

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Department of Insurance**

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**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Department of Insurance

- The budget appropriates \$10.1 million for FY 2010 for state matching requirements for federal Health Information Technology initiatives.
- New federal funding of \$150 million is appropriated for the biennium.

## OVERVIEW

### Agency Overview

The Ohio Department of Insurance (INS) regulates the business of insurance in Ohio. Its mission is to serve and protect Ohio consumers through fair and efficient regulations, provide assistance and education to consumers, and promote a competitive marketplace for insurers. To carry out this mission, it licenses insurance agents and agencies, investigates allegations of misconduct by insurance agents or agencies, examines claims of consumer and provider fraud, investigates consumer complaints, and monitors the financial solvency and market conduct of insurance companies. The Department reviews insurance policies and forms used by insurance companies and the premiums they charge customers in the life, accident, health, managed care, and property and casualty insurance lines. It also administers the domestic and foreign insurance taxes, which in FY 2009 collected over \$404 million (combined) for the General Revenue Fund.

The Department of Insurance is a cabinet-level agency with 265 employees. Funding for Department operations is derived primarily from the fees that accompany appointments of insurance agents by insurance companies. The Department receives up to \$15 of this \$20 fee with the remaining revenue deposited into the GRF. This primary revenue source is supplemented by company filing fees, various smaller fees, and federal grants. In FY 2009, the agency's total actual expenditures were \$33.5 million.

The following table presents the total number of full-time and part-time permanent employees at the beginning of each fiscal year. Employee counts are shown for each of nine program areas within the Department. Numbers for FY 2009 included the Department's funded vacancies. Figures for FY 2010 and FY 2011 are estimates.

Table 1. Department of Insurance Staffing Levels (Headcount)					
Program Area	FY 2007	FY 2008	FY 2009	Estimated	
				FY 2010	FY 2011
Consumer Services	31	30	29	31	31
OSHIIP	17	15	16	18	18
Licensing	17	19	19	19	19
Market Conduct	18	17	16	15	15
Fraud and Enforcement	21	25	23	26	26
Product Regulation	33	32	33	33	33
Risk Assessment	58	57	54	59	59
Program Management	67	70	74	79	79
Health Care Council			1	4	4
<b>TOTAL</b>	<b>262</b>	<b>265</b>	<b>265</b>	<b>284</b>	<b>284</b>

### Appropriation Overview

The following table provides the appropriations by fund group for the Department of Insurance for the FY 2010-FY 2011 biennium.

Table 2. Agency Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
Federal Special Revenue	\$1,330,991	\$51,770,000	3,789.6%	\$101,790,000	96.6%
State Special Revenue	\$32,177,214	\$42,956,351	33.5%	\$32,858,979	- 23.5%
<b>TOTAL</b>	<b>\$33,508,205</b>	<b>\$94,726,351</b>	<b>182.7%</b>	<b>\$134,648,979</b>	<b>42.1%</b>

\*FY 2009 figures represent actual expenditures.

Total appropriations for FY 2010 are \$94.7 million. This total is \$61.2 million, or 182.7%, higher than FY 2009 actual expenditures. Total appropriations for FY 2011 are \$134.6 million, which is \$39.9 million, or 42.1%, higher than FY 2010. The Department receives no GRF appropriation in either FY 2010 or FY 2011.

The sharp increase in funding for the Department is due almost entirely to an increase in federal funding, together with a \$10.1 million appropriation of state funds in FY 2010 that was made to provide matching funds for a new federal grant. Appropriations related to the new federal grant account for \$60.1 million of the \$61.2 million increase from FY 2009 expenditures to FY 2010 appropriations. Similarly, FY 2011 appropriations are essentially flat compared to FY 2010 appropriations if one excludes appropriations related to that federal grant. The grant is intended to promote health information technology initiatives in Ohio, and is discussed below in connection

with appropriation line items 820608, State Coverage Initiative – Federal, and 820603, Health Information Technology and Health Care Coverage and Quality Council.

## **Health Care Reform**

A major focus of the Department for this biennium is to implement health insurance reforms, promote the adoption of health information technology by medical providers, and support the development of electronic medical records. The budget includes various health insurance reforms that were recommended in a report, dated July 2008, to the Governor that was prepared by a bipartisan advisory group appointed by the Governor. The group participated in the State Coverage Initiative Program, which was funded by the Robert Wood Johnson Foundation.

