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PAHU MISSION STATEMENT

To unify health insurance professionals of Pennsylvania for the purpose of educating our members and the public.

To preserve and perpetuate professional health insurance delivery while being an advocate for the consumer in the public and private sectors.

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Pennsylvania Association of Health Underwriters

Message From the President

Charles A. Neiman, PAHU President

THUMBS UP AND THUMBS DOWN

Thumbs Up – To Pittsburgh AHU for unselfishly spearheading our long-standing effort to establish a Northwest PA AHU. Despite the

possibility of losing several members to a new chapter, hat's off to **Doug Moore, Tim Schmid, Dave Scott, Michelle Jordan, Shelly Bloom, Marcie Chan and Kristin Bartone** for developing sufficient broker interest to proceed with an Erie "Organizational Meeting" in late October. If all goes as planned we hope to announce the formation of this new chapter in the near future.

Thumbs Up – To Northeast AHU as the Region 1 membership chapter for September. Most of our chapters are enjoying tremendous membership growth and PAHU memberships should top the 500 mark by year's end. **KEEP UP THE GOOD WORK!**

Thumbs Up – To those exhibitors who have already expressed interest in our May 2005 State Convention. You can help NOW by contacting potential sponsors, advertisers and exhibitors. If you need information, please contact **Vince Phillips**, Meeting Planner, or any PAHU Board Member.

Thumbs Up – To **Bill Raab**, his Legislative Committee, and our Lobbyist, **Vince Phillips**. They recently arranged for us to meet with State Representatives **Mario Civera and Katy Watson**, House Insurance Committee Executive Director **John Zimmerman**, and Healthy PA Initiative consultant **Ron Henry** to promote PAHU's position on HSAs and Small

Group Rating. An upcoming meeting with Senate Democratic Committee Executive Director **Steve DeFrank** should further promote our position on various issues. Plans are already underway for our Staff Briefing Day-On-The-Hill in Harrisburg and, when announced, your participation will be needed.

Thumbs Up – To PAHU-PAC Chair **Shawn Orenstein** and his Board for rapidly developing this vital effort. The PAC Board recently approved contributions of \$100 or \$250 to an "A" list of five Republicans and five Democrats who will be notified of our support. A "B" list has also been approved and disbursements will be made as the fund grows. If you have not already done so, please consider contributing to this critical effort when you receive the PAC mailing or via the PAHU website.

Thumbs Up – To **Vince Phillips** and PAHU for securing a health underwriter seat on the PHC4 Data Abstraction and Technology Work Group, as required by Act 14 of 2003. PAHU will be one of twelve Work Group members and will add to our growing recognition as a "player."

Thumbs Up – To Central Highlands and Northeast AHU for their commitment to the Millennium fund supporting our lobbying efforts.

Thumbs Down – To a few members who have allowed their membership to lapse, which effects all of us. We sometimes forget that a significant portion of our dues is returned to the State and local chapters to fund their activities as well as supporting our lobbying effort, which protects our industry as well as the consumer. If your membership has lapsed, please consider renewing it. **WE NEED YOUR HELP!**

As always, I welcome your comments and criticisms and thank you for your continued support.

Respectfully submitted,

Charles A. Neiman, President



MEMBER FEEDBACK & CONTRIBUTIONS WELCOME AND APPRECIATED

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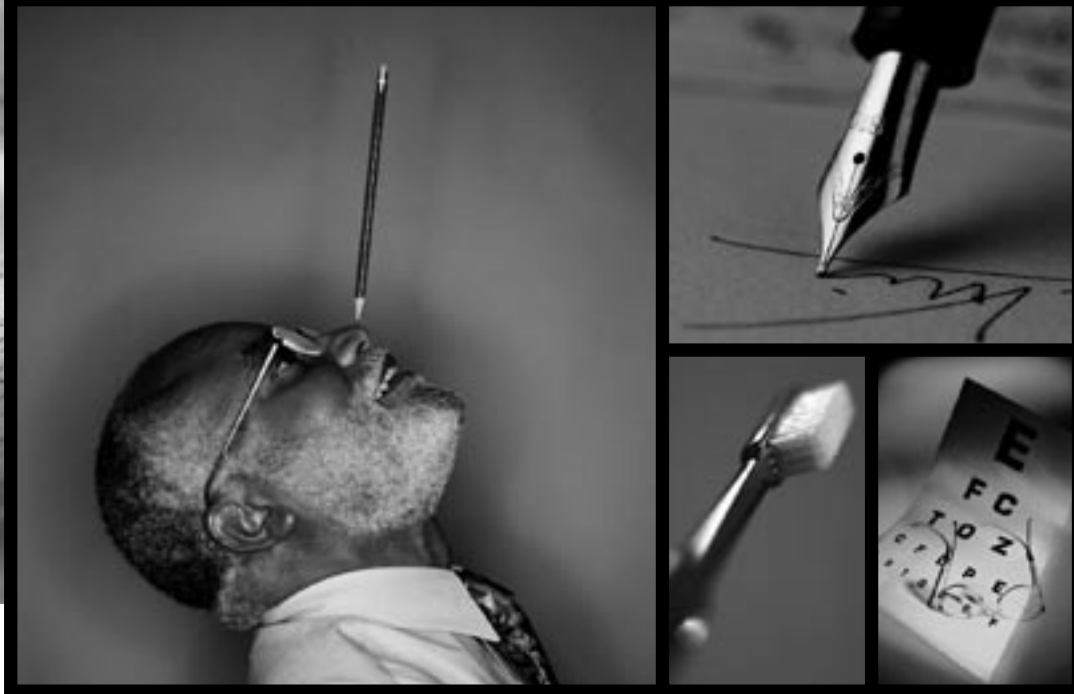
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From The Editor

Submitted by Mark L. Shaffer, RHU
NAHU Vice President - Region 1



PROVIDING A SERVICE

Over the past few weeks it became clear to me how many people actually count on us to steer them through the maze of insurance and policy regulation. A short time ago two very different families with expiring COBRA extensions were referred to our office by as many clients. The story is a familiar one to many agencies across the country. What makes these two different is both employees had worked for out-of-state employers but are residents of Pennsylvania. One had COBRA group benefits from California; the other from Maryland.

SERVING AS THE CONSUMER'S ADVOCATE

Most would agree it's a simple procedure to convert an expiring COBRA group policy to an individual policy — especially if the family members are healthy and medically qualify for an individual policy. For them, product benefit and premium options abound in the Pennsylvania market.

For those with family members who have a serious medical history, it's quite a different story. While the HIPAA regulations ensure coverage, we find the benefit structure is often limited to one policy. Additionally, the premium structure could be twice as high as a COBRA premium. When the insurance carriers behind the COBRA coverage are from out-of-state it's much more difficult to find acceptable options and premiums.

There are solutions for those who have no choice but to utilize their creditable certificate to obtain a HIPAA conversion policy, but it's not easy. I wonder how the average consumer can, after eighteen months, be expected to successfully navigate this complicated process?

ALL IN A DAY'S WORK

With our assistance this family found an acceptable solution and converted to a benefit structure that meets their needs with a premium only 23% above their COBRA rate. We accomplished this simply by communicating with the client and the carriers involved. This required us to ask the right questions and not be satisfied until we received the right answers. Alternatively, the one and only option initially offered to this client doubled the premium and excluded an important prescription drug benefit.

It's quite gratifying to find acceptable solutions to the problems that confront our clients. While the solution was non-commissionable, we can go to sleep at night knowing the important value we provide as NAHU/PAHU members. I have no doubt our members help many families across this vast nation of ours. It is just part of the job!

IN THIS ISSUE

Our fall issue is jam packed with information that will help you understand the issues currently affecting our industry. We have included the first of a three-part NAHU study dubbed the Pennsylvania Option Matrix. The 'Option Matrix' is an in-depth analysis on what is available, or where one may go to resolve the health care and coverage issues that affect the residents of this state. In this presidential race we've heard the candidates talk about Health Care Tax Credits and Association Health Plans. We know the Medical Mal Practice insurance costs have soared forcing doctors to rethink the value of, well — being a doctor in Pennsylvania. Recently PAHU's political action committee, PAHU-PAC, was launched and the initial member solicitation has already brought in thousands of dollars to help carry our message to Pennsylvania's elected officials. You will find articles covering all these issues and more.

FEATURE ARTICLE

Most importantly, this issue features an article written by Jessica Fulginiti Waltman, NAHU's Legislative Director of Policy Research, and is titled, "Who are America's and Pennsylvania's Uninsured?" The article offers important insight into this ongoing conundrum.

We want to hear from you! We'd like to publish a 'Letters to the Editor' section. We encourage your comment on the issues. Please e-mail your commentary to editor@pahu.org.

**Pennsylvania Association
of Health Underwriters**



In The News

Recently, PAHU president Charles 'Chub' Neiman was featured in an article about the role health insurance agents and brokers play in the industry.

Julia Littleton, a reporter for the *Central Pennsylvania Business Journal*, contacted NAHU's director of media relations, Kelly Loussedes, about doing the story. Kelly contacted Region 1 Vice President Mark Shaffer who suggested the reporter contact Mr. Neiman for another view.

The feature article titled, "Betting On Brokers," appeared in the Inside Business section of the newspaper on October 1, 2004. It offered positive insight on the role health insurance agents and brokers play in serving their clients.

You may review and download the article, which is currently featured on the home page of the PAHU website at www.PAHU.org.



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Who Are America's And Pennsylvania's Uninsured? __

Jessica Fulginiti Waltman, NAHU Legislative Director of Policy Research

During 2003, according to U.S. Census Bureau estimates¹, there were 45 million Americans who lacked health insurance coverage. That's approximately 15.6 percent of the population. And

according to those same estimates, in the Commonwealth of Pennsylvania, 10.7 percent of state residents were uninsured in 2003, which represents a little more than 1.3 million people.

Those are staggering figures, and they produce staggering images. Our nation's largest football stadium holds 102,501 people. Can you see it filled more than 12 times over with just uninsured Pennsylvanians?

The numbers also produce staggering questions about what this really means. Chief among them:

- What constitutes being uninsured in America?
- Who are these uninsured Americans, and why don't they have coverage?
- What are we doing to address this problem?
- What else can we do to fix the problem of the uninsured?

