



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
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**Memorandum**

**To:** The Honorable Raymond E. Gallison, Jr.  
Chairman, House Finance Committee  
  
The Honorable Daniel DaPonte  
Chairman, Senate Finance Committee

**From:** Thomas A. Mullaney *Thomas A. Mullaney*  
Executive Director/State Budget Officer

**Date:** May 29, 2015

**Subject:** Amendments to Article 28 of the FY 2016 Appropriations Act (15-H-5900)

The Governor requests that Article 28 – Relating to Health Reform Assessment be replaced in its entirety with the attached version. This replacement article establishes the Health Exchange, known as HealthSource RI, as a division within the Department of Administration and authorizes the Director of the Department of Administration to establish an assessment on insurers to provide the resources necessary to support the exchange. The article also authorizes the General Assembly to appropriate general revenue funding in lieu of or to supplement revenues generated from the assessment.

If you have any questions regarding these amendments, please feel free to call me or my staff at 222-6300.

TAM:15-Amend-22

cc: Sharon Reynolds Ferland, House Fiscal Advisor  
Stephen Whitney, Senate Fiscal Advisor  
Michael DiBiase, Director of Administration  
Jonathan Womer, Director, Office of Management and Budget  
Eric Beane, Office of the Governor  
Gregory Stack, Supervising Budget Analyst

TDD#: 277-1227

**ARTICLE 28 (Revised 5/22/2015)**

RELATING TO HEALTH REFORM ASSESSMENT AND HEALTH BENEFIT EXCHANGE

SECTION 1. Section 42-11-2 of the General Laws in Chapter 42-11 entitled "Department of Administration" is hereby amended to read as follows:

§ **42-11-2 Powers and duties of department.** – The department of administration shall have the following powers and duties:

(1) To prepare a budget for the several state departments and agencies, subject to the direction and supervision of the governor;

(2) To administer the budget for all state departments and agencies, except as specifically exempted by law;

(3) To devise, formulate, promulgate, supervise, and control accounting systems, procedures, and methods for the state departments and agencies, conforming to such accounting standards and methods as are prescribed by law;

(4) To purchase or to contract for the supplies, materials, articles, equipment, printing, and services needed by state departments and agencies, except as specifically exempted by law;

(5) To prescribe standard specifications for those purchases and contracts and to enforce compliance with specifications;

(6) To supervise and control the advertising for bids and awards for state purchases;

(7) To regulate the requisitioning and storage of purchased items, the disposal of surplus and salvage, and the transfer to or between state departments and agencies of needed supplies, equipment, and materials;

(8) To maintain, equip, and keep in repair the state house, state office building, and other premises owned or rented by the state for the use of any department or agency, excepting those buildings, the control of which is vested by law in some other agency;

(9) To provide for the periodic inspection, appraisal or inventory of all state buildings and property, real and personal;

- (10) To require reports from state agencies on the buildings and property in their custody;
- (11) To issue regulations to govern the protection and custody of the property of the state;
- (12) To assign office and storage space and to rent and lease land and buildings for the use of the several state departments and agencies in the manner provided by law;
- (13) To control and supervise the acquisition, operation, maintenance, repair, and replacement of state-owned motor vehicles by state agencies;
- (14) To maintain and operate central duplicating and mailing service for the several state departments and agencies;
- (15) To furnish the several departments and agencies of the state with other essential office services;
- (16) To survey and examine the administration and operation of the state departments and agencies, submitting to the governor proposals to secure greater administrative efficiency and economy, to minimize the duplication of activities, and to effect a better organization and consolidation of functions among state agencies;
- (17) To operate a merit system of personnel administration and personnel management as defined in § 36-3-3 in connection with the conditions of employment in all state departments and agencies within the classified service;
- (18) To assign or reassign, with the approval of the governor, any functions, duties, or powers established by this chapter to any agency within the department;
- (19) To establish, maintain, and operate a data processing center or centers, approve the acquisition and use of electronic data processing services by state agencies, furnish staff assistance in methods, systems and programming work to other state agencies, and arrange for and effect the centralization and consolidation of punch card and electronic data processing equipment and services in order to obtain maximum utilization and efficiency;
- (20) To devise, formulate, promulgate, supervise, and control a comprehensive and coordinated statewide information system designed to improve the data base used in the management of public

resources, to consult and advise with other state departments and agencies and municipalities to assure appropriate and full participation in this system, and to encourage the participation of the various municipalities of this state in this system by providing technical or other appropriate assistance toward establishing, within those municipalities, compatible information systems in order to obtain the maximum effectiveness in the management of public resources;

(i) The comprehensive and coordinated statewide information system may include a Rhode Island geographic information system of land-related economic, physical, cultural and natural resources.

(ii) In order to ensure the continuity of the maintenance and functions of the geographic information system, the general assembly may annually appropriate such sum as it may deem necessary to the department of administration for its support.

