COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE HEARING
BUDGET HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

TUESDAY, MARCH 4, 2008, 1:00 P.M.

VOLUME III OF V

PRESENTATION BY
DEPARTMENT OF INSURANCE

BEFORE:
HONORABLE DWIGHT EVANS, CHAIRMAN
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN
HONORABLE STEPHEN E. BARRAR
HONORABLE STEVEN W. CAPPELLI
HONORABLE H. SCOTT CONKLIN
HONORABLE CRAIG A. DALLY
HONORABLE GORDON R. DENLINGER
HONORABLE BRIAN ELLIS
HONORABLE DAN B. FRANKEL
HONORABLE JOHN T. GALLOWAY
HONORABLE WILLIAM F. KELLER
HONORABLE THADDEUS KIRKLAND
HONORABLE BRYAN R. LENTZ
HONORABLE KATHY M. MANDERINO
HONORABLE MICHAEL P. McGEEHAN
HONORABLE FRED McILHATTAN
HONORABLE DAVID R. MILLARD
HONORABLE RON MILLER
HONORABLE JOHN MYERS
HONORABLE CHERELLE PARKER
HONORABLE JOSEPH A. PETRARCA

1 BEFORE: (cont.'d)
HONORABLE SCOTT A. PETRI
2 HONORABLE SEAN M. RAMALEY
HONORABLE DAVE REED
3 HONORABLE DOUGLAS G. REICHLEY
HONORABLE DANTE SANTONI, JR.
4 HONORABLE MARIO M. SCAVELLO
HONORABLE JOSHUA D. SHAPIRO
5 HONORABLE JOHN SIPTROTH
HONORABLE MATTHEW SMITH
6 HONORABLE KATIE TRUE
HONORABLE GREGORY S. VITALI
7 HONORABLE DON WALKO
HONORABLE JAKE WHEATLEY, JR.
8

9 ALSO PRESENT:
MIRIAM FOX
10 EDWARD NOLAN

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12 JEAN M. DAVIS, REPORTER
NOTARY PUBLIC
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1 REPRESENTATIVE KELLER: We will get started
2 now.
3 Thank you for coming. What we'll do is we
4 will have your prepared remarks submitted for the
5 record, and we usually just start right with
6 questioning.
7 ACTING COMMISSIONER ARIO: That will be
8 fine.
9 REPRESENTATIVE KELLER: All right.
10 Chairman Civera, please.
11 CHAIRMAN CIVERA: Thank you, Mr. Chairman.
12 Welcome.
13 ACTING COMMISSIONER ARIO: Thank you.
14 CHAIRMAN CIVERA: Commissioner, in the last
15 6 or 7 weeks the Legislature has had a lot of debate
16 with the Mcare Fund. And I've been here for 28 years
17 and have had different situations where the doctors
18 would address that so their insurance rates wouldn't
19 go off the wall.
20 And for the last couple of years with the
21 cigarette tax, it has worked. It has given them some
22 type of a comfort level trying to keep them in
23 Pennsylvania.
24 The Governor now has extended that into the
25 end of March, and these doctors need -- and it's not

1 about, you know, saying a political statement of
2 protecting the doctor. The real need is here. We
3 can't in any way try to alarm the public as far as
4 the medical people themselves.
5 So after the end of March, do you believe
6 that the Governor is going to extend that, or are we
7 going to use this as some type of leverage so the
8 General Assembly does what the Governor wants us to
9 do? Because the real purpose of this whole issue was
10 to protect the doctors from the high cost of
11 insurance as far as where they were and basically, at
12 that time, to keep them in Pennsylvania.
13 So could you give us some idea of what
14 happens, I mean, at the end of March and where we
15 could go with this?
16 ACTING COMMISSIONER ARIO: Representative,
17 thank you for that question, because I know that's on
18 the mind of a lot of people here.
19 The Governor shares your concern for the
20 medical malpractice insurance market. And as you
21 say, it's for the doctors, but it is more importantly
22 for the patients for a stable system.
23 So the Governor, as you know, has been on
24 record supporting the abatement program from the
25 beginning. In fact, his proposal that is on the

1 table with the Legislature would extend the abatement
2 program for 10 years.
3 But he has said something else which I think
4 is very important, and that is that there's another
5 problem facing the Commonwealth of equal necessity,
6 and that's the number of uninsured people that
7 continue to have day-to-day problems accessing health
8 care.
9 And he has looked at the numbers and the
10 Budget Secretary has looked at the numbers, and a
11 number of us have looked at them, and determined that
12 there is money available both to extend the abatement
13 program and to do something significant for the
14 uninsured here in Pennsylvania.
15 That is the Governor's objective. I stand
16 ready, as a member of the Cabinet, to work with the
17 Legislature wherever and whenever the Legislature
18 desires to try to accomplish that goal.
19 As to what happens at the end of March, the
20 status quo is that doctors have been billed their
21 full assessments, and those bills are due March 31.
22 And I understand some doctors are already paying
23 those bills.
24 So if we don't reach resolution in the
25 Legislature very soon, the most likely scenario is

1 that the bills will be due, paid, and then we are in
2 a position to grant refunds. We have the process in
3 motion here to be able to very quickly refund money
4 if and when the Legislature passes an abatement
5 program. So that is the stated plan.
6 And again I'll reinforce that both the
7 medical malpractice market and the broader health
8 insurance market need changed, need some new
9 resources, and we stand ready to work with the
10 Legislature, the General Assembly, at whatever point
11 you are available to try to solve both problems.
12 CHAIRMAN CIVERA: Your statement, if and
13 when the Legislature decides to pass this legislation
14 -- if and when the Legislature -- so if the
15 Legislature wants to do one thing but the Governor
16 wants something else, these medical professionals now
17 are held hostage.
18 And the intent of the legislation from the
19 very beginning when we came out with the cigarette
20 tax to help with their insurance was to help them at
21 that point in time. That's what the General
22 Assembly's intentions were and that's what the
23 Governor at that time, what his intentions were.
24 And now, we are -- believe me, don't get me
25 off on the wrong side here -- I believe that as far

1 as the insurance issue with constituents and with the
2 public of Pennsylvania, they need to be protected.
3 But at the same time, what was good for everybody
4 5 or 6 years ago, now, right now, we're playing in a
5 different playing field, and I don't believe that
6 that's really fair.
7 Bills have went out. Doctors didn't receive
8 those bills last year. They didn't receive those
9 bills that they had to be paid by March the 31st.
10 And now all of a sudden we now turn the whole clock
11 around because we have an agenda that we want to
12 fulfill.
13 You can fulfill that agenda, the
14 Legislature, I'm sure -- and that's a negotiable
15 item, bipartisan item -- as well as the Governor's
16 Office, but it can't be that it's either my way or no
17 way and then you have these people out here that are
18 being held hostage. That's just not a fair solution.
19 Now, you might not agree with that, but I
20 just believe that this situation, the doctors should
21 have kept where they were and you still could have
22 dealt with it, and the doctors wouldn't have resented
23 it, not for one minute.
24 So now what I hear is, March 31, bingo, you
25 got to pay this dollar amount, and if we pass it and

1 we get a compromise, we'll give you a refund. That's
2 what I'm hearing. Am I correct?
3 ACTING COMMISSIONER ARIO: Representative,
4 that's correct, unless -- and I still hold myself out
5 for hope. I've seen legislative processes move
6 rather quickly. I believe this one could be moved
7 quickly enough to avoid that scenario.
8 And let me say one other thing, because I
9 think it is important. I'm listening very carefully
10 to what you're saying, and I recognize, as a new
11 Commissioner here, that there are many different
12 opinions in this General Assembly, and I respect them
13 all.
14 I think the Governor is flexible on this
15 issue. I've watched the Governor start with his fair
16 share assessment and I watched him out on the stump
17 talk about how important that was and how if we don't
18 have a fair share assessment, we really are going to
19 continue to see deterioration in the employer-based
20 coverage market. I think he's absolutely right about
21 that.
22 But when he saw the writing on the wall that
23 that was not politically doable in the General
24 Assembly, he moved off of a position that he held
25 with passion and he moved to this second position,

1 which is, there is enough money now in the Health
2 Care Provider Retention Account to both do the
3 abatements and deal with the uninsured.
4 So that is a very flexible position, and if
5 you're asking whether there could be continued
6 flexibility, I know there are discussions going on in
7 this building every day about plans C, D, and E.
8 While there are many different ways to do
9 this, I don't think the Governor has one way. But he
10 is committed, as I've seen him, to the notion that we
11 need to address both the medical malpractice market
12 and the health insurance market together.
13 CHAIRMAN CIVERA: How much is the refund
14 going to cost?
15 ACTING COMMISSIONER ARIO: Representative,
16 do you mean the administrative costs associated with
17 the refund?
18 CHAIRMAN CIVERA: When you go to give -- no.
19 If we pass the legislation, you said you're going to
20 present a refund to the doctors. What's that going
21 to cost? Has that been thought about, or is that
22 another item that we're going to have to deal with
23 later down the road?
24 ACTING COMMISSIONER ARIO: Representative,
25 it has been thought about. There would be two costs

1 there, obviously.
2 One would be the cost of the refund itself,
3 which would be the level of abatement. If it were
4 at prior levels, that would be in excess of
5 $100 million. But that would be funded as it has
6 been in the past, presumably through the cigarette
7 tax.
8 The administrative costs of the refund are
9 not terribly significant. They're relatively minor
10 costs against that cost. So there's not an issue or
11 a problem with that procedure.
12 Again, I don't want to get too far off on
13 the refund process, that's what happens if we can't
14 reach an agreement. But there still is every desire
15 on the part of the Administration to reach the
16 agreement.
17 CHAIRMAN CIVERA: Okay. And then I'm going
18 to leave; I'm not going to belabor the point.
19 The issue here is that by March the 31st,
20 they have to pay that insurance fee, and now if we
21 don't pass some type of an Mcare situation where the
22 insurance is covered with what the Governor wants to
23 do, now you just said on the record that there will
24 be a refund and we're not really sure exactly what
25 that's going to cost and how that's going to fit into

1 the mix.
2 Now, if we did anything right now, you and I
3 with our dialogue, we really confused everybody,
4 because now they don't know where to be. They know
5 they have got to pay it. They don't know what the
6 refund is. Then you come back to us as far as the
7 dollar amount as far as the refund is concerned, so
8 that's not a good situation.
9 Thank you, Mr. Chairman.
10 REPRESENTATIVE KELLER: Thank you, Chairman
11 Civera.
12 The majority Chairman of the Insurance
13 Committee, Representative Tony DeLuca, please.
14 REPRESENTATIVE DeLUCA: Thank you,
15 Mr. Chairman.
16 Welcome, Mr. Commissioner.
17 ACTING COMMISSIONER ARIO: Good to be here
18 -- I think.
19 REPRESENTATIVE DeLUCA: Mr. Commissioner,
20 last year in November, myself and my counterpart,
21 Representative Micozzie, reported out House Bill
22 2005, which provides for the reform of this small
23 group market in Pennsylvania.
24 ACTING COMMISSIONER ARIO: Okay.
25 REPRESENTATIVE DeLUCA: I would like to hear

1 your opinion today regarding why small group rating
2 reform is important to any health-care coverage plan,
3 including the Governor's Rx for Pennsylvania, and
4 also why you think Pennsylvania is one of only two
5 States in the nation without reform in this area.
6 ACTING COMMISSIONER ARIO: Okay. Thank you
7 for that question.
8 I think small group reform is absolutely an
9 essential part of the overall Prescription for
10 Pennsylvania program, because it addresses the part
11 of the employer-based market that is most vulnerable
12 today.
13 If you think about how health insurance
14 works, most people get it through their employer.
15 And for most people, that's a large employer, where
16 there's a large pool within that particular
17 workplace. So you have some healthy people,
18 hopefully a lot of healthy people, maybe a few sick
19 people, that pool together. There's a stability of
20 rating; there's the spreading of risk, and that part
21 of the market is the most successful.
22 And if you look at the statistics, you see
23 that for large employers, virtually all of them
24 continue to provide health coverage. If you get over
25 5,000 employees, almost every employer -- Wal-Mart

1 stood out for awhile as the one large employer in the
2 country that didn't provide health insurance. But as
3 you go down the scale there into the smaller
4 employers, you see a lot more difficulty, a lot more
5 employers struggling to provide coverage. It's an
6 affordability issue, the same as everybody else has.
7 So some of that is that basic affordability, but some
8 of it is the lack of stability in that market.
9 In fact, we went out and did a series of
10 hearings this fall, and we heard from a lot of small
11 employers where one single employee had a major
12 medical episode, and that was enough to dramatically
13 impact the group's rates, potentially even drive them
14 off of the ability to afford insurance.
15 Or they're thinking about hiring a new
16 worker, and they have to take into account, well, we
17 have a young workforce now; if we hire this person
18 who may be a little older, how will that affect our
19 health rates? A single person or a couple people
20 dramatically affect the rates.
21 That's why in every State except two,
22 Pennsylvania and Hawaii -- and then we have to throw
23 in the District of Columbia here, too -- their
24 Legislatures have taken action to pass laws that
25 essentially require the pooling of risk in that small

1 group market so that it behaves more like the large
2 group markets.
3 So you don't have each employer of 5 or 10
4 people as it's own separate rating pool. You have
5 all of those people pooled together, and they behave
6 as a larger small group pool, much like a large
7 employer does. That's what we're trying to
8 accomplish.
9 The bill that you referenced, 2005, I think
10 is an admirable attempt to wrestle with that problem.
11 As you know, the Governor still has a slightly
12 different position on the issue, but I think, again,
13 there's flexibility here.
14 And if there needs to be some compromises on
15 all sides to get a small group reform bill through
16 this Legislature, I think it's an absolutely
17 imperative reform, and I'm hoping we can get that
18 done this year.
19 REPRESENTATIVE DeLUCA: Well, I was proud of
20 the fact that this bill came out bipartisan, and
21 certainly myself and my counterpart on the Republican
22 side have been working on small group reform for
23 years. As a matter of fact, when he was the majority
24 Chairman, he had numerous hearings on it to eventuate
25 some type of small group reform.