What constitutes being uninsured in America?

The most widely cited data on the number of uninsured Americans is collected on an annual basis by the U.S. Census Bureau each March, and is released each August. The Census Bureau surveys about 78,000 households, and their survey includes detailed health insurance questions asked of the household respondent for every household resident. Respondents are asked about health insurance coverage in the previous calendar year. The Census Bureau then counts the individuals reported as not being covered by either an employer-sponsored health insurance program, individual private health insurance, a government sponsored health coverage program (such as Medicaid or Medicare), or some other type of health insurance plan (such as a purchasing pool or a state high-risk pool) as being uninsured.²

What's interesting about those numbers is that they don't indicate how long these individuals go without health insurance coverage. Being uninsured to most individuals is a temporary

situation. Just as many people spend some time during their lives as unemployed, many people go without health insurance for a short period. According to a Congressional Budget Office (CBO) study³ of the non-elderly population, approximately 45 percent of uninsured Americans go without coverage for 4 months or less. Seventy-one percent of Americans obtain health insurance coverage within 12 months of being uninsured, and 84 percent have health insurance coverage within 24 months. Only 16 percent of the uninsured population goes without coverage for more than 24 months.

Another thing that's very interesting about the Census Bureau's numbers is that they have been challenged as too high by other very reputable sources. "The Congressional Budget Office (CBO) estimates that between 21 million and 31 million people were uninsured for the entire year in 1998 — the most recent year for which reliable comparative data is available. Since then, the number who are uninsured all year probably has not changed substantially, given historical trends."⁴ The reason why the Census numbers are challenged is that while their numbers are supposed to represent people who were uninsured at any point during the given year, they actually more closely represent the number of people who are uninsured at a specific point in time during the year. Also, since the data is collected from individual respondents, and since health insurance is such a complicated topic, the probability of human reporting errors impacting the data is high.

Who are these uninsured Americans and why don't they have coverage?

But no matter which uninsured number you use, the fact remains that millions of people go without health coverage each year, which impacts their ability to obtain needed healthcare. And to be able to help solve the problem of the uninsured, it's critical to know more about this population and why they do not have coverage. Education and income level have been shown to impact health insurance status, with higher levels of both leading to a higher likelihood of being insured. In addition, race has been determined to play a factor, particularly among the Hispanic population. Of all racial and ethnic groups, they have the highest uninsured rate at 32.7 percent.⁵ Another in-

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interesting fact about the uninsured is that the vast majority of them are part of working families. The Congressional Budget Office estimates that nearly 90 percent of the people who were uninsured all year in 1998 were in families in which at least one person worked, either part time or full time. CBO indicates that 75 percent of the uninsured in these working families did not have access to insurance through their employer, while the remainder declined employer-based health insurance.⁶

When trying to determine why people do not have health insurance coverage, the common denominator seems to be price. Seventy one percent of the non-elderly uninsured, and 97.5 percent of the non-elderly uninsured that go without coverage for more than one year, indicate cost as the driving factor for their lack of coverage. Another leading cause is the dearth of employer-sponsored health insurance coverage, which relates directly back to the cost issue.

CBO states that 61 percent of uninsured non-elderly adults report the lack of group coverage as a contributing factor in their insurance status⁷, and research shows that cost, combined with a weak labor market has resulted in many smaller employers either dropping their group coverage or requiring employees to pick up more of the cost of premiums. From 2000-2004, a Health Affairs study indicated that the percentage of employers with between 3 and 1,999 employees who offered health benefits dropped from 68 to 63 percent.⁸

What is being done to address this problem?

The federal government actually has a number of programs and measures in place to provide access despite the frequent claim that the United States is the only major industrialized country not to provide universal access to healthcare. What's interesting is the federal government spends upwards of \$99 billion per year to provide care for the uninsured.⁹

Federal law mandates that providers treat all individuals that enter hospital emergency rooms, regardless of health insurance status, the federal Medicare program provides comprehensive health coverage to all Americans over the age of 65, and Medicaid is a state-federal partnership program that provides a safety net of coverage to low-income pregnant women, children, teenagers, senior citizens, and blind and disabled individuals. In addition, the State Children's Health Insurance Program (CHIP) provides federal funding to extend health coverage to pregnant women and children up to age eighteen with family incomes of up to 185 percent of the federal poverty level. Like other states, Pennsylvania has raised those levels up further, where CHIP covers pregnant

women and children up to age nineteen with family incomes of up to 235 percent of the federal poverty level. Also, the new federal Health Care Tax Credit Program is available to provide direct private health insurance purchasing assistance to hundreds of thousands of displaced U.S. workers.

In addition to the federal initiatives, there are a multitude of programs at both the state and local levels designed to provide lower income Americans and individuals with specific conditions and medical needs with access to health care services. In Pennsylvania, there are a number of large well-known programs of this nature, such as the adultBasic Program that provides health insurance for adults meeting certain eligibility requirements who do not have private health insurance coverage, and Medical Assistance for Workers with Disabilities, which allows disabled people to keep Medicaid coverage while working, even if their earnings exceed the limits for other Medicaid programs. But in addition to these large-scale programs, there are many, many smaller state programs that provide needed healthcare services to state residents, particularly lower-income state residents, those without private health insurance coverage, or those who have specific healthcare needs or suffer from particular conditions. Just a few of many examples include the "Love 'Em With a Check-Up program," which provides free check-ups to both pregnant women and low-income children, the Hemophilia Program, which provides comprehensive services including diagnosis, treatment, therapy, outpatient follow-up, and blood products for children and adults with hemophilia, and the Genetics Services Program, which provide services to low income individuals who are at-risk for transmitting, are affected with, or are concerned about a genetic disorder, including diagnostic assessment, counseling, therapeutic and prevention services. Furthermore, county and city health departments, as well as private organizations like the Red Cross and Planned Parenthood provide outreach and care to countless residents in their areas on a regular basis.

The question remains, though, exactly how effective are these public programs at providing coverage? How many of the uninsured are aware of these sources of coverage, and how many access them to obtain needed healthcare services? Medicare, which provides coverage to virtually all Americans age 65 and older, but Medicaid and the state Children's Health Insurance Program do not serve millions of individuals who are eligible for the program. Research estimates that about half of eligible non-participants have private coverage and half are uninsured.¹⁰ Little data is available about the effectiveness of the myriad of state and local programs that provide individuals with access to healthcare services, if not access to actual healthcare coverage.

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What else can we do to fix the problem of the uninsured?

The National Association of Health Underwriters, as a professional organization of approximately 20,000 employee benefit specialists, is extremely concerned about the problem of the uninsured. We are particularly concerned about those individuals who are chronically uninsured, those individuals who qualify for existing programs to obtain care and coverage but for a variety of reasons may not be accessing them, and the affordability of health insurance coverage, since 71 percent of the uninsured, including 97.5 percent of the long-term uninsured, indicate cost as the driving factor for their lack of coverage.¹¹ To assist these individuals, NAHU is in support of the following:

- Refundable, advance federal income-tax credits to be used for the purchase of private health insurance coverage, either in the private individual or employer-based health insurance markets.
- Health Savings Accounts, which combine low-cost high-deductible health plans with tax-exempt savings accounts to pay for routine medical care, and can help make health insurance a more affordable option for small business owners, the self-employed and low-income individuals.
- Measures designed to make private state health insurance markets more competitive and vibrant, such as high-risk health insurance pools, the use of medical underwriting in the individual and small-group health insurance markets, and reductions in the number of mandated benefit laws, since competition in any marketplace helps to reduce cost and improve consumer choice.
- The efforts of state governments to help low-income individuals purchase private health insurance coverage, particularly through state income tax incentives.
- Measures to encourage private health insurance options targeted to people with incomes below 200 percent of the federal poverty level (FPL), such as the federal Health Insurance Flexibility and Accountability waiver program. Under this program, states are encouraged to think creatively about how Medicaid and State Children's Health Insurance Program (SCHIP) funding can be used to maintain and encourage coverage in the group health plan market.
- Increased public education about the availability of the myriad of already existing federal, state and local health-

care access and affordability programs, and the official use of health insurance producers to promote participation in existing public healthcare programs, in order to increase the effectiveness of outreach efforts.

While we work with NAHU members who continue to serve as the consumer's advocate, insured or uninsured, we also work on the process to find resolution to what everyone will agree is an ever growing concern.

* * * * *

¹ U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2003*. August 2004. <http://www.census.gov/prod/2004pubs/p60-226.pdf>

² U.S. Census Bureau. "Health Insurance Data at the Census Bureau." April 2004, <http://www.census.gov/hhes/hlthins/hlthinsintro.html>

³ Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

⁴ Ibid.

⁵ U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2003*. August 2004. <http://www.census.gov/prod/2004pubs/p60-226.pdf>

⁶ Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

⁷ Ibid.

⁸ John Gabel, et. al. "Health Benefits in 2004: Four Years of Double Digit Premium Increases Take Their toll on Coverage," *Health Affairs*. September 9, 2004. <http://content.healthaffairs.org/cgi/content/abstract/23/5/200>

⁹ Kaiser Family Foundation. *Daily Health Policy Report*. June 5, 2003. www.kaisernet.org

¹⁰ John L. Czajka, Analysis of Children's Health Insurance Patterns: Findings from the SIPP (report submitted by Mathematica Policy Research, Inc., to the Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, May 1999)

¹¹ Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>



Editors Note: The Matrix is a research project commissioned by the NAHU to compile pertinent and useful healthcare data for all 50 states. NAHU's Legislative Director of Policy Research, Jessica Fulginiti Waltman is the primary project coordinator. Due to the voluminous data available the Pennsylvania Matrix will be published in 3 parts in the upcoming issues. The entire matrix is currently available for review and download at the PAHU website at www.PAHU.org.