(21) To administer a statewide planning program including planning assistance to the state departments and agencies;

(22) To administer a statewide program of photography and photographic services;

(23) To negotiate with public or private educational institutions in the state, in cooperation with the department of health, for state support of medical education;

(24) To promote the expansion of markets for recovered material and to maximize their return to productive economic use through the purchase of materials and supplies with recycled content by the state of Rhode Island to the fullest extent practically feasible;

(25) To approve costs as provided in § 23-19-32; and

(26) To provide all necessary civil service tests for child protective investigators and social workers at least twice each year and to maintain an adequate hiring list for these positions at all times.

(27)(a) To prepare a report every three (3) months by all current property leases or rentals by any state or quasi-state agency to include the following information:

(i) Name of lessor;

(ii) Description of the lease (purpose, physical characteristics, and location);

(iii) Cost of the lease;

- (iv) Amount paid to date;
- (v) Date initiated;
- (vi) Date covered by the lease.

(b) To prepare a report by October 31, 2014 of all current property owned by the state or leased by any state agency or quasi-state agency to include the following information:

- (i) Total square feet for each building or leased space;
- (ii) Total square feet for each building and space utilized as office space currently;
- (iii) Location of each building or leased space;
- (iv) Ratio and listing of buildings owned by the state versus leased;
- (v) Total occupancy costs which shall include capital expenses, provided a proxy should be provided to compare properties that are owned versus leased by showing capital expenses on owned properties as a per square foot cost at industry depreciation rates;
- (vi) Expiration dates of leases;
- (vii) Number of workstations per building or leased space;
- (viii) Total square feet divided by number of workstations;
- (ix) Total number of vacant workstations;
- (x) Percentage of vacant workstations versus total workstations available;
- (xi) Date when an action is required by the state to renew or terminate a lease;
- (xii) Strategic plan for leases commencing or expiring by June 30, 2016;
- (xiii) Map of all state buildings which provides: cost per square foot to maintain, total number of square feet, total operating cost, date each lease expires, number of persons per building and total number of vacant seats per building; and
- (xiv) Industry benchmark report which shall include total operating cost by full-time equivalent employee, total operating cost by square foot and total square feet divided by full-time equivalent employee.

(28) To provide by December 31, 1995 the availability of automatic direct deposit to any recipient of a state benefit payment, provided that the agency responsible for making that payment generates one thousand (1,000) or more such payments each month.

(29) To encourage municipalities, school districts, and quasi-public agencies to achieve cost savings in health insurance, purchasing, or energy usage by participating in state contracts, or by entering into collaborative agreements with other municipalities, districts, or agencies. To assist in determining whether the benefit levels including employee cost sharing and unit costs of such benefits and costs are excessive relative to other municipalities, districts, or quasi-public agencies as compared with state benefit levels and costs.

(30) To administer a health benefit exchange in accordance with § 42-157.

SECTION 2. Title 42 entitled "State Affairs and Government," is hereby amended by adding the following chapter:

**§ 42-157-1. Establishment of exchange** -- Purpose.—The department of administration is hereby authorized to establish the Rhode Island health benefit exchange, to be known as HealthSource RI, to exercise the powers and authority of a state-based exchange which shall meet the minimum requirements of the federal act.

**§ 42-157-2. Definitions.** - As used in this section, the following words and terms shall have the following meanings, unless the context indicates another or different meaning or intent:

(1) "Director" means the Director of the Department of Administration.

(2) "Federal act" means the federal Patient Protection and Affordable Care Act (Public Law 111-148), as amended by the federal Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), and any amendments to, or regulations or guidance issued under, those acts.

(3) "Health plan" and "qualified health plan" have the same meanings as those terms are defined in Section 1301 of the federal act.

(4) "Insurer" means every medical service corporation, hospital service corporation, accident and sickness insurer, dental service corporation, and health maintenance organization licensed under title 27, or as defined in section 42-62-4.

(5) "Secretary" means the secretary of the federal department of health and human services.

(6) "Qualified dental plan" means a dental plan as described in section 1311(d)(2)(B)(ii) of the federal act.

(7) "Qualified individuals" and "qualified employers" shall have the same meaning as defined in federal law.

**§42-157-3. General requirements.** – (1) The exchange shall make qualified health plans available to qualified individuals and qualified employers. The exchange shall not make available any health benefit plan that has not been certified by the exchange as a qualified health plan in accordance with federal law.

(2) The exchange shall allow an insurer to offer a plan that provides limited scope dental benefits meeting the requirements of section 9832 (c)(2)(A) of the internal revenue code of 1986 through the exchange, either separately or in conjunction with a qualified health plan, if the plan provides pediatric dental benefits meeting the requirements of section 1302(b)(1)(J) of the federal Act.

(3) Any health plan that delivers a benefit plan on the exchange that covers abortion services, as defined in 45 CFR section 156.280(d)(1), shall comply with segregation of funding requirements, as well as an annual assurance statement to the Office of the Health Insurance Commissioner, in accordance with 45 C.F.R. sections 156.280(e)(3) and (5).

(4) At least one plan variation for individual market plan designs offered on the exchange at each level of coverage, as defined by section 1302(d)(1) of the federal act, at which the carrier is offering a plan or plans, shall exclude coverage for abortion services as defined in 45 CFR section 156.280(d)(1). If the health plan proposes different rates for such plan variations, each listed plan design shall include the associated rate.