1 So I'm glad to hear your position on that,
2 and I want to thank you. And certainly I believe we
3 will be able to move this legislation, because I
4 think it's critical for our small businesses that we
5 move this type of legislation.
6 So again, thank you, Mr. Chairman.
7 ACTING COMMISSIONER ARIO: I should note for
8 the record, Representative Micozzie was at the first
9 of those hearings down in his district and was a
10 great contributor that day.
11 REPRESENTATIVE KELLER: Well, that's a great
12 lead-in to the promoter of bipartisanship, the
13 minority Chairman of the Insurance Committee.
14 REPRESENTATIVE MICOZZIE: My friend,
15 Representative DeLuca, used to call me friend before;
16 now he calls me a counterpart.
17 REPRESENTATIVE DeLUCA: He's still my
18 friend.
19 REPRESENTATIVE KELLER: Representative Nick
20 Micozzie.
21 REPRESENTATIVE MICOZZIE: You know, on
22 House Bill 2005, if I remember correctly,
23 Rosemarie Greco during, I guess it was a hearing, had
24 said there was a report that had come out on small
25 group reform. If I remember correctly, I think it

1 was community rating and all that. I have never seen
2 the report, or none of us had seen the report or have
3 received the report.
4 Is there such a report? And I'm not
5 questioning Rosemarie, because I like Rosemarie. But
6 is there such a report, do you know?
7 ACTING COMMISSIONER ARIO: Representative,
8 we've worked up a number of different analyses. We
9 have not put them into a specific report, but I can
10 talk to you -- I think you're probably referring to
11 information on the cost savings associated with the
12 reforms.
13 REPRESENTATIVE MICOZZIE: Yes.
14 ACTING COMMISSIONER ARIO: I can speak to
15 that, and we can provide some of that detail to you
16 in writing.
17 As you might guess, when you're dealing with
18 a reform this broad, there are a number of different
19 aspects to it, and one of the things we have been
20 trying to do is get actuaries to pinpoint these cost
21 savings for us. And that has proven difficult,
22 because there are a lot of different variables in
23 play.
24 But my own staff has taken a look at these
25 issues and determined that if we passed the reform in

1 the Governor's format -- and it's pretty close to the
2 bill that Representative DeLuca, Chairman DeLuca,
3 referenced -- that there would be savings of around
4 $2,000 on a $9,000 policy.
5 Most of that is related to the broader
6 cost-cutting measures that this Legislature has
7 already taken on, so hospital infections -- this
8 Legislature I commend for being early on in that
9 process -- the Chronic Care Commission, looking at
10 the medical error rates.
11 There are a number of aspects of reform that
12 the General Assembly has moved on, and those account
13 for about a 15-percent overall savings, as we
14 calculated, in the small group market.
15 The specific reform that's within the small
16 group bill that will save the most money is the
17 requirement of an 85-percent medical loss ratio.
18 That means that out of every dollar paid in
19 health-care premiums, 85 cents should go back to the
20 policyholder in the form of claims payments.
21 The rest of the reforms, frankly, people
22 would like to find a free lunch here that you can
23 stabilize the market, cover everybody, and everybody
24 saves money, but that part of the reform doesn't work
25 that way. What it does is just like a large

1 employer: It saves money and stabilizes rates
2 overall, but some people who are the most healthy pay
3 a little bit more in order that some people who are
4 less healthy, that need the insurance more, pay a
5 little bit less.
6 So that part of the reform essentially in
7 our analysis is a wash. It's more about stability
8 and predictability of rates.
9 But overall, again, with the cost-cutting
10 measures plus the medical loss ratio, you'd be
11 dealing with something approaching a 20-percent
12 reduction, something like $2,000 on a $9,000 policy.
13 REPRESENTATIVE MICOZZIE: First of all, I'd
14 like to thank you for inviting me to your hearing
15 down at the hospital. It was a very informative
16 hearing.
17 The modified community rating which was
18 proposed during that 2005, or whatever hearings we
19 had, is that still part of the reform package?
20 ACTING COMMISSIONER ARIO: Representative,
21 yes, it is.
22 I think the essential aspects of the reform
23 are to limit the rating factors that can be
24 considered when you're looking at a small group so
25 that you're looking at common demographic factors

1 like age, sex is a disputable one -- I think that's
2 in some of the bills, not in some of the other
3 bills -- type of industry, and so forth.
4 And then secondly, in addition to
5 restricting that, the most important restriction
6 there for the Governor and for me is you can't look
7 at medical factors there. Those are the things that
8 cause the rates to gyrate up and down. You cannot
9 look at medical factors. Take those out.
10 The second level of reform is, how much
11 variation is there between groups, and that's the
12 rate banning or modified community rating that you
13 referenced. In the Governor's bill, that's a
14 two-to-one rate ban. In Chairman DeLuca's bill, it's
15 a two-to-one rate ban for some and a three-to-one
16 rate ban for others.
17 Again, we're going to get down in the weeds
18 here pretty quickly in terms of these details, but
19 what's important there is that you're compressing
20 rates so that there's stability and predictability.
21 And the group today that says, gee, that's
22 not such a good idea because we benefit by being at
23 the low end of that continuum, tomorrow that group
24 may have somebody who would put them at the top end.
25 So in the long run, it's in everybody's

1 interest to have that stability and predictability.
2 REPRESENTATIVE MICOZZIE: Four or five years
3 ago, we -- we, I'm talking about the Insurance
4 Committee, which included Chairman Colafella,
5 Chairman DeLuca, and myself, and the Insurance
6 Committee, members of the Insurance Committee -- on a
7 bipartisan endeavor, reformed the CAT Fund, which
8 became the Mcare with Act 13.
9 I think it's so very important that we do
10 away with this unfunded liability. There seems to be
11 some question by the Administration of whether to do
12 that or use the auto CAT money surplus to do other
13 things.
14 I hope that's not the case, because I think,
15 because we did all the reforms that we put in place,
16 the insurance companies are coming back into
17 Pennsylvania, and there has been a stabilization as
18 far as liability and whatever.
19 So can you just give me some insight on what
20 the Administration is thinking on what to do with the
21 CAT Fund? Or Mcare.
22 ACTING COMMISSIONER ARIO: Representative, I
23 can tell you that no one wants to get rid of the
24 Mcare program as much as me, because I look at the
25 resources that our department devotes to that and

1 think about all the other regulatory priorities that
2 could be addressed if we had those resources for
3 other purposes.
4 So that is very high on my personal agenda
5 and it is high on the Governor's agenda. And the
6 proposals that he's made so far to combine the issue
7 of the uninsured with solving the Mcare problems
8 always include phasing out the Mcare unfunded
9 liability and going back to a private market
10 solution. So I believe that's the right way to go.
11 Now, I do have to tell you that I've heard
12 discussion in the building about trying to do more on
13 the uninsured side with credits for currently covered
14 employers and so forth, and depending on how much
15 money gets spent there, there are trade-offs then
16 against the Mcare Fund.
17 But the Governor's proposals that are on the
18 table do envision the phasing out of Mcare and the
19 return to a private market. And certainly we've done
20 major improvement. The bill that you worked on in
21 2002 that you referenced has succeeded.
22 So 5 years ago we were looking at 30-,
23 40-percent rate increases; today we're looking at the
24 two largest medical malpractice insurers decreasing
25 their rates.

1 We're looking at a level number of doctors
2 in the State. We're looking at Mcare claims that
3 were approaching $400 million a year only 5 years
4 ago, now under $200 million a year.
5 So there has been tremendous progress there,
6 and we do have a moment in time here an opportunity,
7 I believe, to phase that program out and to return to
8 a more normal market approach to medical malpractice.
9 REPRESENTATIVE MICOZZIE: If I remember
10 correctly -- and I think it's still in place -- there
11 is a provision in Act 13 which allows the
12 Commissioner to make a determination to start
13 privatizing. Is that still part of the law?
14 ACTING COMMISSIONER ARIO: Representative,
15 that's correct.
16 The next time that decision would face me --
17 there was a decision just prior to my coming on the
18 scene. The next decision point under current law is
19 in 2009, and that decision would be whether to go
20 from the current $500,000 first layer covered in the
21 private sector to a first layer in the private sector
22 up to $750,000.
23 I know there has been talk in the General
24 Assembly, particularly, I think, on the Senate side,
25 about having the ramp-ups occur in a more graduated

1 fashion, so maybe $50,000 or $100,000 at a pop. I
2 think there's real merit in that idea. It ought to
3 be looked at, and it may be easier to ramp-up on a
4 gradual pace like that -- less disruption in the
5 market and so forth.
6 A $250,000 jump at one time is a bit
7 daunting. And there still are -- again, I don't want
8 to get down in the weeds here -- but there still are
9 issues that I'm concerned with in the medical
10 malpractice arena, particularly around risk-retention
11 groups having a much more major role than they did
12 back when the market was in better shape.
13 REPRESENTATIVE MICOZZIE: And last but not
14 least, of course, is the abatement. I had the
15 occasion yesterday to go to an ophthalmologist -- a
16 surgeon, an ophthalmologist. And, of course, when I
17 walked in, they started bending my ear about
18 abatement and whatever, but he pointed out the amount
19 of surgeons in the Delaware County area of that
20 discipline, you know, a surgeon.
21 I was amazed, on the three-State area he was
22 talking about -- he was very knowledgeable -- of the
23 lack of these types of professionals. And I'm not
24 just talking about a plain old ophthalmologist; we're
25 talking about an ophthalmologist that does surgery on

1 the eye and that type thing. And then, of course, I
2 have some friends who are physicians, doctors. About
3 the abatement, I think that abatement program is
4 essential to continue to try to keep the
5 professionals in Pennsylvania, because that abatement
6 program helps them to pay that liability insurance
7 that has been dogging them for the last 10 years or
8 whatever.
9 So are we on the right track as far as the
10 abatement? I mean, there seems to be rumor around
11 that the Governor is not too hyped, I'll call it, on
12 the abatement. Is that true or false?
13 ACTING COMMISSIONER ARIO: Absolutely false.
14 I've heard the Governor speak on this issue
15 again very passionately. He points out that he had a
16 joint press conference with former Governor Schweiker
17 before he even took office to talk about putting in
18 place an abatement program.
19 He has always championed that abatement
20 program. And indeed, his proposal on a go-forward
21 basis for the first time is, let's not do it year to
22 year; let's have a 10-year renewal of it.
23 The only thing that the Governor does do --
24 and I know it's a source of consternation to some
25 here -- is to say that that's not the only priority

1 for the Legislature and the health-care arena and
2 that he thinks doing something with the uninsured is
3 an equally important priority. So he links the two,
4 and that causes some people to be unhappy.
5 But trust me, it is not an intention to do
6 in the abasement program. It's intended to deal with
7 both problems together.
8 REPRESENTATIVE MICOZZIE: Thank you very
9 much.
10 Thank you, Mr. Chairman.
11 REPRESENTATIVE KELLER: Thank you.
12 The minority Chairman of the Consumer
13 Affairs Committee, Representative Bob Godshall.
14 REPRESENTATIVE GODSHALL: Thank you,
15 Mr. Chairman.
16 Good afternoon.
17 ACTING COMMISSIONER ARIO: Good afternoon.
18 REPRESENTATIVE GODSHALL: I'm going to be
19 quoting sort of from a study that was developed by
20 the National Conference of Insurance Legislators, a
21 body that numerous people here in this room belong
22 to, members of the Insurance Committee.
23 And basically the study was done because of
24 concerns that were developed out of NAIC, the
25 National Association of Insurance Commissioners, and

1 they used really closed-door meetings and closed-door
2 sessions at your meetings.
3 And I do want to quote from -- one of the
4 reasons for the study was the legal authority behind
5 primary oversight of insurance and related consumer
6 protections, the statutory authorities and
7 responsibilities granted to Legislators, executive
8 and judicial branch members, and regulatory
9 organizations, among others.
10 Studies regarding the evolution and funding
11 of regulatory entities, recommendations to clarify
12 and define the role of such entities, and their
13 oversight duties in order to promote an effective and
14 efficient regulatory environment, really based on
15 what was once a policy committee or a regulatory
16 committee, is now totally almost dwelling in the
17 policy realm, which many of us feel really is the
18 realm of the Legislators rather than the regulators.
19 And I guess a case in point is just
20 recently, a Life Settlements Model Act was passed by
21 NCOIL, the National Conference of Insurance
22 Legislators. A similar Life Settlements Model Act
23 was also passed by NAIC, the National Association of
24 Insurance Commissioners.
25 We passed the model act. You passed the

