



Legislative Update

August 2007

**** Assembly on Summer Recess ****
July 20th – August 20th

**** Senate in Session – Pending Budget Action ****

Budget Stalemate Overview

California is over a month into the 2007-2008 Fiscal Year without an approved budget plan. A plan was approved by the Assembly on July 20th on a bipartisan vote of 56-23. Upon approval of the budget plan, the Assembly adjourned for the summer leaving the final decisions and outcomes to be determined by the Senate. It was presumed that the budget would sail through the Senate because only two Republican votes are needed to achieve the two-thirds majority necessary for passage. However, this has not proven to be the case.

Senate Democrats have continued negotiations with Senate Republicans in an effort to obtain the requisite two Republican votes needed to pass the budget plan. However, Senate Minority Leader Dick Ackerman has held firm saying his caucus will not sign off on a budget package resembling the one passed with support of Republicans in the Assembly.

Although Democrats have said the \$103 billion general fund plan passed by the Assembly cuts deeper than the one proposed by Republican Gov. Arnold Schwarzenegger, Senate Republicans are standing firm that at least another \$700 million needs to be trimmed so expenditures will match the amount of money expected to come in.

Despite purported attempts by Governor Schwarzenegger to persuade Republican approval of the plan, Senate Republicans have ignored his calls to sign off on the \$145-billion budget. The Governor had earlier promised to use his line-item veto authority once the budget is passed to make some additional cuts that would appease Republicans. But the Republican Senators say they're unconvinced that such a move would reduce spending enough.

With the stalemate continuing in the Senate, attention is increasingly focused on the Governor to find a way out of this mess. The problem appears to be that the Republican Governor, who embraced Democrats and Democratic ideals last year, has little influence over Senate Republicans. Most Republicans in the Legislature are far more conservative than Schwarzenegger and are suspicious of him because of his views on abortion, the environment and extending government services to undocumented immigrants.

The challenge going forward comes with the lower house adjourning for a month. The Assembly has refused to return from the summer recess to consider any changes to the budget plan, which would be necessary if the Senate decides to make further alterations.

Budget Stalemate may likely Hinder Efforts to Extend Term Limits

The budget impasse may have detrimental consequences on the February 2008 ballot proposal to extend term limits, particularly because the delay has the potential to bring down approval ratings. The impasse makes leaders look ineffective at the main task they were entrusted to perform.

In past years, such stalemates have resulted in record-low Legislative approval ratings. In 2003, for example, a significant budget deficit resulted in an abysmal 19% approval rating of the State Legislature. Although economic times are better in 2007, the three week delay in approving a budget proposal means that the State cannot pay its vendors and some state employees.

In an effort to mitigate the negative perception, Assembly Democrats have made some concessions including adopting a budget that spends \$1 billion less than Schwarzenegger had proposed, taking \$1.3 billion away from public transit and approving a tax credit package. However, Senate Democrats are not feeling as generous and the result may further the negative perception of the Legislature amongst voters.

The February initiative will ask voters to relax term limits so lawmakers can serve longer in one house. It would extend the term of Speaker Fabian Nunez and Senate Pro Tem Don Perata, who otherwise would have to leave office next year. With the popularity of term limits in California, the challenges to its passage are significant – despite the budget dilemma, but the budget dilemma will no doubt play a part in its outcome. *Stay tuned...*

Commissioner Announces First-Ever “Healthcare Report Card” For PPO Health Plans

Insurance Commissioner Steve Poizner has announced the Department of Insurance’s (DOI) newest initiative – a new “healthcare report card” – under which California’s six largest Preferred Provider Organizations (PPOs) have agreed to voluntarily participate. The program, which will begin in early 2009, will include information on quality of care and patient satisfaction so that consumers can compare plans. It will also include the opportunity to obtain accreditation by nationally recognized institutions.

The initiative is purportedly the first of its kind in the nation for PPOs. Similar data are already available for health maintenance organizations (HMOs), a result of demands by California and other states in response to widespread complaints from consumers who said they were being denied care.

Healthcare advocates have indicated their approval of such an initiative, but believe insurers need to do a lot more before they can be considered truly transparent. The Commissioner agreed that the health insurance industry needed more oversight and has said the new reporting program was the first in a series of measures he plans to take.

The DOI intends for the report cards to be a mechanism to assess how well doctors in each insurance network follow best-practices guidelines, such as providing childhood immunizations and giving at-risk patients regular cancer screenings, and how well they rate on patient satisfaction surveys. The report cards may also include clinical outcomes, including patient blood pressure averages and sugar levels

in diabetics. The Commissioner indicated his belief that making this information public would provide a strong incentive for insurers to focus on quality and delivery of health care.

Participating companies include California's largest PPO health plans – Aetna, Blue Shield, Cigna, HealthNet, WellPoint and United.

DOI to Hold Regulatory Workshop on Sale of Annuities to Seniors

The Department of Insurance (DOI) is scheduled to hold a preliminary workshop on August 14th in San Francisco to consider changes to current regulations governing the sale of annuities to seniors ages 65 and older.

NAIFA-California is engaged and working with other stakeholders, such as the Association of Life & Health Insurance Companies (ACLHIC), to ensure that our concerns are addressed. We will continue to keep our members apprised of any further developments on this issue.

DOI Announces New Service to Streamline Agency Application Process

The DOI has implemented a new online service for organizations applying for an insurance agency license. The online filing service, the Business Entity Application Service, will streamline the license application procedure and expedite processing time by several weeks.

The Service is one of the major technology improvements the Commissioner has instituted since taking office. It is intended to address the substantial delays in the issuance of licenses due to applications frequently being submitted with incomplete information. The Service is designed to assist applicants in completing their information accurately before submitting for processing, to drastically cut wait times in the license issuing process.

Prospective applicants interested in this new service should visit the DOI's website at www.insurance.ca.gov for additional information. There is no charge to use this online application service.

If you have any questions regarding any of the topics mentioned in this report, or others not mentioned, please contact Shari McHugh or Dawn Sanders Koepke at 916/440-0850. Thank you!