

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

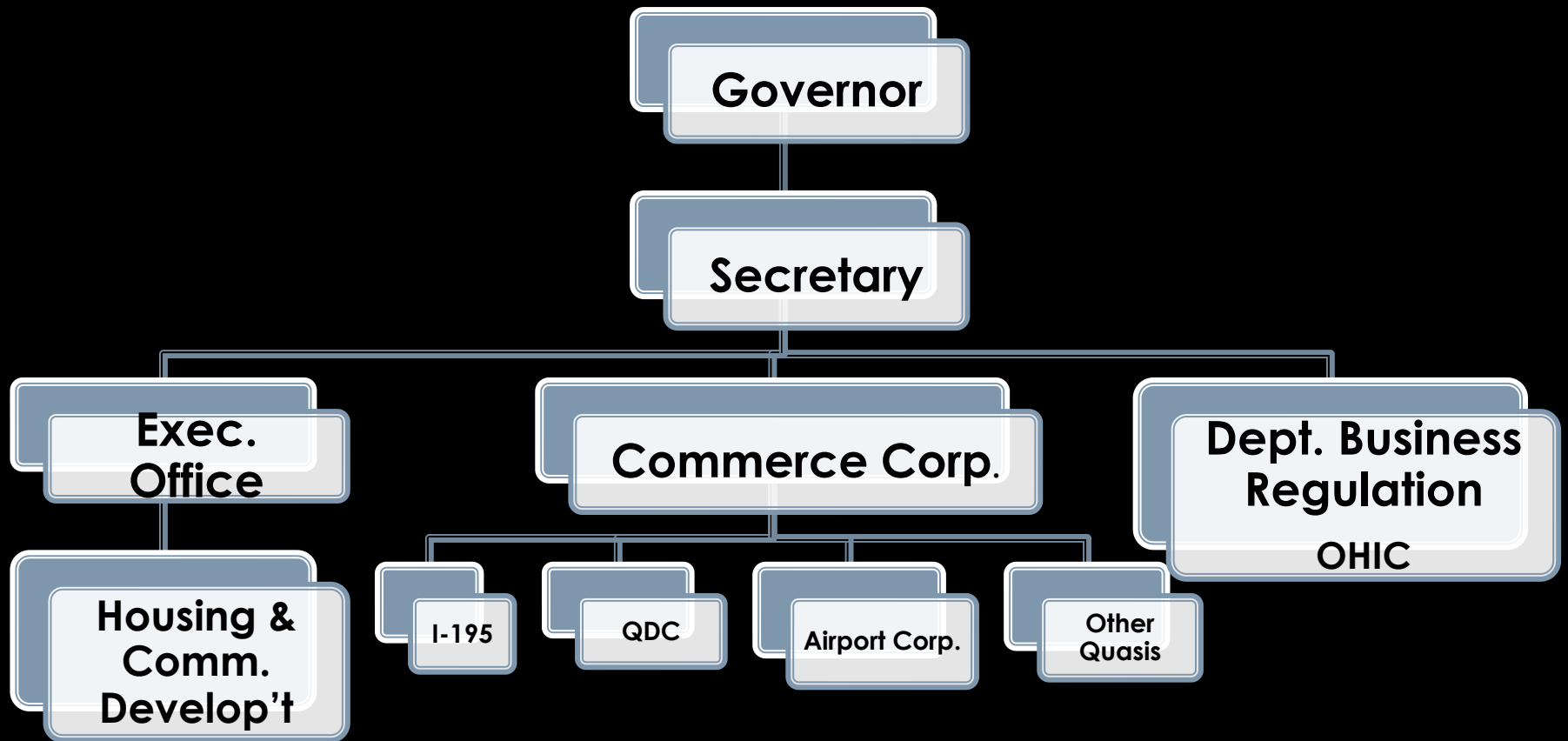
Introduction

- 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

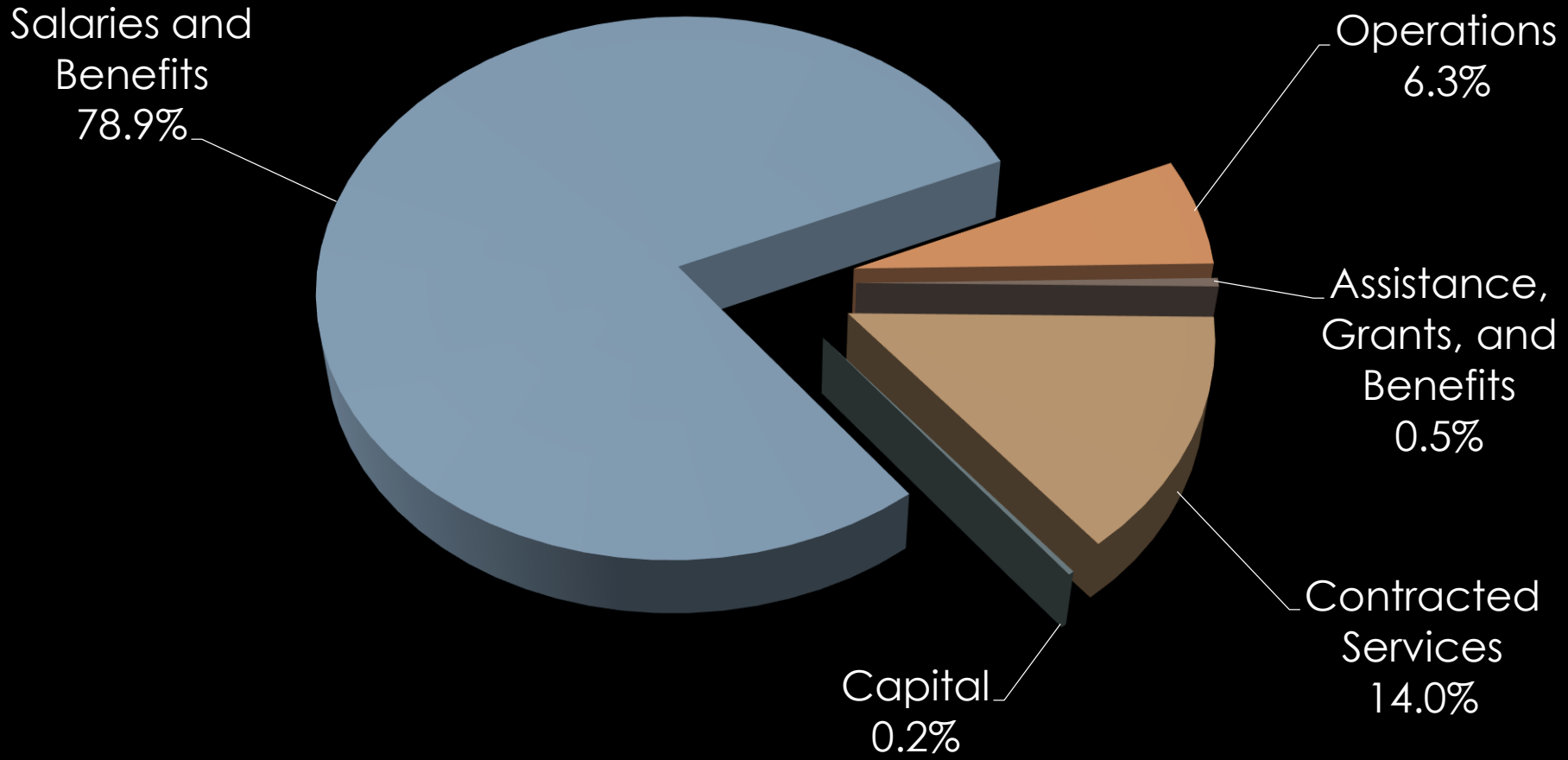
FY 2018 Governor



Expenditures by Source

<i>(All funds, in millions)</i>	FY 2017 Enacted	FY 2017 Revised	FY 2018	<i>Chg. to Enacted</i>
Gen. Rev.	\$ 10.6	\$ 10.6	\$ 11.1	\$ 0.5
Fed. Funds	1.1	2.0	0.9	(0.2)
Restricted Receipts	4.2	4.2	3.9	(0.3)
Total	\$ 15.9	\$ 16.9	\$ 15.9	\$ 0.0
FTE	97.0	106.0	106.0	9.0

