credibility to our organization. It shows that our members appreciate the significance of the issues before our elected officials and we want to be an integral part of the legislative process.

On April 22, 2004, the PAHU Board of Directors approved the president's appointees to the PAHU-PAC Board of Directors. The PAHU-PAC officers and directors are: Chairman, **Shawn Orenstein** (Greater Philadelphia AHU), Vice-Chairman, **Doug Moore** (Pittsburgh AHU), Secretary, **Bill Raab** (Greater Philadelphia AHU), Treasurer, **Bob Ziff** (Greater Philadelphia AHU), Director, **Chub Neiman** (Central PA AHU), Director, **Bob Fountain** (Northeast AHU), Director, **Tom Link** (Central Highlands AHU), and Director, **Vince Phillips**, PAHU Lobbyist (non-voting member).

The PAHU-PAC Board also approved the firm of Phillips Associates to serve as its PAHU-PAC manager on a term concurrent with the lobbying contract between Phillips Associates and the Pennsylvania Association of Health Underwriters.

JOHN ALDEN

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HUMANA DENTAL

HSA UPDATE

ERISA does not cover HSAs but does cover high-deductible plans

Health Savings Accounts (HSA) are not governed by the Employee Retirement Income Security Act (ERISA), although the high-deductible health plans necessary for HSA implementation are, Labor Department officials announced (see <http://www.dol.gov/ebsa/newsroom/pr040704.html>).

The DOL guidance notes that employers can contribute to employees' HSAs without being considered to have established or maintained the HSA as an ERISA-covered plan. However, high-deductible health plans still are subject to ERISA's reporting, disclosure and fiduciary requirements.

Since HSA's creation via last year's Medicare reform bill, questions have been raised over whether the accounts are governed by ERISA. According to DOL's bulletin, because HSAs are personal savings accounts rather than a form of group insurance — funds generally cannot be used to pay premiums, and those employees with accounts have full responsibility for how those dollars are spent — they do not fall under ERISA's purview. The fact that employers might place terms and conditions on contributions does not change HSAs' non-ERISA status.

The DOL bulletin can be found at www.dol.gov/ebsa/regs/fab_2004-1.html.

* * * * *

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PAHU Announces the Creation of a State PAC

continued from previous page

Our state PAC has set a goal of \$15,000 in contributions during the next year. There is an aggressive campaign now underway to solicit donations to the PAC. Your support is crucial to the plan's success. You will find the PAHU-PAC contribution form on page in this magazine. We urge you to complete the form and forward it to PAHU-PAC treasurer, Bob Ziff. When we work together we can make a difference.

Your support of the state PAC is a perfect complement to your support for HUPAC, NAHU's PAC. Since so much legislation and regulation that affects our industry is enacted on the state level support for the state PAC is crucial.

PAHU Working For
YOU in Pennsylvania.



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Pennsylvania Association of Health Underwriters

Lobbyist Report

Vince Phillips, PAHU Lobbyist

COMMUNITY RATING TAKES SUMMER STAGE

The divisive issue of community rating has dominated much of the summer's legislative activity regarding health insurance. Even though the General Assembly returns September 27, much of the time until then is spent preparing for a short legislative session this fall and getting a great deal done in a short time. This means that there will be strong pressure exerted by lobbying forces to pass or defeat community or modified demographic rating. The pressure will be even more intense if the House Republican leadership makes this a cornerstone of their Healthy PA platform that would be the Republicans' campaign theme this fall.

Originally, a proposal surfaced in 2003, Senate Bill 671, sponsored by Sen. Rob Wonderling (R-Lehigh) requiring insurance companies in the small group market to use community rating. This proposal was enthusiastically embraced by some and vigorously attacked by others in days of hearings convened by the Senate Banking and Insurance Committee. On the House side, the Insurance Committee tried to have stakeholder meetings to discuss a bare-bones plan for small businesses. The discussion sidetracked to more intense debate on community rating. As a result, the third stakeholders' meeting was never convened.

Given an impending legislative gridlock, the arena shifted to the Governor's Office, which prepared a draft proposal advancing a modified community-rating plan. This plan would have a three-tier system where insurers with less than 10 percent of market share could medically underwrite, those with 11-49% would use modified demographic rating and those with a fifty-percent or greater market share would use community rating. This proposal kept discussion alive. Since no legislative language was formally introduced, the door was opened to a third proposal.

This proposal was House Bill 2682 sponsored by Representatives Nicholas Micozzie (R-Delaware) and Pat Vance (R-Cumberland). This bill sets forth the following requirements for small group health insurance program for 2-50 as follows:

- Medical underwriting would not be permitted.
- Underwriting may be used for age, gender, geography, or

industry to establish a base rate.

- This base rate would be reviewed and approved by the Insurance Department. (The Department has repeatedly testified that it has the power to review rates for the Blues and HMOs but no for the small group for-profit market.)
- Once approved, the base rate could change by up to 35% for age and gender but by ten percent for industry.
- The smallest geographic area is a county.

This bill was the subject of hearings sponsored by the House Insurance Committee and the House Republican Policy Committee.

Basic Differences

The Insurance Pool. Based on the July House Insurance Committee hearing, there appears to be a great divide on even the basics as to how insurance works. According to proponents, insurance works best when there is a large enough pool to absorb major losses. That means that the large risk pool will not see major premium pressures because the loss is diffused.

Medical underwriting fragments this pool because it captures the healthiest groups and leaves the rest as part of a smaller, older, sicker pool. The pool has greater premiums than if everyone had been included.

Opponents see the insurance world differently. They see modified demographic rating as a redistribution of price, not cost, shifting the higher prices paid in medically underwritten older groups to younger, healthier groups. The consequence would be a smaller pool because the younger groups would choose not to be insured due to higher premiums paid by businesses and higher premium shares paid for by employees.

Competition. Opponents see community rating and modified demographic ratings as smoke screens designed to increase market share by the bigger players because smaller companies will simply be forced out of the marketplace because they cannot compete as to the size of pool. They say that in

continued on next page

NAHU Announces Availability of a New Ethics Course

NAHU represents many ideas, ideals and principles as an organization. Moreover, the diverse nature of our membership means we stand for many things as individuals as well. "What do we stand for and how do we conduct ourselves throughout our lives?"

NAHU has created the new complimentary Ethics course in response to numerous member requests. Following sound ethical practices is essential for any business, but especially so for an insurance professional. Agents' reputations are in large part a reflection of how their business and personal ethics are viewed by clients, prospects, referral sources and the carriers they represent.

NAHU and InsuranceStudy.com commissioned Jim White, an insurance ethics expert, to author the course. White is an insurance agent who also frequently teaches an ethics course and writes about the topic, including articles for the Association's Health Insurance Underwriter magazine.

NAHU asked InsuranceStudy.com to work with us since we believe in the value of online professional education and secondly, it is already one of our online education partners. InsuranceStudy.com used its proprietary technology to convert Jim White's text into an online format to create an online test for the course.

Ed Zurek, president of InsuranceStudy.com and a long-time member of NAHU, noted that "the introduction of an Ethics course is a reflection of the Association's leadership role in the insurance business". "All members look to the Association to identify key issues facing business in general and the insurance field in particular and to help them build and adapt their business practices. Consumers and business customers are more closely examining the ethical practices of the firms they do business with so this course fills a need we all have."