(5) Health plans that offer a plan variation that excludes coverage for abortion services as defined in 45 CFR section 156.280(d)(1) for a religious exemption variation in the small group market shall treat such a plan as a separate plan offering with a corresponding rate.

**§ 42-157-4. Financing.**– (1) The department is authorized to assess insurers offering qualified health plans and qualified dental plans. The revenue raised in accordance with this subsection shall not exceed the revenue able to be raised through the federal government assessment and shall be established in accordance and conformity with the federal government assessment upon those insurers offering products on the federal health benefit exchange. Revenues from the assessment shall be deposited in a restricted receipt account for the sole use of the exchange and shall be exempt from the indirect cost recovery provisions of 35-4-27 of the general laws.

(2) The general assembly may appropriate general revenue to support the annual budget for the exchange in lieu of or to supplement revenues raised from the assessment under 42-154-4 (1).

(3) If the director determines that the level of resources obtained pursuant to 42-157-4 (1) will be in excess of the budget for the exchange, the department shall provide a report to the governor, the speaker of the house and the senate president identifying the surplus and detailing how the assessment established pursuant to 42-157-4 (1) may be offset in a future year to reconcile with impacted insurers and how any future supplemental or annual budget submission to the general assembly may be revised accordingly.

**§ 42-157-5. Regional purchasing, efficiencies, and innovation.** - To take advantage of economies of scale and to lower costs, the exchange is hereby authorized to pursue opportunities to jointly negotiate, procure or otherwise purchase exchange services with or partner with another state or multiple states and to pursue a federal Affordable Care Act 1332 Waiver.

**§ 42-157-6. Audit.** – (1) At least every three (3) years, the exchange shall cause to have a financial and/or performance audit of its functions and operations performed in compliance with the



generally accepted governmental auditing standards and conducted by the state bureau of audits or a certified public accounting firm qualified in performance audits.

(2) If the audit is not directly performed by the state bureau of audits, the selection of the auditor and the scope of the audit shall be subject to the approval of the state bureau of audits.

(3) The results of the audit shall be made public upon completion, posted on the department's website and otherwise made available for public inspection.

**§ 42-157-7. Exchange Advisory Board.** – The exchange shall maintain an advisory board which shall be appointed by the director. The director shall consider the expertise of the members of the board and make appointments so that the board's composition reflects a range and diversity of skills, backgrounds and stakeholder perspectives.

**§ 42-157-8. Relation to other laws.** – Nothing in this chapter, and no action taken by the exchange pursuant to this chapter, shall be construed to preempt or supersede the authority of the health insurance commissioner to regulate the business of insurance within this state, the director of the department of health to oversee the licensure of health care providers, the certification of health plans under chapter 23-17.13, or the licensure of utilization review agents under chapter 23-17.12, or the director of the department of human services to oversee the provision of medical assistance under chapter 40-8. In addition to the provisions of this chapter, all insurers offering qualified health plans or qualified dental plans in this state shall comply fully with all applicable health insurance laws and regulations of this state.

**§ 42-157-9. Severability.** – The provisions of this chapter are severable, and if any provision hereof shall be held invalid in any circumstances, any invalidity shall not affect any other provisions or circumstances. This chapter shall be construed in all respects so as to meet any constitutional requirements. In carrying out the purposes and provisions of this chapter, all steps shall be taken which are necessary to meet constitutional requirements.

SECTION 3. This article shall be effective as of January 1, 2015.

## Summary of Revisions

Article Section	Statutory Reference	Reason for Change	Line #
Section 4	§40-6-27a(1)(vi)	Clarification necessary to meet Social Security Administration (SSA) requirements for state SSI-only supplement. No substantive change.	23-26
	§40-6-27(4)	Reference correction	22
	§40-6-27(5)	Reference correction	24-26
	§40-6-27(7)	Reference correction	19
	§40-6-27(8)	Reference correction	4
	§40-6-27.2	Clarification of original language.	21-24
Section 6	§40-8-15(2)	Technical correction-missing underline.	14
	§40-8-15(h)(i)(b)	Clarification related to federal authority	19
	§40-8-15(h)(i)(c)(2)	Clarification related to federal authority.	26-9
	§40-8-15(h)(i)(c)(3)	Clarification related to federal authority.	17
	§40-8-15(h)(i)(c)(4)	Clarification related to federal authority.	19-22
	§40-8-15(h)(i)(c)(4)	Technical correction	26-1
Section 7	§40-8-19(b)(2)	Clarification necessary to explain impact.	10-12
Section 8	§40-8.2-2(8)	Technical correction	1
Section 11	§40-8.9-9(f)(2)	Addition of reference necessary to meet SSA requirements.	21-23
	§40-8.9-9(j)(1)	Reference correction	26
Section 13	§40-8.13-2(b)	Reference correction	24
Section 14	§40.1-21-4.3(7)(vii)	Revision to coincide with current agency policy.	24-12
Section 15	§42-7.2-5(6)(ii)	Technical correction	1
Section 19	Resolution (a)	Technical correction	1