Department of Business Regulation and New Article - Insurance

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

Governor

Secretary

Exec. Office

Housing & Comm. Develop't

Commerce Corp.

I-195

QDC

Airport Corp.

Dept. Business Regulation

OHIC

Other Quasis
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

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 2020 Enacted</th>
<th>FY 2020 Final</th>
<th>FY 2021 Gov.</th>
<th>Chg. to Enacted</th>
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<tbody>
<tr>
<td>General Revenue</td>
<td>$17.9</td>
<td>$17.0</td>
<td>$18.7</td>
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<tr>
<td>Federal Funds</td>
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<tr>
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<td>7.1</td>
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<td>0.4</td>
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<td><strong>$26.4</strong></td>
<td><strong>$25.0</strong></td>
<td><strong>$30.1</strong></td>
<td><strong>$3.7</strong></td>
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<tr>
<td>FTE</td>
<td>161.0</td>
<td>161.0</td>
<td>171.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

$ in millions
FY 2021 Governor by Category

- Salaries & Benefits: 68.1%
- Contracted Services: 9.2%
- Operating Expenses: 17.6%
- Aid To Local Government: 0.3%
- Assistance & Grants: 0.5%
- Capital: 4.2%
<table>
<thead>
<tr>
<th>Full-Time Positions</th>
<th>FTEs</th>
<th>Chg. To Enacted</th>
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<tr>
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<td>171.0</td>
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<tr>
<td>Filled as of July 4</td>
<td>151.6</td>
<td>(9.4)</td>
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<tr>
<td>FY 2020 Average Filled</td>
<td>154.2</td>
<td>(6.8)</td>
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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

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 Final</th>
<th>FY 2021 Gov.</th>
<th>Chg. to Enacted</th>
<th>Filled July 4</th>
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<tr>
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<td>13.0</td>
<td>2.0</td>
<td>11.0</td>
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<td>12.0</td>
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<td>12.0</td>
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<td>13.0</td>
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<td>33.0</td>
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<tr>
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<td>56.0</td>
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<td>Cannabis Reg.</td>
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<td>20.0</td>
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<td><strong>Total</strong></td>
<td><strong>161.0</strong></td>
<td><strong>171.0</strong></td>
<td><strong>10.0</strong></td>
<td><strong>151.6</strong></td>
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</table>
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

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 Enacted</th>
<th>July 4 Filled</th>
<th>FY 2021 Gov.</th>
<th>Chg. to Enacted</th>
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</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>6.0</td>
<td>6.0</td>
<td>7.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>2.0</td>
<td>1.0</td>
<td>0.1</td>
<td>(1.9)</td>
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<tr>
<td>Restrict Receipts</td>
<td>3.0</td>
<td>3.0</td>
<td>4.9</td>
<td>1.9</td>
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<td>Cost Allocation</td>
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<td>1.0</td>
<td>1.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>11.0</strong></td>
<td><strong>11.0</strong></td>
<td><strong>13.0</strong></td>
<td><strong>2.0</strong></td>
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</tbody>
</table>
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
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
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
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
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%
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 $0.3 million from restricted receipts
## Division of Building, Design & Fire Professionals

- Contractors’ Registration & Licensing Board receipts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Fwd.</td>
<td>$705,603</td>
<td>$532,556</td>
<td>$88,171</td>
<td>$104,780</td>
</tr>
<tr>
<td>New Receipts</td>
<td>1,489,995</td>
<td>1,231,841</td>
<td>1,806,086</td>
<td>1,842,720</td>
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<tr>
<td>Indirect Cost</td>
<td>(131,575)</td>
<td>(123,184)</td>
<td>(180,609)</td>
<td>(184,272)</td>
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<tr>
<td>Available</td>
<td>$2,064,024</td>
<td>$1,641,213</td>
<td>$1,713,648</td>
<td>$1,763,288</td>
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<tr>
<td>Expenditures</td>
<td>1,531,468</td>
<td>1,553,043</td>
<td>1,608,868</td>
<td>1,242,939</td>
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<tr>
<td>Balance</td>
<td>$532,556</td>
<td>$88,170</td>
<td>$104,780</td>
<td>$520,289</td>
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## Contractors’ Registration & Licensing Board receipts

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

*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
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**