HOW TO GET STARTED

The course is **FREE** to members linking through the NAHU website. Simply go to <http://nahuethics.insurancestudy.com>

Lobbyist Report *continued from previous page* —

other states such as Kentucky and New York, community rating reduced the number of insurers dramatically. The desirable result should be more competition, not less.

Proponents suggest that we do not have competition now. Rather, we have market fragmentation because smaller insurance companies that use medical underwriting are competing for only one part of the market, the healthiest segment. Permitting smaller carriers to 'cherry-pick' gives them an unfair competitive advantage against the Blues who have to accept the sicker members of the population anyway. Proponents also maintain that smaller companies forced to accept modified demographic rating might just be complaining because the high profits they were accustomed to making are reduced to a more realistic level. If they leave the market, it's because of greed. In order to cope with large losses being felt within a smaller pool by smaller carriers, that's what we have reinsurance for.

Who Wins? Proponents said that everyone wins in the larger sense because the system is fairer and accessibility is better enhanced than by medical underwriting that discriminates. In particular, smaller businesses paying a heavy load in escalating premiums that have older workers desperately need the relief now.

Opponents say that there will be winners in the older workforce associated with manufacturing but there will be losers in younger working populations (construction, retail etc.). It gets back to price shifting and obscures the real need to go after costs drivers such as over-utilization of the system and the need for medical malpractice tort reform.

PAHU's Position: PAHU state Board of Directors adopted a position in July 2004 on the issue of community rating and modified community rating. It recognizes that the broker community is split on the issue but notes that all local associations except one recommended an opposing position to the state association.

The position is to oppose mandatory community rating and modified community rating because of the fear that lessened competition might result. PAHU suggests that a safety valve to pull some of the most expensive medical claims cases out of the small group market (thus reducing the impact of medical underwriting on small businesses) is to create a High-Risk Pool, something that has been tried in other states.

PAHU also wants legislators to "keep their eye on the ball," a reference to curbing core cost components. If these are addressed, prices for health insurance will be easier to bear for small businesses.

STATE LEVEL HEALTH INSURANCE REFORMS / RATINGS
“EXPLANATION OF TERMS
4 OF 4



Pennsylvania Association of Health Underwriters

*Serving the public by promoting the activities and ethical conduct of insurance professionals
through communication, education, and legislative representation.*

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STATE MANDATED HEALTH BENEFITS

2 OF 2

Pennsylvania Can Control Mandated Benefit Costs

See the next page for PAHU's official statement on State Mandated Health Benefits



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Pennsylvania Can Control Mandated Benefit Costs

WHEN LOOKING AT THE UNINSURED, LOOK AT THE COST OF MANDATED BENEFITS

In recent weeks the media has been flooded with stories about the uninsured. Usually there is a human-interest story about a working American family that is unable to get health insurance. Often there is the implication within the article that the private sector has failed and now we need government intervention. This media barrage climaxed with last month's Cover the Uninsured Week, an effort launched by the Robert Wood Johnson Foundation to emphasize the plight of America's uninsured.

One valid message of Cover the Uninsured Week is the cost of health insurance. What is missed in the debate is that government, through imposition of mandated benefits, has added to the cost of small employers being able to offer health insurance.

The Pennsylvania Association of Health Underwriters (PAHU) is an association representing insurance producers specializing in health insurance and employee benefits. PAHU members are keenly aware of cost realities faced by their clients in today's market. Insurance premiums continue to escalate prompting businesses and individuals alike to ask, "How much longer can we afford to have health insurance?"

PAHU believes that we cannot ignore the factors driving up the cost of health insurance but many of these cost drivers are beyond the political or jurisdictional reach of the Pennsylvania General Assembly to solve. Cost issues such as Medical Malpractice premiums are so politically volatile that a solution seems elusive despite the Pennsylvania Senate's vote to pass Senate Bill 9 permitting voters to judge whether or not the General Assembly could cap non-economic damage awards.

Others issues like curbing prescription drug costs are difficult as well. Any jawboning the Commonwealth does to reduce drug prices may simply result in price shifting to the rest of the insurance market and ultimately to consumers. In other words, the prescription cost problem is bigger than PA's ability to solve it. It must be addressed nationally.

There is one cost area clearly within the control of the General Assembly. These are bills mandating Health Insurance Benefits be added to all health insurance plans. There is no doubt that some mandates mean good medical practice. The issue to PAHU is NOT whether or not the mandate is good or bad. Recently, the Senate Banking & Insurance Committee convened a hearing on whether or not there should be a mandated benefit on colorectal screening. Few would doubt the value of this sort of preventive medicine.

While one can argue that this benefit may be positive, the consequence is still more cost to the system. The problem is that Mandated Benefits mean more utilization of the health system. In other words, there will be more claims paid by health insurers that result in increased health costs. This translates into pressure on the price of health insurance.

The question is what cost and how much impact a particular mandated benefit will have on total health insurance premiums. This area of cost is something within the power of the General Assembly to address because it can make a deliberate decision to add cost to the system or not to add it. Is the trade-off (promised future savings from colorectal

cancer caught early equal to the costs that come from increased utilization) worth it? Insurance 101 says that if an insurance company pays a claim, there must be premium income to match it if the company is to stay solvent. Proponents of mandated benefits such as colorectal screening may have failed to see this cost-effect relationship.

The answer is not known because of many variables. What are usage changes in the 16 or so states already having this mandated benefit? Can a correlation be drawn between the benefit and health insurance price increases? Can data be demonstrated showing less cost to the health system from cancer treatment because more people elect to have the screening because of the mandated benefit?

These are important questions that realistically must be addressed before PA adds this or other mandates.

An instructive study was performed on the colorectal screening benefit back in 2002 by the PA Health Care Cost Containment Council (PHC4). (Text and summary are available at www.phc4.org.) The study concluded that more research was necessary to address the qualitative questions raised above.

Enact a Moratorium on New Mandated Benefits

PAHU endorses the approach taken by Senator Hal Mowery (R-Cumberland) and in the House by Rep. Steve Nickol (R-York). They have suggested a moratorium on new mandates until thorough research can be done on the impact mandates have had in PA on the affordability/availability of health insurance because of increased costs/utilization. Doubtless this research would also examine the data from other states to document utilization changes.

PHC4's study speculated that many plans might already offer this coverage. Study under the Mowery/Nickol proposal may show that the marketplace is already adapting to the perceived need just as it did to include a physical checkup as a standard benefit when years ago (1989-1990) legislation was proposed to mandate that coverage. The point is we won't know until data has been gathered and analyzed. The Mowery/Nickol approach would examine market adaptation (if it exists) and examine potential impact of additional mandates.

Rather than enacting a mandate that places unknown additional cost pressures on the system, the legislature should consider a moratorium and thorough study. Given the economy, this may not be the time to add a mandate that translates into a higher cost of health insurance for businesses and individuals. Let's know more before we act.

Again, please note that PAHU's issue is not with whether or not this mandate is good or not. It is the cost issues surrounding health mandates that we want the General Assembly to address. If we are to increase the number of Pennsylvanians who are insured, we must address the cost question. That means curbing the appetite for more mandated benefits until their full impact can be known.