The Pennsylvania Matrix

Part 1

Information for individuals who have group health insurance coverage through their employer	
General contact information for the State DOI	PA Insurance Department, 1326 Strawberry Square Harrisburg, PA 17120 877-881-6388 www.ins.state.pa.us
Contact Information for the DOL /EBSA	U.S. Department of Labor Employee Benefits Services Administration www.dol.gov/ebsa 1-866-444-EBSA (3272)
State's Guarantee Issue Requirements for small and Large groups (same for all due to HIPAA—need special info for MO)	As per the federal Health Insurance Portability and Accountability Act of 1996, all group health insurance contracts in Pennsylvania must be issued on a guarantee-issue basis. All group insurance contracts must also be guarantee-renewable, unless there is non-payment of premium.
State's Pre-Ex exclusion and look-back requirements for small-groups and large groups	As per the federal Health Insurance Portability and Accountability Act of 1996, all group health insurance carriers in Pennsylvania can impose a 6-month look-back/12-month exclusionary period for pre-existing conditions on enrollees that do not have prior creditable coverage.
Creditable Coverage Requirements	As per the federal Health Insurance Portability and Accountability Act of 1996, credit for prior coverage required as long as there is no more than a 63-day break in coverage.
State's Underwriting laws for small groups	There are no rate caps in the small group health insurance market in Pennsylvania and medical underwriting is allowed without restriction. Some BCBS carriers community rate or use a modified community rate voluntarily.
State's Definition of Small Group	2-50 Employees
Requirements for Small groups coverage (ie., hours, payroll requirements, owner as employee, husband/wife salary issues, etc.)	Small employers must provide the following to document that they are a legitimate small group: <ul style="list-style-type: none"> ▪ An employee census ▪ Copies of either their schedule C form or copies of their UC-2 form (Unemployment Compensation Report in Pennsylvania) ▪ The name of their worker's compensation carrier Most small group carriers also require 75% employee participation and accept employees who sign a waiver indicating other coverage as counting towards the 75% total.
Information for individuals who have lost access to their group insurance coverage	
COBRA contact information for COBRA help at DOL—For Help with Private Sector Plans and COBRA	U.S. Department of Labor Employee Benefits Services Administration Division of Technical Assistance and Inquiries 200 Constitution Avenue NW, Suite N-5619 1-866-444-EBSA (3272) www.dol.gov/ebsa
Contact information for CMS COBRA Coverage—For Help with State and Local Government Plans and COBRA	Centers for Medicare and Medicaid Services 7500 Security Boulevard Mail Stop S3-16-16 Baltimore, MD 21244-1850 410-786-3000 www.cms.gov
State Continuation/Conversion Contact—	PA Insurance Department Harrisburg, PA 17120 877-881-6388 www.ins.state.pa.us
Contact for CMS HIPAA Group-to-	CMS Central Office

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Individual Portability	<p>7500 Security Boulevard Baltimore, MD 21244 1-877-267-2323, ext.6-1565 http://www.cms.hhs.gov/hipaa1</p> <p>CMS Regional Office—Region III Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia 215-861-4738</p>
Contact for State DOI HIPAA Group to Individual Portability Contact	<p>PA Insurance Department Harrisburg, PA 17120 877-881-6388 www.ins.state.pa.us</p> <p style="text-align: right;">1326 Strawberry Square</p>
Contact for BCBS Carriers that Serve as the State's Alternate Mechanism for Providing Guarantee-Issue Coverage to Individuals Exercising their Group to Individual Portability Rights	<p>The various BCBS carriers that serve Pennsylvania also serve as the Commonwealth's alternative mechanism for providing at least one product of individual coverage for individuals who are exercising their HIPAA rights. Contact information for these carriers is as follows:</p> <p style="text-align: right;">19 North Main Street</p> <p>Blue Cross of Northeastern Pennsylvania Wilkes-Barre, PA 18711-0302 1-800-822-8753 http://www.bcnepa.com</p> <p>Highmark Blue Shield P.O. Box 890173 Camp Hill, PA 17089-0173 1-800-345-3806 https://www.highmarkblueshield.com</p> <p>Capital Blue Cross PO Box 774611 Harrisburg, PA 17177-4611 800-962-2242 https://www.capbluecross.com</p> <p>Independence Blue Cross 1901 Market Street Philadelphia, PA 19103-1480 800-555-1514 www.ibx.com</p>
Explanation of COBRA	<p>The federal Consolidated Budget Reconciliation Act of 1986 (COBRA) requires employers who employed 20 or employees in the prior year to provide the option of temporarily continuing group coverage to individuals when their group health coverage is lost due to certain specific events. COBRA applies to both private employers and state and local health plans, but it does not apply to Federal government plans and those sponsored by certain church organizations.</p>
Plans that must comply with COBRA	<p>Group health plans for employers with 20 or more employees on more than 50 percent of its typical business days in the previous calendar year are subject to COBRA. Both full and part-time employees are counted to determine whether a plan is subject to COBRA. Each part-time employee counts as a fraction of an employee, with the fraction equal to the number of hours that the part-time employee worked divided by the hours an employee must work to be considered full time.</p>
Qualified COBRA Beneficiaries	<p>A qualified beneficiary generally is an individual covered by a group health plan on the day before a qualifying event who is an employee, the employee's spouse, or an employee's dependent child. In certain cases, a retired employee, the retired employee's spouse, and the retired employee's dependent children may be qualified beneficiaries. In addition, any child born to or placed for adoption with a covered employee during the period of COBRA coverage is considered a qualified beneficiary. Agents, independent contractors, and directors who participate in the group health plan may also be qualified beneficiaries.</p>
COBRA Qualifying Events	<p>Qualifying events are certain events that would cause an individual to lose health coverage. The type of qualifying event will determine who the qualified beneficiaries are and the amount of time that a plan must offer the health coverage to them under COBRA. A plan, at its discretion, may provide longer periods of continuation coverage.</p>
COBRA Qualifying Events for	<ul style="list-style-type: none"> ▪ Voluntary or involuntary termination of employment for reasons other than gross misconduct

Employees	<ul style="list-style-type: none"> ▪ Reduction in the number of hours of employment
COBRA Qualifying Events for Spouses	<ul style="list-style-type: none"> ▪ Voluntary or involuntary termination of the covered employee's employment for any reason other than gross misconduct ▪ Reduction in the hours worked by the covered employee ▪ Covered employee's becoming entitled to Medicare ▪ Divorce or legal separation of the covered employee ▪ Death of the covered employee
COBRA Qualifying Events for Dependent Children	<ul style="list-style-type: none"> ▪ Loss of dependent child status under the plan rules ▪ Voluntary or involuntary termination of the covered employee's employment for any reason other than gross misconduct ▪ Reduction in the hours worked by the covered employee ▪ Covered employee's becoming entitled to Medicare ▪ Divorce or legal separation of the covered employee ▪ Death of the covered employee
Length of COBRA Coverage	The length of COBRA coverage depends on both the beneficiary and the qualifying event involved. The length of coverage is 18 months for employees, and dependent children and dependent spouses when the qualifying event is job termination or a reduction of work hours. The length of coverage for dependent spouses and dependent children is 36 months when the covered employee becomes eligible for Medicare or dies, or if there is a divorce or legal separation or if the dependent child loses dependent child status.
Cost of COBRA Coverage	Under COBRA, beneficiaries usually pay the entire premium amount, that is, the portion of the premium that is both the portion that was paid by the active employee and the amount of the contribution made the your employer. In addition, there may be a 2 percent administrative fee. Employers that covered a portion of their employee's premiums prior to termination may still elect to cover a portion of the COBRA beneficiaries' premiums, but they are under no legal obligation to do so. COBRA premiums charged to beneficiaries cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event, including both the portion paid by employees and any portion paid by the employer before the qualifying event, plus 2 percent for administrative costs. Failure to make timely payments may result in loss of coverage.
State Continuation/Mini-Cobra/Conversion—Explanation of rights for groups of 19 or less, coverage times, etc.	Pennsylvania does not have a state continuation or mini-COBRA requirement for groups of 19 or less. However, individuals who are transferring out of a group plan have the option of selecting an individual conversion product, either instead of electing COBRA or after exhausting COBRA coverage.
List of other requirements for COBRA/Mini Cobra/State Continuation/HIPAA plan participant (ie: State resident, not Medicare eligible. etc.)	Individuals must be state residents and not eligible for Medicare or any other state or federally-funded medical assistance program.
Explanation of HIPAA Rights	Individuals who have been in enrolled in a group health plan for at least 12 months and decide to leave that group health plan and purchase individual market coverage have certain rights under the federal Health Insurance Portability and Accountability Act of 1996. States must provide at least one guarantee-issue option for those individuals to purchase individual market insurance, as long as that coverage is purchased within 63 days of disenrollment from the group plan. Individuals who have access to COBRA must first exhaust COBRA coverage before exercising their HIPAA rights, unless specified by the state. Individuals with less than 12 months of creditable coverage may be eligible for partial credit, based on the length of creditable coverage they do have available.
Explanation of what coverage needs to be exhausted for HIPAA group-to-individual conversion rights	Individuals must exhaust their COBRA benefits if COBRA is available to them before exercising their HIPAA rights.
Explanation of creditable coverage needed for HIPAA and COBRA or Mini-COBRA	12 month of prior coverage is needed for HIPAA Conversion coverage, and coverage needs to be executed within 63 days of group termination.
Any cost restrictions/capping of COBRA or HIPAA Conversion plan rate	Elimination riders may not be used on HIPAA conversion policies. Preexisting conditions may not be considered for HIPAA conversion policies.
Information for people who do not have access to the group health insurance market, but can afford to obtain and	

continued on next page

can medically qualify for traditional private market individual coverage

Contact Information for Individual Insurance at the State Department of Insurance	PA Insurance Department Harrisburg, PA 17120 www.ins.state.pa.us 877-881-6388	1326 Strawberry Square
Explanation of state's individual market underwriting requirements	There are no rate caps in the individual market in PA and medical underwriting is allowed without restriction. Some BCBS carriers community rate or use a modified community rate voluntarily.	
Explanation of state's pre-ex requirements for individual market – look back and exclusionary period, creditable coverage requirements	Credit for prior individual coverage is not required in Pennsylvania and there is a 60-month look-back and 36-month exclusionary period limit for pre-existing conditions for traditional individual policies. Elimination riders are also allowed in the traditional Pennsylvania individual health insurance market as are permanent waivers.	