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
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<tr>
<td>Balance Fwd.</td>
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<td>$470,604</td>
<td>$724,194</td>
<td>$941,875</td>
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<tr>
<td>New Receipts</td>
<td>467,686</td>
<td>668,842</td>
<td>611,194</td>
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<td>Indirect Cost Available</td>
<td><strong>EXEMPT</strong></td>
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<tr>
<td>Available</td>
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<td>$1,139,446</td>
<td>$1,335,389</td>
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<td>Expenditures</td>
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<td>415,251</td>
<td>393,514</td>
<td>404,306</td>
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<tr>
<td>Balance</td>
<td>$470,604</td>
<td>$724,194</td>
<td>$941,875</td>
<td>$1,154,784</td>
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</tbody>
</table>

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

- 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

<table>
<thead>
<tr>
<th>Restricted Receipts</th>
<th>FY 2020 Enacted</th>
<th>FY 2021 Gov.</th>
<th>Chg. to Enacted</th>
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<tbody>
<tr>
<td>Salary &amp; Benefits</td>
<td>$0.8</td>
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<tr>
<td>Contracted Services</td>
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<tr>
<td>Operating</td>
<td>0.5</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Assist &amp; Grants</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital</td>
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<td>1.1</td>
<td>1.0</td>
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<td><strong>Total</strong></td>
<td><strong>$1.3</strong></td>
<td><strong>$4.6</strong></td>
<td><strong>$3.3</strong></td>
</tr>
<tr>
<td><strong>FTE</strong></td>
<td>7.0</td>
<td>20.0</td>
<td>13.0</td>
</tr>
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</table>

$ in millions
State Controlled Adult Use – Fiscal Impact

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

<table>
<thead>
<tr>
<th>State</th>
<th>Contractors</th>
<th>Municipalities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>61%</td>
<td>29%</td>
<td>10%</td>
<td>100%</td>
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</table>

Marijuana Net New Revenues

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
</tr>
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<tbody>
<tr>
<td>Adult Use</td>
<td>$21.1</td>
<td>$39.6</td>
<td>$41.9</td>
<td>$42.6</td>
<td>$42.9</td>
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<tr>
<td>Adult Use License Fees</td>
<td>0.7</td>
<td>-</td>
<td>0.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$21.8</td>
<td>$39.6</td>
<td>$42.6</td>
<td>$42.6</td>
<td>$42.9</td>
</tr>
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</table>

$ 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

<table>
<thead>
<tr>
<th>Proposed Distribution Basis</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Communities</td>
<td>3.75%</td>
</tr>
<tr>
<td>By License type</td>
<td>3.75%</td>
</tr>
<tr>
<td>Cultivators</td>
<td>0.94%</td>
</tr>
<tr>
<td>Processors</td>
<td>0.94%</td>
</tr>
<tr>
<td>Retailers</td>
<td>1.88%</td>
</tr>
<tr>
<td>Volume of Sales</td>
<td>7.5%</td>
</tr>
<tr>
<td>Total</td>
<td>15%</td>
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</tbody>
</table>
## State Controlled Adult Use – Fiscal Impact

<table>
<thead>
<tr>
<th>Department</th>
<th>FTE</th>
<th>Staffing</th>
<th>Operations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Regulation</td>
<td>13.0</td>
<td>1.4</td>
<td>1.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Health</td>
<td>4.0</td>
<td>0.4</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Public Safety</td>
<td>-</td>
<td>-</td>
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<td>0.5</td>
</tr>
<tr>
<td>BHDDH</td>
<td>1.0</td>
<td>0.3</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>18.0</td>
<td>2.1</td>
<td>2.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Medical Marijuana*</td>
<td>13.0</td>
<td>1.5</td>
<td>0.7</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31.0</td>
<td>3.6</td>
<td>3.5</td>
<td>7.0</td>
</tr>
</tbody>
</table>

$ in millions; * Existing program staff & expenses
## FY 2021 Governor’s Budget

### Remaining Divisions

<table>
<thead>
<tr>
<th>Division</th>
<th>FY 2020 Enacted</th>
<th>FY 2021 Gov.</th>
<th>Chg. to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Mgmt.</td>
<td>$2.5</td>
<td>$3.1</td>
<td>$0.6</td>
</tr>
<tr>
<td>Banking Reg.</td>
<td>1.7</td>
<td>1.7</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Securities Reg.</td>
<td>1.1</td>
<td>0.9</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Insurance Reg.</td>
<td>5.9</td>
<td>6.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Comm. Licensing</td>
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<td>2.0</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Accountancy</td>
<td>0.0</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13.4</strong></td>
<td><strong>$13.8</strong></td>
<td><strong>$0.4</strong></td>
</tr>
</tbody>
</table>

$ in millions
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
Department of Business Regulation and New Article - Insurance

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