1 model act. One of the major differences was, ours
2 was done in the open, totally open meetings. Anybody
3 can go to an NCOIL meeting. They're all open to the
4 public and open to anybody who is there. Yours was
5 basically passed in closed, secret, or whatever
6 meetings.
7 You know, I'm not sure what's happening
8 here, but a lot of us feel that are active with the
9 Insurance Committee that the NAIC is just
10 overstepping their bounds.
11 And I guess a case in point also is the
12 development of the NAIC over the years. The NAIC
13 today has a budget which exceeds $62 million, has
14 approximately 400 or more employees -- and I'm not
15 sure what they all do -- and we pay, I guess at the
16 State level, $100,000 a year, approximately $100,000
17 a year, as our assessment, plus the insurance
18 companies that operate within the State, you know,
19 are also paying a fairly substantial amount of money
20 to NAIC to develop that $60-some million surplus that
21 really remains now in the coffers of the NAIC.
22 Again, we're not the only ones that are
23 complaining. In a memo that I got dated May 29,
24 2007, it says, "NAIC officials met in executive
25 session this spring to develop the procedure in an

1 effort to increase the likelihood that new models
2 really will shape State laws and regulations. The
3 NAIC Executive Committee, meeting in executive
4 session, will have to determine that the issues that
5 are subject to the model requirements meet national
6 standards" and so forth.
7 And then "Consumer representatives have
8 concerns about the use of executive sessions to
9 develop NAIC model law approval procedures according
10 to..." and so forth and so on. You know, it's a
11 matter of regulation versus policy.
12 And then at the same time, back in 2004,
13 investigations by then Attorney General and now
14 Governor Eliot Spitzer in New York in competitive
15 acts by insurance brokers, that was handled by the
16 Attorney General's Office, and where were the
17 insurance commissioners, you know, on the regulatory
18 process?
19 You know, that's what I'm saying. We have
20 become, instead of being a regulatory, we've become a
21 policy committee with millions and millions of
22 dollars in budgets and in surpluses. You know, is
23 this what it was meant to be when this was first
24 formulated?
25 ACTING COMMISSIONER ARIO: Representative---

1 REPRESENTATIVE GODSHALL: And I know you
2 were a part of this organization, and I did share
3 these comments with you in advance.
4 ACTING COMMISSIONER ARIO: Representative,
5 thank you for those questions.
6 You and I have had one chance to talk about
7 NCOIL and the NAIC, and I say we probably need at
8 least one or two or three more chances maybe. So you
9 said a lot of things there. Let me try to address
10 some of the points that you made.
11 REPRESENTATIVE GODSHALL: If I may
12 interject.
13 Some of our members have gone to your
14 meetings. Some of the members of different State
15 insurance committees have gone to your meetings, and
16 they have been denied access to the meetings.
17 ACTING COMMISSIONER ARIO: Representative,
18 that absolutely should not happen, and I'd be happy
19 to follow up on any specifics that way.
20 Let me say a couple of things, though,
21 because you did make a number of important points,
22 and I think they deserve discussion here.
23 The first point, NAIC versus NCOIL; regular
24 role versus legislative role. Your current Chairman,
25 Brian Kennedy, and I have become good friends. It

1 came out of an initial exchange between us in an
2 NCOIL hearing.
3 I used to go to every NCOIL meeting for
4 about 3 years when the NAIC and NCOIL worked together
5 to produce, I think, a very good market conduct
6 reform act, and NAIC and NCOIL still work together on
7 a lot of the models. And the example you cited, I
8 think those models are complimentary to each other.
9 Anyway, his point to me that day when we had
10 the exchange was, I'm the legislator; you're the
11 regulator. We set the rules; you execute and
12 implement the rules. I believe that's absolutely
13 correct.
14 The one thing that sometimes comes into play
15 here, and you referenced it, is that as the
16 regulator, I believe it is my job to bring forward
17 policy recommendations, policy options, for the
18 consideration of the Legislature.
19 But you absolutely are in the driver's seat
20 in terms of setting insurance policy. Our role is to
21 implement the policies and to make recommendations
22 where appropriate for your consideration. And so I'm
23 quite clear on that with Brian Kennedy, who I think
24 wrote the report that you're referencing there.
25 The second issue. You made reference to the

1 NAIC's $62 million budget. It is a large,
2 well-resourced organization. The reason it's that
3 way is because the insurance industry wants it that
4 way because insurance is regulated at the State
5 level, and being regulated at the State level, there
6 are multiple concerns about coordination and
7 consistency and even uniformity between the States.
8 So we have a financial accreditation program
9 today that takes the lion's share of that $62 million
10 budget where all insurance companies in this country,
11 many of whom are licensed in every State, file one
12 place with their financial data electronically every
13 year.
14 Just this week, my financial guy was in the
15 other room working on some annual statements, and I
16 said, we don't get annual statements from everybody
17 here in Pennsylvania anymore, do we? Most States
18 have dispensed with that. And he said, so have we;
19 we don't require the companies to file here except
20 the domestic ones because we use the NAIC system.
21 And there's tremendous gains to the State
22 regulatory system, which, as you know, NCOIL is every
23 bit as strong as the NAIC and maybe even stronger for
24 saying that needs to stay at the State level. The
25 reason it will stay at the State level is because of

1 the uniformity and coordination that the NAIC brings
2 to bear.
3 Just a couple more points on the open versus
4 closed meetings. We have very few closed meetings at
5 the NAIC. Some of them that were closed should have
6 been open. That issue was brought forward by NCOIL,
7 and there now are more open meetings. Many that they
8 pointed to that used to be closed are now open.
9 There are going to always be some closed
10 meetings. We discuss companies that are either in
11 financial difficulty or subject to regulatory action
12 where there is very confidential information. Some
13 of that does have to be closed.
14 But we've created, much at NCOIL's behest, a
15 new committee at the NAIC that combines insurance
16 regulators and Legislators and meets on a regular
17 basis.
18 I think if you checked with your current
19 president, Brian Kennedy from Rhode Island, he would
20 tell you that there has been marked improvement in
21 all these areas. I know that's what he tells me. I
22 shared a podium with him recently.
23 And then the last issue, I have to respond,
24 because I was very involved in the issue with
25 Attorney General Spitzer and the bid rigging and that

1 sort of thing.
2 The New York Insurance Department started
3 that issue. Attorney General Spitzer -- then
4 Attorney General Spitzer -- took it up, too, and the
5 only reason that people think he did all the work and
6 the insurance regulators did not is because he is
7 much better at the media game than the insurance
8 regulators are. We just do our work and get it done.
9 And if you talk to him today, he works hand
10 in glove with his insurance regulator, and he will
11 tell you that the insurance regulators were very much
12 a part of that action even though he got most of the
13 credit.
14 REPRESENTATIVE GODSHALL: I appreciate the
15 time, and I appreciate your responses.
16 I just want to call, you know, one thing to
17 your attention: "NAIC officials met in executive
18 session this spring to develop the procedure in an
19 effort to increase the likelihood of a new model
20 act..." and so forth, and that was dated May 29,
21 2007.
22 And, you know, I'm not sure why you have to
23 meet in executive session to figure out how you're
24 going to put model acts together. So it's still
25 happening, and these things should really be open to

1 the public.
2 And again, this operation was denounced by
3 consumer representatives, not only by Insurance
4 Committee people. So it's still happening, and I
5 think there's a lot of work to be done.
6 I do appreciate your responses today. Thank
7 you.
8 ACTING COMMISSIONER ARIO: It would be my
9 pleasure to continue working with you,
10 Representative, on them.
11 REPRESENTATIVE GODSHALL: Thank you,
12 Mr. Chairman.
13 REPRESENTATIVE KELLER: If the members would
14 -- we have nine members that are on the list to ask
15 questions. So, Commissioner, if you could condense
16 your answers, and if the members would be mindful of
17 our time.
18 Representative Bryan Lentz, please.
19 REPRESENTATIVE LENTZ: Thank you,
20 Mr. Chairman.
21 Good afternoon, Mr. Commissioner.
22 ACTING COMMISSIONER ARIO: Good afternoon.
23 REPRESENTATIVE LENTZ: I was happy to hear
24 you, in your answers to a couple questions, restate
25 the commitment of yourself and the Administration to

1 the abatement. I think in speaking to doctors,
2 certainly in my district, that it's an important
3 program and one that we should not lightly dismiss or
4 do away with.
5 I think it's one of the things that helps
6 doctors and sort of improves the atmosphere for them
7 here in Pennsylvania, which I think is an atmosphere
8 that can't be underestimated. It's important to have
9 a good atmosphere for medical providers.
10 Two of the areas that I want to ask you
11 about that I think do not create a good atmosphere
12 for doctors are the low reimbursement rates and the
13 medical liability market, which you mentioned
14 earlier.
15 Now, I introduced two bills, which Chairman
16 DeLuca was kind enough to have hearings on, one
17 dealing with the reimbursement rate. And we had a
18 surgeon come in and testify, and he brought with him
19 blowups of checks for 1 cent that he received for
20 reimbursement for surgical procedures.
21 He explained to us in very good detail, with
22 facts that I didn't think really could be challenged,
23 that there are many reimbursement rates for which he
24 actually loses money for getting out of bed at
25 3 o'clock in the morning and performing a surgery.

1 So I'm curious, first of all, do you know
2 where we rank nationally for reimbursement rates?
3 ACTING COMMISSIONER ARIO: Representative, I
4 assume you're talking about the commercial
5 marketplace here or are you talking about Medicaid
6 reimbursement?
7 REPRESENTATIVE LENTZ: Commercial.
8 ACTING COMMISSIONER ARIO: The commercial
9 market, to my knowledge, is not ranked, because much
10 of that reimbursement rate is still confidential. I
11 believe it should be more transparent.
12 I am told that because of the market
13 conditions here, that reimbursement rates -- I
14 probably hear more complaints here than I heard back
15 in Oregon about reimbursement rates. So my general
16 impression is that they are low, but I can't tell you
17 with any precision because they're mostly
18 confidential.
19 REPRESENTATIVE LENTZ: Okay.
20 ACTING COMMISSIONER ARIO: I do oftentimes
21 get into those discussions. I sometimes hear from
22 insurers saying, such and such a hospital or other
23 provider group is not being reasonable, so I just
24 want you to know that we may discontinue our
25 contracts and you may hear complaints about that, but

1 here is why we're doing it, because we're trying to
2 control costs.
3 I say, I absolutely agree with you to
4 negotiate tough contracts and control costs, but be
5 aware that you need to have an adequate network out
6 there, too. So you need to negotiate rates that
7 actually work for people that are fair so that there
8 is a good provider network.
9 I also hear, less often, because we're not
10 the regulator, but provider groups, our hospitals,
11 come in and say that such and such an insurer is
12 being unfair to us and we may not renew our contract,
13 and so the customers may complain. And I say the
14 same thing, you know, that I expect the insurers to
15 negotiate tough but I expect them to negotiate fair,
16 and I hope you guys work it out.
17 Ninety-nine percent of time, those
18 arrangements are worked out, and I think that's the
19 way it should be. I think the private sector for the
20 commercial marketplace has to set the rates. I think
21 that the State can be in there trying to figure out
22 what is a fair rate when a very complicated
23 marketplace, like the health marketplace, is not
24 workable.
25 But I do think there has to be sideboards,

1 and so we've had actions with different insurers
2 around things like our most-favored-nation clauses
3 and other kinds of unfair practices that sometimes
4 larger carriers in the market try to use to take
5 advantage of their market position, and we always
6 seek out that kind of information. I penned a letter
7 this morning back on a concern in Philadelphia in
8 this respect.
9 So it ought to be a market-based
10 transaction, but there also ought to be some
11 sideboards and some basic questions of fairness on
12 it, and we do work aggressively on those sorts of
13 situations.
14 REPRESENTATIVE LENTZ: And just very quickly
15 if you could tell us, how are we doing on lowering
16 the liability rates?
17 ACTING COMMISSIONER ARIO: Again,
18 Representative, thank you for that question.
19 We're doing very well. Three or four years
20 ago, the major carriers were seeking rate increases
21 in the 30- and 40-percent range. This year the two
22 largest carriers had 6- and 12-percent rate
23 reductions respectively.
24 The claims in the Mcare Fund, which is a
25 good bellwether measurement of where the rest of the

1 market is, have been cut in half in the last 5 years.
2 So we are in a much, much better market today than we
3 were only 5 years ago.
4 REPRESENTATIVE LENTZ: Okay. Thank you.
5 ACTING COMMISSIONER ARIO: Thank you.
6 REPRESENTATIVE LENTZ: Thank you,
7 Mr. Chairman.
8 REPRESENTATIVE KELLER: Thank you.
9 Representative David Reed, please.
10 REPRESENTATIVE REED: Thank you,
11 Mr. Chairman.
12 I thank you, Commissioner, for appearing
13 before the committee today.
14 ACTING COMMISSIONER ARIO: Thank you.
15 REPRESENTATIVE REED: I have a number of
16 questions, but a number of them are just very basic
17 questions with a numerical response.
18 My first question is that in August of 2007,
19 the Governor announced he was offering adultBasic
20 coverage to 35,000 individuals across the
21 Commonwealth who were currently, at that time, on the
22 waiting list.
23 How many of those folks actually signed up
24 for adultBasic coverage?
25 ACTING COMMISSIONER ARIO: It's about a

1 third, I believe.