Conclusion

One way to reduce the numbers of the uninsured is to address cost issues that affect the price of health insurance so that businesses will continue to offer coverage to employees. Even though Pennsylvania's General Assembly may not have sufficient will or authority to control costs in some areas, it can stop new mandates from being imposed. That is not the biggest part of the puzzle but at least it is one that can be addressed with adoption of the Mowery/Nickol moratorium.

* * * * *

Editor's note: This PAHU position statement was sent to many of the newspapers throughout the state with a request that it be published as an opinion editorial or a letter to the editor.



PAHU's Summary of Position Regarding SB 495



Before the Senate Banking & Insurance Committee

By Vince Phillips, PAHU Lobbyist

The Pennsylvania Association of Health Underwriters (PAHU) is an association representing insurance producers specializing in health insurance and employee benefits. PAHU members are keenly aware of cost realities faced by their clients in today's market. Insurance premiums continue to escalate prompting businesses and individuals alike to ask, "How much longer can we afford to have health insurance?"

This hearing on SB 495 is especially timely in that it coincides with the Uninsured Week promoted by Robert Wood Johnson Foundation to highlight the issue of the uninsured. One message of the Uninsured Week is the cost of health insurance. Some addressing the question look to a government safety net as a solution.

Another approach (PAHU's) is to look at what drives up the cost of health insurance and to address that side of the equation. Some cost issues such as Medical Malpractice premiums are so politically volatile that a solution seems elusive despite the Pennsylvania Senate's vote to pass Senate Bill 9 permitting voters to judge whether or not the General Assembly could cap non-economic damage awards. Others such as curbing prescription drug costs are difficult as well. Any jawboning the Commonwealth does to reduce drug prices may result in price shifting to the rest of the voluntary insurance market and ultimately to consumers. In other words, the prescription cost problem is bigger than PA's ability to solve it. It must be addressed nationally. SB 495 lies clearly within the purview of the General Assembly to either add a cost to the system or not.

Senate Bill 495 requires health insurance programs to include a mandated benefit for colorectal screening. PAHU recognizes the validity of many of the arguments of its advocates. There is no doubt that periodic testing is good medical practice. The issue to PAHU is NOT whether or not the mandate is good or bad. If SB 495 were to be voted on, there is no doubt that the vote would be unanimous.

The problem is that mandated benefits mean more utilization of the health system. In other words, there will be more

claims paid by health insurers. While one can argue that this may be positive (more screening means more preventive care), the consequence is still more cost to the system.

The question is how much cost and how much impact this particular mandated benefit will have on total health insurance premiums. This area of cost is something within the power of the General Assembly to address because it can make a deliberate decision to add cost to the system or not to add it. Is the trade-off (promised future savings from colorectal cancer caught early equal to the costs that come from increased utilization) worth it?

The answer is not known because of many variables. What are the usage changes in states already having this mandated benefit? Can a correlation be drawn between the benefit and health insurance price increases? Can data be demonstrated showing less cost to the health system from cancer treatment because more people elect to have the screening because of the mandated benefit?

These are important questions that realistically must be addressed before PA adds any more mandates.

An instructive study was performed on this benefit back in 2002 by the PA Health Care Cost Containment Council as part of its work to evaluate mandates when requested to by the General Assembly. (*Text and summary are available at www.phc4.org*) The study concluded that more research was necessary to address the qualitative questions raised above.

PAHU endorses the approach taken by Sen. Hal Mowery (R-Cumberland) and in the House by Rep. Steve Nickol (R-York). They have suggested a moratorium on new mandates until thorough research can be done on the impact mandates have had in PA on the availability of health insurance because of increased costs. Doubtless this research would also examine the data from other states to document utilization changes. This effort would also examine coverage being offered now by health insurers to see who offers this benefit now.

continued on page 22

PHC4's study speculated that many plans might already offer this coverage. Study under the Mowery proposal may show that the marketplace is already adapting to the perceived need just as it did to include a physical checkup when years ago (1989-1990) legislation was proposed to mandate that coverage. The point is we won't know until data has been gathered and analyzed. The Mowery approach would complete that examination of the market adaptation (if it exists) and examine potential impact of an additional mandate.

Rather than enacting a mandate with unknown additional cost

pressures on the system, please consider the moratorium approach. Given the economy, this may not be the time to add a mandate that translates into an unknown higher cost of health insurance to businesses and individuals. Let's know more before we act.

And again, please note that PAHU's issue is not with whether or not this mandate is good or not. It is the cost issues surrounding health mandates that we want the General Assembly to address.



Small Group Rating Changes Proposed

Doug Moore, RHU, PAHU Vice President

House Bill 2862 Would Radically Change the Small Group Health Insurance Market

On June 8, 2004 House Bill 2682 was introduced in the Pennsylvania legislature. H.B. 2682 is a landmark bill that would radically change the way in which small groups are rated in Pennsylvania. The bill enjoys support from members of both political parties. It is apparently on the "fast track" as well and a vote is expected on the bill in early fall.

H.B. 2682 calls for two main changes in the way that small groups are rated. The first is a restriction on the amount of rate differential based on demographics. This is known as "Modified Community Rating." Carriers would be limited to adjusting their base rate for a particular plan plus or minus 35% based on demographic factors of age & gender. A further adjustment of plus or minus 10% would be allowed for industry type.

The second and more significant change would be the elimination of medical underwriting. Carriers would be prohibited from requesting health data on individual members or rating groups based on claims experience. Currently all carriers in Pennsylvania, with the exception of the Blue Cross and Blue Shield plans, medically underwrite in the small group market.

Several other states currently have modified community rating laws in place. Some also restrict medical underwriting. Very few states actually don't allow it at all. Federal studies have shown that overall health insurance rates in states that have modified community rating and restrict medical underwriting are moderately higher than those states without such restrictions.

It is clear that the Blue Cross and Blue Shield plans in Pennsylvania believe that changes to the rules are necessary in order to continue to compete effectively in the small group market. Their inability to medically underwrite has caused many of their healthier employer groups to leave and seek more affordable coverage with other insurers. Their risk pools are deteriorating and that is not a good thing for remaining customers.

As usual, our state legislators have initiated action on this bill without consulting group health insurance agents and brokers. This is despite the fact that we are the main distribution channel for group health insurance and know more about the various products than anyone else. We are in a great position to provide advice and to suggest possible alternatives. But will anyone listen?

The PGH-AHU and the PAHU intends to make sure that our voice is heard. Over the next few weeks we will be meeting with key legislators to discuss their position on this bill. We would like to share your comments and opinions with them. An e-mail request was sent to all of our members in mid-June asking for feedback but it received very limited response. I hope this is attributable to it being Summer and a general disdain of responding to e-mail requests.

This issue is too important for ANY group health insurance agent or broker to ignore. Please send your comments to me at dmoore@pgh-ahu.org or call me at (412) 734-4900. If you would like to read the full text of the bill please visit www.legis.state.pa.us and enter the bill number. An article regarding H.B. 2682 also recent appeared in the *Pittsburgh Business Times*. You can access the article at: <http://pittsburgh.bizjournals.com/pittsburgh/stories/2004/06/14/story4.html>.

