

Government Mandates:

Important Information about Michelle's Law

On October 9, 2009, Michelle's Law becomes effective. The federal law affects groups that provide coverage to dependent children based on student status.

How Groups are Affected

If groups provide coverage to dependent children based on student status, effective October 9, 2009, upon their renewal, they must continue to provide coverage to dependent students who:

- Are required to take a medically necessary leave of absence from school.
- Change their enrollment status (such as changing from full-time student to part-time resulting in a reduction of credits) due to a serious illness or injury which makes the change medically necessary.

In such instances, groups must continue to provide coverage for one year from the first day of the medically necessary leave of absence (or other change in enrollment), or, if earlier, the date coverage would otherwise terminate under the terms of the plan. Details regarding Michelle's Law must be provided to members with their student certification forms.

Michelle's Law applies to the following types of Highmark groups:

- Fully insured
- ASO (self-funded) and ASC Non-ERISA
- FEP
- Partner plans

For more information about Michelle's Law, contact your Highmark client manager.

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*” October 9, 2009
Michelle's Law
becomes effective”*

2% Managed Care Organization Assessment (Tax)

Earlier this year, Gov. Ed Rendell proposed as part of his 2009-2010 budget, a broad-based 2 percent assessment (tax) on managed care organization (MCO) health plans sold in Pennsylvania, which include all HMO and PPO products, to benefit Department of Public Welfare (DPW) programs. The new tax will replace the existing federal matching funds the state receives based on the 5.5 percent Medicaid MCO-only assessment, which ends October 1, 2009 as required by federal law. Today, Medicaid MCOs pay the assessment to the state, which it then uses to draw down the federal match.

Since Gov. Rendell's announcement, Highmark, along with other health insurers and the business community, has been voicing strong opposition to this new tax. Members of the Pennsylvania General Assembly are fully aware that this tax will hurt our customers.

Key points about the 2 percent tax:

- Highmark's internal tax experts estimate that the 2 percent tax will cost our company, and ultimately our customers, approximately \$103 million annually.
- DPW Secretary Estelle Richman and Insurance Commissioner Joel Ario have stated that the MCO tax will not cause a "significant increase" in the cost of health insurance. If this new 2 percent tax is enacted, Highmark is not in a position to "absorb" it as a cost of doing business. This expense essentially translates into a 2 percent premium increase for fully insured customers – individuals and large and small employers.
- Highmark supports an alternative 6 percent "Use Tax" on medical services only when purchased by Medicaid MCOs – an approach being used by Michigan and in the near future by Ohio, despite the Rendell Administration's assertion that it cannot work.
- The 2 percent tax would raise significantly more than what the state currently realizes via the current 5.5 percent Medicaid MCO assessment – approximately \$240 million annually, which is matched with \$360 million in federal funds, for a total of \$600 million. The 2 percent tax is projected to raise more than \$400 million and earn the state close to \$600 million in federal matching dollars, for a grand total of \$1 billion for the Medicaid program, at the expense of employers struggling to pay their health insurance premiums.

Highmark fully understands the challenges that go along with balancing the needs of the public with the realities of a budget shortfall, which is why we support the Michigan and Ohio plans to impose a broad-based state sales tax on the very organizations that serve the Medical Assistance population – Medicaid MCOs – the beneficiaries of the federal match.

As every sector of the economy, both public and private, attempts to prioritize its financial needs, Highmark urges you to contact your state legislators to ask them to reject the broad-based 2 percent MCO tax.

To contact your state senator, go to www.pasen.gov and to contact your state representative go to www.house.state.pa.us. On these websites you will be able to find your state legislators' email addresses, telephone numbers and mailing addresses. Email is often the fastest and most effective means of communicating with your elected officials.

If you have any questions concerning this issue of Producer News, please contact your Highmark client manager.

Sincerely,

A handwritten signature in black ink, appearing to read "Reginald E. Brown". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Reginald E. Brown
Director, Producer Affairs, West

