

## Legislative Report; Week of June 25, 2007

House and Senate conferees worked hard this week to resolve their differences on the State budget, but they were not able to produce a final budget. The State's fiscal year ends tomorrow, and early this morning both Houses passed a continuing budget resolution which permits the operations of State government to go on uninterrupted. The budget must be in place before adjournment can be considered, and I will keep you advised as budgetary discussions continue.

**H.B. 265 – Establish High Risk Pool** was heard twice in Senate Commerce this week. No vote was taken at either meeting, though there was considerable discussion and debate about the proposal. As you might expect, the funding mechanism is the key issue. Certain Senators favor a funding mechanism that employs funds provided by the State to make up any premium shortfalls rather than assessing insurers. The bill was ultimately removed from the Commerce calendar so that Senate leaders can determine if a stable source of funding can be found for the pool. Money from the tobacco settlement is being looked at, and one concept may involve prefunding the pool so that future appropriations would not be necessary. There seems to be a great deal of support for the risk pool concept; the devil is in the details. I will keep you advised as funding discussions continue.

**H.B. 973 – Mental Health Parity** received a favorable report from the Senate Health Care Committee this week, but not before being substantially revised. Blue Cross and Blue Shield recommended that coverage for mental health conditions on a "parity" basis be limited to nine mental illnesses. Blue Cross reported that most of its customers hospitalized for mental illnesses have one of the nine specified ailments. The nine conditions that would be fully covered are bipolar disorder, major depressive disorder, obsessive-compulsive disorder, paranoid and other psychotic disorder, Schizoaffective disorder, Schizophrenia, post-traumatic stress disorder, anorexia nervosa and bulimia. Blue Cross reviewed its records to see where its insured exhausted their benefits under the current schedule of benefits, and these nine conditions were the ones that stood out.

You will recall that previous amendments to the bill removed its substance abuse provisions and made it inapplicable to businesses with 25 or fewer employees. I would expect the Senate to pass the bill as revised and it will be returned to the House for further debate. I do not yet know how the House will react to the revisions to the bill made by the Senate.

What is lurking in the background is the proposed annuity tax in **S.B. 1484**. This bill was heard in Senate Finance Monday evening, but no vote was taken on the bill. It had been scheduled to be reconsidered in Senate Finance on Tuesday. However, no such meeting was held.

Behind the scenes discussions with Senators are focused on removing the annuity tax provision from **S.B. 1484**. A point in our favor is that the Senate originally thought that over \$100 million could be raised by taxing annuities. However, they overlooked the fact that qualified plans could not be taxed, and this has drastically decreased the revenue that such a tax would raise. The funds consumers use to purchase annuities have already been taxed, and we are making some headway by indicating that consumers would be taxed a second time when they purchase annuities. Additionally, it does seem to resonate with Senators that the insurance industry is put at a competitive disadvantage in the annuity business if its premiums alone are taxed. The coalition opposing this tax is broadening, and we will keep you advised as the battle to defeat the annuity tax proposal continues.

House Insurance did not meet this week, and the Risk Pool bill was the sole bill of interest that came up in Senate Commerce. I will keep you advised as matters of interest to us are considered next week, and please contact me with any questions you might have.

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