Information for individuals who do not have access to the private group health insurance market and have serious medical conditions that may prevent them from obtaining traditional private-market individual coverage

Is individual market coverage guarantee issue?	No	
Does State have a high-risk pool? If yes: - Contact info for high-risk pool - Eligibility criteria for HRP -Summary of benefits/limitations of HRP -Pre-ex limitations for HRP -Rate restrictions on HRP coverage	No	
If no: - Contact information for carrier of last resort or GI/OE person at DOI - Eligibility criteria for other option - Any benefit information for CLR - Pre-ex limitations for other options - Any rate restrictions for other options?	<p>The various Blue Cross/Blue Shield plans serve as the carrier-of-last resort and offer medical-only products to all consumers on a guarantee-issue basis.</p> <p>Blue Cross of Northeastern Pennsylvania Wilkes-Barre, PA 18711-0302 1-800-822-8753 http://www.bcnepa.com</p> <p>Highmark Blue Shield P.O. Box 890173 Camp Hill, PA 17089-0173 1-800-345-3806 https://www.highmarkblueshield.com</p> <p>Capital Blue Cross PO Box 774611 Harrisburg, PA 17177-4611 800-962-2242 https://www.capbluecross.com</p> <p>Independence Blue Cross 1901 Market Street Philadelphia, PA 19103-1480 800-555-1514 www.ibx.com</p> <p>Highmark Blue Cross/Blue Shield 120 Fifth Avenue, Suite P3105 Pittsburgh, PA 15222-3099 1-877-BLUE-123 https://www.highmarkbcbs.com</p>	



Whatever Happened to Medical Malpractice Reform?

Vince Phillips, PAHU Lobbyist

Much of the discussion on insurance in the General Assembly and in Washington had centered on Medical Malpractice and the desire for tort reform throughout much of 2003 and 2004. Now, except for the presidential campaign between pro-caps George W. Bush and anti-caps John Kerry, it is an issue that people have not heard much about lately. Does that mean that the issue has been resolved and doctors are no longer fleeing the state?

While it is true that there has been no legislative discussion on the issue within Pennsylvania's General Assembly since the summer, that does not mean that the issue has died. On the contrary, it will resurface in January when the new General Assembly convenes. What happened to the issue in the meantime?

BACKGROUND

PA's doctors maintain that the high cost of Medical Malpractice insurance has hurt them to the point that many are forced to retire early, give up higher risk surgery or simply leave the state and go where the costs of doing business are not so formidable. They say that the result is whether or not a doctor or specialist is available when needed. The public would feel the impact of a shortage when people are forced to wait for necessary procedures or travel further away from home in order to obtain them. They point to premium increases of over 100 percent in just a few years' time and point to Medical Malpractice jury awards as a big part of the problem.

continued on next page



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Whatever Happened to Medical Malpractice Reform?

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The Medical Community has made caps on non-economic damages its number one priority. Insurance interests also wanted caps because insurance rates depend on predictability of claims. Knowing that jury awards are volatile means that actuaries have to price the product high. Proponents of this viewpoint to Worker's Compensation insurance where state law specifies the awards for injury, say for the loss of a limb. The result in the WC system is predictable experience that can be charted and used to determine more stable insurance rates. Caps opponents (trial lawyers, many liberal Democrats, etc.) maintain that an arbitrary cap imposes hardship on people – particularly the poor – who see the courts as their only hope for fairness. Besides, they argue, it is intrinsically fairer to have a jury of one's peers decide how much pain and suffering has been endured in case of Medical Malpractice, not some arbitrary award decided upon by people in Harrisburg.

Not to be ignored are other Medical Malpractice cost-drivers including a reduction of insurance market capacity because of insurer liquidations (PIC, PIE, PHICO) in a relatively short period of time, insurance companies leaving the market because of the movement to a hard market (why should we sell Medical Malpractice when claims are high and the stock market no longer provides a buffer for a loss leader like Med Mal?), and of course jury awards.

The stress on the reinsurance market caused by 9/11 also had an effect on the standard market (including Medical Malpractice) where underwriters became tougher and companies gave up unprofitable lines of insurance such as Med Mal.

The General Assembly in the Ridge-Schweicker Administrations passed a number of reforms designed to ease this burden on doctors. One measure would have established caps on non-economic damages (pain and suffering) where it was felt that the biggest jury awards had occurred. This provision was struck down by the courts as unconstitutional because the courts have authority under the PA Constitution to regulate the practice of law, not the General Assembly. As an aside, the prime sponsor of that bill did not run for re-election and became a lobbyist for the PA Medical Society. Other measures included:

- Elimination of the Medical Professional Liability Catastrophic Loss Fund (MedCAT), a middle tier of insurance run by the state and funded by assessments on health providers and replacement called Medical Care Availability and Reduction of Errors (Mcare) program that functioned like MedCAT (funded by assessments) but with a sunset and phase out. These assessments are imposed in addition

to the private sector insurance premiums.

- Patient Safety Best Practices and establishment of a Patient Safety Board
- Change of Venue legislation (Gannon Amendment) to prevent trial lawyers from moving cases away from the jurisdiction where the alleged Medical Malpractice occurred. Keeping cases out of Philadelphia would reduce the size of jury awards.
- Repeal of Joint and Several Liability, a system where someone could sue the doctor, the hospital, the manufacturer etc. and have them all liable to pay the award. This repeal would force lawyers to target those truly responsible for the Medical Malpractice rather than "sue them all and see what sticks." (This is being challenged in the courts.)
- Using some Budget and Tobacco Settlement money to absorb some of the Mcare assessment doctors had to pay.

When Governor Ed Rendell took office, he proposed using \$220 million in health insurer surpluses to pay for the Mcare assessments for some of the higher risk specialties such as ob/gyn surgeons and the trauma centers that were carrying the brunt of the Medical Malpractice insurance price hikes. This idea was shot down pretty quickly by the General Assembly and vigorously opposed by the insurance industry. (An interesting aside is that the Insurance Department and several legislators are now asking if the Blues' surpluses are too high and what should be done with the money.)

Ultimately, Governor Rendell was successful in getting an Mcare assessment plan passed in the 2003 Budget with a 25-cent per pack cigarette tax dedicated to an abatement fund where the Mcare assessment would be absorbed or reduced in exchange for a doctor's pledge not to leave PA.

Given all this activity on Medical Malpractice, what has happened to the quest for caps?

LEGISLATIVE HISTORY

In 2003, House legislative leaders decided to build a coalition of tort reform advocates early in the session to bring together business, insurance, and medical groups to push for a constitutional amendment authorizing the legislature to enact caps on non economic damage awards. This would include all non-economic awards, not just Med Mal because product

liability reform is a business priority. Limiting caps to Med Mal only would reduce business advocacy and weaken the coalition struggling for this tort reform against powerful lobbying by the trial lawyers.

House Bill 1326 sponsored by Rep. Mike Turzai (R-Allegheny) was the vehicle for this approach. It passed the House and was referred to the Senate Judiciary Committee. Recognizing the divisive nature of the bill, Chairman Stewart Greenleaf (R-Montgomery) held a meeting where a “shell” bill, Senate Bill 9 sponsored by Sen. Hal Mowery (R-Cumberland), was voted out of committee. The shell bill simply amended the Constitution but did not include the caps language per se.

On the Senate floor, several amendments were presented to SB 9. One advanced by Senators Jake Corman (R-Centre) and Jeff Piccola (R-Dauphin) would have used the HB 1326 approach i.e. all non economic damages would be capped, not just those dealing with Medical Malpractice. One from Sen. Greenleaf would have limited caps to Med Mal and then only in very targeted situations. Both amendments failed.

Senator Jim Rhoades (R-Schuylkill) presented an amendment on Med Mal award caps that was finally adopted. (There were other constitutional amendments on property tax reform by Senators Lisa Boscola (D-Northampton) and Sean Logan (D-Westmoreland) that were brushed aside as non-topical.)

SB 9 went back to the House where it was referred to the House Judiciary Committee. Chairman Dennis O’Brien (R-Philadelphia), a caps opponent, would not let the bill out of committee. Another Republican, Curt Schroder (R-Chester) led an unsuccessful fight to bypass the committee chairman through what is known as a discharge petition. The discharge petition was a complex vote because some normally pro-tort reform committee chairmen such as Rep. Nick Micozzie (R-Delaware) voted no because it might weaken committee chairman authority in the future. Speaker Perzel (R-Phila.) voted with the tort reform group. So, SB 9 was dead. House leadership took another bill, amended it with the SB 9 language, and sent it to the Senate. It was referred to Senate Judiciary Committee where it was not given a vote.

Thus, the session clock ran out and the General Assembly recessed for the summer.

Understand that, because a constitutional amendment is required, any bill would have to be passed by two consecutive sessions of the General Assembly, put to the voters, and then given back to legislators for possible action. At a minimum,

this takes five to seven years to accomplish. When the Corman Amendment failed in the Senate and the Schroder discharge petition failed in the House, it was truly the high water mark for cap proponents this session.

Meanwhile, the Administrative Office of the Courts issued information to the effect that since the change in venue legislation passed, numbers of new Medical Malpractice lawsuits coming into the Philadelphia courts had dropped by one-half and by one third in the Allegheny County courts. Opponents of caps seized on this news to suggest that previous tort reform was doing its job and bringing stability to the Med Mal insurance market. (Why do we need caps then?) A counter-argument is that the drop in cases was also due to the scramble to get cases into the courts before the new law went into effect (i.e. no real decrease in court activity).

WHAT HAPPENS NEXT?

November 2004’s election determines whether or not the Republicans stay in power in the House since GOP domination of the PA Senate is assured. If Republicans lose control, expect huge numbers of bills being forced through the General Assembly in a short time. This flood will be the Republican agenda on everything including health insurance. If the GOP retains control of the House, the post-election session may not be as frantic.) In any event, it will not include Medical Malpractice tort reform (except possibly for re-repeal of joint and several liability) because of the PA Constitution’s requirements for amendment. Med Mal caps will be deferred until the New Year.

In January 2005 the General Assembly reconvenes, as does the United States Congress. On the agenda will again be tort reform and the battle lines will again be drawn.

Expect a protracted battle between and within parties as advocates and opponents of Medical Malpractice caps again square off.



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PAHU Renews Contract with Publisher

The PAHU Board recently approved a new five-year contract with cbm & Associates, Inc. of Pittsburgh, Pennsylvania, publisher of the *Pennsylvania Health Underwriter* magazine. The magazine is nearing the end of an initial three-year contract. The magazine's subscription base has nearly tripled since the inaugural issue in the spring of 2002.

