Department of Business Regulation

Staff Presentation
FY 2017 Revised and
FY 2018 Recommended Budgets
April 13, 2017
Department of Business Regulation

Divisions include:
- Central Management
- Banking Regulation
- Securities Regulation
- Board of Accountancy
- Insurance Regulation
- Office of the Health Insurance Commissioner
- Commercial Licensing, Gaming & Athletics
- Boards for Design Professionals
Introduction

- 2013 Assembly created Executive Office of Commerce
  - Oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state’s economy
  - Administered by a secretary of commerce
  - Statutes effective February 1, 2015
Introduction

- 2013 Legislation included power to operate Department of Business Regulation functions
  - Governor's FY 2016 recommendation maintained as stand-alone agency
  - Department falls under Secretary and Executive Office
    - Office of the Health Insurance Commissioner located within the Department of Business Regulation
FY 2018 Governor

Governor

Secretary

Exec. Office

Housing & Comm. Develop’t

Commerce Corp.

I-195

QDC

Airport Corp.

Dept. Business Regulation

OHIC

Other Quasis
## Expenditures by Source

<table>
<thead>
<tr>
<th>(All funds, in millions)</th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Revised</th>
<th>FY 2018</th>
<th>Chg. to Enacted</th>
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<tbody>
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<td>4.2</td>
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<td>$ 16.9</td>
<td>$ 15.9</td>
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<tr>
<td>FTE</td>
<td>97.0</td>
<td>106.0</td>
<td>106.0</td>
<td>9.0</td>
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</tbody>
</table>
Governor’s FY 2018 by Category

- Salaries and Benefits: 78.9%
- Operations: 6.3%
- Assistance, Grants, and Benefits: 0.5%
- Contracted Services: 14.0%
- Capital: 0.2%
## Expenditures by Program

<table>
<thead>
<tr>
<th>(All funds, in millions)</th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Gov. Rev.</th>
<th>FY 2018 Gov.</th>
<th>Chg. to Enacted</th>
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<tbody>
<tr>
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<td>$ 1.3</td>
<td>$ 1.4</td>
<td>$ 1.4</td>
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<td>Banking Reg.</td>
<td>1.9</td>
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<td>1.0</td>
<td>(0.1)</td>
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<td>OHIC</td>
<td>2.6</td>
<td>3.5</td>
<td>2.7</td>
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<tr>
<td>Board of Acct.</td>
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<td>0.0</td>
<td>0.0</td>
<td>-</td>
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<td>Design Profs.</td>
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<td>0.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$ 15.9</strong></td>
<td><strong>$ 16.9</strong></td>
<td><strong>$ 15.9</strong></td>
<td><strong>$ 0.0</strong></td>
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</table>
Target Issues

- Department provided with general revenue target of $9.8 million
  - Includes current service adjustments totaling $0.1 million
  - 8.0 percent reduction or $0.9 million
- Constrained request meets the target
  - Eliminates all newly requested positions and more for total of 14.0 positions from Banking & Insurance regulation
  - Governor’s recommendation $1.3 million more than target
FY 2017 Revised

- Governor recommends $1.0 million more than enacted from all sources
  - Includes $0.9 million more from federal funds for OHIC
  - $37,776 more from general revenues
    - Lean initiative reappropriation of $59,772
    - $38,302 for additional building security and unbudgeted IT expenditures
    - IT position transferred to DOA - $57,533
- Issues similar to FY 2018
Governor included 104.0 FTE for FY 2017
- Included 5.0 new FTE for Medical Marijuana program changes
- Department had 81.0 positions filled in May
2016 Assembly enacted 97.0 positions
- Provided 4.0 new FTE for MM regulation
- Eliminated 6.0 vacant positions
  - Did not further reduce funding
- Made no changes to OHIC’s 13 FTE
  - Some funding would expire during FY 2017
FTE History