WELCOME NEW PAHU MEMBERS

New Members for the Period April 1, 2004 - June 30, 2004

Mark D. Barbier

AFLAC
Harrisburg - PANORTHEAST

Michael Flynn

L. R. Webber Associates Inc.
Duncansville - PACTRLHIGHLANDS

Stuart Lee Manning

FlexBen Corporation
Morrisville - PAPHILADELPH

James Batty

CIGNA Group Insurance
Philadelphia - PAPHILADELPH

Dennis Foley

Independence Blue Cross
Philadelphia - PAPHILADELPH

Scott Mardis

Flexible Benefits Plans Inc.
Phoenixville - PAPHILADELPH

Christey Beckert

American Fidelity Assurance Company
Sharon - PAPITTSBURG

Steve Frescatore

Wachovia Insurance Services
Westmont - PAPHILADELPH

Winifred Melinsky

Highmark Blue Shield
Allentown - PACENTRAL

Stewart Roger Brouse

Highmark Blue Shield
Camp Hill - PACTRLHIGHLANDS

Lisa Garrity

Kistler-Tiffany Benefits
Allentown - PANORTHEAST

Amy C. Nilsen

Capital Blue Cross
Harrisburg - PACENTRAL

Mark H. Brown

Capital Blue Cross
Harrisburg - PACENTRAL

Damien J. Golden

Capital Blue Cross
Harrisburg - PACENTRAL

Joseph Noca

Union Central Life Insurance Company
Greensburg - PAPITTSBURG

Steven Michael Dardick

Colonial Supplemental Insurance
Harrisburg - PACENTRAL

Edward J. Heckert

MetLife
Pittsburgh - PAPITTSBURG

Scott Robinson

American Medical Security
Clarks Summit - PANORTHEAST

Kristine E. Dickinson

Doyle Consulting Group
Philadelphia - PAPHILADELPH

Stephen M. Henss

Colonial Supplemental Insurance
Exton - PAPHILADELPH

Megan Roddy

The Hartford
King of Prussia - PANORTHEAST

Michael Donlan

Aetna Inc.
King of Prussia - PAPHILADELPH

Mark A. Johnson

Rogers Benefit Group
Bellefonte - PACTRLHIGHLANDS

Ryan Schaible

Kistler-Tiffany Benefits
Wayne - PAPHILADELPH

Fayez A. Elias

AETNA Inc.
King of Prussia - PANORTHEAST

Raymond Kirkner

Ira G. Mohler & Son Inc.
Shillington - PACENTRAL

Scott D. Stewart

Elite Brokerage Services Inc.
Exton - PAPHILADELPH

Jeffrey W. Evans

Employee Benefit Resources Inc.
Erie - PAPITTSBURG

Kathleen M. Konegan

AFLAC
Marcus Hook - PAPHILADELPH

Eric Torban

TRA Benefit Solutions
Newtown Square - PAPHILADELPH

Mark Fluharty Gerhart

Hartman & Ritner LTD.
Boyetown - PANORTHEAST

A. Wilson Woolf

Marmares Woolf & Smith
Allentown - PANORTHEAST

A MEMBERSHIP APPLICATION CAN BE FOUND ON THE ADJACENT PAGE

PAHU MEMBERSHIP APPLICATION

Fourth Annual GPAHU Golf Outing Highlights

July 26, 2004 • Indian Valley Country Club, Telford, PA _____



Tom Poppert and PAHU Lobbyist Vince Phillips pose for a picture. Proceeds of the Annual GPAHU Golf Outing go to the PAHU's Millennium Fund to support the legislative activities of the Association.



Co-chair Kevin Roberts playing with Ed Sweeney, Rita Satkowski and Bob Poore.



Linda Schufreider, Lisa Fisher and Brad Hamsher enjoying the day!



Rich Stamps "teeing it up" with GPAHU Past President Shawn Orenstein, GPAHU president Stewart Anmuth, and NAHU Region 1 Vice President Mark Shaffer, RHU.



PROCEEDS SUPPORT THE MILLENNIUM FUND

The Importance of Education in Our Industry



*Robert A. Dickson, HIA
PAHU Education Chair*

In our environment of high-tech and an ever-changing marketplace the importance of continuing our education is ever so important. We are constantly bombarded with new technological, legislative and product enhancements (as HSAs) which are all necessary to share with our clients and prospects. We know that relationships require us to be attentive to our clients.

In today's business environment we must give our professional relationships the attention that they deserve. Education is one of the keys to be successful in our world of sales and marketing.

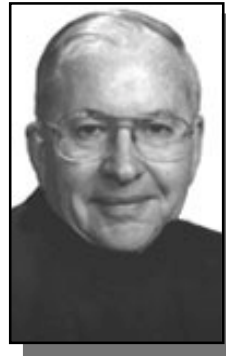
To become credentialed can make a difference. Increased knowledge, a strong sense of achievement, personal satisfaction, industry recognition, these are just a few of the benefits of pursuing an education to become awarded the RHU, REBC, CEBS designation. A certification will accommodate your short and long-term career goals. You can tailor your educational pursuits around areas of specialization and interests.

The Commonwealth of Pennsylvania requires re-certification to retain the Accident and Health, Life and Fixed Annuities lines of authority every two years. Why not elect to enroll in a course to earn credit toward a particular designation which will also provide credit toward your State re-certification?

Good luck and pursue your educational interest today!



Professional Designations Offer Value



*Burton T. Beam, Jr.,
CLU ChFC, CPCU, CSA*

*NAHU Region 1
Education Chair*

When Mark Shaffer asked me to be the education chair for Region 1 of NAHU, he indicated that one of his goals was to encourage more of the region's members to obtain professional designations. Our mutual sharing of this and other education goals led me to accept the position.

I would like to share with you why I think professional designations are important to you and the public that you serve. I will also mention some of the factors you should consider when deciding which professional designation to obtain.

Professional designations give you the knowledge you need to operate in today's competitive market. They give you credibility with your colleagues and the companies with which you do business. But probably more important, they enable you to better serve your clients. They give you an understanding of how to determine client needs and how to think strategically about suggesting solutions to meet these needs. They help you better understand the products that are in the marketplace and the appropriateness of each product. And, they give you increased confidence and help you better communicate with your clients.

Professional designations also impress your clients. Even if they may not know what the initials stand for, you are in a position to describe a designation and explain how it enables you to better serve them. And a professional designation shows clients that you have a commitment to your profession and are likely to be someone who will be there to serve them in the future.

Insurance regulatory officials also hold professional designations in high regard. Several such officials have indicated

continued on next page

to me that holders of professional designations are much less likely to be the subject of consumer complaints than persons who do not hold such designations.

Even though a professional designation may cost you money to obtain, the financial rewards are often more than worth the cost. A few years ago, NAHU conducted a study that showed members who were RHUs and REBCs earned 30 percent more income than members without the designations. The American College has found similar results in past surveys of its designation holders.

The courses that lead to professional designations typically give you significant credits toward the continuing education requirements needed to maintain an insurance license. In Pennsylvania, for example, one course may meet your full CE requirement for license renewal.

