

**Agency:** 160 Office of Insurance Commissioner  
**Decision Package Code/Title:** 8L Lease Rate Adjustments  
**Budget Period:** 2015-17  
**Budget Level:** M2 - Inflation and Other Rate Changes

**Recommendation Summary Text:**

Additional funding is needed to pay the cost of the Office of Insurance Commissioner's (OIC) existing leases for the SIU Tumwater office, Tumwater emergency center/storage facility, and the Tumwater Insurance 5000 Building.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
138-1 Insurance Commissioner's Regulatory-State	8,196	21,722	29,918
<b>Total Cost</b>	<b>8,196</b>	<b>21,722</b>	<b>29,918</b>

**Revenue**

<b><u>Fund</u></b>	<b><u>Source</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
138 Insurance Comm Regul	0246 Insurance Lic/Fees	8,196	21,722	29,918
<b>Total Revenue</b>		<b>8,196</b>	<b>21,722</b>	<b>29,918</b>

**Package Description:**

This package affects the agency's overhead of which each activity shares a prorated amount.

Additional funding is needed starting 7/1/15 to pay for the SIU Tumwater office existing lease; starting 1/1/17 to pay for the Tumwater emergency center/storage facility existing lease; and starting 5/1/17 to pay for the Tumwater Insurance 5000 Building existing lease. In consultation with OFM Facilities Oversight staff, the rent increases were based on the estimated inflation percentage.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

## **Performance Measure Detail**

### **Activity:**

### **Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

N/A

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

N/A

*What are the other important connections or impacts related to this proposal?*

N/A

*What alternatives were explored by the agency, and why was this alternative chosen?*

None.

*What are the consequences of adopting or not adopting this package?*

The OIC would not have enough appropriation authority to pay the rent at the SIU Tumwater office, Tumwater emergency center/storage facility or the Tumwater Insurance 5000 Building.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

### ***Expenditure and revenue calculations and assumptions***

Revenue:

The Office of Insurance Commissioner's expenditures are funded by the Regulatory Surcharge. The surcharge is paid by insurance companies doing business in Washington and is based on the appropriation approved by the Legislature. An increase in appropriation results in a corresponding increase to revenue.

Expenditures:

The OIC will need increased expenditure authority beginning in FY15 to implement this package. The increase reflects the ongoing cost for building rent at the SIU Tumwater office, the Tumwater emergency center/storage facility, and the Tumwater Insurance 5000 Building.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

Building rental costs are ongoing and will be required in future biennia.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services	8,196	21,722	29,918

**Agency:** 160 Office of Insurance Commissioner  
**Decision Package Code/Title:** A1 Access to Healthcare Providers  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

Under the Affordable Care Act (ACA), the number and complexity of innovative healthcare provider networks has increased, driving the need for ongoing comprehensive review. The innovative "narrow networks" designed to drive premium costs down by limiting in-network providers must still maintain sufficient provider access to meet consumer needs. Seemingly insignificant changes to narrow networks can create significant barriers to consumer access. The ACA has increased the workload for the Rates and Forms division beyond what can be absorbed by current staffing. This package requests funding for two positions to address the workload associated with the regulatory review of healthcare provider networks, ensuring consumer access to medically necessary covered services.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
138-1 Insurance Commissioner's Regulatory-State		200,409	197,409	397,818
<b>Total Cost</b>		<b>200,409</b>	<b>197,409</b>	<b>397,818</b>
<b>Staffing</b>		<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs		2.0	2.0	2.0
<b>Revenue</b>				
<b><u>Fund</u></b>	<b><u>Source</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
138 Insurance Comm Regul	0246 Insurance Lic/Fees	200,409	197,409	397,818
<b>Total Revenue</b>		<b>200,409</b>	<b>197,409</b>	<b>397,818</b>

**Package Description:**

This package primarily affects the Regulation of Rates and Forms activity. However, this package also affects the agency's overhead of which each activity shares a prorated amount.