*Through April 1, 2017
## FTE History

<table>
<thead>
<tr>
<th></th>
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<td>(1.0)</td>
<td>14.0</td>
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<td>-</td>
<td>2.0</td>
<td>3.0</td>
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<td>OHIC</td>
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<td>-</td>
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<td>13.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>104.0</strong></td>
<td><strong>(7.0)</strong></td>
<td><strong>97.0</strong></td>
<td><strong>106.0</strong></td>
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</table>
Governor recommends 106.0 positions for both FY 2017 revised and FY 2018

- Restores 6.0 vacancies reduced in enacted
- Retains the FTE authorization for the position transferred to DOA
- Adds 3.0 more positions
- Assumes changes to OHIC for FY 2018
Staffing Summary

- DBR has advocated for increased staffing related to accreditations
  - Banking lacks: NASCUS, CSBS, AARMR
  - Insurance: NAIC accreditation at risk
- Article 5 Transfers responsibility for Health Care Utilization review from DOH to OHIC
  - Assumes 2.0 OHIC vacancies are used for 2.0 positions transferred from DOH
# Full-time Equivalent Positions

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Revised</th>
<th>FY 2018 Governor</th>
<th>Change to Enacted</th>
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<td>Insurance Reg.</td>
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<td>3.0</td>
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<td>Comm. Lic.</td>
<td>16.8</td>
<td>19.8</td>
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<td>3.0</td>
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<td>Design Prof.</td>
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<td>3.0</td>
<td>3.0</td>
<td>1.0</td>
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<tr>
<td>OHIC</td>
<td>13.0</td>
<td>13.0</td>
<td>13.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>97.0</strong></td>
<td><strong>106.0</strong></td>
<td><strong>106.0</strong></td>
<td><strong>9.0</strong></td>
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<td>Full-Time Positions</td>
<td>FTEs</td>
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<tr>
<td>FY 2017 Revised</td>
<td>106.0</td>
<td>9.0</td>
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</tr>
<tr>
<td>FY 2018 Request</td>
<td>106.0</td>
<td>9.0</td>
<td></td>
<td></td>
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<td>FY 2018 Governor</td>
<td>106.0</td>
<td>9.0</td>
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<td></td>
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<tr>
<td>FY 2016 Average Filled</td>
<td>81.1</td>
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<tr>
<td>Filled as of April 1, 2017</td>
<td>95.6</td>
<td>(1.4)</td>
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Statewide Savings

- Assessment to salaries that funds workers’ comp., unemployment & unused leave
  - Lowered from enacted based on experience
    - Savings of $1.2 million in FY 2017
    - Savings of $1.5 million in FY 2018

- Medical benefit cost growth
  - Lower than initial estimates
    - Savings of $2.6 million in FY 2018

- Total impact to Department
  - $15,321 in FY 2017; $50,145 in FY 2018
Central Management

- Administers and oversees the statutory functions of the department
  - Excluding OHIC
- Support services: budgeting, accounting, personnel, legal and information technology
Governor recommends $1.4 million from general revenues and 9.4 FTE
- $121,350 more than enacted for staffing
  - Excluding $0.1 million for IT programmer position transferred to DOA
- Adds $27,300 for building security and $12,915 for unbudgeted IT expenses
  - FY 2017 revised includes similar changes
Banking Regulation

- Required by statute to conduct examinations of banks and credit unions every 18 months
- Monitors, regulates and examines approximately 30 financial institutions including state-chartered banks, bank holding companies, interstate banks, and credit unions and approximately 1,100 lending company licenses
Governor recommends $1.9 million for FY 2018 and 16.0 FTEs
- All but $50,000 is from general revenues
- $24,389 more than enacted
- Adds 3.0 positions
  - 1.0 Assistant Supervisor of Examinations
  - 2.0 Bank Examiners

FY 2017 adjustments
- Lean reappropriation
- Includes turnover & statewide savings
Insurance Regulation

- Conducts financial examinations of 29 domestic insurance companies
- Licenses 1,300 foreign insurers and other companies, and 120,000 producers, adjusters and appraisers
Governor recommends $5.9 million and 36 positions