2 George, do you have a more precise number?

3 DEPUTY COMMISSIONER HOOVER: About a third

4 is usually good based upon the length of time those

5 folks are on the wait list.

6 REPRESENTATIVE REED: Okay.

7 Do you have any idea why only a third who

8 were offered -- they had taken the time to sign up

9 for the waiting list, but only a third actually

10 signed up when they were offered entrance into the

11 program?

12 ACTING COMMISSIONER ARIO: Very good

13 question.

14 The main reason, I think, is the timeline.

15 We have a waiting list that stretches back over a

16 year. So that typically when we're making an offer,

17 like this last offer, the people we are offering it

18 to are people that have been on the waiting list for

19 anywhere from 10 months to 15 or 16 months.

20 So for a lot of those people, life

21 circumstances have changed. They moved on.

22 Hopefully a lot of them have gotten a job and gotten

23 insurance that way. Maybe they bought individual

24 insurance. Maybe a spouse has gotten a job. Maybe

25 they have even moved out of the State.

1 Obviously when people take the time and
2 effort to sign up, at the moment they sign up,
3 presumably they're prepared to take the coverage. So
4 something has changed in their circumstances, and
5 that's a big reason why we would like to see a
6 program that eliminated those wait lists, so that
7 when people came forward to get insurance, that would
8 be available to them that day. And certainly an
9 early target in the CAP program will be the people
10 who are currently on that adultBasic waiting list.
11 REPRESENTATIVE REED: What happened -- that
12 leaves about 25,000 slots that were offered but not
13 taken up. What happened to those 25,000 slots at
14 that time?
15 ACTING COMMISSIONER ARIO: When we make an
16 offer, we do project what we think the take-up rate
17 will be. So we projected that not everybody would
18 take up the offer.
19 If literally every person when we made an
20 offer took it up, it would put a great strain on the
21 budget. We keep some money in surplus. We don't
22 make an offer that we intend to spend out every dime
23 we have in case there is a higher take-up rate. But
24 the planning around those things is for a take-up
25 rate less than 100 percent.

1 REPRESENTATIVE REED: So that would be why
2 you don't offer adultBasic signups on a rolling
3 basis? For instance, if you offer 35,000 and 25,000
4 turn you down, those slots aren't automatically given
5 to the next 25,000 folks on the waiting list. You
6 are making those offers assuming only a third are
7 going to actually sign up for the program.
8 ACTING COMMISSIONER ARIO: That's correct.
9 REPRESENTATIVE REED: What is the current
10 waiting list for the adultBasic program?
11 ACTING COMMISSIONER ARIO: About 80,000,
12 George?
13 DEPUTY COMMISSIONER HOOVER: About 80.
14 REPRESENTATIVE REED: So we're probably
15 talking about 25,000 to 30,000 folks whom you
16 actually anticipate out of that 80,000 when offered
17 will sign up for the program?
18 ACTING COMMISSIONER ARIO: Well,
19 Representative, no, I think a little more, because if
20 we only make an offer to half of them, then we make
21 it to the first half in. So we're dealing only with
22 people who have been on the waiting list for some
23 period of time.
24 If we made an offer to the whole waiting
25 list, there would be a lot more people that had just

1 recently been added to the list, and the take-up rate
2 would be higher.
3 REPRESENTATIVE REED: Okay. But in the end,
4 when you look at that 80,000 figure, it's a high
5 number. There aren't that many folks out there who
6 have signed up for the waiting list, at least through
7 your historical models, who are actually still
8 waiting for health-care insurance coverage?
9 ACTING COMMISSIONER ARIO: Again, it all
10 depends on how far back on the list you go.
11 George, you might have an answer. If we
12 made an offer to the whole 80,000, we think the
13 take-up rate would be what, half?
14 DEPUTY COMMISSIONER HOOVER: Well, yeah, I
15 would say at least half of those individuals.
16 Certainly the people that applied most recently would
17 take us up on the offer because they had recently
18 applied for health care. But the ones that were
19 further back, the percentage is less.
20 REPRESENTATIVE REED: Okay.
21 My question now is going and transitioning
22 into the Cover All Pennsylvanians program. The
23 Governor's Office has put out the number 767,000
24 individuals without health-care coverage in the State
25 of Pennsylvania.

1 ACTING COMMISSIONER ARIO: That is correct.
2 REPRESENTATIVE REED: Now, we've got a CHIP
3 program that covers all children, and then once you
4 reach a certain age, you're into the Medicare
5 bracket.
6 There are over 700,000 folks who are
7 supposedly uninsured, but only 80,000 of those folks
8 have taken the time to actually sign up to possibly
9 at some point in the future acquire the adultBasic
10 program. There seems to be a pretty large gap there
11 in between what the Governor is saying and the
12 practices of the actual individuals who are
13 supposedly uninsured.
14 How do you explain that difference?
15 ACTING COMMISSIONER ARIO: Well,
16 Representative, I think the major explanation point
17 is that the adultBasic program is only available to
18 people below 200 percent of the poverty level. So
19 we're dealing with the poorest citizens of the State
20 who are the only ones eligible, and a significant
21 percentage of the uninsured are above that level;
22 therefore, ineligible for that particular program.
23 REPRESENTATIVE REED: Do you have estimates
24 on how many of that 767,000 folks would be eligible
25 for the adultBasic program?

1 ACTING COMMISSIONER ARIO: This is why I'm
2 glad I have George with me. Do you know that number,
3 George?
4 DEPUTY COMMISSIONER HOOVER: Do you mean the
5 number below 200 percent of poverty?
6 REPRESENTATIVE REED: Yes.
7 DEPUTY COMMISSIONER HOOVER: I've got it
8 here somewhere.
9 ACTING COMMISSIONER ARIO: My memory tells
10 me that it's a couple hundred thousand. So something
11 like half the people who are eligible would be on the
12 waiting list actually, but we'll try to get it for
13 you.
14 REPRESENTATIVE REED: And while he looks
15 that up, just another follow-up.
16 Of that 767,000, let's just assume -- let's
17 say there's 100,000 or 200,000 who meet the
18 adultBasic guidelines. Are those folks accounted
19 for? You know, within that 80,000, you're talking
20 about probably 50 percent no longer need health-care
21 coverage who are on that waiting list, 50 percent
22 give or take. Are you accounting for those folks who
23 probably no longer need coverage, or are they still
24 included in that 767,000 folks?
25 ACTING COMMISSIONER ARIO: Representative,

1 when we do the surveys -- and by the way, we are
2 doing another survey right now, so there will be an
3 update to the 767,000 -- it counts everybody that's
4 uninsured at that point.
5 But your questions are very, very good, and
6 I think they go to this point about the Governor's
7 plan: If you look at how many people are currently
8 projected to get coverage under the Governor's CAP
9 plan, over the first 5 years, it's 271,000.
10 So he's very much in accord with what you're
11 suggesting here, which is if we tried to cover every
12 last one of those 767,000 some of them have moved on,
13 some of them may not even want coverage, so the
14 number that we're actually ending up covering is
15 about a third -- 271,000 of the 767,000.
16 REPRESENTATIVE REED: For the adultBasic
17 program, folks are also offered, if they don't meet
18 the guidelines for the free coverage, to buy into the
19 program. What are the income eligibility guidelines
20 to buy into that program?
21 DEPUTY COMMISSIONER HOOVER: They're
22 actually the same guidelines. It's just that there's
23 no slot available for that person at that point, so
24 it is still 200 percent.
25 REPRESENTATIVE REED: Okay.

1 DEPUTY COMMISSIONER HOOVER: So in relation
2 to your question, Representative Reed, also about the
3 number of people under 200 percent of poverty, that's
4 about 453,000 of the uninsured individuals.
5 REPRESENTATIVE REED: So only 80,000 have
6 taken the time to sign up for the adultBasic program,
7 even though 453,000 are eligible to do so.
8 Do we have any idea why they would choose
9 not to at least begin the process toward health-care
10 insurance in Pennsylvania?
11 DEPUTY COMMISSIONER HOOVER: Well, number
12 one, they know that there's a very exhaustive wait
13 list and that they may have to wait a year and a half
14 before coverage would be available.
15 REPRESENTATIVE REED: Okay.
16 DEPUTY COMMISSIONER HOOVER: That's the
17 primary reason that's given to us.
18 REPRESENTATIVE REED: And just a final
19 question.
20 From what I understand, the Cover All
21 Pennsylvanians program is not an entitlement program,
22 and if sufficient funding is not there in year one to
23 actually cover all the folks who signed up, there
24 will be a waiting list as well. Do you anticipate a
25 similar trend occurring, that folks will fail to sign

1 up for the Cover All Pennsylvanians program if
2 there's a waiting list?
3 ACTING COMMISSIONER ARIO: The idea that we
4 would use a waiting list there is very much open to
5 discussion. There are a number of different ways, if
6 we didn't have the resource.
7 I mean, so the first issue is, do we have
8 the resource? I believe we will have the resource
9 under the plan and there wouldn't be the problem.
10 But were there the problem, rather than having a
11 waiting list, there could be a change in eligibility
12 as to who is eligible. There could be a change in
13 the benefit plan to make it go further and cover more
14 people.
15 So the waiting list plan for the reasons you
16 suggest, putting people on long waiting lists, we do
17 know now, does deter people from even applying for
18 the plan. So per your question, it may not be the
19 most advisable way to deal with a shortfall of money.
20 But I want to underscore what you said. The
21 program is not an entitlement program; it is a
22 program that we would adjust in some form or fashion
23 if there weren't full funding for it.
24 REPRESENTATIVE REED: Okay. Just one last
25 follow-up.

1 When you talk about changing the eligibility
2 for the program, the program is called Cover All
3 Pennsylvanians. If you have eligibility guidelines,
4 then in essence it's not actually Cover All
5 Pennsylvanians; it's Cover All Pennsylvanians that
6 fit the guidelines prescribed by the Governor.
7 So I think that's an important term
8 differential that we find is playing out at the
9 national level right now with the Presidential
10 campaign, and we hear it in the rhetoric politically
11 oftentimes.
12 But this program does not actually cover all
13 Pennsylvanians. It assumes certain assumptions about
14 who will sign up and who will not sign up with the
15 possibility of implementing eligibility guidelines at
16 some point in the future that would actually narrow
17 that focus as well.
18 ACTING COMMISSIONER ARIO: Representative, I
19 think the point about Cover All Pennsylvanians and
20 language about universal coverage and so forth is
21 aspirational to what we're trying to achieve.
22 But if your point is that the plan in front
23 of you and probably, frankly, any plan will not get
24 us to full universal coverage, you're absolutely
25 right. I think at the State level that's probably

1 not fully achievable.
2 REPRESENTATIVE REED: Okay. Thank you very
3 much. I appreciate it.
4 Thank you, Mr. Chairman.
5 REPRESENTATIVE KELLER: Thank you.
6 Representative Kathy Manderino, please.
7 REPRESENTATIVE MANDERINO: Thank you,
8 Mr. Chairman and Mr. Insurance Commissioner.
9 I'm so glad Representative Reed wants to
10 Cover All Pennsylvanians, because I do have a
11 universal health-care bill. It's House Bill 1660. I
12 only have one Republican cosponsor so far, but I
13 invite your cosponsorship.
14 Thank you very much for being here.
15 Most of my questions about adultBasic have
16 been answered, but the one thing that I just want to
17 explore a little bit further, picking up on where
18 Representative Reed left off, is let's assume that we
19 get Cover All Pennsylvanians as outlined in Governor
20 Rendell's latest proposal with the Mcare reserve fund
21 surplus money going into the pot along with the extra
22 tobacco tax that he wants to put in there.
23 Is the estimate -- and again, understanding
24 that it's not an entitlement -- but is the estimate
25 that that larger pot will be able to cover everyone

1 who is waiting? everyone who is waiting under a
2 certain income level?
3 Can you give us a little bit more detail
4 about what's anticipated that we will be able to
5 cover in addition to where we are now?
6 ACTING COMMISSIONER ARIO: The answer is
7 yes, Representative.
8 The goal, the 271,000 that would be covered
9 in the projections under the program in the first
10 5 years, we believe is consistent with what the
11 take-up rate would be in the way that the program is
12 rolled out and offered.
13 This does depend on a lot of assumptions
14 that actuaries work with. So you have assumptions in
15 there, but the assumptions are not that this would
16 cause a waiting list or that we'd have to reduce the
17 program to cover that number of people.
18 With the funding the way the Governor
19 proposes it, that's the number of people that would
20 take up the offer, and we would add -- remember, we
21 only have 50,000 today in the adultBasic program, so
22 were we to get to 271,000, that would be more than a
23 fivefold increase in the program over the next
24 5 years.
25 REPRESENTATIVE MANDERINO: Great.