"The growth of the magazine is really a reflection of our growth in membership," said Charles Neiman, President of the PAHU.

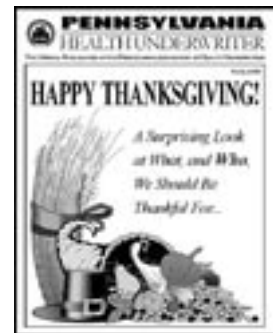
"The magazine has grown to a 40-page quarterly publication with consistently good content," stated Bud Cook, Vice President of cbm & Associates. "It is attractive to advertisers who rely on the Pennsylvania market. For that reason we are recommending a new bi-monthly format that will permit the PAHU to communicate with its membership more frequently."

"We expect the *Pennsylvania Health Underwriter* will continue to provide value to the members and future members of the Association," said Mark Shaffer, who serves as the magazine's editor. "Our goal is to provide current information on topics of interest and to offer product options and solutions to our membership through the advertisers who support this publication. We're looking forward to the new six-issue schedule," he said.

The magazine is distributed to every PAHU member, all chapter leaders of NAHU's Region 1 (from *Maine to Virginia*), and to the NAHU Board of Trustees.

* * * * *

For information on advertising support of the *Pennsylvania Health Underwriter*, contact cbm & Associates, Inc. at (800) 289-1226, or e-mail info@cbmassoc.com.



SPECIAL OPPORTUNITY FOR NAHU MEMBERS

The fourth edition of the Consumer Directed Health Care Conference (CDHCC) will be held in Washington, DC at the Marriott Wardman Park, November 29 - December 1, 2004.

For those who haven't attended one of these conferences before, you'll find that CDHCC provides a very comprehensive program on all aspects of consumer driven health care plans, from employer issues, to carrier innovations and health care provider issues.

The meeting is made up of both general and breakout sessions and will cover the latest developments at a strategic time and location just four weeks post election in Washington, DC.

NAHU is a co-sponsor of the conference, as well as a member of the advisory board, and is able to offer our members a 25% discount on the registration fee.

For more information or to register, please visit www.cdhcc.com.





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CE Credits: Two (2). Social Security Number Required with Registration.

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\$20-Business Card (); \$15-Patron ().

Registration Deadline: December 3, 2004.

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PA Turnpike East to Exit 19 (Harrisburg) onto Route 283 East. Follow to the junction with Route 30 East. Follow Route 30 East to the Lititz/Oregon Pike Exit. At the first red light go straight. At the second light, turn left onto 272 North (Oregon Pike). At the first traffic light make a right onto Eden Road. The Eden Resort will be on your right.

FROM SCRANTON/WILKES BARRE, PA

Take Interstate 81 South to Harrisburg. Pick up 83 South through Harrisburg. Watch for Lancaster Airport signs. Pick up State Route 283 East to Lancaster and follow that to Route 30 East. Follow Route 30 East to the Lititz/Oregon Pike Exit. Go straight through first light; at second light make left onto Route 272 North (Oregon Pike). At first light, make right onto Eden Road. Eden Resort will be on your right.

FROM ALLENTOWN/READING, PA

Follow Route 222 South to Route 30 West. Exit to the right onto Route 30 West. Once on Route 30 West, stay in far right lane and take first Exit 272 North (Oregon Pike). Go to traffic light, make right onto Eden Road. Resort is on your right.

FROM HARRISBURG, PA

Route 283 East to Junction of Route 30 East. Follow Route 30 East to Lititz/Oregon Pike Exit. Go straight through first light and at second light, make left onto 272 North (Oregon Pike). Go to first light and make a right onto Eden Road. Resort on your right.

FROM PHILADELPHIA, PA

Take PA Turnpike West to Exit 21 onto Route 222 South. Follow Route 222 South to Route 30 West. Exit to right onto Route 30 West. Once on Route 30 West stay in far right lane and take first Exit – 272 North (Oregon Pike). Go to traffic light and make right onto Eden Road. Resort on your right.

FROM WILMINGTON, DE

Take Route 41 North to Gap, PA. Pick up Route 30 West and follow 30 West to Oregon Pike (272 North) Exit. Go to first light, make right onto Eden Road. Resort on your right.

FROM BALTIMORE, MD

Interstate 83 North to York, PA. Take Route 30 East to Lancaster. Take Lititz/Oregon Pike Exit off 30 East. Go to second traffic light and make a left onto 272 North (Oregon Pike). Go to first light, make right onto Eden. Resort on right.

FROM WASHINGTON, DC

Interstate 95 North to Interstate 695 North (Timonium). Interstate 83 North to York. Take Route 30 East to Lititz/Oregon Pike Exit. Go straight to second traffic light; make left onto 272 North (Oregon Pike). Go to first light and make a right onto Eden Road. Resort on right.

FROM SOUTHERN NEW YORK/NORTHERN NEW JERSEY

Take the New Jersey Turnpike South to Exit 6 (PA Turnpike West). Route 222 South. Exit to the right onto Route 30 West. Once on Route 30 West, stay in the far right lane and take first Exit. 272 North (Oregon Pike). Go to traffic light and make a right onto Eden Road. Resort is on your right.

FROM SOUTHERN NEW JERSEY

Take Route 40 West to the Delaware Memorial Bridge. Take Route 141 North to Route 41 North to Route 30 West. Exit off Route 30 West onto Oregon Pike (272 North). Make right at first traffic light onto Eden Road. Resort on right.



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First Federal Insurance
Pottsville - PACENTRAL

Thomas Poppert

AFLAC
Havertown - PAPHILADELPH



NAHU...

Your Voice, Your Organization

At a time when Congress and state legislatures are considering bills that could change, or even eliminate, your livelihood, NAHU is the one unwavering voice representing your interests. We know how important you are to the health and well-being of the people you serve, and we bring that message to your elected officials, clearly and forcefully, every day.

Won't you help us help you? By joining NAHU, you add your voice to those of over 19,000 of your peers and colleagues. You'll also enjoy the following benefits of membership:

1) Information Resource – With our website (www.nahu.org), Health Insurance Underwriter (HIU) magazine, and several newsletters and broadcast emails at your fingertips, you'll always have the most current industry information.

2) Legislative Advocacy – NAHU's legislative efforts strive to educate and inform elected leaders at the federal and state level. We've learned that most legislators simply do not understand the health care system and the agent's role in the system. Through our network of Key Contacts, we cultivate relationships that put us in position to clarify issues before bills are written or votes taken. We strengthen these relationships through activity by the Health Underwriters Political Action Committee (HUPAC).

3) Health Insurance Underwriter Magazine – NAHU's monthly magazine will provide you with tips on selling, information on NAHU's activities on the national, regional, and local level, and updates on website content and other services that NAHU provides. Receiving HIU Magazine monthly is another great investment for your business.

4) Education and Networking – NAHU and our state and local chapters provide continuing education opportunities to keep you abreast of the trends, new products and policy changes in the industry. Many state and local chapters offer enough credits to fulfill all your state's CE requirements. These meetings will also give you time to network with your colleagues and make new acquaintances.

5) Member-Only Benefits – From an exclusive agreement with Marsh Affinity Group for Agent Preferred E&O insurance to discounts on shipping, conference calling, and credit cards, NAHU offers you opportunities to save money on the items you need to operate your business.

To protect your livelihood, and to begin enjoying these membership benefits, simply complete the application on the back of this sheet.

For more information about "your organization," log on to our website at www.nahu.org

You Should Join NAHU Because...

- 1) NAHU will protect your right to serve your clients needs.
- 2) You will obtain timely, informative news.
- 3) You can attend continuing education seminars on the hottest insurance topics.
- 4) You will share information with top producing insurance professionals.
- 5) You can participate in grassroots efforts that respond to local, state, and federal legislative issues.
- 6) You will benefit from a variety of member-only discount programs.
- 7) NAHU's Code of Ethics demonstrates to your clients your commitment to professionalism
- 8) You will play an active role in the future of the health insurance industry.
- 9) You will receive a subscription to HIU, the association's monthly magazine.
- 10) With NAHU following trends in Large and Small Group Managed Care Plans, Individual Health Plans, Long Term Care Insurance, Disability Insurance, and Medicare Supplements, you will benefit from membership no matter your specialty.

Please complete the application on the back of this page and send it to:
NAHU, 2000 N. 14th Street, Suite 450, Arlington, VA 22201
If you have any questions please contact Ilana Maze,
VP of Membership, at (703) 276-3810.



NAHU Membership Application



Last Name First Name Designation

Company Title Referral/Sponsor

Mailing Street Address City State Zip

Telephone Fax E-Mail Address

Home Street Address (for legislative purposes) City State Zip

Local Association (see other side of this application)

Form of Payment Enclosed: Amount: _____

- Monthly Draft (please select one) Checking Account Credit Card
- Check (payable to NAHU)
- Annual Credit Card (please select one) Visa MasterCard Am Ex Discover

Bankdraft / Credit Card Authorization Form:

I (we) hereby authorize NAHU to initiate debit entries to my (our) account as indicated.

- Monthly debits will equal one-twelfth of any current applicable national, state or local dues.
- (Please include a voided check from the account to be drafted, or write credit card number below)

Name (as it appears on the check or credit card) Signature

Account Number Expiration Date

Please Mark the Box or Boxes For The Areas of Your Practice:

<input type="checkbox"/> Long Term Care	<input type="checkbox"/> Disability	<input type="checkbox"/> Managed Care	<input type="checkbox"/> Retirement
<input type="checkbox"/> Individual	<input type="checkbox"/> Large Group	<input type="checkbox"/> Small Group	<input type="checkbox"/> Worksite Mktg.
<input type="checkbox"/> TPA	<input type="checkbox"/> Self Insured	<input type="checkbox"/> Medicare Supplement	<input type="checkbox"/> Dental

Mail To: NAHU, 2000 N. 14th Street, Suite 450, Arlington, VA 22201
Fax to: 703 841-7797

**If you have questions, please contact Illana Maze,
NAHU VP of Membership, at 703-276-3810**



NAHU IS WORKING FOR YOU!

