

## LEG REG REVIEW

### 2010, 14th Issue May 24

*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.*

#### **GOVERNOR ISSUES HEALTH IMPLEMENTATION ORDER**

On May 19, Governor Ed Rendell issued Executive Order 2010-2 to establish an inter-agency working group to oversee the implementation of the federal Patient Protection and Affordable Health Care Act in Pennsylvania. It also established a stakeholders' group (Commonwealth Health Care Implementation Advisory Committee) to provide input including doctors, hospitals, insurance companies but no agents. Objectives will include shaping the federally mandated Risk Pool, designing a model for the new Exchanges effective in 2014, and establishing a Strategic Plan for implementation.

An issue to note is whether or not legislation is needed to implement the Risk Pool for those medically uninsurable individuals who have been without insurance for six months. The General Assembly is considering enabling legislation through Senate Bill 507 (Folmer-R-Lebanon) which passed the Senate and is now before the House and a new bill, House Bill 2514 advanced by Rep. Nick Kotik (D-Allegheny). A key difference between the Senate and House bills is that SB 507 expressly allows non-agents to market the Risk Pool. PAHU has proposed language to require that Risk Pools be marketed in accord with Act 147, the Producer Licensing Law. Text of both bills is available at [www.legis.state.pa.us](http://www.legis.state.pa.us).

#### **PRIMARY OUTCOMES TO NOTE**

**Now that the 2010 primary is over, it is time to note some outcomes of interest to those interested in the General Assembly. Rep. Scott Conklin (D-Centre) is at press time the front-runner for the Democratic nominee for Lt. Governor. In the Senate, there were three open seats out of 25 being elected this year and two incumbents faced and survived primary challenges. In the House, 183 incumbents ran for re-election. Of those incumbents, only 16 Democrats and 9 Republicans had primary opponents.**

- *One incumbent Karen Beyer (R-Lehigh) lost to political newcomer Justin Simmons.*
- *Open races will see a number of House members seeking a move up to the state Senate:*
  - *Rep. Tim Solobay (D-Washington) is the Democratic nominee to succeed retiring Sen. Barry Stout*
  - *Rep. John Yudichak (D-Luzerne) is the Democratic nominee to succeed retiring Sen. Raphael Musto*
  - *Rep. Jim Wansacz (D-Allegheny) was unsuccessful in the primary contest to succeed retiring Sen. Bob Mellow (D-Lackawanna).*
- *There were three special elections to fill vacancies. The outcomes do not change the balance of power in the House. These were:*
  - *Democrat Adam Ravenstahl was elected to fill out Rep. Dan Walko's term from Allegheny County.*
  - *Republican Marcia Hahn was elected to complete the term of Craig Dally (R-Northampton).*
  - *Republican Marcy Toepel will complete the term of Bob Mensch from Montgomery County. Mensch had previously won a special election to complete former Senator Rob Wonderling's term.*
- *One seat remains vacant. Rep. Mario Civera (R-Delaware) resigned because he won a race for Delaware County Council. A date for that election has not yet been set.*

## **IMPLEMENTATION LEGISLATIVE UPDATES**

Rep. Josh Shapiro (D-Montgomery) introduced House Bill 2462 to establish a framework for implementing the Patient Protection and Affordable Health Care Act. It mirrors in many ways the Executive Order described above although the Governor and Shapiro appear to be on the same page since both spoke at the Governor's press conference. In addition, there are two House hearings on implementation scheduled for this week including:

- May 25 Informational Briefing by the House Health & Human Services Committee
- May 27 hearing by the House Insurance Committee

## **REGULATORY UPDATE**

- The Joint Underwriting Association (JUA), the insurer of last resort for medical malpractice insurance has proposed a 9.3% overall rate decrease effective January 1, 2011 unless administrative action to the contrary is taken by the Insurance Department before June 29, 2010.
- The 2010 statewide average weekly wage for Workers' Compensation purposes is \$845.00 per week.
- Stock casualty company North Pointe Insurance Company has asked for permission to redomesticate from Michigan to PA.
- An application has been received by the Insurance Department to approve a merger of Eastern Life & Health Insurance Company into the Security Life Insurance Company.

## **US ISSUES GUIDANCE ON D26**

The U.S. government has issued a number of guidance items relating to the new requirement that dependent coverage includes those up to age 26. Previously the Blues and most other major carriers bumped up the effective date from September 23 to June 1 to prevent those just graduating from being cancelled and then reinstated in September. Following are the new resources:

- Interim Final Rules offered by the US Department of Labor Employee Benefits Security Administration, the Department of the Treasury (IRS) and HHS. This is found in the May 13 Federal Register volume 75, number 92 ([www.regulations.gov](http://www.regulations.gov))
- Notice 2010-38 from the IRS which discusses tax treatment for dependent up to age 27 ([www.irs.gov](http://www.irs.gov))
- The Department of Labor issued a fact sheet  
<http://www.dol.gov/ebsa/newsroom/fsdependentcoverage.html>

## **IRS PROVIDES MORE ON SMALL BUSINESS TAX CREDIT**

On May 14 the IRS also issued Notice 2010-44 providing further details on the small business health insurance premium tax credit available at [www.irs.gov](http://www.irs.gov). Of strong interest to many is the large number of examples designed to clarify the credit. In addition, the IRS provided information on how to get feedback to the agency as excerpted below:

*Comments should be submitted on or before September 1, 2010, and should reference Notice 2010-44. Send submissions to CC:PA:LPD:PR (Notice2010-44), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044 or sent electronically, via the following e-mail address:*

*Notice.comments@irs.counsel.treas.gov. Please include "Notice 2010-44" in the subject line of any electronic communication. All material submitted will be available for public inspection and copying. The principal author of this notice is Mireille Khoury of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). (202) 622-6080.*

**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).