Under the ACA, in the individual and small group health insurance markets, insurance carriers are required to provide a benchmark level of benefits, the ten Essential Health Benefits, cost-sharing for consumers limited to an annual individual Maximum Out of Pocket (\$6,350 for 2015), while keeping premium rates down. To achieve this goal, carriers have focused on controlling costs through innovative provider network designs that include "narrow" networks with fewer providers available for in-network delivery of services. All provider networks, whether narrow or broad, are required to provide access to all medically necessary covered services. Historically broad networks have required a lower level of review due to the ability of the network to adjust to the movement of providers in and out of the network during the plan year. The new narrow networks require a higher, more detailed level of review, as well as ongoing review to ensure that consumer access is maintained throughout the plan year. This consumer protection activity has increased the workload for the Rates and Forms Division beyond what can be absorbed by current staffing levels.

The ACA has fundamentally changed the review of insurance product filings by increasing the number of health care filings, significantly compressing the timeframe for review by requiring annual review of individual and small group market products, and

adding new requirements for healthcare product approval. New carriers are entering the market and existing carriers are adding new lines of business, expanding product lines and creating new provider networks in response to the innovation encouraged by the ACA. For plan year 2015, the number of carriers participating in the Washington Health Benefit Exchange (WAHBE) increased by 50%, with eight new provider networks created for the overall market. The trend is toward narrower networks, some based upon large provider systems within limited service areas. In addition to reviewing provider networks for minimum consumer access to covered services, the Office of Insurance Commissioner (OIC) also reviews service areas, the geographic area in which a given health plan can be sold, to ensure that service areas are not discriminatory. Under the ACA, minimum levels of Essential Community Providers (ECPs), providers that serve predominantly low-income and medically underserved individuals, are required to be included in health plans for sale on the WAHBE Healthplanfinder. The inclusion of ECPs is reviewed annually at the submission of rate and form filings, and ongoing throughout the plan year.

A separate unit focusing on Healthcare Consumer Access has been created by using open FTEs from other subject matter areas, but the OIC has not been able to completely absorb the provider network regulatory workload increase with the current staffing level. The requested additional staffing will enable the OIC to perform complete review of healthcare provider networks to ensure ongoing consumer access to medically necessary covered services.

This proposal will add two Functional Program Analyst 3s to the OIC to address the healthcare provider network review workload increase under the ACA.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

This package will ensure that healthcare provider networks include the necessary number and types of providers to deliver all medically necessary covered services to enrolled consumers. Consumers will receive access to the full health benefits for which they have paid through insurance premiums and in-network cost-sharing without unnecessary delay or by having to seek more expensive out-of-network coverage. Potential problems with healthcare provider networks will be identified and remediated to prevent consumer harm.

### **Performance Measure Detail**

#### **Activity: A008      Regulation of Insurance Rates and Forms**

		<b>Incremental Changes</b>	
		<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
<b>Process - Efficiency Measures</b>			
000734	Average number of days required to finalize the filing review process for insurance rate and form filings.	(1.00)	(1.00)

### ***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

This package contributes to the agency objective: Increase the number of Washingtonians with health insurance benefits. It also takes action on the agency strategy: Implement federal health care reform.

### ***Does this DP provide essential support to one or more of the Governor's Results Washington priorities?***

This proposal supports two of the Governor's priorities:

1. Prosperous Economy
2. Health and Safe Communities

### ***What are the other important connections or impacts related to this proposal?***

Insurance carriers support decreasing the turnaround time for the review of provider contracts, network access documents and the support of innovation in healthcare product filings. The Washington Health Benefit Exchange supports consumer access to healthcare providers for the Qualified Health Plans and Qualified Dental Plans offered on the Healthplanfinder.

