

## LEG REG REVIEW

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*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 (MASCOPA). Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/728-1164 or e-mail to [xenobun@aol.com](mailto:xenobun@aol.com). Please email [jtrout2792@aol.com](mailto:jtrout2792@aol.com) supplying both your name and e-mail address if you wish to be removed from this list.*

#### **TUESDAY IS PRIMARY ELECTION DAY**

May 18 is show-time for hundreds of PA state legislative candidates and the state contests for Congress, Governor and Lt. Governor, partially overshadowed by the Senate Democratic contest between incumbent Arlen Specter and challenger Rep. Joe Sestak. An unsettled mood seems to have gripped the electorate and this does not bode well for some incumbents such as Specter as shown by polls. Despite polls, the only poll that really counts is the one you decide with your vote on Election Day. Please exercise your right to vote!

#### **WHILE THEY'RE ON BREAK, CATCH UP ON NEWS...**

**The General Assembly is on break because of the Primary election but there are a number of legislative items of interest to help bring you up to speed when they return.**

- **Risk pool legislation went through the Senate 49-1. Senate Bill 507** (Folmer-R-Lebanon) was amended to meet new federal requirements of the Patient Protection and Affordable Care Act such as having a six-month no insurance period prior to getting into the Risk Pool. This is a program for the medically uninsurable that will last until 2014. Although Pennsylvania is opting to have a risk pool, 18 states including neighbor Delaware have chosen to let the federal government operate a risk pool instead of the state doing it since, if the program exceeds premium revenues, the Federal Government would be on the hook rather than the state. SB 507 may have competition from a House bill being drafted now. Of interest to agents is the provision that referral fees could be paid to non-licensed persons in addition to licensed insurance agents who place people in the Risk Pool
- **PEO hearing was held by the House Labor Relations Committee on House Bill 2450** (Brennan-D-Lehigh). This legislation would recognize Professional Employer Organizations as a pooling of small businesses' employees who would be covered by master contract for health benefits and Workers' Compensation. Employees remain under direction and control of the small business but legally would be employed by the PEO. Pennsylvania Association of Health Underwriters (PAHU) submitted a statement criticizing PEOs as vulnerable to Workers' Compensation fraud and as being destructive to the employer-broker relationships at the local level.
- **HB 2392 (Shapiro-D-Montgomery) extends mini-COBRA insurance coverage to 15 months** instead of the current nine months. This would enable additional Federal ARRA 65% subsidy money to flow to those former employees. HB 2392 also requires reverting to nine months for mini-COBRA when the Federal subsidy ends. This has passed the House and sits in the Senate Banking & Insurance Committee.
- **The House Insurance Committee convened its hearing on the Community Health Reinvestment Agreement (CHRA) legislation (HB 2455-Eachus-D-luzerne)** pointing to differences between the Blues versus the House Majority Leader and Insurance Commissioner Ario. HB 2455 would extend the CHRA and dedicate an increased part of the Blues' reserves to fund the adultBasic program until 2014. The Blues maintained that they had already contributed significantly and asked lawmakers to appreciate the tightened economic conditions facing the Blues now.

- **A cell phone and texting while driving ban (HB 2070** sponsored by Rep. Joe Markosek-D-Westmoreland) passed the House, was amended in the Senate Transportation Committee and awaits full Senate consideration.
- **Senate Bill 237 (Corman-R-Centre) was signed into law as Act 14 of 2010.** The law does a number of things including:
  - Updating Pennsylvania's Surplus lines Law
  - Setting suitability standards for annuities
  - Protecting insurers' confidential actuarial analyses submitted to the Insurance Department from public scrutiny
  - CHIP is extended through 2013
- Also signed into law by the Governor was **House Bill 526 (DeLuca-D-Allegheny) as Act 17.** This ensures a refund of unearned credit insurance premium to consumers who pay off loans early. This was a priority of the PA Financial Services Association.

### **FEDERAL IMPLEMENTATION ACCELERATED**

In addition to specific PA legislation required by the new federal law (Risk Pool, Insurance Ombudsman, etc.) the Federal Government has moved ahead with a number of implementations ahead of the statutory deadlines.

Some of these include:

- Ban on company rescissions from HHS (now accepted by companies; original deadline Sept. 23))
- FAQs on the new small business health insurance tax credits from the IRS
- Descriptive rules on the age 26 dependent provision of the new law by HHS, IRS and the US Department of Labor (May 10; original deadline Sept. 23 with Blues and other major carriers agreeing to keep graduating young adults as dependents June 1 rather than canceling them out and reinstating them in September)
- Early compliance by companies for the September requirement that there be no pre-existing conditions for children (March 29)
- Early retiree insurance program offers claim reimbursements to companies that will offer medical insurance for retirees aged 55-64 (May 4)
- Closing the Medicare Donut Hole: HHS says that the first \$250 checks will go out to seniors June 15.
- Medical Loss Ratio (MLR) methodology by June 1 instead of end of year

### **MEDICAL LOSS RATIO DECISION ACCELERATED**

One important new requirement is that insurers must meet a Medical Loss Ratio (MLR). This MLR methodology (what constitutes a claim versus non-claim insurer overhead) was originally set for December 31, 2010. Now, HHS has said that NAIC must submit its findings by June 1. The MLR for large groups is 85% and 80% in the small group market. If carriers violate the MLR they would have to issue refunds for the difference to customers. On May 14, the NAIC issued a press release stating that a preliminary letter had been sent to HHS regarding its efforts thus far. Also noted in the press release was an NAIC letter to HHS regarding HHS' new authority to review health insurer premium increases as a major expansion of federal authority into the traditionally state-regulated area of rate review. ([www.naic.org](http://www.naic.org))

**ARE YOU and your business clients CONFUSED ABOUT THE NEW FEDERAL HEALTH REFORM LAW? Vince Phillips has made dozens of presentations to business and insurance groups on the new law and its implementation timetable as it relates to Pennsylvania. If interested in such a program please contact Vince Phillips via Joan Troutman at 717/732-7255 [jtrout2792@aol.com](mailto:jtrout2792@aol.com).**