### **Health Care Coverage and Quality Council**

The budget creates a council, the Health Care Coverage and Quality Council, which includes the Superintendent of Insurance and at least 26 other members, to advise the Governor, General Assembly, entities in the public and private sectors, and consumers on strategies to expand affordable health insurance coverage to more individuals and to improve the cost and quality of the state's health insurance system and health care system and study alternative care management options for Medicaid recipients not required to participate in the Medicaid care management system. All members that will be appointed by the Governor must receive advice and consent from the Senate. Members of the Council will not be compensated, except to the extent that serving on the council is considered part of their regular employment duties. The budget requires the Council to hold its first meeting by September 1, 2009. The budget provides appropriations for administration related to the Council in new line item 820609, State Coverage Initiative Administration (Fund 5540).

### **Health Information Technology**

The budget includes new funding for health information technology initiatives in line items 820603, Health Information Technology and Health Care Coverage and Quality Council and 820608, State Coverage Initiative – Federal (Fund 3CX0). The budget appropriates \$10.1 million for FY 2010 in line item 820603. No appropriation is made for FY 2011. The appropriation is expected to drawdown \$150 million in federal stimulus money over the biennium. The budget appropriates the expected federal stimulus money in line item 820608, \$50.0 million for FY 2010 and \$100.0 million for FY 2011. While detailed federal rules for using the federal money were not available as of late August, the federal money is intended generally to be used to support the increased use of information technology in the health sector, and for conversion to electronic medical records.

### **Health Insurance Coverage of Dependent Children**

The budget requires that all health care plans (i.e., sickness and accident insurance policies, health insuring corporation plans, multiple employer welfare arrangements, and public employee benefit plans) offer coverage, at the insured's request, to an unmarried natural child, stepchild, or adopted child of the policyholder until the dependent reaches 28 years of age. The budget specifies that the offer of coverage does not require employers to pay for any part of the premium for an unmarried child that has already attained the normally limiting age specified in the policy. This provision is exempted from the existing law requirement that the Superintendent of Insurance review all new health benefit mandates before a mandate may take effect.

The budget allows an Ohio income tax deduction for the portion of payments for employer-sponsored health insurance that would normally be excluded from federal adjusted gross income but is not because it relates to a person who is not a "qualifying dependent" for federal income tax purposes.

### **Employer-sponsored Health Insurance Coverage**

The budget requires employers that employ ten or more employees to adopt and maintain a "cafeteria" health insurance plan that allows the employer's employees to pay for health insurance coverage by a salary reduction arrangement under the Internal Revenue Code. Employers that employ more than 500 employees are required to comply with the requirements by January 1, 2011, or six months after rules related to the requirements are adopted by the Superintendent, whichever is later. Employers that employ 150 to 500 employees must comply by July 1, 2011, or 12 months after rules are adopted. Employers that employ 10 to 149 employees must comply by January 1, 2012, or 18 months after the adoption of the rules. The budget also provides an exception for employers that already offer specified health benefits and requires the Superintendent of Insurance to receive written confirmation from the federal government that the individual policies purchased under cafeteria plans do not need to comply with federal Health Insurance Portability and Accountability Act (HIPAA) requirements for group policies. If the Superintendent does not receive that confirmation, the requirement that employers provide cafeteria plans does not apply. The budget requires the Superintendent to adopt rules to implement and enforce the requirement and requires the Health Care Coverage and Quality Council to make specified recommendations to the Superintendent concerning employer and employee implementation of the requirement.

### **Open Enrollment Health Insurance Program and Conversion of Group Health Insurance Policies to Individual Policies**

The budget increases the number of people that insurers, carriers, and health insuring corporations (HICs) are required to accept for health insurance coverage under open enrollment. The increase will be phased in from current law's 0.5% total for sickness and accident insurers and 1% for HICs to 4% for each in 2010 and 2011 and 8% in 2012 and subsequent years if certain conditions are met. It requires carriers that meet the enrollment limitations to reopen coverage whenever the carrier's enrollment drops below the enrollment limits and allows carriers to establish waiting lists. The budget requires carriers that issue nonemployer group health benefit plans to provide open enrollment coverage to individuals who are not federally eligible in addition to carriers that issue individual plans and includes HIC policies that are converted from group policies to individual policies in the exception from that rule.

The budget allows the Superintendent of Insurance to adopt rules to implement the open enrollment program and requires the Superintendent to prepare an annual report beginning June 30, 2011 for the General Assembly and the Governor on the program and the performance of individual markets in Ohio including market-wide average loss ratio data.

