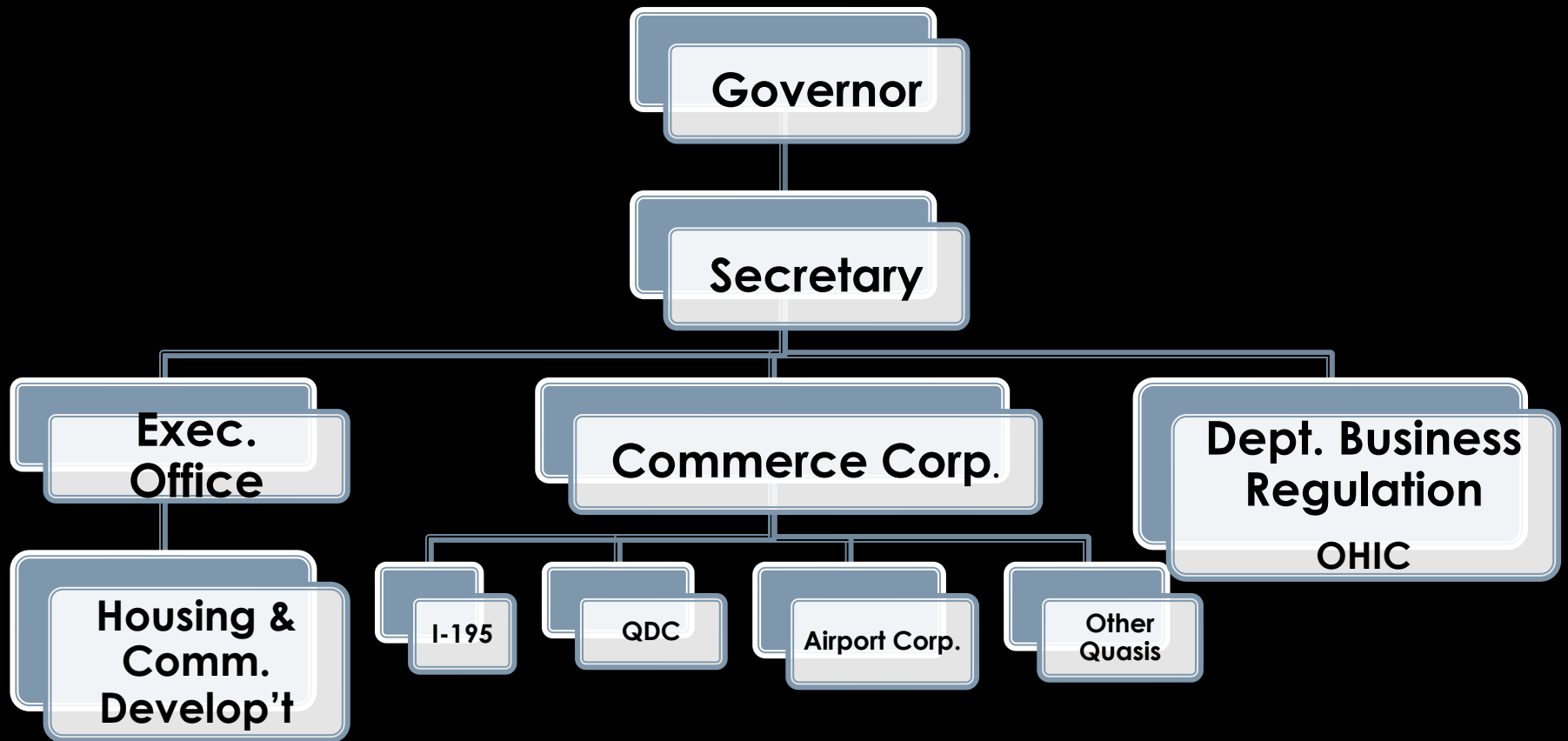


# Department of Business Regulation and New Article - Insurance

Staff Presentation  
FY 2021 Recommended &  
FY 2021-2025 Capital Budgets  
July 23, 2020