NAHU Government Affairs Department News

Janet Trautwein, NAHU Vice President of Government Affairs

I, along with Janice Kupiec, Megan Mamarella, and Past Legislative Chair Susan Rash, attended the fall meeting of the National Association of Insurance Commissioners (NAIC) in Anchorage, Alaska on September 11-14. During the meeting, the Health Insurance and Managed Care (B) Committee announced the adoption of the Medigap regulations submitted by the Statutory Working Group created to develop these regulations.

The final draft of the Medicare Supplement Minimum Standards Model Act was officially adopted via teleconference in order to meet the September 8 deadline included in the Medicare Modernization Act of 2003. NAHU also submitted written comments to the Senior Issues Task Force on the draft Long-Term Care Insurance Model Act. The NAIC's Anti-Fraud task force continues to discuss discount medical plans and may develop model legislation that addresses deceptive marketing practices and effective regulation.

NAHU would like to welcome a new staff member to its team in Arlington. Jennifer Boulware started September 13 as the Manager of Grassroots Initiatives. Jennifer will be the contact

for all your HUPAC and 'Operation Shout!' needs. You will be hearing from her whenever a grassroots effort is necessary in your state. Originally from Alabama, Jennifer moved to Washington D.C. after graduating from Southern Methodist University in Dallas, Texas. Prior to coming to NAHU, Jennifer worked on grassroots and communications at the Association of Performing Arts Providers. Jennifer can be reached at **703-276-3809** or jboulware@nahu.org.

I joined Tom Bruderle and John Greene to represent NAHU during the Republican National Convention, August 30 - September 3 in New York. We participated in all of the events held at Madison Square Garden and also attended numerous events and receptions where they interacted with many important industry people. Our presence was an excellent opportunity for NAHU as an organization to be visible on the political scene. Look for a full convention wrap-up in the October issue of *HIU* magazine.

NAHU is beginning work on Capitol Conference 2005. No, you did not just skip a few months... Capitol Conference is making a move to February 7-9. The NAHU staff thought our members may want to enjoy the beautiful D.C. winter (*just kidding*). Mark your calendars now because your legislative staff is putting together what is sure to be an excellent and informative schedule of speakers. Beginning in 2005, the annual Capitol Conference will change to a Monday through Wednesday format as opposed to the Sunday through Tuesday. This change gives members more opportunity to schedule visits with their congressmen. As a result of this change, the congressional reception will be moved to Wednesday, Feb 9. The first registration deadline for Capitol Conference 2005 is December 27. Look for more information under the meetings link on the NAHU website and in the October *HIU* magazine.

* * * * *

Excerpt taken from "Through the Grapevine" at <http://www.nahu.org/government/newsletters/grapevine/October2004.final.pdf>.



Visit NAHU's website for the latest updates that face the industry and your profession. Get the latest news on Medicare, Association Health Plans, the Trade Adjustment Act of 2002, The Uninsured, Long Term Care, Genetic Discrimination, Managed Care, and much more.

Also, take advantage of NAHU's "Operation Shout" feature that provides a "Legislative Action Center" complete with Action Alerts, guides to your local elected officials, on-going election coverage in your area, plus daily updated schedules for the state and national Legislature.



For more information, visit www.NAHU.org!



The Political Process

It's a very small price to pay to keep your job!

Shawn Orenstein, PAHU-PAC Chairman

The new Pennsylvania Association of Health Underwriters Political Action Committee (PAHU-PAC) is off and running to a great start. Over a two-week period in

late September we sent both electronic and regular mail to every member of our state association announcing the official formation of PAHU's new political action committee. In a very short period of time our membership responded to the call. We have already received significant contributions and expect more are on the way. Our goal is to raise \$15,000 within the next 12 months and I believe we can surpass that amount without much difficulty.

Our PAC Board has member representation from every part of the state. Each local chapter representative has a voice in determining which elected official or candidate will receive contributions from our PAC. We have already targeted the first of ten lawmakers or candidates who will receive our inaugural 'first round' of contributions. Our list is split equally

between Democrats and Republicans. We have also spread our donations evenly to members of both the Pennsylvania House and Senate. These lawmakers who are running for election were chosen because they have influence within their respective parties. Additionally, they either serve on the Insurance Committee within the House or Senate, or they have worked very closely in their past careers with insurance agents/brokers who support our views.

These ten candidates are leaders who understand the value we bring to the insurance marketplace. They respect our opinions and trust our knowledge regarding healthcare legislation. Remember, the main purpose of PAHU-PAC is to support Pennsylvania state officials and candidates who identify with and support the goals and initiatives of our association. Its purpose is to cultivate a health insurance 'friendly' legislature by supporting worthy incumbents and new candidates. Your input is as important to the PAHU-PAC board of trustees as your contribution. If you have suggestions about to whom our PAC can make donations please reach out to your local chapter president or to the PAHU-PAC board directly.

Our State association is growing. Each local chapter is doing great things within their own organization to promote its goals and raise aware-

continued on next page



PAHU-PAC

WORKING FOR YOU!

PAHU Treasurer, Robert Ziff, makes the first PAHU-PAC contribution to Pennsylvania Representative Tony Melio (D - Bucks County) on October 22, 2004. Representative Melio has been a friend of small business and has had an excellent understanding of health insurance issues for many years.

The Legislative Scoop in Region 1



S.B. 963, the mini-COBRA bill the New Jersey Association of Health Underwriters has been monitoring for two years, unanimously passed the Assembly 77-0 on October 7. The bill now goes back to the Senate for concurrence. After it passes, Governor James McGreevey (D), (or the acting governor after November 15) has 45 days to sign or veto the bill. It will become law after the 45 days if the Governor does not take action. The bill will be effective 90 days after its enactment.

In Pennsylvania, H.B. 2299, the Health Savings Account Act, which passed out of committee on June 28, is expected to come up for a vote in the Assembly when they return from recess. The bill would authorize the establishment and maintenance of health savings accounts and exempts HSA contributions from taxation. A Senate companion bill, S.B. 1111, was referred to the Appropriations Committee.

We expect the Massachusetts House and Senate to file Bills in the next session that would expand eligibility for the Insurance Partnership Program (IPP). The bills will increase the size of business's eligible to participate from 50 to 100 employees and increase the employee income eligibility from 200 percent of the federal poverty level (FPL) to 400 percent of the FPL. The deadline for filing bills for Massachusetts's next legislative session is December 7. The Massachusetts Association of Health Underwriters support this proposed measure.

* * * * *

NAHU Region 1 includes Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, and Washington D.C.

The Political Process *continued from previous page*

ness about the importance of getting and staying involved. By creating this PAC, we take the term "getting involved" seriously as we raise the bar to the next level. We all know the game of politics and we all know that campaign contributions are part of the political process. Our lobbyist, Vince Phillips, has worked tirelessly for years marching the drumbeat of our message to Harrisburg. He has built strategic relationships with our lawmakers. We are now able to move this effort to a higher level due to the political contributions our members provide. We are now a 'player' in the political process.

This is only the beginning. We need ongoing financial support. Our PAC board and our local chapter presidents are all volunteers. We donate our time, energy, and our money and then more time. This investment of time and money occurs while we are all working in the same business. This investment we make occurs concurrently while we are trying to earn a living for our families and ourselves. We ask very little from you, our membership, but now we are asking for your financial support to PAHU-PAC.

The law of numbers is a powerful thing. If each PAHU member contributed just \$35 and all 475 PAHU members made the contribution we would surpass our first year goal of \$15,000 effortlessly. Just imagine. For less than \$3 a month you could make a difference. Please take a short moment to become part of the solution. We have made it very easy to contribute with convenient ways to pay online in a very secure environment. Simply log onto our website www.pahu.org and click on the PAHU-PAC link. We ask that you read the FAQs and click on the 'Make A Donation' button, or download the contribution form to mail a donation to our PAHU-PAC treasurer. Or, you may use the PAHU-PAC contribution form printed in this magazine. I think you'll agree it is a very small price to pay for all of us to keep our jobs.

I'll leave with this closing quote that is certainly appropriate as we ask our PAHU membership to donate to PAHU-PAC.



"Every man owes a part of his time and money to the business or industry in which he is engaged. No man has the moral right to withhold his support from an organization that is striving to improve the conditions within his sphere."
- Theodore Roosevelt

<http://www.pahu.org>



PENNSYLVANIA ASSOCIATION OF HEALTH UNDERWRITERS POLITICAL ACTION COMMITTEE

C/O ROBERT ZIFF, TREASURER
17 NORTH DELMORR AVENUE, MORRISVILLE PA 19067-6278
215-428-9500 215-428-9720 (FAX)
(FOR MORE INFORMATION ON PAHU-PAC, PLEASE CONTACT PAHU@COMCAST.NET)

I want to support the legislative activities of the Pennsylvania Association of Health Underwriters!

My contribution to PAHU-PAC is enclosed:

\$1000 \$500 \$250 \$100 \$50 \$25 \$_____ Other

Personal check made payable to **PAHU-PAC**

Remind Me: Annually Semi-Annually Quarterly

Please forward a check with this contribution form to Robert Ziff, Treasurer at the address above.

Please type or print

Name _____ Local PAHU Chapter

CPAHU GPAHU Pgh-AHU
 CHAHU NEAHU NWAHU

Company/Organization/Agency _____

Address _____

City _____ State _____ Zip _____

Business Phone _____ E-Mail _____

____ I want to make a \$ _____ **ONE-TIME** contribution with a PERSONAL check/credit card (please circle one)

____ I want to make a \$ _____ **MONTHLY** contribution using my PERSONAL credit card (please provide the information below)

____ I want to **INCREASE MY MONTHLY** contribution \$ _____ using my PERSONAL check/credit card (please circle one and provide the information below)

Visa Master Card Discover American Express

Credit Card Number _____ - _____ - _____ - _____ Expiration Date ____ / ____ / ____

Name as it appears on **PERSONAL** credit card _____

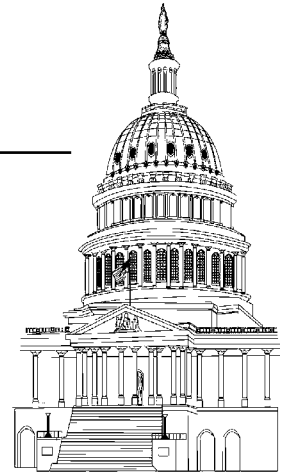
Signature _____

PAYPAL secure online transaction. Go to www.pahu.org and click to PAHU-PAC link at: www.pahu.org



Contributions to PAHU-PAC are strictly voluntary and not a prerequisite for membership in PAHU/NAHU. Only NAHU members and their immediate family members may contribute to PAHU-PAC. Contributions are not deductible as charitable contributions for state or federal income tax purposes. PAHU-PAC can accept only PERSONAL contributions. Federal law prohibits corporate contributions.