The budget reduces the maximum premium rates and contractual periodic prepayments that insurers and HICs may charge federally eligible individuals for individual health insurance contracts or policies that are converted from group contracts and policies, and prohibits insurers and HICs from using health status as a basis for refusing to renew a converted contract. The reduction will be phased in gradually.

### **Continuation of Health Insurance Coverage after Termination of Employment**

The budget makes permanent the changes made to Ohio's law regarding continuation of coverage after termination of employment by Am. Sub. H.B. 2 of the 128th General Assembly. The coverage was enacted in a temporary law under H.B. 2 and was set to expire January 1, 2010.

### **Health Insuring Corporation Provider Networks**

The budget transfers the responsibility to review and certify that a health insuring corporation's (HIC's) provider network is sufficient to meet specified requirements to the Superintendent of Insurance from the Director of Health.

### **External Review of Health Care Denials by Insurance Companies**

Under continuing law, HICs, sickness and accident insurers, and public employee benefit plans must provide for external reviews of certain health care coverage decisions made by those entities. The budget makes several changes related to

this requirement. The changes generally have the effect of enhancing the rights of patients.

## **Other Major Initiatives**

### **Transfer from Department of Insurance Operating Fund to General Revenue Fund**

The budget requires the Director of Budget and Management to transfer \$5.0 million from the Department of Insurance Operating Fund (Fund 5540), not later than the thirty-first day of July each fiscal year, to the GRF.

### **Franchise Plans for Long-term Care or Disability Income Insurance**

The budget reduces from five or more to two or more the number of employees necessary to qualify for sickness and accident insurance on a "franchise plan" with respect to long-term care (LTC) insurance or disability income (DI) insurance. It also reduces from ten or more to two or more the number of members of a trade or professional organization, labor union, or other association necessary to qualify for a sickness and accident insurance franchise plan with respect to LTC insurance or DI insurance.

### **Payment of Claims by Third-Party Payers**

The budget requires third-party payers to pay claims for health care services to a provider electronically under the prompt payment law when the claim on which payment is being made was received electronically by the third-party payer, effective 12 months after the bill's effective date. All providers are prohibited from refusing electronic payments on the basis that the payment was transmitted electronically.

### **Prompt Payment Fines**

The budget incorporates as a separate account in the Department of Insurance Operating Fund (Fund 5540) the existing Claims Processing Education Fund into which the Superintendent of Insurance must deposit 10% of fines collected under certain insurance prompt pay statutes.

### **Administrative Expenses Incurred by Sickness and Accident Insurers**

The budget modifies the definition of administrative expenses for the purposes of the current cap on sickness and accident insurers' administrative expenses, and requires insurers to provide specified information concerning the insurer's earnings and administrative expenses related to the insurer's sickness and accident insurance business separately, including the insurer's individual, small group, and large group sickness and accident insurance businesses, as part of the currently required annual statement of the insurer's administrative expenses. The budget allows the Superintendent of Insurance to suspend the license of an insurer if the insurer fails to submit the required annual statement, and allows the Superintendent to share



aggregated market information that identifies all of the itemized information except for the amount of costs incurred by an insurer for reinsurance coverage.

### **Alternative Retirement Plans**

The budget place a moratorium on the Department of Insurance's designation of additional providers of investment options under alternative retirement plans established by public institutions of higher education until July 1, 2010 (current law generally requires the Department to designate three or more providers).

### **Insurance Taxes**

The budget also includes provisions that have an effect on insurance taxes, which are administered by the Department. For details related to the insurance tax provisions, please see the Greenbook for tax provisions.

### **Vetoed Items:**

#### **Prompt Payment Policy Workgroup**

The Governor vetoed the creation of the Prompt Payment Policy Workgroup to research and make policy recommendations by February 1, 2010, for the purpose of prompt payment policy for Ohio's Medicaid program. Members of the Workgroup were to include three representatives of the Department.

#### **Health Care Coverage and Quality Council**

The Governor vetoed the requirement that the newly created council, Health Care Coverage and Quality Council, evaluates and recommends strategies pursuant to the Ohio Medicaid Administrative Study Council's recommendations to establish an initiative conducted by clinicians in the Office of Ohio Health Plans within the Department of Job and Family Services (JFS) regarding disease prevention and management and Medicaid claims. It also vetoed the requirement that the Council submits a report of its findings and recommendations to the Governor, Senate President, and Speaker of the House by not later than June 30, 2010.

