

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. Please email jtrout2792@aol.com supplying both your name and e-mail address if you wish to be removed from this list.

SESSION DAYS FOR 1st QUARTER 2012

Session days through March are:

January: 17, 18, 23, 24, 25 (both House and Senate)

February: 6, 7, 8 (both House and Senate); 13, 14, 15 (House)

March: 5, 6, 7 (Senate), 12, 13, 14 26, 27, 28 (both House and Senate)

Governor Corbett delivers his Budget proposal for FY 2012-13 on February 7. Legislative appropriations hearings on the proposed State Budget take place in February and March.

CORBETT FREEZES BUDGET

On January 4, Governor Corbett announced a freeze in spending in the State Budget in many categories and reduced expenditures on average by three percent because state revenues simply have not met expectations. December's shortfall was 5.9 percent off projections with \$2.3 billion in revenues, or \$141.5 million less than anticipated. This followed Budget numbers for November showing \$1.719 billion with \$63.3 million (3.5%) below the estimate. The year-to-date shortfall through November 30 was \$486.8 million or 4.0% below expectations. The only areas where tax revenues exceeded estimates in December were inheritance taxes which garnered \$100,000 over estimate (although the YTD is 4.4% below) and taxes on cigarettes, gambling, beer and alcohol which were \$2.6 million over estimates in December and 1.3% above for the fiscal year thus far.

The Insurance Department lost \$555,000 in general government operations because of Governor Corbett's decision to now be \$17.9 million but did not lose any CHIP program funding (\$97.365 million).

Others losing 3 percent in general operating monies were the Governor's and Lt. Governor's and other Executive Offices, the General Assembly, the State Judiciary, Health Department, Labor & Industry, Agriculture, DCED, Conservation & Natural Resources, Corrections, Education (although not to Pupil Transportation or Libraries or Basic Education Funding), DEP, Public Welfare, Revenue, State, and PennDOT. State Police lost one percent as did the Probation and Parole Board. Spared from the budget knife were PA Emergency Management Agency, Environmental Hearing Board, and Office of the Treasurer. Sure to generate political fire are five-percent cuts to State System of Higher Education, Head Start Supplemental Assistance, and the state-affiliated schools of Penn State, University of Pittsburgh, Temple and Lincoln Universities.

IRS ISSUES W2 PPACA NOTICE

The Internal Revenue Service issued Notice 2012-9 regarding employer obligations to report benefits on employees' W-2s in 2013 for calendar year 2012. The IRS says that the aggregate value of health benefits will include the cost of coverage provided under hospital indemnity or other fixed indemnity insurance or cost of coverage only for a specified disease such as cancer insurance. Not included are costs of supplemental health benefits that employees pay for with after-tax dollars. The Patient Protection Affordable Care Act (PPACA) specified that W-2s contain aggregate cost of health benefits for 2011 but the IRS made it voluntary for this last year. A link to the IRS Notice appears below.

<http://www.irs.gov/pub/irs-drop/n-12-09.pdf>

HOUSE INSURANCE COMMITTEE MAY CONVENE OCA HEARING

On February 16, the House Insurance Committee may schedule a hearing on legislation that would establish an Office of Consumer Advocate (OCA) for Health Insurance. HB 717 (Matzie-D-Allegheny) would establish the OCA as a watchdog office within the Department of Community & Economic Development (DCED) to assist consumers if they feel unfairly or illegally treated by a health insurance company or health insurance producer. While similar legislation has been sponsored for years, the bill is somewhat more noteworthy because of PPACA's requirement that each state establish an ombudsman for health insurance consumers, something which Pennsylvania has not done. The bill has 26 sponsors, 24 of which are Democrats. In the Rendell Administration, the Office of Consumer Liaison was established within the Insurance Department as an alternative to creating a new government entity. It is unclear as to what the Corbett Administration will do relative to the PPACA mandate. Funding for OCA would come from grant applications to HHS under PPACA. The bill gives OCA these powers:

- to represent interests of consumers as a party or represent an interest of consumers before the Insurance Department
- represent consumers in court or before an agency or regulatory body as deemed appropriate by the OCA

PAHU's position is that HB 717 is unnecessary given the Insurance Department's traditional responsibilities to protect insurance consumers. Rather than create a new office, PAHU holds that the Department should receive adequate funding and staff in the Budget to better meet this need.

POLITICAL UPDATE

Two members of the PA Senate announced that they will not seek re-election next year. They are Mary Jo White (R-Venango) and Jane Earll (R-Erie). Senator White chairs the Senate Environmental Resources & Energy Committee. Senator Earll chairs the Senate Community, Economic & Recreational Development Committee and is a member of the Senate Banking & Insurance Committee.

NUMBERS, NUMBERS

- FEMA reports that disaster assistance of grants and loans to Pennsylvanians following Hurricane Irene and Tropical Storm Lee totaled more than \$383.4 million.
- RE Workers Compensation, per a January 7 Notice from the PA Department of Labor & Industry, the Statewide Average Weekly Wage is \$888.00 per week for injuries occurring on or after January 1, 2012.

PA DEPARTMENTS ISSUE NOTICE REGARDING HHS AND PPACA

Published in the December 31, 2011 PA Bulletin was a joint Notice from the PA Insurance Department and the PA Health Department regarding HHS' external reviews allowed by the Patient Protection Affordable Care Act (PPACA). Specifically, the Notice says that unless there is an explicit replacement by Federal law, Act 68 (Article XXI of the Insurance Company Law) remains in effect. Examples where authority will be retained by the Department are: complaints, network adequacy, prompt payment of health claims, contract review, and credentialing. Adverse benefit discrimination is dealt with by the US Department of Health & Human Services under PPACA.

The Insurance Department does however require from health insurers by January 31, 2012 a certification that policy language changes re review processes comply with PPACA.

REMINDER...Insurance agencies and companies are invited to have PHILLIPS ASSOCIATES provide your in-house Continuing Education. It is time well spent considering that staff does not need to travel and can still put out 'brush fires' during breaks and during a lunch period. It is also economical and will not represent a strain on resources. Insurers combine this CE with their own product updates to agents during their company agent meetings. NOTE: Part of an agency's subscription to Producer Plus includes two hours of free in-house CE. Go to www.vphillipsassoc.com for a listing of courses or call 717/732-7255 for more information.