Now, I'd like to say a few words about how you can determine the right professional designation for yourself. In today's environment, the choice of initials is not an easy one. There

are general health insurance designations like the RHU and general benefits designations like REBC and CEBS. There are specialized designations in long-term care like the LTCP and CLTC. Designations for persons who work in the senior market include CASL and CSA. And this is just the tip of the iceberg.

There are often debates and disagreements about which designation is best, but there are no precise answers. What is best is what you feel is the best for you. Some questions you might want to answer include the following:


- What is covered in the designation? Every designation should have a Web site that tells you this. Also, ask your colleagues who hold the designation what they obtained from the courses in the program of study.
- How do you want to study for the designation? Not everyone prefers the same way of learning. Some designations are self-study only; others require that you attend classes. Some have both options. Self-study courses may or may not be online. In other words, there are numerous ways that you can take professional designation courses.
- Does the designation have a CE requirement? In today's world, keeping up to date is of utmost importance. The designations that will be most respected in the future are those that require holders to maintain currency with the knowledge of their field.
- Does the designation have an ethical standard that must be satisfied? And more important, are designees be subject to censure or designation revocation for ethics violations?

I urge you to look at the designations that are available to you and find something of value that you can pursue over the next year. If you already hold a designation, let your colleagues know the value of the designation and act as a mentor. You and your profession will be the better for it.

Please feel free to contact me at **610-526-1328** or **tomb@amercoll.edu** if I can be of any help to you.

* * * * *

Burton T. (Tom) Beam, Jr. is a faculty member at the American College and responsible for the RHU and REBC curricula. He is also the education chair for NAHU Region 1.



**PENNSYLVANIA
HEALTH UNDERWRITER**

**ATTENTION ALL CHAPTERS OF THE
PENNSYLVANIA ASSOCIATION OF
HEALTH UNDERWRITERS**

**We want to feature your news and calendars
of events for inclusion in every issue of the
*Pennsylvania Health Underwriter.***

Please submit all editorial to:

**Mark Shaffer
P.O. Box 355
Apollo, PA 15613
Fax (724) 478-1688
E-mail mshaffer@pahu.org
Any Questions? Please call (724) 478-2411.**

Designation and Certification Programs

for Financial Service and Health Insurance Professionals

Registered Health Underwriter (RHU)

Offered By The American College - www.amercoll.edu



The Registered Health Underwriter (RHU) designation is the undisputed professional credential for persons involved in the sale and service of disability income and health insurance. Individuals earning the RHU designation demonstrate a high level of knowledge about the principles and practices governing the disability income and health insurance business.

Individuals earning the RHU designation will gain a thorough understanding of managed care and how it works, positioning themselves to better meet their clients' needs. The program delivers up-to-date, relevant education and information on medical insurance, disability income insurance, and long-term care insurance.

REQUIRED COURSES:

- HS 325 Group Benefits
- HS 340 Introduction to Managed Care and Other Health Insurance Topics

ELECTIVE COURSES (CHOOSE 1):

- HS 313 Individual Health Insurance
- HS 344 Advanced Topics in Managed Care

* * * * *

Registered Employee Benefits Consultant (REBC)

Offered By The American College - www.amercoll.edu



The Registered Employee Benefits Consultant (REBC) program focuses on providing the student with the knowledge necessary to become a professional in the sale and service of employee benefits plans. Individuals earning the REBC designation develop an understanding of the various types of group benefits and retirement plans, and the practical knowledge needed for choosing and/or designing the best benefits package that will meet the client's needs.

The REBC designation provides current education on pensions, retirement planning, and group medical, disability, and long-term care insurance. Other topics include executive compensation, personnel management, and managed care.

REQUIRED COURSES:

- HS 325 Group Benefits
- HS 326 Planning for Retirement Needs
- HS 340 Introduction to Managed Care and Other Health Insurance Topics

ELECTIVE COURSES (CHOOSE 2):

- HS 341 Selected Retirement Plan Topics*
- HS 342 Executive Compensation**
- HS 343 Compensation and Personnel Management
- HS 344 Advanced Topics in Managed Care

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Certified Employee Benefit Specialist (CEBS)

Offered By The International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania - www.ifebp.org

In the employee benefits and compensation field, the oldest and most respected professional credential is CEBS - the Certified Employee Benefit Specialist. CEBS was established in 1977 through a partnership of the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania. The International Foundation, the largest educational organization in the employee benefits field, is responsible for the overall administration of the program. The Wharton School, one of the preeminent business schools in the U.S., oversees academic content and standards. In 1986, in cooperation with Dalhousie University, Halifax, Nova Scotia, the International Foundation established a CEBS program in Canada to meet the specific professional development needs of Canadian employee benefits personnel. No other employee benefits or compensation program provides the opportunity to gain knowledge and insight through such a broad university-based curriculum.

CEBS offers you the opportunity to earn designations in three distinct areas of specialization: group benefits, retirement and

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compensation. The Group Benefits Associate (GBA), Retirement Plans Associate (RPA) and the Compensation Management Specialist (CMS) form the core of the CEBS curriculum. Earn a designation in each of the specialty tracks and, at the same time, receive credit that will qualify toward earning the CEBS designation, which now carries an eight-course requirement (six required courses plus two electives.) In addition, the CEBS program accepts for exam credit, work completed in a select number of other approved professional programs. Many students use CEBS courses to meet licensing and other continuing professional education requirements. CEBS courses also may qualify for those wishing to earn undergraduate or graduate credit.

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Certified Senior Specialist (CSS)

*Offered By The Center for Senior Studies -
www.centerforseniorstudies.com*

The Certified Senior Specialist CSS® Designation Program ties together all of the elements of senior planning for the very first time in a comprehensive program. The Center for Senior Studies, Inc. is dedicated to providing financial professionals with a strong foundation upon which to assist people in the 50+ market with all aspects of the financial and retirement planning process, from life insurance and annuities, to estate and trust planning, to long-term care insurance and government entitlement programs.

The "Certified Senior Specialist CSS® Designation Program is comprised of five Course modules. The "Certified Senior Specialist" CSS Designation is awarded after successful completion of all five Courses.

* * * * *

Disability Income Associate (DIA)

*Offered By America's Health Insurance Plans (AHIP) -
www.insuranceeducation.org*

A DIA designation means that participants have acquired knowledge of the health care industry and the role of disability income insurance in protecting individuals from the financial losses that often attend serious physical injuries and other severe health afflictions. Upon completion of this course of study, students will understand the fundamentals of the health insurance industry, the role of disability insurance within the health care continuum, and recent disability trends.

Students will also gain knowledge of both federal and state

government disability programs, including Social Security Disability Insurance (SSDI) and state temporary disability income programs. Those achieving the designation will understand employer-sponsored disability programs ranging from sick leave benefits to long-term disability income plans, including their tax consequences and tax planning considerations. Students will also become aware of ways individuals can supplement government and employer-sponsored programs through private disability income insurance. In addition, those completing the designation will gain insight into the role of disability income insurance in retirement, estate, and long-term care planning.

* * * * *

Long-Term Care Professional (LTCP)

Offered By American Association for Long-Term Care Insurance - www.aaltci.org

The LTCP designation program is an exciting option for industry professionals who want to learn about rising long-term care needs and the role of insurance in providing for these needs. Upon completion of the program, students will be well versed in the methods of financing long-term care needs, the long-term care insurance product, and issues surrounding claims and administration.