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# Introduction



# Department of Business Regulation

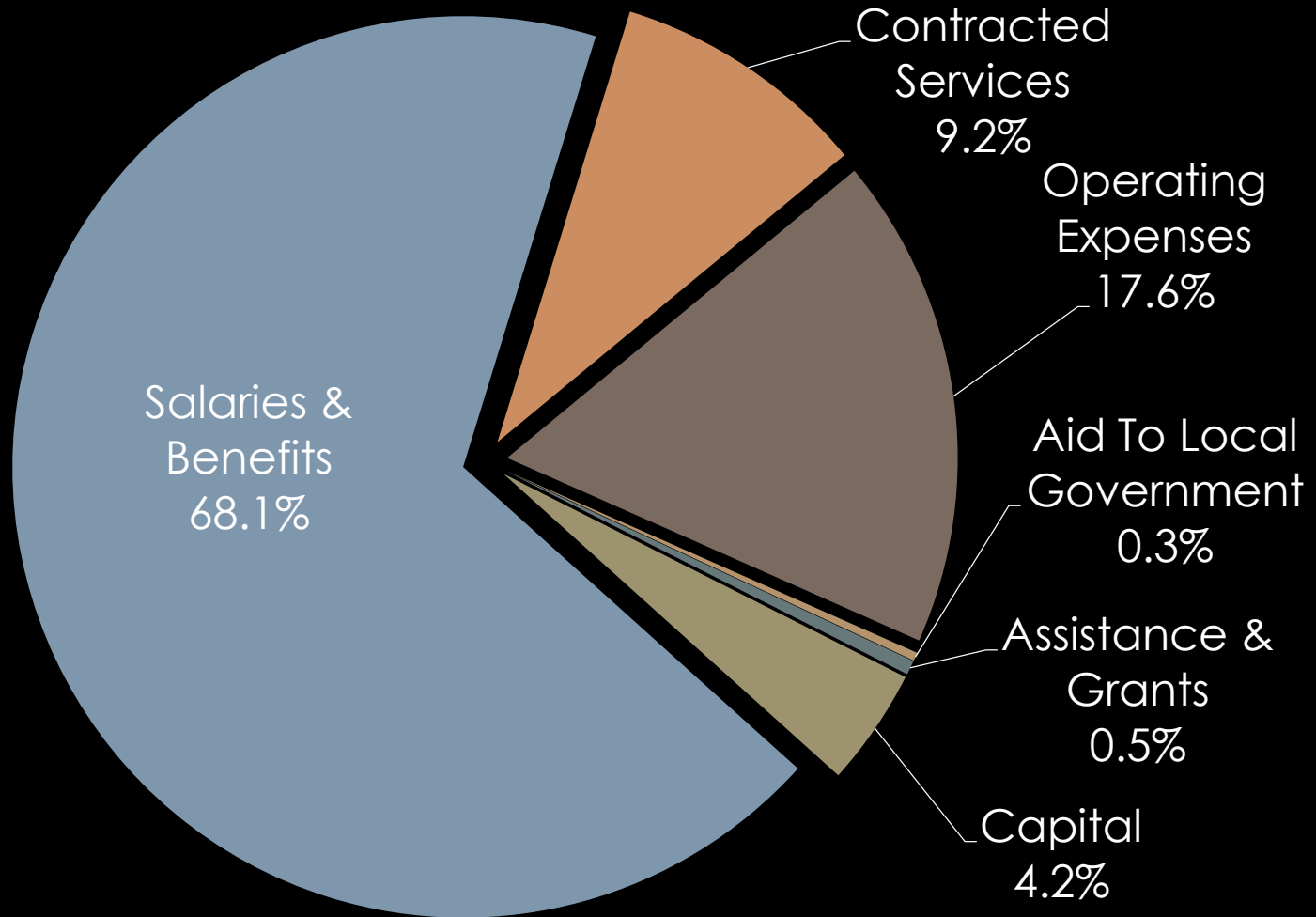
- Office of the Health Insurance Commissioner
- Business Regulation divisions include:
  - Central Management
  - Banking Regulation
  - Securities Regulation
  - Board of Accountancy
  - Insurance Regulation
  - Commercial Licensing, Gaming & Athletics
  - Building, Fire, & Design Professionals
  - Office of Cannabis Regulation