Washington Update



The Uninsured

Senator Lisa Murkowski (R-AK) introduced legislation creating refundable tax credits for individuals and families up to 350% of poverty to use to purchase health insurance. The Securing Access Value and Equality in Health Care Act (SAVE) is similar to H.R. 1236, introduced by Congresswoman Kay Granger (R-TX) earlier in the session. Senator Murkowski's legislation will provide individuals with a \$1,000 tax credit, families \$2,000 and \$500 per child up to a maximum of \$3,000 per family for the purchase of individual market health insurance. Up to 50% of the tax credit amounts will be available to individuals with higher-than-average premiums and those purchasing insurance through an employer-sponsored plan. For those who obtain coverage in an employer-sponsored plan, 50% of the base tax credit is available to eligible individuals to help with their share of the cost of health insurance coverage.

The legislation also includes provisions to create grants for states to develop non-profit, voluntary choice cooperatives for two or more employers in order to pool their purchasing power. Additional benefits for small employers include tax credits for contributions made to employee Health Savings Accounts. The legislation also includes extended and increased funding for state high-risk health insurance pools.

Health Savings Accounts

Although the Department of Treasury issued what we believe was its final guidance on Health Savings Accounts for 2004, we continue to hear rumors that there will be more guidance forthcoming. Although it is possible, we believe most of the questions have been answered. If you have questions on HSAs, you will find a wealth of information on the NAHU Website and through our web seminars. Information on HSAs can be found in two places, both accessible from the NAHU home page at www.nahu.org. Look for "Understanding Health Savings Accounts" or, for a more basic explanation and a link to a find an agent feature, see "A Consumer Guidance to Health Savings Accounts."

For copies of the audio and visual portions of our previously held web seminars, both beginning and advanced, contact Faren Ross at ross@nahu.org. Please also watch your e-mail for additional seminars designed to help you communicate the details of various types of consumer-directed health care op-

tions to your employer clients and their employees. If you have questions not addressed in these materials, or just need clarification on an HSA question, please e-mail Janet Trautwein at jtrautwein@nahu.org.

Other News

Capital Conference is scheduled February 7-9, 2005. It is earlier next year and has been changed to fall Monday-Wednesday. Keep your eye out for information in the upcoming issue of *HUI* as the deadlines for registration are coming up quickly.

The Legislative and Government Affairs Department has a new addition to our staff. Jennifer Boulware is handling grassroots initiatives and is a point of contact for HUPAC information in the national office. Jennifer previously worked for the Association of Performing Arts Presenters and can be reached at jboulware@nahu.org.

IF YOU HAVE QUESTIONS ABOUT ANY OF THESE ISSUES, CONTACT:

Janice Kupiec, Legislative Director of State Affairs:
jkupiec@nahu.org

Janet Stokes Trautwein, VP of Government Affairs:
jtrautwein@nahu.org

Tom Bruderle, VP of Congressional Affairs:
tbruderle@nahu.org

Jessica Waltman, Legislative Director of Policy Research:
jwaltman@nahu.org

John Greene, Legislative Director of Federal and Regulatory Affairs: jgreene@nahu.org

Jennifer Boulware, Manager of Grassroots Initiatives:
jboulware@nahu.org

Megan Mamarella, Manager of State Affairs:
mmamarella@nahu.org



PAHU PLANS THE 2005 CONVENTION

Destination: Harrisburg, Pennsylvania

Plans for the 2005 PAHU Convention are taking shape with Featured Guests, ample Continuing Education, Exhibits, Golf, Networking Opportunities, a Substantive Program – and just plain fun!

Scheduled for May 16-17, 2005, the Convention will be held at the Harrisburg Hilton and Towers, one of Central Pennsylvania's premium locations. Golf will take place at Felicita Golf Course. Built on a mountainside, this course is credited as a nationally ranked golfing experience.

Here are some of the things to look forward to:

PROGRAM

An invited speaker includes President of the National Association of Insurance Commissioners M. Diane Koken. She is the first Pennsylvanian Insurance Commissioner to serve in this national position. She is at the pivot point in the state versus federal regulatory debate. Her work with CHIP, AdultBasic, and Mcare are watched by other states as they grapple with insurance issues.

Also invited will be a major Pennsylvania Senate force for tort reform. The honorable Jeff Piccola represents Dauphin County and is also Senate Majority Whip. Over the years he has pushed relentlessly for tort reform and most recently (with Senator Jake Corman) for medical malpractice caps.

There will also be association reports on legislative advocacy, our new political action committee, PAHU-PAC, and membership growth. New leadership for the Association will be installed. Awards will be presented to individuals and local associations that have contributed to the Association's success.

CONTINUING EDUCATION includes advanced sessions on:

- "Worksite Marketing" is a workshop that will be both educational and motivational.
- "Ethics" illustrates typical ethical dilemmas and their resolution (highly interactive)
- "Who Are the Uninsured?" A NAHU analysis that shatters the myth of a monolithic mass of uninsured.

Another planned topic that attendees will find informative is "The Art of Cross-Selling - Financial Services and Insurance Products."

Networking Opportunities and Relaxation Opportunities abound. There will be more than thirty exhibitors and companies eager to talk with you. A reception is planned to permit "face time" as well as allowing everyone an opportunity to catch-up on personal and industry developments with friends. In addition to the more formal Exhibit Hall setting, plan for a relaxing boat ride on the Pride of the Susquehanna in the afternoon and a picnic at the ballpark before going to a Harrisburg Senators baseball game in the early evening. Attendees will also be given the opportunity to tour the Capitol. The newly restored, Pennsylvania's Capitol Building is one of the Nation's most beautiful. Already mentioned was the acclaimed Felicita Golf Course.

In short, the 2005 PAHU Convention offers you and your spouse (and children) a great time. Please mark the dates of May 16-17, 2005 on your calendar now. Details and registration materials will be forthcoming.

If you are interested in being a sponsor or exhibiting, please contact Vince Phillips at (717) 728-1217 or by e-mail to xenobun@aol.com.

continued on next page

PAHU 2005 Convention Destination: Harrisburg, Pennsylvania

May 16 - 17, 2005



The Hilton Harrisburg is in the thriving heart of historic downtown Harrisburg, just three blocks from the State Capitol Building, and connected to The Whitaker Center via enclosed walk way - is one of the most convenient yet elegant places to stay while visiting Harrisburg....



Felicita: A Premiere Pennsylvania Golf Course and Resort

The Golf Club at Felicita has one of Pennsylvania's most beautiful golf courses. In a mountainside setting, each hole on the golf course is individually landscaped to represent a different garden scene. One of Pennsylvania's private golf courses for more than thirty years; it is now your "Country Club" for a day, weekend or week.



The Pride of the Susquehanna Riverboat is the authentic paddlewheel riverboat that sails the Susquehanna. She sails from her City Island dock. City Island, Harrisburg's playground, is a 60-acre island in the middle of the Susquehanna River. It's a great place to spend a summer afternoon. Home not only to the Riverboat operation but, the Harrisburg Senators AA Baseball team, Riverside Village Eatery and much more. Kids love City Island; it is a great place for an afternoon of family fun.



Following their long tradition of baseball excellence, in 1996, 1997, 1998 and 1999 the Senators proved they were a force to contend with by winning the Eastern League Championship! Harrisburg is the first team in league history to win four Eastern League titles in a row. The Senators have been phenomenally successful... over the past 12 years they have sent up more than 100 players to the Major Leagues.

NAHU'S HEALTH CARE TAX CREDIT PROPOSAL

TAX CREDITS FOR THE UNINSURED AT ISSUE

Each month approximately 43 million Americans go without health insurance. This population is made up of individuals who cannot afford health insurance, are experiencing access barriers or believe that the associated cost outweighs the risk of going without health insurance. Finding a way to provide these Americans with health coverage is clearly a topic of great concern for both state and federal lawmakers. Unless a private sector solution is found, it is more than likely that a government program of mandates, subsidies and alliances that is heavy in bureaucracy, weak in efficiency and costly in tax dollars will be implemented. The result could be the substantial curtailment and eventual elimination of the private insurance system. Many politicians on both sides of the aisle have indicated that tax incentives to encourage the purchase of health insurance coverage could be the way to preserve the private insurance market and ensure that all Americans have access to high-quality and affordable healthcare. The type and structure of such tax incentives, though remains a hotly debated issue.

NAHU'S POSITION: NAHU believes that there are many viable private-market solutions available to address the problem of the uninsured. One would be to provide individuals with a tax break to be used for the purchase of private insurance. NAHU's tax credit proposal would make available to eligible lower- and middle-income Americans a refundable tax credit to be used to either purchase employer-sponsored coverage or to buy an individual health insurance plan.

NAHU believes that the ability to use a health insurance tax credit in the employer-based insurance system as well as in the individual market is crucial, since that's how two thirds of Americans get their health coverage through employers. Of those individuals who have the opportunity to get health coverage through their employer, almost 5 percent decline and do not obtain health insurance anywhere else. Five percent may seem like a small number to decline coverage, but it accounts for 20 percent of all the uninsured-almost 10 million Americans. And overwhelmingly the reason people give for turning down coverage is cost.

WHAT OTHERS ARE SAYING: While some groups would like to see the United States move towards a system of government-sponsored universal healthcare, a federal health tax credit is now an idea with significant bipartisan political support. Even politicians like Representatives Jim McDermott and Pete Stark, who have traditionally favored a single-payer system, now favor various types of health tax credits to help the uninsured.

The subjects of disagreement among health credit advocates, though, are how a health credit should be structured and how large the credit should be. Some groups feel that the current tax system favors employer-sponsored health insurance coverage, and that this system is unfair to those who want to purchase their own individual coverage. As such, they have proposed tax credits that can only be used to buy individual health insurance plans.