- $4.2 million for staff, mostly general revenues
  - $0.3 million from restricted receipts
  - 3.0 new Insurance Examiner positions
  - $0.1 million more than enacted
- $0.2 million for operations
  - Same as enacted
- $1.5 million for actuarial services
  - Same as enacted
Insurance Regulation

- Actuarial Services for Rate Review Filings
  - Contracts with 5 firms employed to assist in preparation of insurance rate filings
  - Complex analysis of loss and premium data gathered by insurers over a period of years
  - Five year average expenditure is $0.9 million

- FY 2017 adjustments
  - Lean reappropriation
  - Includes turnover & statewide savings, $21,000 less for actuarial services
Securities Regulation

- Enforces compliance with state laws for the securities industry, franchises, charities, fundraisers and time-shares
- Licenses and regulates securities professionals
Governor recommends $1.0 million and authorized 8.8 positions
  - Staffing $0.1 million less than enacted
  - Enacted level for operations

FY 2017 adjustments
  - Lean reappropriation
  - Includes turnover & statewide savings
Commercial Licensing, Gaming & Athletics

- Licenses & regulates real estate agents, brokers, appraisers, auto body shops, glass installers, upholsters, liquor wholesalers, medical marijuana cultivators, compassion centers and cooperative cultivations
- Licenses Twin River & Newport Grand employees and vendors
Governor recommends $2.7 million

- $2.1 million for salaries and benefits
  - $0.3 million more from general revenues and restricted receipts
- $0.4 million more for marijuana regulation office operations and equipment
- FY 2017 adjustments
  - Staffing $0.2 million more from general revenues & $0.1 million more from restricted receipts
  - $60,000 less need for one-time purchase medical marijuana licensing system
Article 7, Section 1 – Medical Marijuana

- Legislation adopted by 2016 Assembly
  - Made several changes to the state’s medical marijuana regulation system
    - Authorized purchasers
    - Instituted a tagging system
    - New DBR licensing & regulation for medical marijuana
    - Required all registration, renewal & license fees be deposited as restricted receipts
      - Exclusive use by DOH and DBR to administer program
Medical Marijuana
Restructuring - Background

- Department of Business Regulation
  Licenses cultivators, compassion centers, and cooperative cultivations

- Licensed Cultivators
  - Grow to sell only to compassion centers
  - Compassion centers not obligated to purchase from cultivators
Medical Marijuana Restructuring - Background

- Co-op must have license from Department prominently displayed
- Require all licensed growers to grow at single location
  - Location must be registered with Dept.
- Co-op caregivers pooling resources at single grow site may grow up to
  - Non-residential location – 48 plants, 48 seedlings
  - Residential location – 24 plants, 24 seedlings
Medical Marijuana - Fees

- Plant tagging system established
  - Qualified patients or primary caregivers, $25 per tag set (1 plant, 1 seedling)
    - Fee waived for income or disability status per DOH – reduced registration
Medical Marijuana - Fees

- Cultivators priced by size of facility
  - $5,000 application fee
  - Currently only licensing micro, A, and B facilities

<table>
<thead>
<tr>
<th>License Class</th>
<th>Size of Facility</th>
<th>Annual License</th>
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<tbody>
<tr>
<td>Micro-license</td>
<td>0- 2,500 sq.ft</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Class A</td>
<td>0- 5,000 sq.ft</td>
<td>$20,000</td>
</tr>
<tr>
<td>Class B</td>
<td>5,001 – 10,000 sq.ft</td>
<td>$35,000</td>
</tr>
<tr>
<td>Class C</td>
<td>10,001- 15,000 sq.ft</td>
<td>$50,000</td>
</tr>
<tr>
<td>Class D</td>
<td>15,001 – 20,000 sq.ft</td>
<td>$80,000</td>
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</table>
Governor includes Article 7 to require that excess restricted receipts annually be transferred to general revenues

- Budget assumes $0.3 million in FY 2017 and $0.7 million in FY 2018
- Available revenues appears to be overstated by $0.2 million in each year
- Administration indicated plans to request amendment
Office of the Health Insurance Commissioner