COURSES:

- Long-Term Care: Understanding Needs and Options
- Financing Long-Term Care Needs
- The Long-Term Care Insurance Product
- Long-Term Care Insurance: Administration, Claims, and the Impact of HIPAA

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Certified Senior Advisors (CSA)

*Offered By The Society of Certified Senior Advisors -
www.society-csa.com*

Grants the Certified Senior Advisor (CSA) designation. They are an educational organization that provides in-depth training on senior issues to professionals who work with seniors. The Society of Certified Senior Advisors was founded in 1996 by a group of forward-thinking geriatric MDs, Gerontologists, elder law attorneys, CPAs, financial planners and other qualified professionals. Senior citizens prefer to use professionals who are well trained and specifically educated in the issues that are most important to seniors.

Certified in Long-Term Care (CLTC)

Offered By The Corporation for Long-Term Care Certification - www.ltc-cltc.com

The Corporation for Long-Term Care Certification (CLTCC) has created the long-term care insurance industry's only third party professional designation, "" (CLTC). The program was created by Attorney Harley Gordon, a founding member of the National Academy of Elder Law Attorneys in conjunction with leading experts in the field of aging.

The CLTC course reflects the nature of long-term care that is a continuum of care; housing and services people will need when they live a long life. Students are provided the information and training needed to offer guidance to families on a range of issues including home care, assisted living, nursing homes, social services, taxes, law and most important, what will pay for these resources.

* * * * *

Chartered Advisor for Senior Living™ (CASL)

Offered By The American College - www.amercoll.edu

On March 31, The American College announced the creation of the Chartered Advisor for Senior Living (CASL) designation. This five-course program was designed to give advisors the training they need to effectively meet the goals of their pre-retiree and retired clients. The program will not only equip advisors to fulfill the financial needs of their senior clients, but it will also give them the skills necessary to assist seniors with key lifestyle issues including work and retirement, family relationships, psychological perspectives on aging, and health care.

To earn the designation, advisors must complete a curriculum developed by the American College and an advisory committee of industry professionals. Participants must meet specific experience, ethical, and continuing education requirements and also pass the following five college-level courses:

COURSES:

- HS 328 Investments
- HS 330 Fundamentals of Estate Planning
- HS 350 Understanding the Older Client
- HS 351 Health and Long-Term Care Financing
(available December 2004)
- HS 352 Financial Decisions for Retirement
(available June 2005)

Health Insurance Associate (HIA)

Offered By The Health Insurance Association of America - www.ahip.org

The HIA® signifies that participants have acquired the knowledge and skills needed to advance their understanding of the health insurance industry.

The HIA curriculum consists of four required courses and two electives:

- Fundamentals of Health Insurance, Part A
- Fundamentals of Health Insurance, Part B
- Medical Expense Insurance
- Supplemental Health Insurance
- Two of the following electives:
 - Disability, Part I, II, or III
 - Fraud, Part I
 - Long-Term Care, Part I
 - HIPAA Primer

* * * * *

Chartered Financial Consultant (ChFC)

Offered By The American College - www.amercoll.edu

The ChFC program focuses on the comprehensive financial planning process as an organized way to collect and analyze information on a client's total financial situation; to identify and establish specific financial goals; and to formulate, implement, and monitor a comprehensive plan to achieve those goals. The ChFC program provides financial planners and others in the financial services industry with in-depth knowledge of the skills needed to perform comprehensive financial planning for their clients. Since its inception in 1982, more than 40,000 men and women have met the educational, experience, and ethics mandates needed to earn the ChFC designation.

The designation requires eight courses - five, which are required, and three electives. Students also must meet specified experience requirements, maintain ethical standards, and agree to comply with both The American College's Code of Ethics and Procedures and applicable continuing education requirements.

continued on next page

www.pahu.org

Designation and Certification Programs *continued from previous page*

REQUIRED COURSES:

- HS 318 Insurance and Financial Planning*
- HS 321 Income Taxation
- HS 326 Planning for Retirement Needs
- HS 328 Investments
- HS 330 Fundamentals of Estate Planning

ELECTIVE COURSES (CHOOSE 3):

- HS 322 The Financial System in the Economy
- HS 332 Financial Planning Applications
- HS 334 Estate Planning Applications
- HS 336 Financial Decision Making at Retirement

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Chartered Life Underwriter - (CLU)

Offered By The American College - www.amercoll.edu

The CLU designation is the undisputed professional credential for persons involved in the protection, accumulation, preservation, and distribution of the economic values of human life. Since the first examinations were held in 1928, more than 93,000 men and women have met the educational, experience, and ethics mandates needed to earn the CLU designation.

The CLU program provides insights into the life insurance business, its importance to the economy, its operation and distribution systems, and its resurging importance for safe and secure investments. For agents, field managers, home office personnel, and others involved in providing life insurance products to the public, the CLU designation is the common bond for continuing growth and commitment to professionalism.

Visit NAHU's website for the latest updates that face the industry and your profession. Get the latest news on Medicare, Association Health Plans, the Trade Adjustment Act of 2002, The Uninsured, Long Term Care, Genetic Discrimination, Managed Care, and much more.

Also, take advantage of NAHU's "Operation Shout" feature that provides a "Legislative Action Center" complete with Action Alerts, guides to your local elected officials, ongoing election coverage in your area, plus daily updated schedules for the state and national Legislature.

For more information, visit www.NAHU.org!

The designation requires eight courses - five, which are required, and three electives. Students also must meet specified experience requirements, maintain ethical standards, and agree to comply with both The American College's Code of Ethics and Procedures and applicable continuing education requirements.

REQUIRED COURSES:

- HS 318 Insurance and Financial Planning*
- HS 323 Individual Life Insurance
- HS 324 Life Insurance Law
- HS 330 Fundamentals of Estate Planning
- HS 331 Planning for Business Owners and Professionals

Elective Courses (choose 3):

- HS 313 Individual Health Insurance
- HS 321 Income Taxation
- HS 325 Group Benefits
- HS 326 Planning for Retirement Needs
- HS 328 Investments
- HS 334 Estate Planning Applications

* * * * *

Certified Financial Planner (CFP)

Offered By The Certified Financial Planner Board of Standards Through The American College - www.amercoll.edu

The CFP® Certification Curriculum helps you meet one of the most challenging requirements for CFP® certification - passing the rigorous cumulative Certification Examination. Our curriculum offers a blend of educational tools to help you master the material and succeed.

CFP CERTIFICATION CURRICULUM

- HS 318 Insurance and Financial Planning
- HS 321 Income Taxation
- HS 326 Planning for Retirement Needs
- HS 328 Investments
- HS 330 Fundamentals of Estate Planning

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For more information on industry certification designation programs please contact Farren Ross, NAHU Vice President of Education, at (703) 276-3825 or fross@nahu.org.