1 And I have a couple questions about CHIP,
2 but let me just kind of ask one other about
3 adultBasic that rolls in.
4 When we did the Cover All Children, one of
5 the things which I actually kind of want to update a
6 report on is we allowed families over and above, I
7 think it's 300-percent poverty for children, but we
8 allowed families over that to buy in at cost.
9 Is that envisioned for adultBasic? If
10 you're bare, if, you know, you meet all those other
11 requirements -- you don't have insurance through an
12 employment or other source and you've been bare for
13 so long -- do we envision Cover All Pennsylvanians
14 allowing people who can't get access to the health
15 insurance market other ways to buy into adultBasic at
16 cost?
17 ACTING COMMISSIONER ARIO: Yes.
18 REPRESENTATIVE MANDERINO: Great.
19 Let me take that right to CHIP. Tell me
20 about where we are with Cover All Children in terms
21 of what's happening with enrollment, what's happening
22 with the buy-ins for CHIP Plus, and particularly
23 what's happening with what I'll call the full-cost
24 buy-ins?
25 ACTING COMMISSIONER ARIO: I'm going to give

1 that one to George.
2 DEPUTY COMMISSIONER HOOVER: Sure, and thank
3 you for your support with the Cover All Kids
4 expansion to CHIP. It has enabled us to offer health
5 care to all children that meet the eligibility
6 requirements.
7 Enrollment has continued to grow almost
8 every month since we have implemented Cover All Kids,
9 and we're up to now about 168,000 kids enrolled in
10 the program. Over the course of the Governor's
11 Administration, enrollment has grown about 35 percent
12 over where it was when he took office.
13 And we actually do have about a thousand
14 children that have their family, as of the current
15 data as of this month, that are actually buying in at
16 cost. So there are about a thousand kids that
17 obviously wouldn't have had health care that are
18 above 300 percent.
19 Plus, we've got a number of other children,
20 probably in the neighborhood of 5,000, that are in
21 the expanded eligibility group.
22 REPRESENTATIVE MANDERINO: Okay.
23 Can you tell me, one of the things that my
24 recollection is that we did in order to protect
25 against concerns that people might have had about

1 folks dropping coverage and going into CHIP, we have
2 put a kind of go-bare for any children over 2 years
3 of age in the program requirements. Are you able to
4 track or tell kind of what impact that has had? Is
5 that something that is a barrier? Is that something
6 that's kind of a good policy decision?
7 I'm just trying to get a feeling of whether
8 we know yet, based on whatever track record we have,
9 about a year now, whether that was a good or a bad
10 policy decision, from both sides, from the family
11 insurance side and from -- from the child being
12 insured versus the insurance side.
13 I just want to understand the impact of
14 that.
15 ACTING COMMISSIONER ARIO: Representative,
16 it's a very good question, and I appreciate your
17 asking that from both sides, because you will hear
18 from the advocates that when you put in a go-bare
19 period like that, it's a deterrent for some people.
20 And even if it's not a deterrent, it does keep them
21 out of coverage for some period of time, and some bad
22 things can happen in that time. So it's not the
23 ideal thing to do.
24 But on the other side of the equation, we do
25 know that it works. It does avoid the crowd-out

1 problem. We believe there hasn't been a crowd-out
2 problem in the CHIP program in this State, and we
3 believe that the period of uninsurance, the 6 months
4 of uninsurance, is the principal reason, and that's
5 consistent with data around the country.
6 There frankly are very few people out there
7 who currently have insurance who want to game the
8 system so badly that they want to give up their own
9 insurance and go bare for some period of time,
10 6 months or more, and then come in and try to get in
11 a different State program.
12 So it's not the ideal, but it's probably a
13 necessary part of a program like this to avoid the
14 crowd-out problem that you reference.
15 REPRESENTATIVE MANDERINO: Great.
16 My last question goes again to the Mcare
17 abatement. And in response to Representative Lentz,
18 you said, you know, we're in a much better insurance
19 marketplace than we have been in the past, but that
20 was a very subjective, I guess, analysis.
21 What I'm looking for is, my recollection,
22 again under the Mcare Act, the department must
23 certify by some stated date every year what the
24 status of the insurance market is in order to decide
25 whether or not the Mcare abatement is still

1 necessary. What is that date certain for this year?
2 Has it come or has it not come?
3 ACTING COMMISSIONER ARIO: Representative,
4 your recollection is generally correct. It's not
5 quite every year, though. The program envisioned
6 decisions every couple years depending on how first
7 decisions went and so forth.
8 So there was a decision point last year, in
9 2007, on whether to take the market up, and it didn't
10 deal directly with the abatements. It dealt with,
11 today, the market is half a million, you pay it for
12 yourself through the marketplace; the next half
13 million is the Mcare layer.
14 So the decision point in 2007 was, should
15 that 500 number be taken up to 750, so that
16 three-quarters of the coverage would be in the
17 private sector, one-quarter from Mcare?
18 The decision was not to do that. Again, I
19 wasn't directly involved in that. It was right at
20 the time that I was coming in, but I've looked at it
21 now and learned it, because I know I'm going to have
22 to make the decision in the future, and I think the
23 principal reason it wasn't done was because in the
24 prior markets, most of the market was insurance
25 companies. Those are the kinds of animals that we

1 know well, we know what kind of capitalization they
2 have, and they follow all the rules. Today, more
3 than a quarter of the market is risk-retention
4 groups. Those are entities that are subject to less
5 regulation. They kind of come into the market when
6 there are problems with getting insurance companies
7 to come into the market. So there was a nervousness
8 about whether those risk-retention groups were here
9 to stay, were they financially solid, and so forth.
10 And so that's the part that continues to be looked
11 at.
12 The next decision point, based on the fact
13 that we didn't step up, as they say, in 2007, is in
14 June of 2009, and that would be another decision
15 about whether to go from 500 to 750. So that's still
16 more than a year away.
17 Again, I want to underscore, there are
18 discussions in this building, and I think they're
19 good discussions, about making those decisions on a
20 more graduated basis so that you can slowly ramp up
21 there and have less disruption, and it makes it
22 easier to deal with uncertainties like risk-retention
23 group if you're only taking that baby step instead of
24 this leap to 750.
25 REPRESENTATIVE MANDERINO: Okay. Thank you.

1 Thank you, Mr. Chairman.
2 REPRESENTATIVE KELLER: Thank you.
3 Just for the members' information, the
4 Pennsylvania State Police are scheduled to be here at
5 2:30. So I thought the longer you make them wait,
6 those of us that drive the turnpike, that would be a
7 good piece of information to have.
8 Next, Representative Gordon Denlinger.
9 REPRESENTATIVE DENLINGER: Mr. Chairman, you
10 know how to put fear into people right there.
11 ACTING COMMISSIONER ARIO: It was those auto
12 CAT surcharge funds, right?
13 REPRESENTATIVE DENLINGER: There it is.
14 Good afternoon.
15 ACTING COMMISSIONER ARIO: Good afternoon.
16 REPRESENTATIVE DENLINGER: A couple of
17 questions about community health reinvestment, and
18 then I want to go into some items about CHIP.
19 But the portion of CHR dollars that flow
20 toward adultBasic is about 60 percent. In this
21 budget that you submitted, you are estimating that
22 this allocation will rise from approximately
23 $90 million in '07-08 to over $121 million in '08-09.
24 What is the reason for the increase?
25 ACTING COMMISSIONER ARIO: Representative,

1 good question, because I looked at the numbers and
2 asked the same thing, and the answer is that it's
3 related to changing from a fiscal year to a calendar
4 year or vice-versa, based on some sort of carryover
5 money that gives us a particularly large share next
6 year.
7 If you look out into the out-years, you go
8 back into the $80 million range, and then it starts
9 ramping up at a more gradual basis based on premium
10 growth.
11 So the CHR, this year is kind of an
12 exception, aberration year at $120 million. The
13 funding there really is kind of a baseline of about
14 $80 million, and then the budget numbers project that
15 we're going to continue to have an expanding
16 health-care market. Premiums are going to go up,
17 therefore CHR contributions go up on a, I think a 2-
18 or 4-percent per year basis.
19 REPRESENTATIVE DENLINGER: So there was
20 nothing in that calculation that relates back to the
21 proposed Highmark-IBC consolidation?
22 ACTING COMMISSIONER ARIO: Yes, there is
23 nothing in there that relates to that in any form or
24 fashion.
25 REPRESENTATIVE DENLINGER: Okay.

1 On that consolidation, Highmark and IBC, if
2 that moves forward, assuming that it does, what
3 requirements do you expect to place on the new entity
4 as far as CHR?
5 ACTING COMMISSIONER ARIO: Representative, I
6 have no thoughts on that at this point. The first
7 decision point on that consolidation is that the
8 Legislature, going back to what Representative
9 Godshall gave me, has set seven basic criteria that
10 have to be met for that consolidation to be approved.
11 Our focus today is on whether those seven
12 conditions are met. We'll do an analysis. We'll do
13 a set of public hearings. We'll make that decision.
14 If that decision is no, then any discussion
15 about anything else is irrelevant. If that decision
16 is yes, then I've heard talk that people may say,
17 well, there maybe ought to be some conditions. So
18 that could be a subject of discussion at that point.
19 But for right now, the issue is, is that
20 consolidation good for Pennsylvania or not? And I
21 know there's a lot of discussion about spending money
22 that may or may not come, but I would submit to you,
23 the health marketplace in Pennsylvania is about a
24 trillion-dollar market over the next 10 years -- a
25 trillion-dollar market. That decision ought to be

1 made on what's good for that trillion-dollar market
2 and not on, you know, $20 million or $80 million or
3 even a billion dollars here and there. Those are
4 small amounts of money that shouldn't interfere with
5 the right decision in that case.
6 REPRESENTATIVE DENLINGER: So we're a little
7 early in the process; we're not ready for
8 requirements at this point?
9 ACTING COMMISSIONER ARIO: No. We have
10 said, Representative, that if we get full cooperation
11 from Highmark and IBC, we believe we can hold public
12 hearings sometime this summer. Probably July is what
13 we're looking at optimistically right now.
14 And if we hold to that timetable and, again,
15 we get full cooperation after the hearing, we could
16 have a decision by the end of the year.
17 REPRESENTATIVE DENLINGER: Moving over to
18 the CHIP program, I guess at the Federal level where
19 we stand at this point is that SCHIP has expired and
20 we're operating under a continuing resolution that
21 funds States that are in danger of having their CHIP
22 program shut down. Is that correct?
23 ACTING COMMISSIONER ARIO: Representative,
24 that's correct.
25 Pennsylvania is in a little better shape

1 than most States in terms of how long we can go with
2 the continuing resolutions and so forth. But you're
3 essentially right; we're living on borrowed time on
4 that program.
5 REPRESENTATIVE DENLINGER: And I have
6 understood that we in fact have generally had a lot
7 of money in this area. In fact, we have significant
8 reserves. Based on our level of reserves, how long
9 can we run without reauthorization?
10 ACTING COMMISSIONER ARIO: George is better,
11 if you could answer that.
12 DEPUTY COMMISSIONER HOOVER: Sure.
13 Number one, if we didn't have money, we
14 would be able to get money the same as other States
15 who have completely run out of money. But with the
16 money that we have right now, we're good through
17 January of 2009.
18 But we would also qualify -- we have
19 $151 million in reserves as of the beginning of next
20 fiscal year. So as of July 1, 2008, we'll already
21 have $151 million in reserves. So we would be able
22 to carry that money forward. When we ran out of
23 money, we would then qualify for our allocation.
24 Many States that have run out of money and
25 didn't have the reserves like we do are using their

1 allocation. So you only get your allocation for next
2 year when you have run out of any carryover funds.
3 REPRESENTATIVE DENLINGER: All right.
4 ACTING COMMISSIONER ARIO: Representative,
5 the way I translate that, too, is remember, there's
6 an election here in November and there will be a new
7 Administration in. So long before we would run out
8 of money, that new Administration, whatever it
9 happens to be and whatever position it takes, it will
10 have control over these decisions more than the
11 current regime.
12 REPRESENTATIVE DENLINGER: So for good or
13 for ill, hopefully the election will fix that issue.
14 ACTING COMMISSIONER ARIO: Yes.
15 REPRESENTATIVE DENLINGER: Good.
16 DEPUTY COMMISSIONER HOOVER: There's
17 actually $168 million there waiting for us. That's
18 what our allocation is for the year. So we don't
19 need to tap into that until we would run through the
20 $151 million.
21 REPRESENTATIVE DENLINGER: Well, in light of
22 that discussion, let's go through a little scenario
23 here.
24 If we're put into a position where we have
25 to spend down our entire reserve and that ship is

1 reauthorized either at level funding or perhaps even
2 a decrease in funding and we don't have the money to
3 pay for the expanded CHIP program, the population
4 expansion that we've had, what exactly will you do?
5 How will you handle that?
6 ACTING COMMISSIONER ARIO: Representative,
7 this is one of them, I'm happy to say, that will fall
8 back into your lap, because it would be an
9 appropriation issue. If there was a shortage of
10 Federal money for that program, some hard decisions
11 would have to be made as to whether we want to put
12 more State resource into that or change the program
13 in some form or fashion.
14 I would say that I don't think that that's
15 the likely scenario with that program. That program
16 tends to be quite popular on both sides of the aisle,
17 and so I anticipate that that program will continue
18 to be federally supported.
19 But if it's not, like any other kind of
20 federally supported program, the State would have to
21 make some hard decisions about how to respond in
22 those circumstances.
23 REPRESENTATIVE DENLINGER: Well, would you
24 take the step of seeking Federal approval to switch
25 funding over to medical assistance?