#### **Continuous Coverage Requirement for Health Insurance Coverage of Dependent Children**

The Governor vetoed a limitation on the requirement, that remained in the budget, that all health care plans (i.e., sickness and accident insurance policies, health insuring corporation plans, multiple employer welfare arrangements, and public employee benefit plans) offer coverage, at the insured's request, to an unmarried child of the policyholder until the dependent reaches 28 years of age. Specifically, the Governor vetoed an exemption from this requirement for dependents who were not continuously covered under a health benefit plan after having attained the plan's previous limiting age.

## ANALYSIS OF ENACTED BUDGET

### Introduction

This section provides an analysis of the appropriations for each line item in INS's budget. For each category a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation. The four categories used in this analysis are as follows:

1. Operating Expenses;
2. Ohio Senior Health Insurance Information Program (OSHIIP);
3. Examination; and
4. State Coverage Initiative.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget.

Categorization of INS's Appropriation Line Items for Analysis of the Budget			
Fund	ALI and Name		Category
<b>Federal Special Revenue Fund Group</b>			
3CX0	820608	State Coverage Initiative – Federal	4: State Coverage Initiative
3U50	820602	OSHIIP Operating Grant	2: Ohio Senior Health Insurance Information Program (OSHIIP)
<b>State Special Revenue Fund Group</b>			
5540	820601	Operating Expenses - OSHIIP	2: Ohio Senior Health Insurance Information Program (OSHIIP)
5540	820606	Operating Expenses	1: Operating Expenses
5540	820609	State Coverage Initiative Administration	4: State Coverage Initiative
5550	820605	Examination	3: Examination
5AG0	820603	Health Information Technology and Health Care Coverage and Quality Council	4: State Coverage Initiative

**Category 1: Operating Expenses (820606)**

Appropriations for Operating Expenses				
Fund	ALI and Name		FY 2010	FY 2011
<b>State Special Revenue Fund Group</b>				
5540	820606	Operating Expenses	\$22,884,736	\$22,884,736
<b>State Special Revenue Fund Group Subtotal</b>			<b>\$22,884,736</b>	<b>\$22,884,736</b>
<b>Total Funding: Operating Expenses</b>			<b>\$22,884,736</b>	<b>\$22,884,736</b>

This appropriation item provides funding for the general operating expenses for the Department of Insurance, excluding the OSHIIP and the agency Financial Examination programs. The appropriation draws on the Department of Insurance Operating Fund (Fund 5540). Fund 5540 receives funding from various fees, such as a \$20 annual fee assessed to each insurance agent licensed to provide insurance service in Ohio, appointment fees assessed to insurance agencies, and fees for certain services or transactions performed by the Department.

The Department's regulatory and licensing responsibilities can be broken down into the following key areas: (1) consumer affairs, (2) market conduct, (3) agent licensing, (4) risk assessment, (5) fraud and enforcement, (6) product regulation, and (7) administrative support. Department personnel that serve in the consumer affairs area respond to inquiries, investigate and resolve complaints from Ohio consumers, and provide information and publications related to insurance. During FY 2008, the Department responded to over 83,000 phone calls and approximately 1,000 written complaints, inquiries, e-mails, and walk-ins. The consumer affairs staff resolved many of the complaints and inquiries, and recovered over \$11 million in restitution for Ohio consumers. They also referred 131 cases to the Fraud and Enforcement division and Market Conduct division for further actions.

Personnel in the market conduct area examine records of insurance companies doing business in Ohio to ensure that these companies comply with the state's insurance laws and regulations. They are also responsible for gathering industry information from a variety of sources, including consumer complaints, company filings, databases operated by the National Association of Insurance Commissioners (NAIC), and research tools. H.B. 125 of the 127th General Assembly required the Department to conduct additional market conduct examinations to ensure compliance with certain uniform contract provisions between health care providers and contracting entities (i.e., health insurers). The budget authorizes the Department to assess the insurers that are examined for the costs of the examination and to deposit revenues derived from the examination into Fund 5540.

The Department issues licenses to insurance agents and agencies and is responsible for ensuring that only qualified and competent individuals or entities are licensed to provide insurance service in Ohio. The Department also maintains agents' continuing education requirements and processes insurance company appointments of authorized agents. The Department offers an on-line agent testing and licensing system. Personnel in this area have taken on increased responsibilities due to passage of H.B. 404 and H.B. 125, both of the 127th General Assembly, as they are required to ensure that viatical settlement brokers comply with the new requirements (H.B. 404), including continuing education requirements, and to produce new forms to be used by insurers statewide to credential medical providers (H.B. 125).

