

GOVERNMENTAL OPERATIONS

Agency 160

Office of Insurance Commissioner

Recommendation Summary

Dollars in Thousands

| | Annual FTEs | General Fund State | Other Funds | Total Funds |
|---|-------------|--------------------|-------------|-------------|
| 2013-15 Expenditure Authority | 235.0 | 527 | 54,809 | 55,336 |
| Total Maintenance Level | 232.4 | 527 | 55,646 | 56,173 |
| Difference | (2.6) | | 837 | 837 |
| Percent Change from Current Biennium | (1.1)% | 0.0% | 1.5% | 1.5% |
| Performance Changes | | | | |
| Access to Health Care Providers | 2.0 | | 398 | 398 |
| Fighting Insurance Fraud | 3.0 | | 528 | 528 |
| CTS Rate Adjustment | | | (22) | (22) |
| Legal Services | | | 7 | 7 |
| Office of Chief Information Officer | | | 5 | 5 |
| CTS Central Services | | | 55 | 55 |
| DES Central Services | | | 10 | 10 |
| Core Financial Systems Replacement | | | 12 | 12 |
| Time, Leave and Attendance System | | | 17 | 17 |
| Self-Insurance Liability Premium | | | (14) | (14) |
| State Public Employee Benefits Rate | | | 90 | 90 |
| WFSE General Government Master Agreement | | | 1,335 | 1,335 |
| Nonrepresented Job Class Specific Increases | | | 64 | 64 |
| General Wage Increase for State Employees | | | 574 | 574 |
| Subtotal | 5.0 | | 3,059 | 3,059 |
| Total Proposed Budget | 237.4 | 527 | 58,705 | 59,232 |
| Difference | 2.5 | | 3,896 | 3,896 |
| Percent Change from Current Biennium | 1.0% | 0.0% | 7.1% | 7.0% |
| Total Proposed Budget by Activity | | | | |
| Agency Administration | 48.9 | | 15,296 | 15,296 |
| Monitoring Insurance Company Solvency | 58.5 | | 12,119 | 12,119 |
| Consumer Information and Advocacy | 29.0 | | 5,069 | 5,069 |
| Health Insurance Benefit Advisors | 14.0 | | 5,233 | 5,233 |
| Policy and Enforcement | 45.1 | 527 | 12,266 | 12,793 |
| Producer Licensing and Oversight | 12.0 | | 2,261 | 2,261 |
| Regulation of Insurance Rates and Forms | 30.0 | | 6,461 | 6,461 |
| Total Proposed Budget | 237.4 | 527 | 58,705 | 59,232 |

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PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Access to Health Care Providers

Under the Affordable Care Act (ACA), the number and complexity of innovative health care provider networks has increased, driving the need for ongoing comprehensive review. The "narrow networks" are designed to reduce premium costs by limiting in-network providers, yet they must still maintain sufficient provider access to meet consumer needs. Funding is provided for two positions necessary to address the additional workload for the regulatory review of these provider networks, ensuring consumer access to medically necessary covered services. (Insurance Commissioner's Regulatory Account-State)

Fighting Insurance Fraud

Fraud referrals to the Office of Insurance Commissioner (OIC) run the gamut, from 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 investigate referrals allows criminal enterprises to conduct illegal activities in Washington. Early detection and action are critical to effectively combat fraud. Funding for one detective, one investigator and one research analyst is provided to supplement the work of the agency's criminal and civil fraud units. (Insurance Commissioner's Regulatory Account-State)

CTS Rate Adjustment

Agency budgets are adjusted to reflect changes in Consolidated Technology Services (CTS) rates. Specific changes include a reduction in metered storage rates and elimination of tailored storage rates, elimination of redundant firewalls, reduction in long distance telephone rates, a general rate reduction to reflect administrative efficiencies within CTS, and enhancements to the identity management service.

Legal Services

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a reduction in legal service charges. The Attorney General's Office (AGO) will work with client agencies to implement stricter policies and best practices regarding utilization of its services to achieve lower legal bills.

Office of Chief Information Officer

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect increased billing levels for software subscriptions and office relocation.