***What alternatives were explored by the agency, and why was this alternative chosen?***

A new unit focusing on Healthcare Consumer Access was created using open FTEs from other subject matter areas. This new unit allows for the development of subject matter expertise in an emerging area of state and national regulatory concern, specifically access to care. The development of this specialty will decrease review time related to consumer access to covered services and support improved consumer protection. A Network Access Portal was implemented by the agency to streamline the submission of non-provider contract network adequacy documents by issuers and to address public disclosure requests by providing direct on-line access.

***What are the consequences of adopting or not adopting this package?***

If this package is not funded, the review of healthcare provider networks will be delayed, which may bring harm to consumers who do not have access to healthcare providers to deliver medically necessary covered services. It may also impede carriers from pursuing innovations in provider network design, resulting in higher insurance premium costs.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

Revenue:

The Office of Insurance Commissioner's expenditures are funded by the Regulatory Surcharge. The surcharge is paid by insurance companies doing business in Washington and is based on the appropriation approved by the Legislature. An increase in appropriation results in a corresponding increase to revenue.

Expenditures:

The OIC will need increased expenditure authority beginning in FY 2016 to implement this package. The increase reflects the ongoing cost for two Functional Program Analyst 3s and the associated costs; and \$3,000 for one-time equipment costs.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

Salary, benefits and associated costs are ongoing. Equipment is a one-time cost.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
A Salaries And Wages	120,240	120,240	240,480
B Employee Benefits	36,887	36,887	73,774
E Goods\Other Services	40,282	40,282	80,564
J Capital Outlays	3,000		3,000
<b>Total Objects</b>	<b>200,409</b>	<b>197,409</b>	<b>397,818</b>

**Agency:** 160 Office of Insurance Commissioner  
**Decision Package Code/Title:** F1 Fighting Insurance Fraud  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

Fraud referrals to the Office of Insurance Commissioner (OIC) run the gamut, from the filing of false insurance claims to allegations of producer misconduct and suspected fraud by unlicensed insurance companies. Fraud referrals from consumers, insurance companies and law enforcement exceed 2,000 each year. The lack of resources to properly evaluate and investigate referrals allows criminal enterprises to continue illegal activities in Washington State. Early detection and action are critical to effectively combat fraud. Funding for one detective, one investigator and one research analyst is needed to supplement the work of the agency's criminal and civil fraud units.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>	
138-1 Insurance Commissioner's Regulatory-State	266,276	261,776	528,052	
<b>Total Cost</b>	<b>266,276</b>	<b>261,776</b>	<b>528,052</b>	
<b>Staffing</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>	
FTEs	3.0	3.0	3.0	
<b>Revenue</b>				
<b><u>Fund</u></b>	<b><u>Source</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
138 Insurance Comm Regul	0246 Insurance Lic/Fees	266,276	261,776	528,052
<b>Total Revenue</b>		<b>266,276</b>	<b>261,776</b>	<b>528,052</b>

**Package Description:**

This package primarily affects the Policy and Enforcement activity. However, this package also affects the agency's overhead of which each activity shares a prorated amount.

The OIC receives more than 2,000 criminal fraud referrals each year. The fastest growing of the fraud sectors is medical related fraud. An increasing number and percentage of total referrals are related to complex schemes involving medical providers and claims of bodily injury. This type now comprises more than 20% of all referrals and requires more expertise to investigate because of the need to be familiar with medical terminology, coding and practices. As an example, the OIC investigated and secured a criminal conviction of a medical worker who pretended to be a doctor and submitted more than \$7 million in bogus bills to insurers, collecting more than \$2 million over a period of years.

The OIC also fights fraud by investigating complaints alleging fraudulent and deceptive sales practices by insurance producers. As an example, the OIC receives many complaints about producers financially victimizing the elderly by selling them unsuitable annuities and life insurance policies only to obtain large commissions. License revocations, and other administrative actions to include cease and desist orders, are utilized to protect consumers from future abuse. Other complaints include producer theft and misappropriation of consumer premium funds, producer forgery, identification theft of consumer's information, and suspected fraud by unlicensed

insurance companies.