Personnel in the risk assessment area monitor the financial solvency of every domestic and foreign insurance company that is licensed to do business in Ohio to ensure that they are capable of meeting their contractual agreements to policyholders and claimants. They also oversee complex transactions such as mergers, acquisitions, re-domestications, reinsurance agreements, and inter-company agreements to ensure that insurance companies have enough money to pay claims filed by consumers.

The Department's fraud and enforcement area investigates insurance fraud and agent misconduct, and assists in the prosecution of consumer and provider fraud relating to the business of insurance. In 2007, the Department received about 4,000 allegations of insurance fraud and agent misconduct. The number of reports of insurance fraud and agent misconduct increases each year. And the passage of H.B. 404 and H.B. 125 established new requirements that may yield an increase in allegations of misconduct.

Department staff review policy forms, endorsements, and manual rules and rates for products marketed to Ohio consumers by Ohio licensed property and casualty companies. The budget requires property and casualty insurance companies to annually submit to the Superintendent of Insurance a statement of actuarial opinion that certifies the reasonableness of the insurance company's reserves and an actuarial opinion summary that must be prepared by a "qualified actuary." An insurance company that is licensed but not domiciled in this state is not required to provide the actuarial opinion summary unless requested by the Superintendent. In addition, the budget removes the cap on homeowners insurance rates and basic property insurance rates established by the Ohio Fair Plan Underwriting Association, which currently cannot exceed the rates filed by the state's major rating organization, and instead requires that those rates be subject directly to the approval of the Superintendent. The budget also allows the Superintendent to review the premium rates of sickness and accident insurance policies made available by insurers in the individual market to individuals through a group according to the current review requirements for all individual policies of sickness and accident insurance. The budget specifies that

insurers that offer health benefit plans to small employers must file those plans for premium rate review by the Superintendent pursuant to the current requirements for all policies and certificates of sickness and accident insurance and health insuring corporations.

Personnel in the Life, Health, and Managed Care division are responsible for reviewing the contractual provisions of all Ohio-licensed life and health and accident policies to ensure they are in compliance with Ohio and federal laws. The Department licenses multiple employer trusts, alliances, and health insuring corporations and accredits independent review organizations. The Life, Health, and Managed Care division also monitors the activities of all health insuring corporations operating in Ohio.

Personnel involved in administrative support include legal services staff who provide legal advice on regulatory transactions, administer public hearings involving insurance agent and company licenses, provide legal assistance on a variety of issues to other offices in the Department of Insurance, and supervise litigation. Other personnel in this area include information technology staff and staff in the executive, fiscal operations, and human resources offices.

In addition, the Department of Insurance is required under Ohio law to oversee and administer the liquidation process of an Ohio domiciled insurance company that becomes insolvent and requires liquidation. The Ohio Liquidation Office, under the executive, is responsible to administer the operations. The Ohio Liquidation Office's personnel costs are reimbursed to the Department from the insolvent insurance companies that are being liquidated.

The budget provides sufficient funding to continue the INS's general operation at its current level of service and to continue to achieve its mission. The budget provides total appropriations of \$22.9 million each for FY 2010 and FY 2011 in this line item. The FY 2010 amount represents an increase of \$0.6 million, or 2.7%, from the actual expenditures for FY 2009, but is the same as the expenditures in FY 2008.

## Category 2: Ohio Senior Health Insurance Information Program (820602 and 820601)

Appropriations for OSHIIP				
Fund	ALI and Name		FY 2010	FY 2011
<b>Federal Special Revenue Fund Group</b>				
3U50	820602	OSHIIP Operating Grant	\$1,770,000	\$1,790,000
<b>Federal Special Revenue Fund Group Subtotal</b>			<b>\$1,770,000</b>	<b>\$1,790,000</b>
<b>State Special Revenue Fund Group</b>				
5540	820601	Operating Expenses - OSHIIP	\$200,000	\$200,000
<b>State Special Revenue Fund Group Subtotal</b>			<b>\$200,000</b>	<b>\$200,000</b>
<b>Total Funding: OSHIIP</b>			<b>\$1,970,000</b>	<b>\$1,990,000</b>

The appropriation line items, OSHIIP Operating Grant (820602) and Operating Expenses - OSHIIP (820601) provide funding for the administration of the Ohio Senior Health Insurance Information Program. It assists and educates seniors in making informed decisions about health insurance issues. Nearly 90% of the funding for the program comes from a federal grant, with the remainder coming from the Department of Insurance Operating Fund (Fund 5540). Fund 5540 receives funding primarily from fees paid by insurance agents and by insurance companies.