CTS Central Services

Agency budgets are adjusted to update each agency's allocated share of charges from Consolidated Technology Services (CTS) to reflect an increase in business continuity/disaster recovery costs and a new allocated charge for state data network costs.

DES Central Services

Agency budgets are adjusted to update each agency's allocated share of charges and to align with anticipated billing levels from the Department of Enterprise Services (DES) in the 2015-17 biennium, including changes to the enterprise systems fee, personnel services, and small agency financial services.

Core Financial Systems Replacement

Agency budgets are adjusted to align with anticipated billings from the Office of Financial Management in the 2015-17 biennium for core financial systems replacement planning through the One Washington project.

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Time, Leave and Attendance System

Agency budgets are adjusted to align with anticipated billings for the Time, Leave and Attendance system, including debt service and project completion costs.

Self-Insurance Liability Premium

Agency budgets are adjusted to reflect updated premium rates and a reduction in billings for the 2015-17 biennium.

State Public Employee Benefits Rate

Health insurance funding is provided for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. Insurance for employees covered by the health insurance coalition is included in funding for their respective collective bargaining agreements. The insurance funding rate is \$913 per employee per month for Fiscal Year 2016 and \$947 per employee per month for Fiscal Year 2017. (General Fund-State, various other accounts)

WFSE General Government Master Agreement

Funding is provided for a collective bargaining agreement with Washington Federation of State Employees (WFSE), which includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 a month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; salary adjustments for targeted classifications; hazard pay for designated night crews; assignment pay in designated areas; and employee insurance. (General Fund-State, various other accounts)

Nonrepresented Job Class Specific Increases

Funding is provided for classified state employees who are not represented by a union for pay increases in specific job classes in alignment with other employees. (General Fund-State, various other accounts)

General Wage Increase for State Employees

Funding is provided for wage increases for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. It is sufficient for a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for employees who earn \$2,500 a month or more, effective July 1, 2016; and a general wage increase of 1 percent plus a \$20 per month increase for employees who earn less than \$2,500 per month, effective July 1, 2016. This item includes both higher education and general government workers. (General Fund-State, various other accounts)

ACTIVITY DESCRIPTIONS

Agency Administration

The Office of the Insurance Commissioner (OIC) is responsible for regulating the insurance industry in Washington State and protecting consumers through education and timely communications. The activities of the OIC are primarily funded by fees from insurance organizations. Agency management develops policies, regulations, and codes to ensure that the citizens of Washington are able to access affordable insurance; it also provides the administrative support necessary for other divisions within the agency to carry out their functions.

Monitoring Insurance Company Solvency

This activity includes monitoring the solvency of insurance carriers, health care service contractors, health maintenance organizations, certified health plans, and self-funded Multiple Employer Welfare Arrangements authorized to conduct business in Washington State. Solvency issues may be identified through market conduct oversight activities, financial examinations, or financial analysis of statements filed by insurers.

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Consumer Information and Advocacy

Staff members respond to oral and written complaints and inquiries from consumers regarding insurance companies, and act as advocates when appropriate. Assistance is rendered to enforce the various provisions of the insurance code with the primary function of ensuring that consumer rights have not been violated.

Health Insurance Benefit Advisors

A statewide network of trained volunteers and paid staff educate, assist, and advocate for consumers regarding public and private health insurance and health care access issues.

Policy and Enforcement

Staff handle enforcement actions against insurance companies, health carriers, insurance producers, and others; identify and investigate consumer complaints, violations of the insurance code and criminal insurance fraud; provide information and counsel to other agency divisions; and support the public policy activities of the agency.

Producer Licensing and Oversight

This activity ensures compliance with all requirements applicable to insurance producers, surplus line brokers, adjusters, life settlement brokers, and other licensees including determination of eligibility for license issuance and renewal; performance of financial examinations of licensees; and compliance with the requirements applicable to their post-licensure activities including those relating to continuing education.

Regulation of Insurance Rates and Forms

Staff review and approve the complex actuarial formulas, assumptions, and experience data submitted as part of a proposed rate filing to ensure that rates are neither excessive, inadequate, nor unfairly discriminatory. Staff also review policy forms and provider contracts to ensure that the terms and conditions of the insurance contract comply with state and federal laws before they are sold in Washington State.