

Regional Legislative Chair Report
Region 3 – Dave Cluley – February 2008

Date of teleconference: No call held this month due to proximity with Cap Con. Written reports were submitted by all states by February 18th.

Present on Call: N/A

Excused from Call: N/A

Washington Report: N/A

State Highlights/Specific Issues:

Illinois: State is more than \$1.2 Billion in arrears in payments to vendors (mainly health care providers) for the 7/07 to 7/08 fiscal year. Tax revenue is down due to economic slowdown and a 17% drop-off in casino revenues. A lot of legislative activity is expected but little substantive legislation is expected to result as the Governor's antics and Speaker's counter-measures may prevent much from happening. The Governor's health bill is expected to be debated in committee.

The Governor's efforts to expand Medicaid as an Emergency Rule were voted down late last year. He ignored the ruling by JCAR and has been sued for appropriating money without legislative approval. Expansion was then to be reviewed by JCAR as a non-emergency rule, but this was delayed until after the State of the State Address later this month. The Governor is expected to propose many new taxes on business and increase licensing fees so that he can sweep the excess from the dedicated funds of the agencies whose fees were increased.

The Speaker of the House is proposing to include language in every bill that would prevent the Governor from changing the legislation by rule. The Governor would never sign any legislation containing such language.

What we have is an effort to overrule a Governor who has created a constitutional crisis by appropriating money and circumventing the legislative process; and, the countermeasure of the Speaker, which will result in no legislation being passed.

Indiana: A good bipartisan relationship exists as the General Assembly works its way through property tax relief. It looks like a sales tax increase to 7% from its current 6% will result. The General Assembly is scheduled to be dismissed in four weeks. Therefore, we see little coming out of this session that will affect our industry.

The assignment of benefits for non-PPO providers has passed out of the House and moved to the Senate. We believe it will not be voted on. The House is also forwarding the other PPO bill to the Senate, which requires rental network PPO's to notify each member provider when a new provider enters the network. We also believe this bill will die in the Senate.

Kentucky: HB 259, the LTC Partnership bill has passed the House and is ready for the Senate B&I Committee hearing.

HB 334, the Producer Modernization bill passed the House and is ready for the Senate B&I Committee review. This bill has taken almost three years to formulate but two or three groups have surfaced at the last minute with issues about it. Most of the issues focus on strengthening the bill, but with a dormant Office of Insurance, it is questionable if the coalition put together over the past three years will hold together.

The chiropractic bill would establish major medical reimbursement based on the rate chiropractors receive from the Workers Compensation program.

The dialysis bill would require major medical insurers to treat all dialysis companies as in-network.

LTC rate control would require that every LTC request for a rate increase have a public hearing by the Attorney General.

The Governor is to present his casino bill today to the House. Interest in this bill seems to be lukewarm even though the state is supposedly \$500 M short for the upcoming budget year.

Michigan: Individual Market Reform legislation being pushed by BCBSM is due to have Senate substitute bills produced in the near future. The Senate Health Policy Committee has held four separate hearings on the legislation and continues to take a very deliberate path of investigation.

MAHU continues to hold a neutral position on the BCBSM legislation and is viewed as the only group with a diverse membership to bring objectivity to the issues in this legislation.

The political climate in Lansing remains very shaky due to the impact of the budget balancing fiasco that occurred at the end of 2007. A business tax was approved to balance the budget, and, after much pressure from business leaders and Chambers of Commerce, the tax was repealed and a surcharge to an earlier tax was put in its place.

Ohio: OAHU Legislative Chair, Ken Statz, has been serving on the Advisory Committee of Ohio's State Coverage Initiative (SCI). This is an effort by Governor Strickland's Administration to provide health insurance to 500,000 more Ohioans by 2011. Ken's presentation helped many of the 40 or so committee members understand that a significant number of people are uninsurable in the individual market. This led to an explanation of how a high-risk pool could be an effective answer to the problem.

The Advisory Committee received presentations from the actuarial firm Lewis & Ellis. Three types of approaches were reviewed: (1) An Exchange similar to Massachusetts' Connector, (2) A Reinsurance model similar to Healthy New York, and (3) a more limited plan with a mandate that individuals buy the plan. The Reinsurance model appears to be the least disruptive to Ohio's private market and to be the best dollar value. While the other models relied on a government subsidy to the consumer, the Reinsurance model's only subsidy would be to fund the reinsurance. Under the plan, insurers would cover claims below \$10,000 and over \$75,000. The reinsurance would pay 90% of claims between \$10,000 and \$75,000.

It is anticipated that by mid-year the Advisory Committee could issue recommendations to Ohio's SCI Team. During the 2/14 meeting, it was suggested by committee members that significant savings should be achieved by eliminating commissions.

On January 29, 2008, the Chair of the House Healthcare Access & Affordability Committee, introduced H.B. 456. This is the House Republicans' plan to increase the number of insured Ohioans. Roughly 600,000 adults could be covered within five to six years. The centerpiece of the legislation is a three-tiered reinsurance plan to cover high-risk people in the individual market.

The Ohio Department of Insurance would be given the task of categorizing uninsurable preexisting conditions into three levels of risk; i.e., low-high risk, medium-high risk, and high-high risk. In the first year, only low-high risk individuals would qualify and in succeeding years medium-high risk and high-high risk individuals would be incorporated in to the plan. The subsidy cost is estimated at \$100-\$150 million in fiscal year 2009 and \$450-\$500 million annually when fully implemented. The funding would come from the premium tax that health insurers are assessed that currently generates about \$400 million.

The other major component of the legislation is a state tax credit of up to \$2,500 per individual and \$4,000 per family for those individuals and families below 100% of the federal poverty level that are not eligible for Medicaid. About 30% of the uninsured fall into this category.

All of the Ohio House and one-half of the Ohio Senate will be up for election in November. The current Republican House majority is 53-46 and the current Republican majority in the Ohio Senate is 21-12. Many people believe that control of the Ohio House is up for grabs given that the Democrats only need to pick up four seats to take control. Republicans are likely to maintain a strong majority in the Senate.

West Virginia: SB 497 changes the "WV Small Business Health Plan" to include sole proprietors vs. requiring two employees to qualify.

SB 245 provides for a 3-¼% credit against corporate net income tax for employers offering "qualified health insurance plans" to employees. Credit would increase ¼% each year to a 6% maximum.

SB 549 requires contractors and subcontractors working on public works projects to provide health insurance for at least 80% of their employees on the project. The WV Contractors Association heavily opposes this bill.

Halfway through the session with no earth shattering healthcare bills on deck. The private Workers Compensation market opens up to all carriers 7/1/08 and may be consuming some of the insurance related political efforts.

Follow-up items for next month: The March teleconference will be devoted to discussing strategies to implement viable health insurance reform legislation in each state.