

LEG REG REVIEW

2008, Twenty Second Issue

LEG REG REVIEW is a periodic newsletter produced by PHILLIPS ASSOCIATES, a professional lobbying and consultant firm based near the State Capitol. It contains news on the legislative and regulatory scene in Pennsylvania that may be useful to insurance producers, companies, and business interests. It is a free Member Service if you belong to the Pennsylvania Association of Health Underwriters or Manufacturers Association of South Central PA. Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/728-1164 or e-mail xenobun@aol.com. Please email jtrout2792@aol.com supplying both your e-mail and fax numbers in order to convert this publication to e-mail. If you wish to no longer receive it, please tell us.

THE BUDGET (FINALLY) PASSES

On July 4, 2008, the Budget for the Commonwealth of PA (SB 1389) was enacted by the General Assembly. Although fluid until late, the Budget generally followed the lines of Senate Bill 1389 instead of the more generous House version. What this meant was that approximately one-half of the line items in the Budget were cut in order to pay for increases in education spending sought by Governor Rendell. In addition, the Commonwealth increased its debt by \$1.2 billion although some of that borrowing is contingent on a referendum next spring.

ARIO (FINALLY) IS CONFIRMED

Joel Ario is now Insurance Commissioner after a year in limbo as the Senate declined to act on his nomination until now. The delay proved to be so protracted that Governor Rendell was forced to withdraw Ario's name and resubmit it because of procedural time requirements. The Senate's hesitation centered on the legislature wanting to have a say in the proposed consolidation of Independence Blue Cross and Highmark Blue Shield as well as a fear that the Commissioner was not acting independently of the Governor's wishes. The confirmation vote took place July 3.

PHC4 IS OUT OF BUSINESS...FOR NOW

The PA Health Care Cost Containment Council (PHC4) lost its race against time and is no more per an expiration of its legal authority June 30. PHC4's demise was a casualty of the continuing struggle between Governor Rendell and Senate Republicans on using MCARE abatement fund surplus money to fund his Access to Basic Care program, formally known as Cover All Pennsylvanians. Unlike state employee furloughs which were threatened if the Budget did not pass by June 30 but never done, Governor Rendell was quick to end PHC4 because of a Senate-passed amendment to SB 1372 (Fontana-D-Allegheny) that reauthorized PHC4 AND the MCARE abatement fund without tying it to Access to Basic Care. The Senate added to the pressure July 3 by amending HB 2648 (Eachus-D-Luzerne) that would have given the agency two more years AND again reauthorizing the MCARE abatement fund without ABC funding. The impasse now extends into the fall when the General Assembly reconvenes. The Governor said he would try to place PHC4 workers into other state positions until they could go back to their own agency.

POLITICAL NEWS

- Rep. Bev Makereth (R-York) has resigned her position as state representative and is taking a human resources position with York County. The resignation is effective now and the York County Republican Party will announce her replacement for the duration of her term. She was unopposed in the Republican primary and lacked a Democratic opponent.
- Senator Vince Fumo (D-Phila.) announced that he is resigning and will not be back in September.

OMNIBUS INSURANCE BILL GOES TO GOVERNOR

On July 3 the General Assembly passed House Bill 1150 and sent to the Governor a bill which combines a number of major insurance issues into one piece of legislation. The bill:

- **Mandates autism coverage** by health insurers. This was a major priority of House Speaker Dennis O'Brien (R-Phila.). It affects groups of over 50 lives and has a benefit cap per year of \$36,000.
- **Mandates insurance coverage of colorectal screening** to achieve Senator Tommy Tomlinson's (R-Bucks) long-term goal in SB 146.
- Allows **domestic life insurance companies to invest five percent more** in certain subsidiaries.
- Changes the Holding Company Law to **permit major shareholders to serve on nominating and compensation committees**
- Changes the Holding Company Act to **grant authority to the Insurance Department to review requests to merge by 'non-profits' a.k.a. the Blues**. This was hotly contested but the legislature achieved some of its desire for more oversight scrutiny while the Administration walked away knowing that the Department had clear authority to rule on a merger request. The legislation also **elevated the Community Reinvestment Agreement (CRA) between the Commonwealth and the Blues into statute**. CRA was forged by the Administration as a way to have the Blues directly subsidize the uninsured (adultBasic) and is seen by Rendell as a funding stream for Access to Basic Care.

BANK INSURANCE LIMIT BILL GOES TO GOVERNOR

Governor Ed Rendell is expected to sign a bill into law that prevents banks from requiring property insurance above the replacement cost of the structure, not the land value. House Bill 2428 (Frankel-D-Allegheny) went to the Governor June 30. The Senate had earlier passed SB 250 (Browne-R-Lehigh) to do the same thing but the House bill went the distance.

CONTINUING EDUCATION DRAFT REGULATION UPDATE

The Insurance Department's proposed new regulation regarding Continuing Education points to "training" rules if the producer sells flood insurance or long-term care insurance. The proposed language shies away from formally requiring Continuing Education hours but instead says that producers must comply with the National Flood Insurance Program (NFIP) "training requirement" for producers who wish to be appointed by NFIP to sell flood insurance.

For the long-term care insurance side of things, the Department requires a one-hour course on LTC Partnerships using a script that also focuses on Medicaid estate recovery rules. All producers selling any kind of long-term care insurance must complete eight hours of "training" in the full licensing period after the effective date of the regulation and four hours thereafter (*Originally, the Department insisted that insurance producers would have to complete eight hours of "training" by December 31, 2008.*). In the draft text, the Department stresses that "The training requirements of this section are separate and independent from the continuing education requirements for insurance producers."

NOTES

- SPARKS Club registration materials are available on-line www.sparksclub.com. The clinics are September 15-26 at ten locations in PA, MD, and DE and have been approved for four PA CE hours. MD and DE credits are still pending.
- On July 1 the IRS increased the mileage reimbursement rate to 58.5 cents per mile up from the previous 50.5 cent rate.