1 ACTING COMMISSIONER ARIO: I believe that
2 question is premature, and I believe it also -- well,
3 I know it wouldn't be a question that I as Insurance
4 Commissioner would have the principal role in. That
5 would be a decision for the Governor, and I think
6 maybe he would listen more to his Secretary of
7 Public Welfare rather than his Insurance Commissioner
8 on that.
9 REPRESENTATIVE DENLINGER: And then one
10 final item, and I'll keep moving here, Mr. Chairman.
11 CMS, the Centers for Medicare & Medicaid
12 Services, sent a "Dear State Health Officials" letter
13 out last August regarding SCHIP, and the letter
14 basically says that any State CHIP program, that in
15 order for it to be expanded above the 250-percent
16 poverty level, that we have to be providing insurance
17 to a population of 95 percent of those in the State
18 who qualify for CHIP and who are at 200 percent or
19 below the Federal poverty level.
20 As I understand the numbers given earlier, I
21 think we would be in technical violation of that
22 letter. Am I correct in my understanding there?
23 ACTING COMMISSIONER ARIO: Representative,
24 we believe we're very close at meeting that
25 particular standard.

1 And again I would point out that there are a
2 number of other standards in that bill, and we're
3 actually one of the leading States in the country in
4 terms of meeting with CMS and discussing these issues
5 to come closer to meeting most of those standards.
6 But I will also note to you that there is
7 litigation over that from other States. We have not
8 been a party. Again, we tend to be a pretty shining
9 example of a State that has a pretty stellar program
10 here. And we are trying to work with CMS on this,
11 but some of their conditions, like extending the
12 uninsurance period from 6 months to a year and some
13 of the other conditions, we're not particularly
14 enamored with.
15 And how exactly this all works out in an
16 environment in which, again, there will be different
17 people making decisions at CMS shortly, those
18 questions involve some fairly complicated
19 back-and-forth discussions.
20 REPRESENTATIVE DENLINGER: Very good.
21 Thank you, Mr. Chairman.
22 REPRESENTATIVE KELLER: Thank you.
23 Representative Cherelle Parker.
24 REPRESENTATIVE PARKER: Thank you,
25 Mr. Chair, and I'll definitely be brief. I only have

1 two very short questions.
2 Gentlemen, if you could just briefly, for my
3 benefit and the benefit of those who are watching,
4 because sometimes when we are talking about policy
5 and we spew numbers, things get a tad bit confusing
6 for those who are watching.
7 So I just want to make sure I'm correct in
8 recapping that you noted that here in the
9 Commonwealth of Pennsylvania, with a population of
10 approximately 12 million people, we have
11 approximately 800,000, almost a million adults who
12 live in our Commonwealth who are uninsured.
13 ACTING COMMISSIONER ARIO: Representative,
14 that's correct.
15 REPRESENTATIVE PARKER: But you also noted
16 that probably only a third of those who apply to
17 enroll in our adultBasic actually have gained service
18 based on the eligibility requirements along with the
19 long waiting lists. I just want to make sure I'm
20 clear.
21 There was a waiting list to eligible
22 requirements, and that many times when we are in a
23 position to offer them a spot in the program, many of
24 their circumstances have changed. I just want to
25 make sure I'm clear, because the one thing I didn't

1 hear you say, because it sounds very confusing to the
2 public when we give a number of almost a million
3 adults who are uninsured, and we have a program and
4 only a third of them are being served.
5 What we didn't talk about was the number of
6 those people without insurance who use our emergency
7 rooms as preventive care when they are in crisis
8 mode, and in the end, the State has to pay for those
9 services on the back end. So if they were enrolled
10 in the program, we could be focusing on preventive
11 versus crisis care, and I just wanted to get your
12 professional opinion on that.
13 ACTING COMMISSIONER ARIO: Representative,
14 thank you very much for that question.
15 We have so far talked about the uninsured
16 problem in terms of access for those people, and
17 that's very important both as a policy matter and as
18 a moral matter, frankly, to address.
19 But it can also be looked at as a cost issue
20 in the system, because the reality is, as you
21 suggest, when people don't have insurance in this
22 society, they do not go without any help forever;
23 they show up in emergency rooms. And as a good
24 society and also with a push from the Federal
25 government saying that hospitals have to do it, they

1 have to see people in the emergency room, and that is
2 a cost that's in the system.
3 And guess what? As you point out, the care
4 there is much more expensive. It's estimated that
5 the cost of the uninsured is something like a
6 6-percent drag on everybody else's premiums.
7 Hospitals don't get paid there. They put that cost
8 into the commercial ratepayers' rates, and we all pay
9 more for it.
10 So we want to fully get a handle on these
11 issues from a cost perspective, and that's critical.
12 If we don't control the costs of health care, these
13 other things that we do aren't going to matter in the
14 long run.
15 And part of controlling costs is getting the
16 uninsured into care where they can get the same kind
17 of preventive care -- chronic-care management,
18 disease management -- that is used in the parts of
19 the market, particularly large group market, where
20 we're most effective at controlling costs.
21 So a very important point. Thank you for
22 that question.
23 REPRESENTATIVE PARKER: Thank you.
24 Finally -- just the last question, Mr.
25 Chairman -- I want to just go back to some comments

1 that Chairmen DeLuca and Micozzie mentioned as it
2 relates to small businesses and this actual
3 population, and we want you to really describe them
4 for those who are watching. Because when we talk
5 about covering the uninsured and we talk about those
6 small businesses, who I believe are the lifeline of
7 the economic stability of our Commonwealth and even
8 much of our country, although some of them do provide
9 health care, those who can find a way to afford it,
10 you know, with the revenue that they generate, there
11 are a lot who really would like to provide insurance
12 and cover their workers. And these are workers who
13 are working full time and not individuals who are
14 sitting home twiddling their thumbs asking for the
15 State to give them a hand out, but that they are
16 really seeking self-sufficiency.
17 Could you just tell us a little bit again
18 about that demographic of people who, they work full
19 time but they are still in need of health-care
20 insurance?
21 ACTING COMMISSIONER ARIO: Most of the
22 uninsured work full time. That's a very important
23 point and oftentimes an overlooked one in the market.
24 I traveled from Philadelphia out to
25 Pittsburgh and many stops in between listening to

1 small business owners describe their health-care
2 issues, and they wrestle with it. There are very,
3 very few small business owners who don't want to
4 provide health care. When they don't provide it,
5 it's because they can't manage it.
6 And several, you know, we were told very
7 hard luck stories about how they did provide it, and
8 then they saw rate increases or they had a workforce
9 that wasn't on the healthy end of the spectrum and so
10 they couldn't afford it anymore.
11 Again, those groups are very, very
12 vulnerable in today's marketplace with no rating
13 restrictions to large, unaffordable rates if they
14 have anybody in the group who is sick. And as a
15 society, presumably the people who are sick are the
16 people who most need the care, whom we ought to be
17 most concerned with.
18 But as one of my colleagues likes to say,
19 there's a lot of competition in this State in the
20 health-care business for the healthiest risks.
21 Everybody wants, all the insurers want to get the
22 healthiest risks because they make money on those,
23 but they don't want to have a big pool, let's say,
24 with the unhealthy.
25 So we heard from a lot of those people, and

1 there are people in real need out there, people
2 losing their insurance every day. As a State, we
3 have gone from 68 percent of employer-based coverage
4 to 60-percent employer-based coverage. That's one of
5 the steepest drops in the country in the last
6 6 years.
7 So it's a very real and very difficult
8 problem out there, and I hope we can work with you
9 and the rest of the General Assembly to solve it.
10 REPRESENTATIVE PARKER: Thank you.
11 Thank you, Mr. Chairman.
12 REPRESENTATIVE KELLER: Thank you.
13 Representative Scott Petri, please.
14 REPRESENTATIVE PETRI: Thank you,
15 Mr. Chairman.
16 Thank you, Commissioner.
17 ACTING COMMISSIONER ARIO: Thank you.
18 REPRESENTATIVE PETRI: During the summer, on
19 a bipartisan basis, the Bucks County delegation held
20 a hearing with a number of insurance health-related
21 people, and I thought it was pretty informative.
22 One of the many issues or concerns that came
23 up actually came up with the proposed reimbursement,
24 and using the Mercer actuarial study, it was
25 projected that the reimbursement rate would be equal

1 to MA plus 5 percent.
2 And the doctors, in particular, that
3 testified indicated to us that based upon their
4 current practices, they could not even afford to pay
5 their nurses under that reimbursement rate.
6 I can't imagine Bucks County is singular in
7 that. Has your Department heard concerns about the
8 proposed reimbursement rates under Cover All
9 Pennsylvanians?
10 ACTING COMMISSIONER ARIO: Representative,
11 absolutely we have.
12 This may be a better question to take up in
13 more detail at the next hearing, or I guess two up
14 the road. There's a State Police hearing and then
15 there's a 3 o'clock hearing where Rosemarie Greco
16 will be here from the Office of Health Care Reform,
17 and they've wrestled with these questions.
18 Somebody asked, what happens if you don't
19 have enough money in the program to cover everybody?
20 And there are a lot of different give points in the
21 program. One of them always is, well, how much are
22 we going to reimburse the providers in this program?
23 And that issue gets debated, as you know, in this
24 building quite a bit.
25 Most of the current models that are out

1 there envision a higher level of reimbursement than
2 the Medicaid plus 5 that you referenced. At those
3 numbers, the doctors have made their point that those
4 reimbursement levels are pretty, pretty tough for
5 them, and so again, most of the proposals here are
6 going to have a higher level of reimbursement.
7 But as we get into the number crunch on
8 this, trying to get a program done, that's one of the
9 tough tradeoffs, is how much do we pay the providers?
10 What does that mean in terms of how many people we
11 can cover? What does that mean in terms of what the
12 benefit package is going to be? So it's a very
13 important point.
14 REPRESENTATIVE PETRI: Well, I want to take
15 it the next step.
16 As a regulator, I'm curious as to your
17 reaction, because since the delay in the Mcare
18 situation to March 31, many of the physicians have
19 come to me with, I would call them fears about what
20 they may be required to do in order to continue to
21 receive the abatement.
22 Is there going to be and as a regulator do
23 you think it's appropriate that there be some sort of
24 tie or agreement that says, well, if you want to
25 continue to receive your abatement, you will

1 subscribe?
2 That's a real fear doctors have expressed to
3 me.
4 ACTING COMMISSIONER ARIO: Representative,
5 you're asking some very tough questions here, but if
6 you say to me, if the Commonwealth is going to spend
7 precious dollars on an abatement program -- and we
8 have spent a lot of money on it -- is it appropriate
9 to think about obligations in return for that? I
10 thing it's appropriate to think about it.
11 Are there particular ones that have to be
12 part of a program? No, but I know there are
13 proposals in this building to look at, you know,
14 certain obligations in relation to that. And I'm not
15 making friends with my medical provider community
16 here, but I don't think that's an inappropriate
17 category.
18 I think all of us ought to think both in
19 terms of what we can get from the government and what
20 we can do to help the Commonwealth with its problems
21 at the same time.
22 REPRESENTATIVE PETRI: Well, I do think it
23 is an appropriate debate. However, understand that
24 doctors are looking at it like on the one hand, I
25 can't continue to stay without the abatement, so if

1 you don't give me the abatement, you don't want me.
2 And if you make me subscribe to this program where
3 the reimbursement rate is below my actual costs, I
4 also can't stay. So in either event, in my opinion,
5 it's an insult to the subscriber, because they will
6 not have a doctor to treat them, so you have a
7 program that doesn't really work.
8 I want to switch topics a minute, and I want
9 to talk a little bit about the Governor's proposal to
10 provide a flood tax on policies. I've heard some
11 rumors that it would only be on flood insurance
12 policies, and then I also heard that it would be on
13 all property policies, and I was wondering if you had
14 any of the details on that.
15 ACTING COMMISSIONER ARIO: Representative,
16 yes, I do.
17 We started with the notion that it would, if
18 possible, it would make some sense to target that on
19 the structures, and it's not just homeowners but also
20 commercial structures in the floodplains that were
21 going to directly benefit. But when we looked at how
22 to do that, there wasn't an administratively feasible
23 way to do it.
24 So then we thought about, well, if we go all
25 the way to the other extreme and have it be a

1 tax-supported program, that would spread the cost
2 among everybody in the Commonwealth.
3 And in the end, we came back in the middle
4 between the two and have a program that is now based
5 on a small, a very small 7 cents per $100 of property
6 coverage on all property insurance coverages in the
7 State.
8 So that sweeps in all the homeowner
9 policies, which is about half of it, and all the
10 commercial insurance property-based coverages, which
11 is the other half.
12 And for a homeowner, doing the math on
13 7 cents per $100, the average homeowner policy is
14 about 600 bucks, and so you're talking about 42 cents
15 on a typical homeowner policy.
16 REPRESENTATIVE PETRI: Now, last question.
17 What do you project raising from that tax
18 and what do you intend to do with it? Because that's
19 the real issue.
20 ACTING COMMISSIONER ARIO: Representative,
21 that will raise $3.3 million per year, and that money
22 combined with some Federal money supports a bonding
23 program.
24 And the details of that are not something
25 that my department handles. Those are good questions

1 for the Department of Environmental Protection. But
2 the revenue stream is $3.3 million per year from the
3 assessment that we talked about.
4 REPRESENTATIVE PETRI: Thank you,
5 Mr. Chairman.
6 REPRESENTATIVE KELLER: Thank you.
7 Representative Scott Conklin.
8 REPRESENTATIVE CONKLIN: I know we're
9 running late on time, so I'm going to shorten up a
10 lot of them. I just want to follow up on what
11 Cherelle and some other folks were talking about.
12 When you are talking about the folks, when
13 you are looking at the Governor's proposed budget --
14 I believe it's $479 million for Cover All
15 Pennsylvanians -- when you're talking about that
16 800,000, are you using the number of the $479 million
17 to cover all 800,000 or are you using the figure of
18 about 270,000 people will actually come in and sign
19 up for the insurance?
20 ACTING COMMISSIONER ARIO: Representative,
21 I'm not sure if you're using the $479 million and in
22 what year's spectrum, but we're talking about the
23 real program here, which would cover, we project,
24 271,000, up from the 50,000 currently to 271,000 by
25 year 5.