Governor's FY 2018 by Category



Expenditures by Program

<i>(All funds, in millions)</i>	FY 2017 Enacted	FY 2017 Gov. Rev.	FY 2018 Gov.	Chg. to Enacted
Central Mgmt.	\$ 1.3	\$ 1.4	\$ 1.4	\$ 0.1
Banking Reg.	1.9	1.8	1.9	0.0
Securities Reg.	1.1	1.0	1.0	(0.1)
Comm. Licensing	2.9	3.2	2.7	(0.3)
Insurance Reg.	5.8	5.6	5.9	0.1
OHIC	2.6	3.5	2.7	0.2
Board of Acct.	0.0	0.0	0.0	-
Design Profs.	0.3	0.4	0.4	0.1
Total	\$ 15.9	\$ 16.9	\$ 15.9	\$ 0.0

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

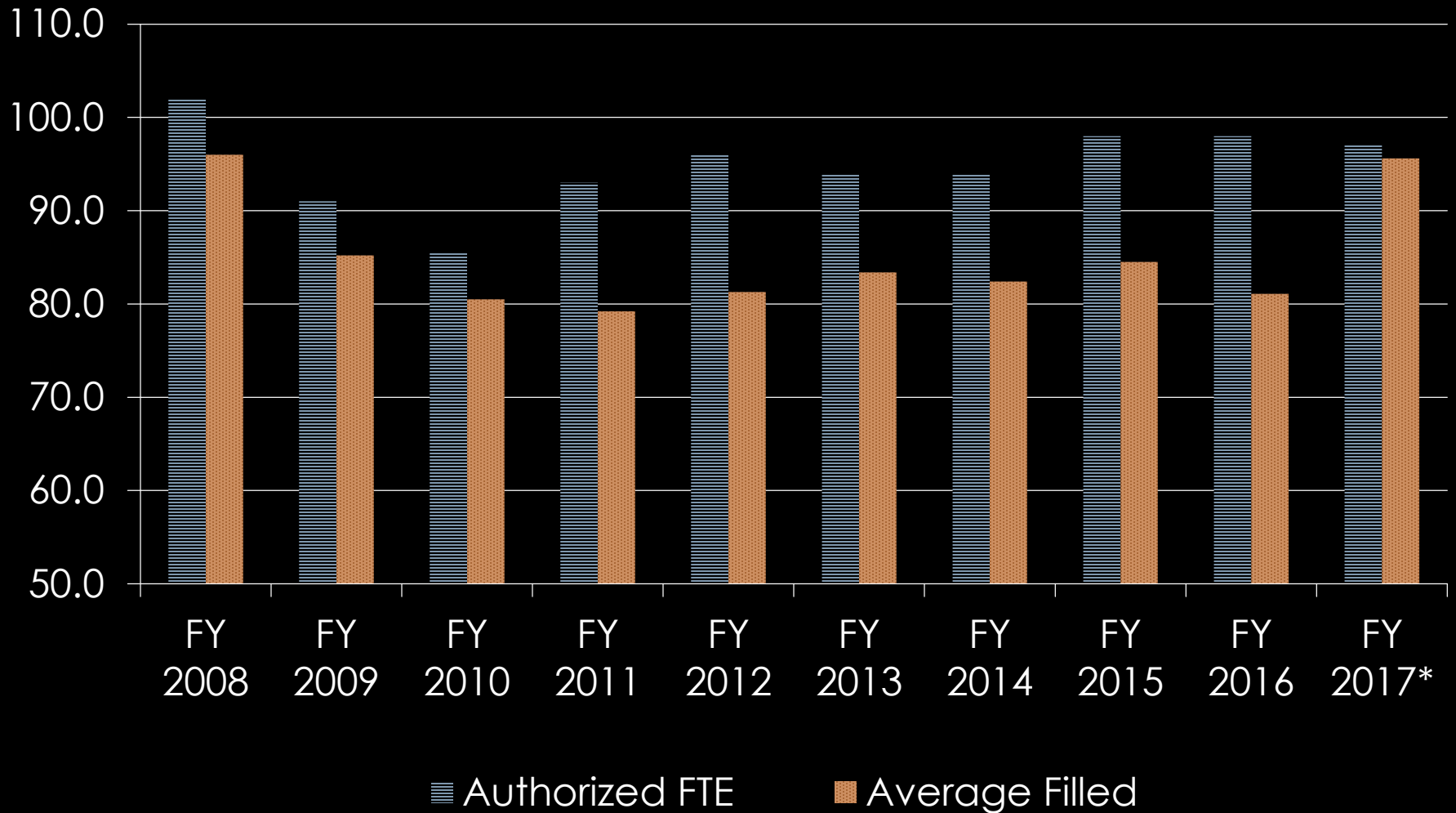
FY 2017 Revised

- 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

Enacted Staffing Summary

- 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

	FY 2017 Gov. Rec.	Vacancy/ Med Marj adjust	FY 2017 Enacted	FY 2017/18 Gov. Rec.
Central Mgmt.	9.4	-	9.4	9.4
Banking Reg.	15.0	(1.0)	14.0	16.0
Securities Reg.	9.8	(1.0)	8.8	8.8
Insurance Reg.	37.0	(4.0)	33.0	36.0
Comm. Lic.	17.8	(1.0)	16.8	19.8
Board of Acct.	2.0	-	2.0	3.0
OHIC	13.0	-	13.0	13.0
Total	104.0	(7.0)	97.0	106.0

Staffing Summary

- 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

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Governor	Change to Enacted
Central Mgmt.	9.4	9.4	9.4	-
Banking Reg.	14.0	16.0	16.0	2.0
Securities Reg.	8.8	8.8	8.8	-
Insurance Reg.	33.0	36.0	36.0	3.0
Comm. Lic.	16.8	19.8	19.8	3.0
Design Prof.	2.0	3.0	3.0	1.0
OHIC	13.0	13.0	13.0	-
Total	97.0	106.0	106.0	9.0

Full-Time Equivalent Positions

Full-Time Positions	FTEs	Change to Enacted
Enacted Authorized	97.0	-
FY 2017 Revised	106.0	9.0
FY 2018 Request	106.0	9.0
FY 2018 Governor	106.0	9.0
FY 2016 Average Filled	81.1	(15.9)
Filled as of April 1, 2017	95.6	(1.4)

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

Central Management

- 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

Banking Regulation

- 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

Insurance Regulation

- 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

Securities Regulation

- 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

Commercial Licensing, Gaming & Athletics

- 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

License Class	Size of Facility	Annual License
Micro-license	0- 2,500 sq.ft	\$ 5,000
Class A	0- 5,000 sq.ft	\$20,000
Class B	5,001 – 10,000 sq.ft	\$35,000
Class C	10,001- 15,000 sq.ft	\$50,000
Class D	15,001 – 20,000 sq.ft	\$80,000

Article 7, Section 1 – Medical Marijuana

- 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

Office of the Health Insurance Commissioner – Gen. Rev.

- 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

Office of the Health Insurance Commissioner – Federal Grants

- Rate Review, Cycles II - 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

Article 5 – Health Plan Review

- 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

Article 5 – Health Plan Review

- 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

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