# Summary by Source

	<b>FY 2020 Enacted</b>	<b>FY 2020 Final</b>	<b>FY 2021 Gov.</b>	<b>Chg. to Enacted</b>
General Revenue	\$17.9	\$17.0	\$18.7	\$0.8
Federal Funds	0.8	1.5	0.8	0.0
Restrict Receipts	7.1	6.1	10.4	3.3
Other Funds	0.6	0.4	0.3	(0.3)
<b>Total</b>	<b>\$26.4</b>	<b>\$25.0</b>	<b>\$30.1</b>	<b>\$3.7</b>
FTE	161.0	161.0	171.0	10.0

\$ in millions

# FY 2021 Governor by Category



# Staffing

## *Full-Time Equivalent Positions*

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	161.0	-
FY 2020 Final	161.0	-
FY 2021 Request	164.6	3.6
FY 2021 Governor	171.0	10.0
FY 2021 Funded FTE	171.0	10.0
Filled as of July 4	151.6	(9.4)
FY 2020 Average Filled	154.2	(6.8)

# Staffing Summary

- FY 2021 Recommendation includes 171.0 FTE
  - 10.0 new FTE
    - 2.0 for the Office of the Health Insurance Commissioner
    - 13.0 for new marijuana proposal
    - Eliminates 5.0 vacancies

# Staffing

	<b>FY 2020 Final</b>	<b>FY 2021 Gov.</b>	<b>Chg. to Enacted</b>	<b>Filled July 4</b>
OHIC	11.0	13.0	2.0	11.0
Central Mgmt.	11.0	12.0	1.0	12.0
Banking Reg.	14.0	13.0	(1.0)	13.0
Securities Reg.	9.0	8.0	(1.0)	5.0
Comm. Licensing	16.0	14.0	(2.0)	14.6
Insurance Reg.	34.0	35.0	1.0	33.0
Build, Design & Fire Professionals	59.0	56.0	(3.0)	56.0
Cannabis Reg.	7.0	20.0	13.0	7.0
<b>Total</b>	<b>161.0</b>	<b>171.0</b>	<b>10.0</b>	<b>151.6</b>



# Office of the Health Insurance Commissioner

- Created by 2004 Assembly within the Department of Business Regulation
  - Established as a distinct program in FY 2012
- Positions funded by a variety of sources

	<b>FY 2020 Enacted</b>	<b>July 4 Filled</b>	<b>FY 2021 Gov.</b>	<b>Chg. to Enacted</b>
General Revenue	6.0	6.0	7.0	1.0
Federal Funds	2.0	1.0	0.1	(1.9)
Restrict Receipts	3.0	3.0	4.9	1.9
Cost Allocation	-	1.0	1.0	1.0
<b>Total</b>	<b>11.0</b>	<b>11.0</b>	<b>13.0</b>	<b>2.0</b>

# Office of the Health Insurance Commissioner – Federal Grants

- Health Insurance Enforcement Grant
  - Policy form review, investigate complaints, market examinations & analysis
- State Flexibility Grant
  - Improve federal market reforms & consumer protections
- FY 2021 - \$0.1 million less each
  - Reflects exhaustion of each grant; grant periods supported 2.0 FTE

# Office of the Health Insurance Commissioner - Restricted

- Opioid Stewardship Act funds
  - 2019 Assembly created Opioid Stewardship Act
  - Established Opioid Stewardship Fund
    - \$5.0 million annual assessment from gross in-state opioid sales
    - Deposited as restricted receipts
- FY 2021 Governor recommends \$0.2 million for 1.0 new position

# Office of the Health Insurance Commissioner - Restricted

- Health Care Utilization Review
  - Administer certification, investigate complaints & compliance of state laws, rules & regulations
  - FY 2021 includes 4.9 positions & \$0.6 million from restricted receipts
    - 1.9 positions and \$0.2 million more than enacted
  - 7/23 Gov. requested amendment to reduce this by 1 FTE
- *Article 20, Sec. 8-12, 14, & New Telemedicine Article – Heard 7/15*

# Art. 20 Sections 8-12 – ACA Provisions

- Guaranteed availability
  - Updates RI law to reflect federal law requirements
    - All in-state insurers must offer all individual market plans to eligible state residents
    - Accept upon application
    - Federal Law 42 USC 300gg-1
  - Replaces RI pre-existing condition language
    - Prior coverage within 63 days, ineligible for Medicare, Medicaid, or COBRA reflects HIPAA standards