- Created by 2004 Assembly to be within Insurance Regulation division
  - Established as a distinct program in FY 2012
- Positions funded through a variety of sources
  - 6.0 positions funded by general revenues
  - 5.0 positions federally funded from 2 grants
    - 2.0 vacancies rescinded - reflects end of Rate review grant position funding
  - 2.0 positions funded from restricted receipts

- OHIC sets and enforces standards
  - Consumer protection, service provider fairness, insurer solvency, health system improvement
- 6.0 general revenue funded positions
  - $1.0 million, $0.2 million more than enacted
  - 3.0 more positions than enacted
- Operations
  - $0.6 million for office operations & contracted services; includes $0.4 million for RIREACH Helpline
Rate Review, Cycles III - IV:
- Develop policies and operations for premium and rate review of health insurance companies operating within RI’s borders
  - 1-year no cost extension; no staffing funds

State Innovation Models:
- Design or test innovative health care payment and service delivery models
  - Governor recommends $0.3 million; all staff costs
  - 2.0 grant funded positions
Office of the Health Insurance Commissioner – Federal Grants

- Health Insurance Enforcement Grant
  - Implement and enhance policy form review, conduct market examinations and analysis, & investigate complaints
  - FY 2018 - $0.5 million from federal funds
    - $0.4 million for salaries and benefits for 3.0 existing positions previously funded through other grants
    - $0.1 million for other operations
Office of the Health Insurance Commissioner - Restricted

- Health Care Utilization Transfer
  - Administer certification, investigate complaints, conduct on-site surveys and investigate compliance of state laws, rules & regulations
    - OHIC currently reviews denial of benefits & claims processing & reviews adequacy of network coverage
  - 2.0 positions and funding transferred from Department of Health
    - $0.2 million restricted receipts
Article 5 – Health Plan Review

- Office of Managed Care Regulation
  - “..protect Rhode Island healthcare consumers and providers by ensuring that Health Plans and Utilization Review agencies provide quality, continuity, and access related to healthcare service”
    - Certify Health Plan & Utilization Review agencies operating in RI
      - Ensure those agencies are following applicable legal requirements
Affordable Care Act mandates tighter controls on independent review organizations

- Transfers would coincide with efforts to meet that standard
- December 31, 2017 deadline
Article 5 – Health Plan Review

- Adopt federal external appeal requirements
  - External reviews are conducted by independent review organizations
- Streamline state’s internal appeal requirements
- Adopt state law with federal rules for pharmacy and non-formulary denials and appeals
FY 2018 budget transfers two positions
- Funded from an assessment of staff time used during certification or recertification process
- There are currently 79 health care plan utilization review companies
  - Their reports are monitored quarterly
- There are 110 health plans certified
- Recertification is done every 2 years
Board of Accountancy

- Autonomous board responsible for administration of licensing
  - Certified public accountants
  - Public accountants
  - Accountancy partnerships & corporations
- Recommends $6,000
  - Consistent with the enacted budget
Boards for Design Professionals

- Boards of registration for
  - Professional engineers, land surveyors, landscape architects, & architects
- Examines & registers candidates, issues license renewals, proctors exams, and acts upon complaints
- Governor recommends $0.4 million & 3.0 positions
  - $0.1 million more than enacted
  - Staffing consistent with filled FTE
Revenues

- Department collects revenues through:
  - Applications, exams, license renewals, late penalties and miscellaneous fees
- Funds collected are deposited as general revenues
Required Reporting

- Commercial Gaming and Athletics
  - Annual Gaming and Athletics Report
    - Never Filed – appears to be obsolete
- Premium Jobs Committee
  - At least 120 days prior to a rate change beginning CY 2017
- OHIC
  - Annual Advisory Council Reports - 2015
  - Bi-Annual Hospital Payment Variation - 2012
  - Mental Health & Substance Abuse Disorders - 2015
Department of Business Regulation

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