Investigations into fraud schemes can be very labor intensive and are complex for a number of reasons. Schemes are diverse and difficult to unravel. Fraud schemes have often occurred over a period of years, involve multiple insurance companies and/or consumer victims, and may require many interviews and multiple search warrants or other actions to obtain required evidence to disrupt the scheme and bring those responsible to justice. Varieties of schemes exist and are utilized by those that commit fraud. Often, the suspect has a history of false claims, deceptive acts and/or a criminal history involving theft or related offenses. The close review of substantial documents, statements, videotape and police reports present opportunities to solve these crimes.

An additional problem that this proposal will address is the pressing need to increase education concerning this issue. Industry, law enforcement, and most importantly consumers remain largely unaware of the impact that insurance fraud involving various schemes has on their lives as well as how they can help by reporting it. Education also occurs indirectly through successful criminal prosecutions, administrative actions and the resulting media articles generated.

This proposal will add one detective, one investigator and one research analyst to the OIC to help fight insurance fraud.

**Narrative Justification and Impact Statement**

***What specific performance outcomes does the agency expect?***

Measurable outcomes for the investigative units include but are not limited to opening an additional 40 felony criminal investigations each year.

**Performance Measure Detail**

**Activity: A007      Policy and Enforcement**

		<b>Incremental Changes</b>	
		<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
<b>Outcome Measures</b>			
000592	Amount of restitution value assessed and projected insurance claim payouts saved on behalf of victims of insurance fraud.	\$200,000.00	\$200,000.00

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

This proposal affirmatively addresses the objective: Reduce fraud and unlawful activities. It also takes action on the following strategies:

1. Identify, investigate and prosecute criminal insurance fraud;
2. Identify, investigate and take enforcement action against unlawful insurance activity;
3. Educate consumers, law enforcement agencies and insurance investigators on insurance fraud and unauthorized insurance activities.

***Does this DP provide essential support to one or more of the Governor's Results Washington priorities?***

This proposal supports two of the Governor's priorities:

1. Prosperous Economy
2. Healthy and Safe Communities

***What are the other important connections or impacts related to this proposal?***

Stakeholders have been contacted and have expressed support for this proposal. Insurance company fraud investigation unit managers, consumers and citizen groups have voiced a strong desire for the OIC to vigorously pursue fraudulent schemes.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The agency considered continuing investigations at the current resource level. That alternative was rejected because of the potential harm caused to Washington consumers from fraudulent insurance claims and fraudulent insurance products. Demands on the agency

related to fraud referrals for investigation have, and are, increasing. This proposal was chosen to address increased demands for service from the insurance industry, consumers and the public.

***What are the consequences of adopting or not adopting this package?***

If this package is not adopted, no concerted, enhanced enforcement efforts directed at combating insurance fraud affecting Washington's consumers will occur. Due to workload increases, there will be an inability to provide service at the levels previously provided.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

Revenue:

The Office of Insurance Commissioner's expenditures are funded by the Regulatory Surcharge. The surcharge is paid by insurance companies doing business in Washington and is based on the appropriation approved by the Legislature. An increase in appropriation results in a corresponding increase to revenue.

Expenditures:

The OIC will need increased expenditure authority beginning in FY 2016 to implement this package. The increase reflects the ongoing cost for an AGO Sr/Supervisor Investigator Analyst (Detective), Investigator 3, and Research Analyst 1 and the associated costs; and \$4,500 for one-time equipment costs.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

Salary, benefits and associated costs are ongoing. Equipment is a one-time cost.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
A Salaries And Wages	156,852	156,852	313,704
B Employee Benefits	51,369	51,369	102,738
E Goods\Other Services	53,555	53,555	107,110
J Capital Outlays	4,500		4,500
<b>Total Objects</b>	<b>266,276</b>	<b>261,776</b>	<b>528,052</b>