

LEG REG REVIEW 2010, 2nd Issue January 18

LEG REG REVIEW is a periodic newsletter produced by PHILLIPS ASSOCIATES, a professional lobbying and consultant firm located near the State Capitol. It contains news on the legislative and regulatory scene in Pennsylvania that may be of interest to the Insurance and Business Communities. It is a free member benefit for those who are members of the Pennsylvania Association of Health Underwriters (PAHU) or Manufacturers Association of South Central PA (MASCAPA). Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/728-1164 or e-mail to xenobun@aol.com. Please email jtrout2792@aol.com supplying both your name and e-mail address if you wish to be removed from this list.

SPEAKER (and Others) TO LEAVE

Last week the big shocker was the decision of Speaker of the House Keith McCall (D-Carbon) to leave his post at the end of the current legislative session. McCall, citing family reasons for the decision, had been named Speaker in 2009. That creates an uncertain future in 2011 for the Democratic Caucus since a number of divisive issues and the cloud of Bonusgate has eroded solidarity within their ranks. Add to that a number of retirements by Members with seniority such as Kathy Manderino (D-Phila.) and one is left with a chamber next year that could differ markedly from this one, assuming that the Democrats are able to keep control.

Two more changes will have far-reaching impact on the House. First, Rep. Paul Clymer (R-Bucks) may be stepping down after this term. He is Republican Chairman of the House Education Committee and a longtime foe of state-approved gambling. The other major change is Rep. Mario Civera (R-Delaware) who is relinquishing his position as Republican Chairman of the House Appropriations Committee because of his winning a county council seat in 2009. Civera has not set a date for resignation of his House seat per se because he does not want it to be concurrent with the primary where a Sestak versus Specter primary contest is expected to boost Democratic votes that would hurt a Republican's chances to retain the seat for the GOP.

Another committee change comes with the ascension of Rep. Ron Miller (R-York) to the position of Republican Chairman of the Game and Fisheries Committee. This appointment stemmed from Rep. Perzel's stepping down as Urban Affairs Committee Republican Chairman after his indictment by the Attorney General. This set some committee chair-shifting in motion with Miller getting the Games & Fisheries chairmanship.

POLITICS

- PA Rep. Curt Schroder (R-Chester) has withdrawn his candidacy for Congress now that incumbent Jim Gerlach has withdrawn from the Republican nomination for Governor contest.
- Nancy Pelosi will join state Democrats in Lancaster February 5 at "Demfest".

SPRING I DAYS SET

Several I-Day dates have been set for 2010. The Philadelphia I Day will take place March 26. The Pittsburgh I Day will take place April 22 and the Central PA I Day will convene April 1 in Camp Hill. Not known yet is the date for the Reading area I Day although the event is usually held in April. Contact points are as follows:

- Philadelphia Terry Macko info@insurancesociety.org
- Central PA jleisure@centralpaiday.com
- Pittsburgh 412/489-5626 ICP@INSCLUBPGH.COM
- Reading I Day's contact person is unknown

PENNSYLVANIA RECOGNITION goes to Pittsburgh's Seubert & Associates for being one of a very few nationally and the only one from PA nominated in Rough Notes magazine's Agency of the Year Award.

MONEY TO PAY FOR HR 3590 COMES FROM ... but NOT FROM THE UNIONS...

Although still a moving target, the details of the health care bill discussed by House and Senate Democratic leaders and the White House are beginning to emerge. The most recent development is that unions have exempted themselves from the 40% excise tax on high value (so-called Cadillac Plans) health insurance policies for five years. Longshoremen had already exempted themselves in the Senate-passed plan. The new version was referred to the Congressional Budget Office (CBO) for a cost analysis. Democrats will have to find a way to fund a \$60 billion spending hole now that the unions have won on this issue.

A number of taxes and fees are already in HR 3590 which would add to the costs of insurance if passed through to the consumer. Some include:

- An “aggregate industry fee” paid by third party administrators and health insurers to raise \$12 billion in 2014, \$8 billion in 2015, and \$5 billion in 2016
- \$2.3 billion annual fee on the pharmaceutical manufacturing sector retroactive to January 1, 2009
- \$2 billion annual fee on medical device manufacturers for sales retroactive to January 1, 2010
- Annual fee on all health insurers depending on market share (net premiums not including TPA fees) starting at \$2 billion in 2011 and increasing to \$10 billion in 2017 and thereafter. (Exempted would be non-profits with 90% medical loss ratios.)
- \$2 per covered beneficiary in both self-insured and health insurance plans to fund “comparative research initiatives”

Another way to pay for the plan is to **increase federal income taxes or reduce adjusted gross revenue on tax returns**. Removing or reducing deductions might also be considered de facto tax increases. Two examples:

- Increase the amount of income spent on medical care from 7.5% to ten percent on Schedule A before any deduction could be claimed
- Impose a 0.9% income surtax for single taxpayers with income over \$200,000 and couples filing jointly with incomes over \$250,000

Reducing Medicare is another funding mechanism given the attacks on Medicare Advantage where the Obama Administration and its allies asserts that there are billions in waste. The Senate Finance Committee estimated \$150 billion would be cut from Medicare Advantage.

And of course, **don't forget the indoor tanning salon tax of ten percent**...Actually this tax is important because it has the Federal Government impose what amounts to a sales tax, something heretofore left to the states as a revenue source.

REGULATORY UPDATE

- The list of eligible surplus lines insurance companies was published in the January 16 issue of the PA Bulletin (www.pabulletin.com). This list presents the companies to which surplus lines licensees may place business. It replaces the list last published in August 2009.
- The Patient Authority will meet in Harrisburg January 26. details: 717/346-0469
- AF&L Holdings LLC has filed an application to acquire AF&L Insurance Company, a domestic stock casualty insurance company.
- The Department of Labor & Industry issued an announcement that the maximum Workers' Compensation payable is \$845.00 per week for injuries occurring after January 1, 2010.