1 REPRESENTATIVE CONKLIN: Okay. So the
2 279 is the figure using the 271 enrollment?
3 ACTING COMMISSIONER ARIO: The 479 -- I'm
4 looking at some of my numbers here, and I'm not
5 seeing the 479 number that you are using, but---
6 REPRESENTATIVE CONKLIN: There is
7 $479.5 million in the '08-09 for the projected
8 proposal that the Governor has to Cover All
9 Pennsylvanians.
10 ACTING COMMISSIONER ARIO: Yes,
11 Representative. I now do see it.
12 In the first year, that is the total cost.
13 That includes about $200 million coming from the
14 Federal government.
15 That's an important point in the CAP
16 program, is unlike CHIP, today adultBasic is all
17 funded with State money. CHIP is funded about
18 two-thirds with Federal money, and this program in
19 its first year would have $200 million roughly of
20 Federal funding in that 479.
21 REPRESENTATIVE CONKLIN: Okay. Is that
22 taking into account the buy-in that folks will have
23 to pay in, those folks who will have to pay in it
24 because of their income or because of the
25 contribution that they'd have to put in?

1 ACTING COMMISSIONER ARIO: Representative,
2 yes, it will.
3 That's an important point: In the first
4 year, $77 million of enrollee share contributions,
5 and if you look out to year 5, $258 million of
6 enrollee participation.
7 So this program is very much a partnership.
8 The Federal government has a share, the State
9 government has a share, but the phrase I hear a lot
10 these days is "skin in the game." Everybody has to
11 have skin in the game so that they pay attention to
12 health-care costs.
13 I think it's absolutely correct. Everybody
14 needs to be sensitive to costs in the system, and
15 this program has $258 million coming from enrollees
16 by year 5.
17 REPRESENTATIVE CONKLIN: I'm actually going
18 somewhere with this.
19 Cherelle brought up a point that I think
20 needs to be known, that when you look at Pennsylvania
21 today and you're looking at those folks that have to
22 run a hospital, I know in my little community one of
23 the reasons it closed were the uninsured, that they
24 could not absorb the large number of uninsured people
25 coming into that facility who needed coverage but had

1 no means to pay for it.
2 Statewide, do you have any figure about how
3 much statewide hospitals lose because of treating
4 uninsured individuals?
5 ACTING COMMISSIONER ARIO: Representative,
6 no, I do not, and I wouldn't want to hazard a guess
7 on that, but I'll get you that number.
8 REPRESENTATIVE CONKLIN: Well, what I'm
9 getting at, as we go down the road, am I correct in
10 presuming that as we go down the road to Cover All
11 Pennsylvanians, in the long run not only will people
12 have better health care, not only will these
13 facilities such as my little rural area that had to
14 close, and one of the reasons was treating uninsured
15 individuals, don't you believe that that figure of
16 just the money that we'll save alone for not having
17 hospitals losing money that will come back into the
18 State will actually be beneficial costwise? Forget
19 the human aspect of it, which is the most important
20 aspect, but for those individuals that believe that
21 the penny is much more important than the pound of
22 flesh, that we can save? Do you believe that that
23 may come as a break-even point in the long run?
24 ACTING COMMISSIONER ARIO: Representative,
25 absolutely.

1 I mean, if you draw the larger context here,
2 the United States spends 16 percent of GDP on health
3 care. That's twice as much as any other country in
4 the world, and we get less for it in terms of
5 results. So there are tremendous inefficiencies in
6 our current system, and you're putting your finger on
7 some of them.
8 If we can get the various parties together
9 into some system that has everybody in and covered
10 and everybody getting the most cost effective sort of
11 treatment, absolutely the hospitals benefit, the
12 providers benefit, the citizens benefit.
13 It's in all of our interests to get this job
14 done, and there are tremendous efficiencies.
15 REPRESENTATIVE CONKLIN: Thank you.
16 Thank you, Mr. Chairman.
17 REPRESENTATIVE KELLER: Thank you.
18 The first member to cut into the State
19 Police time, Representative Steve Barrar.
20 ACTING COMMISSIONER ARIO: Can I refuse to
21 answer anymore questions so I don't get involved
22 here?
23 REPRESENTATIVE BARRAR: I'm going out and
24 buying a radar unit right after this so I have one of
25 those radar detector things.

1 Good afternoon, Commissioner.
2 ACTING COMMISSIONER ARIO: Good afternoon.
3 REPRESENTATIVE BARRAR: Awhile ago I think
4 we had spoken about an issue with the chiropractors
5 and other health-care providers dealing with multiple
6 copays, where they would pay multiple copays for
7 different services performed in an office instead of
8 one copay per office visit.
9 What is happening with that now? Is there
10 anything going on with that?
11 ACTING COMMISSIONER ARIO: Representative,
12 yes. We're continuing to work on that situation.
13 Earlier we had a conversation about
14 reimbursements and how reimbursements are basically a
15 market-based transaction. We don't get in the middle
16 of them. But we do get in the middle of unfair
17 practices and set some sideboards on that, and one of
18 those practices is the one that you and I discussed
19 where there are multiple copays.
20 And we also discussed the situation where
21 somebody is reimbursed and then some period later, a
22 long period later maybe, they are told that that was
23 an improper reimbursement and they need to pay it
24 back.
25 I think those are issues that are worth

1 looking at. And on the issue of the timeline in
2 particular, we may want to address that
3 legislatively.
4 But the copay issue is also one, and I
5 believe the particular situation that we discussed
6 has been resolved. But I can get back to you on the
7 specifics of that.
8 REPRESENTATIVE BARRAR: Yes. They have
9 forwarded me legislation that I think one of the
10 other States just passed. I can't remember which
11 one. But they're asking me to take a look at that
12 and then something I would run by you.
13 On another issue, a real quick question, the
14 Underground Storage Tank Fund. There was a
15 controversy earlier this year dealing with a penny
16 increase in the fund. Can you explain to us what
17 happen with that?
18 ACTING COMMISSIONER ARIO: Yes. That fund,
19 and this is where insurance regulators, sometimes we
20 are told that we make lousy friends but great
21 ancestors, because we tell people, you know, the
22 party today has consequences tomorrow. But if we do
23 our job right, our ancestors could say, thank God
24 someone is protecting the future, and the future in
25 that case is a $375 million unfunded liability.

1 We talked about the Mcare unfunded
2 liability. The tank program has a $375 million
3 unfunded liability. So that board looked at that and
4 said they would vote -- these are the people that
5 actually pay these fees -- they said, we think we
6 ought to increase the fee to cover that.
7 When that went to the Legislature -- and I
8 fault myself for not consulting with the Legislature
9 before it came forward -- but when it came forward in
10 the Legislature, they said, this looks an awful lot
11 like a gas tax to us; we don't think it should be
12 done right now with gas at over $3 a gallon, and as
13 you know, it's only gotten worse since.
14 So when it was framed that way and the
15 question was, well, do we have to do this today at a
16 period of high gas prices, the answer is no. We can
17 keep the party going today, because the cash flow is
18 there all the way to 2014, so it's not an immediate
19 problem for us. But I do have to be the guy that
20 tells you that if we continue to put it off, at some
21 point there's going to be that $375 million
22 liability.
23 Today, that would come due in 2014. So we
24 put the problem off, and that's essentially what
25 happened there.

1 REPRESENTATIVE BARRAR: So the fund, are you
2 saying that the fund is broke right now, or is there
3 a surplus of money in the fund? Or is that
4 liability, that 300-some-million-dollar liability,
5 existing debt that is bills that need to be paid
6 today?
7 ACTING COMMISSIONER ARIO: It depends on
8 what you mean by broke. It's not broke in a
9 cash-flow way. Again, we have money to continue to
10 handle obligations all the way to 2014.
11 But from an insurance perspective, it is
12 insolvent in the long run, because if we don't have
13 some change in the program, we will run out of money
14 and we'll have $375 million in debt that we won't be
15 able to cover on current projections.
16 So yes, it's broken in the long-run sense
17 and it will have to be addressed.
18 And by the way, the $375 million liability
19 assumes that the full $100,000 million that was
20 borrowed by the Legislature some years ago is paid
21 back. In this budget, there is a $10 million payment
22 back on that $100 million, and there have been
23 several payments previously.
24 If that were not to happen, then there would
25 be even more than a $375 million liability there.

1 REPRESENTATIVE BARRAR: So the funding
2 was -- there was a raid on the fund. And what year
3 was that? Was that 2003?
4 ACTING COMMISSIONER ARIO: I'm not sure, but
5 it's about -- it's somewhere right around the turn of
6 the decade.
7 REPRESENTATIVE BARRAR: Okay. All right.
8 ACTING COMMISSIONER ARIO: I can get that
9 number for you, too.
10 REPRESENTATIVE BARRAR: Yes.
11 ACTING COMMISSIONER ARIO: We'll get that
12 number, that data for you. I believe it's right
13 around 2000.
14 REPRESENTATIVE BARRAR: And the fund
15 collects how much per year?
16 ACTING COMMISSIONER ARIO: It is in the
17 $80 or $90 million dollar range.
18 REPRESENTATIVE BARRAR: And it spends what
19 it takes in, or does it accumulate a pot of money?
20 ACTING COMMISSIONER ARIO: Last year, I
21 believe it took in, you know, slightly under
22 $80 million and spent slightly more, so a couple
23 million dollar shortfall, something in that range.
24 I'll get you the exact numbers on that, too.
25 REPRESENTATIVE BARRAR: Great.

1 That's all I have, Mr. Chairman. Thank you.
2 REPRESENTATIVE KELLER: Thank you.
3 Representative Dan Frankel.
4 REPRESENTATIVE FRANKEL: Thanks,
5 Mr. Chairman.
6 Commissioner, very nice to meet you.
7 ACTING COMMISSIONER ARIO: You, too.
8 REPRESENTATIVE FRANKEL: Let me just quickly
9 -- and I don't want to spend a lot of time on this,
10 but maybe you can put on your prognostication hat
11 with respect, and I want to change the subject, to
12 property/casualty insurance.
13 I mean, we're seeing, you know, incredible
14 volatility in the financial markets, the collapse of
15 the credit markets. We've been enjoying -- I mean,
16 at least commercial consumers of insurance have been
17 enjoying a pretty soft market, a competitive
18 marketplace for property and casualty coverage.
19 Do you see -- and we had these incredible
20 disappointing earnings from AIG last week, probably
21 the largest, if not one of the largest insurers of
22 commercial property/casualty insurance in the
23 country. Do you have any concerns with respect to
24 the soft market being replaced by a hard market? A
25 shrink in the capacity to write commercial property

1 and casualty insurance and issues with solvency
2 potentially down the road with carriers?
3 And let me also -- while you are doing that,
4 I'll put it all on the table at one time -- with
5 respect to the personal property casualty business,
6 with the problems in the lending with credit,
7 homeowners' policies, foreclosures, what are we
8 seeing in the personal property and casualty
9 business, both on the homeowners and the automobile
10 side, on cancellations and on renewals, things like
11 that?
12 ACTING COMMISSIONER ARIO: An excellent set
13 of questions. You have a good beat on the market the
14 way you framed the questions there.
15 I would have told you generally, and I still
16 would tell you generally, that I think the property
17 and casualty markets are quite solid and stable
18 today.
19 In general terms, the market is doing better
20 financially for the last several years and likely
21 into 2008 than it has done since the 1970s, and in
22 some respects since the 1950s. So the financial
23 fundamentals here are very, very solid.
24 The reason, the only reason I hesitate a
25 little is that I read my Wall Street Journal

1 yesterday that Warren Buffett, who is somewhat of a
2 better prognosticator than I am -- at least in my
3 view he is -- said that he thought that the
4 property/casualty industry was going to take about a
5 4-point knockdown this year based on what you
6 referenced around the lending, the credit crisis, and
7 so forth.
8 And a number of my colleagues, particularly
9 the New York superintendent, Eric Dinallo, and the
10 Wisconsin Commissioner, Sean Dilweg, are wrestling
11 with the bond insurers and trying to manage that
12 market.
13 So there are some troubling signs out there,
14 and, you know, we've had 3 years of pretty low-level
15 catastrophe exposures by the major carriers. Were
16 there to be a major set of catastrophes this year, we
17 would see a real crisis down there in Florida. That
18 would spill over to other marketplaces.
19 And so there are warning signs on the
20 horizon, the most important of which is
21 Warren Buffett's warning about a 4-percent knockdown.
22 That is something to be concerned with. But in
23 general terms, the markets are pretty solid here.
24 And my daily inbox has the same kind of set
25 of questions that mostly have been asked here, which