# Art. 20 Sections 8-12 – ACA Provisions

- Codifies ACA requirements that all available plans be offered to all in individual market
  - May include government subsidized plans
- State law has more limited minimum policy offering requirements for individual plans
  - At least 2 different forms of insurance w/ different cost-sharing

# Art. 20 Sections 8-12 – ACA Provisions

- ACA requires Large Group plans cover preventive care without cost-sharing
  - US Preventive Services Task Force (predates ACA) reports/recommends annually
    - Services rated A or B covered by the ACA
- Article 20 codifies no cost preventive coverage in RI law by reference
  - 42 USC 300gg-13
  - Gives OHIC authority to issue guidance on future Task Force recommendations
    - Upon repeal of the ACA

# Art. 20 Sec.14 – Health Spending Transparency & Containment

- Assess up to \$1 per “contribution enrollee” on entities providing health insurance
  - Contribution enrollee is a covered life
    - Excludes Medicare, local government employers & non-profit dental
    - Includes state employer plan & Medicaid
    - Same assessed base as Health Care Services Funding Plan Act
    - To be assessed Oct. 1, 2020
    - Due Jan. 31, 2021 & annually thereafter
    - Provides for refund or credit of overpayment



# Art. 20 Sec.14 – Health Spending Transparency & Containment

- RI Health Care Cost Trend Project
  - Non-profit Peterson Center on Healthcare
    - \$1.3 million through Brown University – ends 3/21
  - RI Cost Trend Steering Committee
    - Collaboration of OHIC, EOHHS, private stakeholders
  - Target a per capita spending growth rate
  - Executive Order 19-03 set the target for 2019 through 2022 at 3.2%

# Art. 20 Sec.14 – Health Spending Transparency & Containment

- Governor requested a number of amendments
  - Compliance with target is voluntary
  - Assessment would sunset July 1, 2026
  - Clarifies assessment of up to \$1 is based on anticipated spending
    - Overpayments credited to next year
  - Open meetings required for input and comment prior to recommendations
  - Corrections to language & references

# New Article - Telemedicine

- Article expands access & coverage to telemedicine on a term-limited basis
  - Removes some prior authorization requirements
  - Includes telephone audio-only service
  - Provides for provider reimbursement at same rates to in-person
  - Prohibits cost-sharing in excess of in-person rates (in-network)
- Permanently repeals provider/insurer limitations on sites

# New Article - Telemedicine

- Article continues many provisions in place via Executive Order 20-06
  - Subsequently extended by 20-42 & 20-52 through Aug. 2, 2020
- Cites medical appropriateness or necessity for services
  - May be subject to terms and conditions of insurer/provider agreement
- Establishes similar, permanent provisions for services under Medicaid

# Division of Building, Design & Fire Professionals

- Created & modified over the last 3 budgets to create efficiencies & savings
  - Governor's initial proposal for FY 2019
  - Efficiency commission recommended further consolidation for FY 2020
- Savings not achieved

# Division of Building, Design & Fire Professionals

- State Building Office
  - Gov. FY 2021 - \$3.0 million all sources
    - \$0.3 million more from general revenues
      - Transfers \$0.2 million for 3.0 staff from restricted receipts to general revenues
      - \$90,000 for new building code books
  - Many positions upgraded in FY 2020
  - Eliminates three vacancies
    - Governor's 7/23 requested amendment notes this was inadvertent; restores plus \$0.3million from restricted receipts

# Division of Building, Design & Fire Professionals

- Contractors' Registration & Licensing Board receipts

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020 Gov. Rev.</b>	<b>FY 2021 Gov. Rec.</b>
Balance Fwd.	\$705,603	\$532,556	\$88,171	\$104,780
New Receipts	1,489,995	1,231,841	1,806,086	1,842,720
Indirect Cost	(131,575)	(123,184)	(180,609)	(184,272)
<b>Available</b>	<b>\$2,064,024</b>	<b>\$1,641,213</b>	<b>\$1,713,648</b>	<b>\$1,763,288</b>
Expenditures	1,531,468	1,553,043	1,608,868	1,242,939
<b>Balance</b>	<b>\$532,556</b>	<b>\$88,170</b>	<b>\$104,780</b>	<b>\$520,289</b>