Other groups, including NAHU, favor a refundable tax credit that can be used in both the employer-based and individual market, since most people obtain health coverage through their employer and since, due to individual health insurance market realities, it can be difficult to buy individual coverage in a number of states. Another issue under debate is how people should receive their health insurance tax benefit. Many, like NAHU, support the idea of advancing a health credit monthly on behalf of eligible individuals either through their employer or insurance company to reduce the likelihood of fraud and ensure the availability of health credit funds throughout the year.

A number of bills have been proposed that would provide a direct tax credit to the employer. While NAHU would not oppose this approach (without maintenance of effort requirements), we believe making the credit directly available to employees and individuals would provide the highest impact in comparison with the other approaches.

Other health insurance tax credit advocates would rather enact a health credit where eligible individuals would receive their monies at the end of the year, when they file their tax return. Finally, the amount of the health credit varies from proposal to proposal. The challenge is balancing the amount so that it provides meaningful assistance to individuals trying purchase insurance but does not provide a disincentive for employers to offer coverage.

NAHU'S ACTIONS: NAHU's support for tax credits for the purchase of health insurance in the employer-based system is well known in Washington. In March of 2001, we were invited to give testimony before the Senate Finance Committee concerning this topic. In the ten years that NAHU has been trumpeting our health tax credit plan, we have also developed a number of informational materials about the proposal, including:

- The Problem of the Uninsured
- Comparison of Direct-to-Employer Tax Credit Proposals
- Comparison of Direct-to-Consumer Tax Credit Proposals
- Frequently Asked Questions about NAHU's Health Tax Credit Plan
- A One-Page Summary of NAHU's Health Tax Credit Plan
- Information on NAHU's Employer Survey relating to tax credits
- NAHU Analysis of Federal Health Tax Credit Proposals
- State Level High Risk Pools

For more information on these and other pertinent topics visit the NAHU's legislative section of the website at www.NAHU.org and click on the "Issues" link.





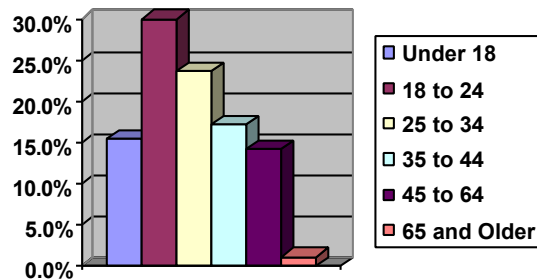
NATIONAL ASSOCIATION OF HEALTH UNDERWRITERS

THE PROBLEM OF THE UNINSURED

WHO ARE THE UNINSURED?

Each month over 44 million Americans go without health insurance. This population is made up of individuals who cannot afford health insurance, are experiencing access barriers, or believe that the associated cost outweighs the risk of going without health insurance. Thirty percent of uninsured individuals are between the ages of 18 and 24, are healthy, and have either a low-paying job or no job at all. These individuals are normally between jobs or are just entering the workforce. For them, the cost of health insurance is too high when compared with the benefits they would receive. Those of Hispanic origin are also more likely to be uninsured than non-Hispanic individuals. Poor Hispanics are less inclined than poor non-Hispanics to take advantage of Medicaid benefits, so they remain uninsured. People with lower levels of education and income are also often uninsured. These individuals are more likely to work for an employer that either does not provide health benefits or requires a high employee cost-share for premium payments. Since these individuals frequently have incomes above the poverty line, they often do not qualify for government assistance. But they still do not have enough money to purchase health insurance or put money towards an employer-based plan. Other groups of people who often go without health insurance include self-employed individuals, part-time workers, the long-term unemployed and individuals with serious health conditions that make them uninsurable.

Percentage of Americans without Government or Private Health Insurance, By Age, 1998



Source: U.S. Census Bureau

HOW LONG DO MOST PEOPLE REMAIN UNINSURED?

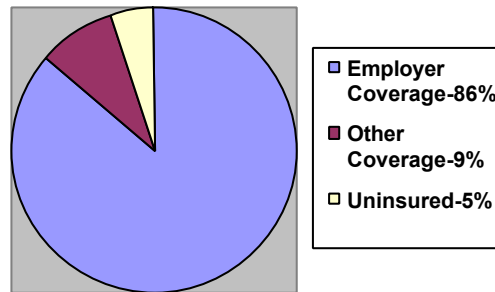
Being uninsured to most individuals is a temporary situation. Just as many people spend some time during their lives as unemployed, many people go without health insurance for a short period. Fifty percent of all individuals who are uninsured will be covered by health insurance within four months of first becoming uninsured. Seventy-five percent of all uninsured individuals will be covered under a health insurance plan within 12 months of first becoming uninsured. Only 2.5 percent of the population is considered to be chronically uninsured and remains without health insurance coverage for two or more years.

WHO DECLINES HEALTH INSURANCE COVERAGE?

Two-thirds of all Americans are offered health insurance coverage through their employers. Of those individuals, 14 percent decline the coverage. Two-thirds of those who decline to be covered enroll in a different private health insurance plan (such as a spouse's plan) or receive coverage through a government program. However, one-third of all individuals who decline employer-sponsored coverage do not obtain health insurance anywhere else. These individuals account for 20 percent of all uninsured Americans.

Cost is given as the main reason why individuals will decline coverage in an employer-based plan. Many employers require employees to shoulder a portion of health benefit costs. The employees who decline employer-based coverage are typically low-wage earners who are unable to provide their part of the insurance premium payment. These people decline health insurance coverage as a result and join the ranks of the millions of uninsured Americans.

Health Insurance Choices of Americans with Access to Employer-Sponsored Coverage, 1996-1997



Source: Center for Studying Health System Change

HOW DO WE SOLVE THE PROBLEM OF THE UNINSURED?

There are solutions available to the problem of the uninsured. One would be to provide individuals with a tax break to be used for the purchase of private insurance. NAHU's tax credit proposal would allow eligible lower- and middle-income Americans a refundable tax credit to be used to either purchase employer-sponsored coverage or to buy an individual health insurance plan. All Americans with incomes up to \$30,000, or families with an income up to \$50,000, would be eligible for the health credit unless they participate in the Medicare program or a military health plan. The amount of the health credit would be \$800 per adult and \$400 per child, with the maximum family benefit being \$2400 annually. The credit would be advanced monthly on behalf of eligible individuals either through their employer or insurance company, reducing the likelihood of fraud and ensuring the availability of health credit funds throughout the year. As the only tax credit proposal on the table that preserves the employer-based health benefit system, NAHU's health credit would help reduce the number of uninsured by:

- ◆ Providing a private-sector solution that will help achieve universal coverage through incentives instead of mandates.
- ◆ Allowing low-income individuals to either use the credit to help finance employer-based coverage or purchase individual health insurance.
- ◆ Targeting the short-term uninsured by giving them a way to afford health benefits.
- ◆ Helping the unemployed finance coverage between jobs.
- ◆ Giving the self-employed an additional tax incentive option for the purchase of health insurance.
- ◆ Providing early retirees with a way to pay for health benefits until they become Medicare eligible.
- ◆ Shifting low-income individuals away from the costly Medicaid program and into private market plans.

NAHU also supports other means of reducing the number of uninsured Americans. The expansion of medical savings accounts, which combine a high-deductible health plan with a tax-exempt savings account to pay for routine medical care, would help make health insurance a more affordable option for small business owners, the self-employed and low-income individuals. Also, state-level high-risk insurance pools are a means of providing uninsurable individuals with comprehensive health insurance coverage. These pools provide individuals with pre-existing medical conditions with an important safety net, since catastrophic medical bills are one of the leading causes of bankruptcy. Finally, NAHU also supports the efforts of state governments to help low-income individuals purchase private health insurance coverage, particularly through subsidies and state income tax incentives.

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Association Health Plans



The NAHU Position

AT ISSUE

NAHU opposes current proposals to create Association Health Plans (AHPs) that are exempt from health insurance benefit mandate laws. NAHU is also actively opposed to sham and unfunded or under funded Multiple Employer Welfare Arrangements (MEWAs) due to concern over solvency standards. Many MEWAs have failed across the country and have proven detrimental to consumers.

AHP proposals, which often confused with MEWAs, have evolved dramatically over the years, and many solvency issues with AHPs appear to be designed to prevent outcomes similar to those of unfunded MEWAs. NAHU remains concerned, however, that the AHPs, which would not be subject to state mandated benefit laws, would have a pricing advantage over the fully insured small group health insurance markets already operating in the states. This pricing advantage could have a negative impact on impact reforms already passed at the state level and the small employer market in general.

CURRENT PROPOSALS

Under the structure of current proposals, AHPs could enter a market with a low-price plan designed only to attract healthy groups, leaving small employer groups with bad medical experience and high claims in the currently existing small group market. This type of adverse selection could result in the demise of the traditional small group health insurance market in a state. However, after several years of claims, all AHPs would be forced to increase rates to cover the increasing costs of health care, as all traditional insurers nationally have been forced to do. Some AHPs in fact, may become higher in cost than coverage that might have been available outside the AHP.

If the initial adverse selection caused by the AHP resulted in traditional carriers leaving a state's small group market, employers who chose coverage through the AHP and then decide to leave the plan due to increasing rates may have no remaining health insurance choices. This scenario could be avoided if all players in the market were subject to the same rules, and a level playing field.

NAHU'S CONCERN

NAHU is also concerned about AHP proposals that would make coverage available to one-person groups on a guaranteed issue basis. Allowing business groups of one to purchase guarantee issue group coverage has proven disastrous to small group markets in the states that have tried it, due to adverse selection by those with health conditions. Allowing one-person groups to purchase AHP coverage will prove equally problematic, increase the likelihood of plan failure and result in significant cost increases for all AHP participants.

NAHU believes all health insurance benefit mandates increase the cost of coverage, and we would prefer that all small employer plans were exempted from such requirements. Unless Congress is willing to preempt state law and exempt all small employer plans from state benefits mandates, we feel that all plans in the small employer market, including AHPs, should play by the same rules, to encourage competition and maintain a healthy, level playing field.

Since current AHP proposals do not maintain that level playing field, we cannot support measures that would provide mandated benefit exemptions for AHPs.