1 are health questions. Everybody is concerned about
2 the affordability of health care. And I don't,
3 frankly, have a lot of issues coming into my office
4 about the property and casualty, particularly the
5 personal lines.
6 Now, having said that, I normally hear from
7 people in Philadelphia about auto insurance and so
8 forth. So it's not perfect, but relatively speaking,
9 those markets are pretty stable.
10 REPRESENTATIVE FRANKEL: Thank you.
11 REPRESENTATIVE KELLER: Mr. Commissioner,
12 the oracle from Omaha is always correct?
13 ACTING COMMISSIONER ARIO: I just say he's a
14 better prognosticator than me. If he were always
15 correct, he would be even wealthier than he is.
16 REPRESENTATIVE KELLER: Vice Chairman
17 Representative Craig Dally, please.
18 REPRESENTATIVE DALLY: Thank you,
19 Mr. Chairman.
20 Good afternoon, Commissioner.
21 ACTING COMMISSIONER ARIO: Good afternoon.
22 REPRESENTATIVE DALLY: Commissioner, I was
23 happy to hear in your earlier testimony that the
24 Governor enthusiastically endorses the Mcare
25 abatement program. But I guess actions speak louder

1 than words.
2 Back in December when that was due to
3 expire, he decided to hold it hostage for political
4 reasons. We, myself and Representative Reichley and
5 the entire Lehigh Valley delegation, sponsored a
6 resolution requesting that he extend the Mcare
7 payment for 90 days pending, you know, resolution of
8 the outstanding issues. So that resolution wasn't
9 considered, but in essence the Governor then did in
10 fact do that.
11 Do you think it's right for the Governor to
12 hold our doctors hostage to his other political
13 agenda items?
14 ACTING COMMISSIONER ARIO: Representative, I
15 don't think we should hold anybody hostage, and I
16 don't think that that's what is going on. But I do
17 think that it's acceptable and certainly normal
18 practice for folks involved in the political process
19 to say, here's a program over here that I have
20 concerns with, here's another one over here, and I
21 think there's a natural connection between these two
22 programs and they ought to be taken up together.
23 I think that's a fair characterization of
24 what the Governor is doing. He's seeing a link
25 between these programs. And to me, there's a clear

1 link. I think the reason we provide an abatement to
2 doctors is not simply because we think doctors need
3 an abatement but because we think it connects
4 directly to having an effective health-care system in
5 the State. And I think it's right, and that's why
6 the Governor supports it, that is why I support it,
7 and I assume that is why you support it.
8 And I think dealing with the uninsured
9 problem also has a very direct connection to the
10 effective health-care marketplace here. So to my
11 mind, I wouldn't call it hostage taking; I would call
12 it comprehensive legislation that tries to deal with
13 a set of problems in a coherent way.
14 REPRESENTATIVE DALLY: I wouldn't expect you
15 to use the same terminology I did.
16 But at present, how much money is in the
17 Health Care Provider Retention Account? Do you know?
18 ACTING COMMISSIONER ARIO: Representative, I
19 get this confused as to which money is over here and
20 which money has been transferred to Mcare, but in
21 total---
22 REPRESENTATIVE DALLY: I don't think it
23 really matters to this Governor. It's one big pot,
24 and it doesn't really matter where it comes from.
25 ACTING COMMISSIONER ARIO: It is one big

1 pot, though, that is correct, but it's about a half a
2 billion dollars of money there that can be used in
3 some combination for addressing the phase down, phase
4 out of the Mcare Fund and also to deal with the
5 uninsured problem.
6 REPRESENTATIVE DALLY: Okay.
7 ACTING COMMISSIONER ARIO: Again, it's
8 because of the success we've had in that market that
9 we have that.
10 REPRESENTATIVE DALLY: And my final
11 question: The portion of the community health
12 reinvestment dollars that go toward the adultBasic
13 program is 60 percent. In this budget, you're
14 estimating that this allocation will rise from
15 approximately $90 million in 2007-2008 to over
16 $121 million in 2008-2009.
17 Oh, I'm sorry; has this question been asked?
18 REPRESENTATIVE KELLER: Yes, when you were
19 out of the room.
20 ACTING COMMISSIONER ARIO: As the lawyers
21 would say, asked and answered earlier.
22 REPRESENTATIVE DALLY: Okay. I apologize.
23 ACTING COMMISSIONER ARIO: But it's an
24 anomaly. The short answer is, it's an anomaly for
25 this year. That funding stream is around $80 million

1 a year and then will grow over time. If you look at
2 the out-years, it goes back into that $80 to
3 $90 million range.
4 REPRESENTATIVE DALLY: Okay. I apologize
5 for that.
6 Thank you, Mr. Chairman.
7 REPRESENTATIVE KELLER: Thank you.
8 Representative Doug Reichley, please.
9 REPRESENTATIVE REICHLEY: Thank you,
10 Mr. Chairman.
11 Mr. Commissioner, we'll try to wrap this up,
12 because I know we're all trying to get to the next
13 couple of hearings.
14 Just to follow up on some earlier answers
15 you gave. Your answers to Representative Dally and I
16 think Representative Micozzie raised some questions
17 that I have.
18 Is it your position that unless the doctors
19 agree to take the reduced compensation rate under
20 CAP, they should not receive the abatement?
21 ACTING COMMISSIONER ARIO: Representative,
22 no, that's not my position.
23 I think the question was framed much more
24 broadly than that and it was in the context of
25 approving some support for doctors in the abatement

1 program: Is it appropriate for the Legislature to
2 consider whether there ought to be any obligations
3 attached to that support? And I said, I think in
4 general terms, yes, it is, because I think in general
5 terms all of us ought to look at what we benefit from
6 government, also at the same time look at what we can
7 do to support the Commonwealth ourselves.
8 So I think a quid pro quo of some sort can
9 be appropriate, but I'm not going to give you an
10 opinion. Those are your decisions on whether any
11 particular type of obligation is appropriate in
12 relation to that particular program.
13 REPRESENTATIVE REICHLEY: Well, with all due
14 respect, I think clarity is the thing that's most
15 absent in most of these Appropriations hearings.
16 So just to try to get direct answers, since
17 you are the representative of the Governor here, is
18 it the Administration's position that doctors must
19 agree to take reduced rates under Cover All
20 Pennsylvanians or else they would not receive the
21 abatement?
22 ACTING COMMISSIONER ARIO: Representative,
23 let me check that, and we have another hearing
24 starting within the half hour. We'll get you the
25 answer to that question.

1 I don't know. The part of it that I don't
2 know is your use of the word "reduced" in that
3 sentence. I don't know whether we're talking about a
4 reduced rate of support there. So let me check it,
5 and we'll give you a precise answer in the 3 o'clock
6 hearing that is on the health-care plan in general.
7 REPRESENTATIVE REICHLEY: Well, to provide
8 assistance with you on that answer, you can even
9 remove my adjective of "reduced," just make it, is
10 the Insurance Department and the Governor's position
11 that doctors in Pennsylvania must accept the
12 compensation rate provided under Cover All
13 Pennsylvanians or they will not receive the
14 abatement? Okay? That's a pretty clear question,
15 and I'm sure Representative Keller can stand in to
16 receive the answer in written or verbal form.
17 The other question I would like to ask you
18 about that, you said, I believe in questioning of
19 Chairman Micozzie, that there have been a number of
20 meetings about the abatement for Mcare, and I'm just
21 curious, when were these meetings and who has been to
22 the meetings?
23 ACTING COMMISSIONER ARIO: Representative, I
24 believe most of the meetings have been among the
25 provider groups looking at various options. I myself

1 haven't been part of those meetings, but I know, I'm
2 aware, that there have been a number of discussions
3 going on among the providers about different ways to
4 look at how we could fund both the Mcare abatement
5 program, the Mcare phase out, and support the CAP
6 program, that those three goals can be put together
7 in various ways. And there have been discussions
8 among the parties, because they all have a very
9 direct interest in all three of those issues.
10 REPRESENTATIVE REICHLEY: Okay. Well, if
11 you haven't been part of the meetings, who has been
12 to the meetings?
13 ACTING COMMISSIONER ARIO: Again, I think
14 they are mostly provider-oriented meetings.
15 REPRESENTATIVE REICHLEY: Has any
16 consultation been made with the Governor's Office
17 from these providers, to the best of your knowledge?
18 ACTING COMMISSIONER ARIO: Yes, yes, yes.
19 REPRESENTATIVE REICHLEY: So the Governor's
20 Office has had the meetings with providers, but not
21 you?
22 ACTING COMMISSIONER ARIO: There have been
23 people from the Governor's Office as part of these
24 meetings, yes.
25 REPRESENTATIVE REICHLEY: And has any

1 legislative caucus been brought into these meetings?
2 ACTING COMMISSIONER ARIO: I don't know the
3 answer to that.
4 REPRESENTATIVE REICHLEY: Because based upon
5 the conversation at this table, that the Republican
6 Caucus in the House hasn't met with anybody on this
7 topic since approximately January.
8 Representative Dally referred to the
9 resolution which we had tried to have bought up in
10 the House on the very last day of session, I believe
11 in December. There's a bill, House Bill 489, that is
12 sitting in the House Rules Committee right now which
13 would directly address the abatement by March 31.
14 And your statement, I believe to Chairman Micozzie,
15 was that we had time to address this. There's a bill
16 sitting in the House Rules Committee, which Democrat
17 leadership could bring out for a vote, which could
18 clarify and remove the issue of the abatement.
19 Would the Governor and would you support
20 them bringing that bill out of House Rules to allow
21 us an up-or-down vote in the House on that
22 legislation?
23 ACTING COMMISSIONER ARIO: No. I believe
24 the issue of trying to work together on both the
25 abatement program, the Mcare phase out, and the CAP

1 program or some form of addressing the uninsured,
2 that those things ought to work in tandem.
3 That's my belief. It's still the Governor's
4 position, too. Again, the Governor is showing great
5 flexibility here, so I can't tell you what he may be
6 open to in these discussions. But that, I think, is,
7 from my perspective, a good position. It's the
8 position I would support.
9 And as to the meetings, I think the
10 characterization that I give to it is typically on an
11 issue, my experience as the insurance regulator is I
12 will try to meet with the parties most directly
13 affected by an issue, kind of get a good sense of
14 what the different options are, who might support and
15 not support something, both to inform myself while on
16 the kind of policy issues so that I can bring an
17 informed judgment into the legislative process, and
18 secondly, to have some sense of where the
19 stakeholders' support may or may not lie. And I see
20 that as necessary kind of groundwork to be efficient
21 about using the direct legislative time and so forth.
22 So that's, I think, how I typically would do
23 business on issues. I think that is basically what
24 has been going on on this issue, trying to clarify
25 absence.

1 Everybody knows that eventually the rubber
2 meets the road in the General Assembly, and if
3 anything is going to happen, it will have to be voted
4 on by the members of this body, by the Senate, and
5 signed by the Governor.
6 REPRESENTATIVE REICHLEY: And I appreciate
7 that, Mr. Commissioner, and I appreciate the length
8 of your answer, but I would also state that I think a
9 lot of people are sick and tired of crisis production
10 by the Administration.
11 We're sitting on March 4. We have until
12 March 31. As I understand it, you have not met
13 directly with the providers. You have not met with
14 the legislative caucuses on this issue. The
15 Governor's Office apparently has not reached out.
16 And this proposal that you had about extension of the
17 abatement for 10 years, has that been introduced in
18 legislation?
19 ACTING COMMISSIONER ARIO: Representative,
20 that's the Governor's proposal from December 4. I
21 don't know if it has been turned into specific
22 legislative language, but it has been laid out in
23 written form in great detail.
24 REPRESENTATIVE REICHLEY: So I take it --
25 and I understand that you may not know, you know,

1 exactly every bill, and as I understand from the
2 staff, there is not a bill on that subject.
3 So you're now telling us on March 4, you
4 know, we have 20-some days to go until the deadline
5 for the abatement. There has been no legislation
6 that has been introduced from the Governor's
7 position, and yet I believe 6 days after his budget
8 address, he had legislation that this committee
9 introduced for consideration on the cash grant
10 program and on the RCAP legislation. But he has not
11 seen fit to have the abatement language introduced in
12 legislative form.
13 So with that, I think I'll reserve the rest
14 of my questions for Ms. Greco on the other matters on
15 CAP.
16 Thank you, Mr. Commissioner.
17 Thank you, Mr. Chairman.
18 ACTING COMMISSIONER ARIO: Thank you.
19 REPRESENTATIVE KELLER: Thank you.
20 Mr. Commissioner, thank you for coming here.
21 Your answers were forthright and I think answered a
22 lot of what the committee had questions on.
23 You're going to stay. I'm sure we'll ask
24 80 percent of them to Director Greco in about an
25 hour.

1 ACTING COMMISSIONER ARIO: And I'll be back
2 here, too, at that point, so.
3 REPRESENTATIVE KELLER: We're going to take
4 a short break, a short recess. We'll be back in
5 about 5 minutes for the Pennsylvania State Police.
6 Thank you.
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8 (The hearing concluded at 3:10 p.m.)
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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.
5
6
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8 ___________________________
Jean M. Davis, Reporter
9 Notary Public
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