# Division of Building, Design & Fire Professionals

- Contractors' Registration & Licensing Board receipts

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020 Final</b>	<b>FY 2021 HFAS</b>
Balance Fwd.	\$705,603	\$532,556	\$88,170	\$(35,817)
New Receipts	1,489,995	1,231,841	1,356,294	1,305,373
Indirect Cost	(131,575)	(123,184)	(121,081)*	(130,537)
<b>Available</b>	<b>\$2,064,024</b>	<b>\$1,641,213</b>	<b>\$1,323,383</b>	<b>\$1,139,019</b>
Expenditures	1,531,468	1,553,043	1,359,200	1,242,939
<b>Balance</b>	<b>\$532,556</b>	<b>\$88,170</b>	<b>\$(35,817)</b>	<b>\$(103,920)</b>

*\*As of July 23, pending closing audit adjustment*



# Division of Building, Design & Fire Professionals

- State Fire Marshal
  - Gov. FY 2021 - \$5.6 million all sources
    - General revenues –\$241,571 more
      - \$0.3 million more for staffing upgrades
      - \$84,959 less to reflect the end of revolving loan payment
    - All other source –\$0.4 million more
      - \$0.3 million for federal grants for equipment
      - \$0.1 million from restricted receipts as state match to federal funds

# Division of Building, Design & Fire Professionals - Capital

- FY 2021 2 RICAP projects - \$0.2 million
  - Fire Academy Asset Protection project
    - Includes operational expenses not allowed for RICAP
      - Annual Academy Training fee revenues appear sufficient for this expense
  - Evidence Repository project
    - Feasibility study for adaptive reuse of structure adjacent to the Fire Marshal's Office
- \$0.1 million recommended for each

# Division of Building, Design & Fire Professionals

- Fire Training Academy Receipts

	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Balance Fwd.	\$261,255	\$470,604	\$724,194	\$941,875
New Receipts	467,686	668,842	611,194	617,215
Indirect Cost	<b>EXEMPT</b>			
Available	\$728,941	\$1,139,446	\$1,335,389	\$1,559,090
Expenditures	258,337	415,251	393,514	404,306
Balance	\$470,604	\$724,194	\$941,875	\$1,154,784

- Article 6 - heard 2/25*
- Article 3 - heard 7/21*

# Article 6 Section 4 – Plan Review & Inspection

- Heard Feb. 25, 2020
- Plan Review for fire code compliance
  - Reviews architectural drawings & construction plans
  - Fees charged based upon the estimated project cost over 5-tier schedule
- Governor proposes raising all fees
  - Unchanged since 1993
- Budget assumes \$0.5 million of revenues

# Article 6 Section 4 – Plan Review & Inspection

- Inspection Unit
  - Inspects commercial & residential > 3 units
  - \$100 fee for failed inspection
    - Inspection fee established 2007
    - No charge for passing inspections
    - Clarifies when payment is due
- Governor proposes \$250 fee
  - Budget assumes \$13,950 of new revenues
  - Based on 93 failed 2017 inspections

# Article 6 Section 4 – Plan Review & Inspection

- Explosives permits
  - Under current law, annual permit fees
    - \$85 for manufacturers; \$50 for dealers, possessors
    - Non-refundable apprentice permit fee \$25
    - User fee of \$50 per \$10,000 project cost
- Proposal unifies all permits at \$100
  - Eliminates \$25 apprentice permit fee
  - No estimated fiscal impact
  - Current annual collections approx. \$5,000

# Article 3 - Sections 1-3, Contractors' Reg. & Lic. Board

- Extends date for licensure without exam
  - Aligns dates with Board transfer to DBR & newly promulgated regulations
    - Dates specific to type of license
      - Well-drilling, pump installer, water-filtration contractor, home inspectors
- “Good moral character” requirements repealed in prior proposals remain
  - Replaces notarization requirements for water services with signed peer statements

# Article 3 - Sections 1-3, Contractors' Reg. & Lic. Board

- Roofing contractors
  - Section increases insurance from \$1.5 million to \$2.0 million
    - Removes individual project bonding requirement
      - Currently equal to project cost; minimum \$0.1 million
  - Continuing education changes
    - 10 hours per 2-yrs; annual under current law
  - “Good moral character” requirements repealed in prior proposals remain
- Same as last year’s proposal



