

## **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 (MASCPA). 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.*

#### **ADVISORY COMMITTEE WRAPS UP WORK**

Governor Rendell's PA Health Reform Advisory Committee wrapped up its work December 14 by reviewing recommendations on the Patient Protection Affordable Care Act (PPACA) – mandated Insurance Exchanges. An area where relative consensus was reached include a prevailing view expressed by Acting Insurance Commissioner Robert Pratter that insurance producers do bring value to the insurance equation by helping consumers understand insurance and help settle legitimate claims by working with carriers, consumers and health providers. Punted was a formal decision as to their specific role in marketing the Exchanges. PAHU had testified November 17 on the value agents bring to the table and that Act 147 requires producer involvement in selling, soliciting and negotiating terms of the insurance contract. Vigorous discussion followed on the amount of money producers make with one Advisory Committee member suggesting that agent commissions could be eliminated by businesses/unions going directly to the carriers. Insurers successfully argued that fundamental decisions re formation of Exchanges had to wait until the new session of the General Assembly although again, there was spirited discourse.

#### **DEPARTMENT CE REGULATION APPROVED**

The Insurance Department's long-awaited Continuing Education Regulation (11-240) was approved by the Independent Regulatory Review Commission (IRRC) on December 16. It becomes effective 60 days after publication in the PA Bulletin, something that is anticipated by year's end ([www.pabulletin.com](http://www.pabulletin.com)). This rule sets forth training requirements for those selling long-term care insurance and repeats the Department's requirement that producers selling Qualified LTC Partnerships take a special course dealing with Medicaid estate recovery. Details; Peter Salvatore 717/787-4429

IRRC also approved Insurance rules on P/C actuarial opinions, Life actuarial opinions, the 2001 CSO mortality table, and a regulation on valuation of life insurance policies.

#### **CUT-OFF NOTICE ON adultBASIC POSTED**

The PA Insurance Department posted a warning on its web site to those receiving adultBasic benefits and those on the waiting list that, absent additional monies, the program will be terminated by the end of February. At issue is the inconsistency between the end of the state's fiscal year where the Budget assumed funding from the Community Reinvestment Agreement through June 30, 2011 even though the CRA expires December 31, 2010. CRA uses Blues' reserves to help fund the Commonwealth's programs for the uninsured. Originally using Tobacco Settlement dollars, adultBasic's funding stream shifted to using CRA while the Tobacco money was diverted to meet other Rendell Administration budgetary priorities.

#### **POLITICS**

January 3, 2011, is the deadline for voters in PA's 185<sup>th</sup> Philadelphia district to register to vote. This registration deadline is for a special election February 1 to fill the seat of Representative Robert Donatucci (D-Phila.) who passed away. Maria Donatucci, the widow of the late Representative, is running on the Democratic side while the Republicans have Lewis Harris as their banner carrier.

## **RENDELL DISPUTES MEDICAID WASTE CHARGE**

Per a December 20 press conference, Governor Rendell and Acting DPW Secretary Michael Nardone took sharp exception to assertions by Auditor General Jack Wagner and incoming Republicans that the Department of Public Welfare Medicaid program wasted money. Calling DPW a “convenient whipping boy”, the Governor pointed to a 28 percent reduction in errors since 2008 amounting to \$5 billion since the start of his Administration. Currently, he said, the error rate is 4.07% while the eligibility error rate was 1.97%. The Department was said to monitor 27 million claims per year looking for waste. Governor Rendell also said that there is “not a chance” that the incoming Corbett Administration could save an additional one billion dollars.

## **BUDGET MATTERS**

- November \$1.6 billion General Fund collections for the state were \$4.5 million less than anticipated although the year to date numbers show \$9.2 billion, or \$14 million over estimates. Some specifics:
  - Sales Tax collections for November were \$661 million (\$28.6 million above projections)
  - Personal Income Tax collections were \$657 million or \$22.4 million below expectations)
  - Corporation taxes were \$48.3 million (\$6.6 million below estimates)
  - Inheritance taxes were \$65.6 million (+ \$3.8 million); Realty Transfer taxes were \$20.6 million (\$4.7 million below)
- Governor Rendell Administration’s mid-year assessment projected a \$63 million deficit by the end of the 2010-2011 FY ending June 30, 2011.

## **WORKERS’ COMPENSATION FILING SHOWS LITTLE CHANGE**

On November 30, 2010, the Department received a filing request from the PA Compensation Rating Bureau ([www.pcrb.com](http://www.pcrb.com)) requesting an overall 0.87% increase in loss costs effective April 1, 2011, if approved. A separate filing came from the Coal Mine Compensation Rating Bureau December 3 which requested an overall 15.3% percent decrease in collectible loss costs. ([www.cmcrba.com](http://www.cmcrba.com)) The Mine Compensation filing would also go into effect April 1, 2011 if approved. Both notices appeared in the December 18, 2010 PA Bulletin.

## **REGULATORY UPDATE**

- Conifer Holdings Inc. has filed papers with the Insurance Department to acquire Mid-Continent Insurance Co., a PA-domiciled stock property insurance company.
- Baltimore Life is seeking to merge with Philadelphia-United Life Insurance Company with Baltimore Life surviving the merger.

## **FEDERAL TAX NOTES**

- **Tax Bill:** All PA House members except for two defeated Democrats, Kathy Dahlkemper and Paul Kanjorski, voted for final passage of the legislation extending Bush-Era tax cuts, extending Unemployment Compensation, reducing employee payroll taxes by two-percent for one year etc. The vote was roll Call Vote Number 647 on HR 4853 taken December 17 at 12:00 a.m.
- The Internal Revenue Service released instructions to help employers implement the new 2011 cut in payroll taxes which reduce the employee Social Security tax withholding rate from 6.2% to 4.2% of wages paid. The cut is only for one year and the employer withholding rate is unchanged. Details: Notice 1036 released December 17 is available at [www.irs.gov](http://www.irs.gov).
- The mileage rate for 2011 is 51 cents per mile and 19 cents per mile for medical or moving purposes. Mileage for volunteer and charitable work is 14 cents per mile.