Legislative Report

William Raab, Federal and State Legislative Officer



Bills That Have Passed:

- HB 2299 would permit HSAs in the Commonwealth, following the Federal pattern. Passed from House Health and Human Services Committee to the full House. No vote was taken before Summer Recess.
- SB 1111, the Senate version of HB 2299, was reported out of the Senate Banking and Insurance Committee, and was referred to the Senate Appropriations Committee.
- HR 618, a resolution directing that an examination be done of the “long term care continuum,” looking at demographics, future demands, and the future impacts on public and private sectors, passed the House.
- HB 2371, which strengthens the Patient Safety Authority by enhancing its ability to collect and publish med/mal data, passed the House, was sent to Senate, referred to Public Health and Welfare Committee.

Bills That Have Failed:

- SB 9, a bill to amend the PA Constitution to permit the capping of Medical Malpractice awards passed the PA Senate on March 10. Bill was not reported from House Judiciary Committee. A discharge petition to force the bill to the full House for a vote failed.
- An identical bill to SB 9 (HB 1722) passed the House, but died in the Senate Judiciary Committee. There will be no Medical Malpractice Reform passed this session. The process will start all over in the next session.

Bills Still in Committee:

- SB 671 – Community Rating for Small Groups.
- SB 774 prohibiting the use of genetic testing in underwriting
- SB 829 placing a moratorium on benefit mandates
- SB 495, a bill to mandate health coverage for colorectal cancer screening for people age 50 and over.
- HB 1470, which would prohibit health plans from requiring mail-order drugs, or imposing penalties for failure to use mail-order. The bill has been amended several times and has passed through the following Committees: Insurance, Rules, Appropriations, and is now back in the Rules Committee.
- HB 1284 – a Med/Mal-related bill would require the Joint Underwriting Authority to offer a 15% discount to policy-

- holders having a five year claim-free record. Re-committed to the Rules Committee.
- HB 2501, which would provide a tax credit for businesses with an insurance program including a disease management program.

Bills That Have Been Introduced:

- HB 2682, which would prohibit medical underwriting in the 2-50 group market, and mandate “modified demographic rating.” This bill is reported to be on a “fast track.”

Legislative Update:

- The House Republican Policy Committee has taken on the task of preparing proposals to deal with the availability and affordability of health insurance in the Commonwealth. A schedule for local Hearings has been developed, and PAHU has secured space on the agenda for testimony at some of the locations.
- The Democrats are planning a similar initiative. The Senate Democratic Policy Committee has already responded by scheduling “roundtable” discussions on health insurance issues. PAHU will stay close to those developments as well.

State Politics:

As you can see, there was a flurry of activity at the end of the session, prior to summer recess. The Budget and its companion Appropriations Bill were passed and signed by the Governor.

Also passed and signed into law was landmark legislation permitting slot-machine gambling at race tracks, off-track betting sites, and other free-standing locations throughout the Commonwealth. Revenue from gambling is expected to provide property tax relief, and fund expansions at the Pittsburgh and Philadelphia Convention Centers, among other things. This was a major victory for the Governor.

The General Assembly of Pennsylvania is in recess until September 27th.

DEPARTMENT OF THE TREASURY

OFFICE OF PUBLIC AFFAIRS

For Immediate Release • Contact: Tara Bradshaw

July 23, 2004 • (202) 622-2014

TREASURY ISSUES COMPREHENSIVE HEALTH SAVINGS ACCOUNT GUIDANCE

Today the Treasury Department and the IRS issued comprehensive guidance on Health Savings Accounts that will help providers to establish HSAs and consumers to enjoy their benefits. The guidance answers questions on a wide range of issues that the public has brought to the Treasury Department since the creation of HSAs. The guidance is in an easy-to-use question and answer format.

"Health Savings Accounts are designed to help individuals take more control over how their health care dollars are spent and save for future medical and retiree health expenses on a tax-free basis," said Treasury Secretary Snow. "At a time when health care costs are rising rapidly and individuals, families and employers are struggling to find lower-cost alternatives, HSAs are a terrific option that I think every American ought to consider."

"Since HSAs were signed into law by President Bush in December of last year, we have received numerous questions about how HSAs work, from consumers, from employers, from insurance companies and from various potential HSA trustees," said Acting Assistant Secretary for Tax Policy Greg Jenner. "While we have answered many of the pressing questions about HSAs already, we hope that this guidance responds to most of the important remaining questions."

Among the items clarified by the guidance are the following:

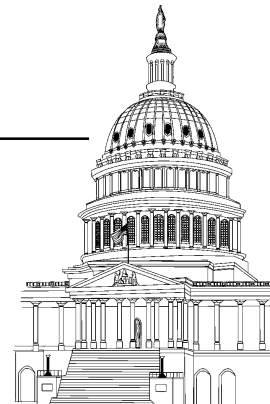
- Benefits under Employee Assistance Plans, Disease Management Plans and Wellness Programs generally do not disqualify an otherwise eligible individual from contributing to an HSA.
- Mistaken distributions from an HSA can be repaid to an HSA without penalty or tax.
- Generally, the FSA-type salary reduction rules do not apply to HSA salary reduction contributions, which generally follow the more flexible 401(k) type rules which allow changes in elections throughout the year as long as any election is effective prospectively).
- Payments by individuals due to traditional benefit limits that are part of reasonable plan designs do not count against the out-of-pocket maximums.
- Employer matching contributions made through a cafeteria plan are not subject to the comparability requirements.
- Account fees paid from HSAs are nontaxable distributions; account fees paid outside of the HSA directly to trustees are not treated as contributions.

By answering the remaining questions about the rules for HSAs and the required accompanying High Deductible Health Plans, the guidance will assist employers, insurance companies and HSA trustees in designing health plans that incorporate HSAs.

The complete text of the Notice 2004-50 is available on the PAHU website at www.PAHU.org.

National Association of Health Underwriters

Washington Update



Health Savings Accounts

The Department of Treasury issued new guidance on health savings accounts on Friday, July 23. The guidance clears up most of the remaining questions on HSAs and is the last set of guidance expected for 2004. Some of the highlights of the guidance include further clarification of the comparability rules for employer contributions, elections under cafeteria plans, out-of-pocket rules as they apply to benefit design limits, the interaction of EAPs and disease management programs and qualifying high deductible health plans, timelines for reimbursement, family coverage and coordination of multiple plans, payment of HSA fees, and contribution limits to HSAs with a stacked deductible. We have updated the NAHU web site and documents to include the new information, and will be scheduling another Web Seminar to go over the new information included in the latest guidance. For further information, visit the HSA page of our website at <http://www.nahu.org/government/issues/MSAs/HSAs-HSSAs/index.htm>

Remember that we also have a consumer web page that has a find an agent feature. We have a number of consumers visiting the page and you may be getting a call from one of them looking for an agent to help them find an HSA. Our consumer page can be found at <http://www.nahu.org/consumer/HSAGuide.htm>

Medicare

The Department of Health and Human Services released regulations on the implementation of the Medicare Prescription Drug and Modernization Act of 2003 yesterday. The proposed regulations include a plan to strengthen and improve the Medicare Advantage program, making PPO coverage available to all beneficiaries. They include information on the approximate 6.4 million dual-eligibles who will not be subject to a monthly premium or deductible and will pay nominal co-payments for prescriptions, information on the employer subsidy program for retiree coverage, and protections for beneficiaries with respect to medically necessary prescriptions not included on a formulary. The proposed regulations also include clarification on the asset test. The asset test will include liquid assets and real estate holdings other than a beneficiary's home or residential farm and will not include non-liquid, personal assets such as wedding rings or family heirlooms.