# Office of Cannabis Regulation

- FY 2021 recommendation assumes passage of a proposal to establish Adult Use Marijuana programs
  - Proposes to contract w/ multiple operators
    - Revenues assume 3 vendors
  - Establishes broad licensing authority
    - Distinct licenses for medical & adult use
  - Distinct possession and production limits
    - As well as potency & price controls

# Office of Cannabis Regulation

- Office of Cannabis Regulation
  - 2019 Assembly transferred medical marijuana & industrial hemp regulation
    - Consistent with changes to program in Article 15 of the FY 2020 budget
    - Includes 7.0 positions with staffing costs of \$0.8 million & 0.6 million of operations
  - Gov. FY 2021 proposal adds 13.0 new positions for adult use regulation
    - Includes \$2.3 million for staffing & \$2.4 million for operations

# Office of Cannabis Regulation

<b>Restricted Receipts</b>	<b>FY 2020 Enacted</b>	<b>FY 2021 Gov.</b>	<b>Chg. to Enacted</b>
Salary & Benefits	\$0.8	\$2.3	\$1.5
Contracted Services	0.0	0.0	-
Operating	0.5	1.3	0.8
Assist & Grants	-	-	-
Capital	0.1	1.1	1.0
<b>Total</b>	<b>\$1.3</b>	<b>\$4.6</b>	<b>\$3.3</b>
FTE	7.0	20.0	13.0

\$ in millions

# State Controlled Adult Use – Fiscal Impact

- New revenues split by formula
  - Net of wholesale product cost
  - State expenses deducted prior to transfer

State	Contractors	Municipalities	Total
61%	29%	10%	100%

Marijuana Net New Revenues					
Item	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Adult Use	\$21.1	\$39.6	\$41.9	\$42.6	\$42.9
Adult Use License Fees	0.7	-	0.7	-	-
<b>Total</b>	<b>\$21.8</b>	<b>\$39.6</b>	<b>\$42.6</b>	<b>\$42.6</b>	<b>\$42.9</b>

\$ in millions

# State Controlled Adult Use – Fiscal Impact

- Municipalities
  - May not ban activity by regular business
    - Zoning compliant to Office regulation
    - By referendum; entities by separate question
      - Election by Nov. 3, 2021; authority in place by Apr. 1, 2022
  - May not prohibit existing medical operations

Proposed Distribution Basis	Share
All Communities	3.75%
By License type	3.75%
<i>Cultivators</i>	0.94%
<i>Processors</i>	0.94%
<i>Retailers</i>	1.88%
Volume of Sales	7.5%
<b>Total</b>	<b>15%</b>

# State Controlled Adult Use – Fiscal Impact

Expenses				
Department	FTE	Staffing	Operations	Total
Business Regulation	13.0	\$1.4	\$1.8	\$3.2
Health	4.0	0.4	0.2	0.6
Public Safety	-	-	0.5	0.5
BHDDH	1.0	0.3	0.2	0.5
<b>Subtotal</b>	<b>18.0</b>	<b>\$2.1</b>	<b>\$2.8</b>	<b>\$4.9</b>
<i>Medical Marijuana*</i>	13.0	1.5	0.7	2.1
<b>Total</b>	<b>31.0</b>	<b>\$3.6</b>	<b>\$3.5</b>	<b>\$7.0</b>

\$ in millions; \* Existing program staff & expenses

# FY 2021 Governor's Budget Remaining Divisions

	FY 2020 Enacted	FY 2021 Gov.	Chg. to Enacted
Central Mgmt.	\$2.5	\$3.1	\$0.6
Banking Reg.	1.7	1.7	(0.1)
Securities Reg.	1.1	0.9	(0.2)
Insurance Reg.	5.9	6.1	0.2
Comm. Licensing	2.1	2.0	(0.1)
Accountancy	0.0	0.0	-
<b>Total</b>	<b>\$13.4</b>	<b>\$13.8</b>	<b>\$0.4</b>

\$ in millions

# New Article - Insurance

- Governor requested July 21, 2020
  - Updates statute based on National Assoc. Insurance Commissioners (NAIC) standards
    - Existing statute is older model NAIC legislation
  - Changes life & health insurance risk based reporting standards
    - Report is formula based tool to determine min. capital requirements based on risk profile
      - Consistent with Property and Casualty standard
  - Consistent with current model language
    - Required to maintain NAIC accreditation



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