The comment period will end October 4, 2004 and the Centers for Medicare and Medicaid Services encourage beneficiaries and interested parties to submit constructive comments. Comments can be sent electronically to www.cms.hhs.gov/regulations/comments.

CMS and other organizations will host meetings across the country during the comment period.

Patient Safety

The Senate passed patient safety legislation on July 22. S. 720, sponsored by Senator James Jeffords (I-VT), creates a voluntary reporting system where physicians and hospitals can report medical errors without fear of litigation. The bill passed the Senate by unanimous consent and will go to conference with the House. The House passed a similar bill, H.R. 663, on March 12, 2003. The two bills will now be sent to conference, to work out the differences in the two bills and develop a compromise.

Reimportation

The reimportation of pharmaceuticals continues to be discussed by members of the Senate Health, Education, Labor and Pensions Committee (HELP). There are a number of pending bills addressing the issue, including S. 2493, sponsored by Senator Judd Gregg (R-NH), and S. 2328, Senator Byron Dorgan (D-ND).

S. 2493, the Safe Importation of Medical Products and Other Therapies Act of 2004, would allow the importation of pharmaceutical products from Canada in conjunction with certification by the Secretary of Health and Human Services. The bill would allow, three years after enactment, the Secretary to designate additional member countries of the European Union for importation to the United States.

S. 2493 also includes a specific statutory and regulatory structure for internet pharmacies and requires the Secretary to promulgate regulations for internet pharmacies within one year after passage.

continued on next page

S. 2328, the Pharmaceutical Market Access and Drug Safety Act of 2004, would allow pharmaceuticals to be imported from Canada as well as additional countries who were members of the European Union as of January 2003, Australia, Switzerland, Japan, and New Zealand. The bill requires pharmaceutical manufacturers to submit a notice detailing any difference in production between a product manufactured for the U.S. and that for other countries. Importation from additional countries may begin once the Secretary promulgates regulations. The HELP Committee has not voted on the legislation and discussions are expected to continue once Congress returns from recess after Labor Day.

Genetic Discrimination

The House Committee on Education and Workforce Subcommittee on Employer-Employee Relations held a hearing on July 22 to address pending genetic discrimination legislation. S. 1053, sponsored by Senator Olympia Snowe (R-ME), would prohibit the use of genetic information in health insurance and employment. The Senate passed the measure with a 95-0 vote on October 14, 2003. A House version, H.R. 1910, sponsored by Representative Denise Slaughter (D-NY), remains pending in the House. One of the major differences between the two bills is a provision in H.R. 1910 that allows a private right of action without damage award caps. It is unlikely that either bill will move forward during the remainder of the 108th Congress.

Other News

Representative Jim Greenwood (R-PA) announced plans for retirement last week. Greenwood plans to take a position as president of the Biotechnology Industry Association when his term ends at the end of the year. He also resigned from his position as chairman of the House Energy and Commerce Subcommittee on Oversight and Investigations. Greenwood is the chief sponsor of H.R. 5 and H.R. 4280, medical liability reform bills, and has been an outspoken advocate on the need for medical liability reform during the 107th and 108th sessions.

The Democratic National Convention is scheduled July 26-29 in Boston, MA and the Republican National Convention is scheduled August 30-September 2 in New York, NY. NAHU will be represented at both events this year.

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If you have questions about any of these issues, contact Janice Kupiec, Legislative Director of State Affairs, jkupiec@nahu.org; Janet Stokes Trautwein, Vice President of Government Affairs, at jtrautwein@nahu.org; Tom Bruderle, Vice President of Congressional Affairs, at tbruderle@nahu.org; Jessica Waltman, Legislative Director of Policy Research, at jwaltman@nahu.org; John Greene, Legislative Director of Federal and Regulatory Affairs, at jgreene@nahu.org; Rachel Conant, Legislative Director of Grassroots Initiatives, at rconant@nahu.org; Megan Mamarella, Manager of State Affairs, at mmamarella@nahu.org, or Victoria Campbell Carter, Executive Assistant, at vcampbellcarter@nahu.org.

SPECIAL OPPORTUNITY FOR NAHU MEMBERS

The fourth edition of the Consumer Directed Health Care Conference (CDHCC) will be held in Washington, DC at the Marriott Wardman Park, November 29 - December 1, 2004.

For those who haven't attended one of these conferences before, you'll find that CDHCC provides a very comprehensive program on all aspects of consumer driven health care plans, from employer issues, to carrier innovations and health care provider issues.

The meeting is made up of both general and breakout sessions and will cover the latest developments at a strategic time and location just four weeks post election in Washington, DC.

NAHU is a co-sponsor of the conference, as well as a member of the advisory board, and is able to offer our members a 25% discount on the registration fee.



*For more information or to register,
please visit www.cdhcc.com.*

America's Benefit Specialists



Pennsylvania Association of Health Underwriters

Political Action Committee



What is PAHU-PAC?

PAHU-PAC is PAHU's political action committee. It is the expression of our First Amendment rights to free speech and association guaranteed under the Constitution. Such political expression has become far more than a useful option for professionals in a heavily regulated business like the health insurance industry. It has become a necessity.

PAHU-PAC is registered with the Commonwealth of Pennsylvania. Since PAHU and similar organizations are prohibited from making political contributions, PAHU-PAC was created to allow member contributors to combine their financial support to a candidate to achieve maximum effect.

Why is PAHU-PAC necessary?

Few other industries are as heavily regulated as health insurance. Therefore, your success, and that of your clients, is directly dependent upon the actions of the Pennsylvania General Assembly. It is absolutely critical that we help those members who are willing to consider our point of view in support of private sector health insurance.

To whom does PAHU-PAC contribute?

PAHU-PAC contributes to majority and minority party candidates, incumbents and challengers alike. Because it is non-partisan, it does not represent the interests of any political party.

Who can contribute to PAHU-PAC?

Only NAHU/PAHU members, their families and staff can contribute to PAHU-PAC.

Clients of NAHU/PAHU members may not contribute to PAHU-PAC. All donations must be made by individuals--FEC regulations prohibit PAC contributions by corporations or companies.

How does PAHU-PAC decide on contributions?

Decisions are made by vote of the PAHU-PAC Board of Trustees, appointed by the PAHU president. Candidates for PAHU-PAC contributions are evaluated on a variety of factors, including: recommendations from NAHU/PAHU members; support of PAHU policies; accessibility to our members; willingness to learn; and congressional committee and political party responsibilities; among others.

PAHU-PAC only makes contributions to candidates for state office?

PAHU's Political Action Committee contributes to state candidates who are willing to consider our point of view in support of limiting state mandates, private sector health insurance, long term care insurance, and other healthcare related products.

For more information, please contact Vince Phillips, PAC Manager, at xenobun@aol.com; Shawn Orenstein, Chairman, at shawn@ktbenefits.com; or Doug Moore, Vice Chairman, at dmoore@seubert.com.

CONTRIBUTION FORM 

PAHU-PAC CONTRIBUTION FORM

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