The appropriation for FY 2010 in line item 820601 is \$200,000, which is 67.8% below the actual expenditures for FY 2009. The appropriation for FY 2011 is \$200,000, the same as the FY 2010 appropriation.

The budget includes funding from a federal grant of \$1.8 million each for FY 2010 and FY 2011. In FY 2009, the actual amount of the federal grant was \$1.3 million. The federal grant in FY 2008 was \$1.1 million.

Total appropriations for the program are about \$2.0 million each for FY 2010 and FY 2011. Total expenditures for FY 2009 were also \$2.0 million, but about \$17,142, or 0.9%, lower than total appropriations for FY 2010. Overall spending on the program is essentially held flat for the biennium, despite a decrease in funding from state sources of about \$598,000, or about \$300,000 per year (on average).

**Category 3: Examination (820605)**

Appropriations for Examination				
Fund	ALI and Name		FY 2010	FY 2011
<b>State Special Revenue Fund Group</b>				
5550	820605	Examination	\$9,275,768	\$9,294,668
<b>State Special Revenue Fund Group Subtotal</b>			<b>\$9,275,768</b>	<b>\$9,294,668</b>
<b>Total Funding: Examination</b>			<b>\$9,275,768</b>	<b>\$9,294,668</b>

This line item funds departmental oversight of insurance companies that are licensed to operate in Ohio. It allows the Department to monitor approximately 1,600 insurance companies, the majority of which are headquartered in other states, in cooperation with other state insurance departments and the NAIC. It allows the Department to monitor the financial solvency of those companies, by reviewing financial statements and other records, and to conduct regular on-site examinations. Ohio law requires a financial examination be conducted at least once every five years. Funding for the appropriation comes from the Superintendent's Examination Fund (Fund 5550). The Department's expenses from conducting an examination of a company are paid by the company to the Superintendent and deposited into Fund 5550. In addition, the budget authorizes the Director of Budget and Management to transfer funds from Fund 5540 to Fund 5550, at the request of the Superintendent, to reimburse Fund 5550 for expenses incurred in examining domestic fraternal benefit societies.

The budget appropriates \$9.3 million each for FY 2010 and FY 2011 in this line item. This amount represents an increase of \$1.5 million, or 19.3%, from the actual expenditures for FY 2009, which were \$7.8 million. The budget increases the appropriation from this line item for FY 2010 and FY 2011 to pay for some of the costs to upgrade and improve its legacy insurance regulatory computer system (known as "Cosmos") to better meet the Department's overall needs. Currently, the system is a third-party application. After its completion, the system will be maintained internally by the Department's information technology and security staff.

**Category 4: State Coverage Initiative (820608, 820609, and 820603)**

<b>Appropriations for State Coverage Initiative</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2010</b>	<b>FY 2011</b>
<b>Federal Special Revenue Fund Group</b>				
3CX0	820608	State Coverage Initiative – Federal	\$50,000,000	\$100,000,000
<b>Federal Special Revenue Fund Group Subtotal</b>			<b>\$50,000,000</b>	<b>\$100,000,000</b>
<b>State Special Revenue Fund Group</b>				
5540	820609	State Coverage Initiative Administration	\$479,575	\$479,575
5AG0	820603	Health Information Technology and Health Care Coverage and Quality Council	\$10,116,272	\$0
<b>State Special Revenue Fund Group Subtotal</b>			<b>\$10,595,847</b>	<b>\$479,575</b>
<b>Total Funding: State Coverage Initiative</b>			<b>\$60,595,847</b>	<b>\$100,479,575</b>

This is a newly created program under the budget. The program will implement health insurance reforms, promote the adoption of health information technology by medical providers, and support the development of electronic medical records. The budget also creates three new appropriation line items, State Coverage Initiative – Federal (820608), State Coverage Initiative Administration (820609), and Health Information Technology and Health Care Coverage and Quality Council (820603).

**State Coverage Initiative - Federal (820608)**

The budget appropriates \$50 million for FY 2010 and \$100 million for FY 2011 in this new line item. Funding for the line item comes from federal stimulus moneys for the purpose of health information technology initiatives. They are generally intended to be used to support growth in the use of information technology in the health sector, and to promote the adoption of electronic medical records.

**State Coverage Initiative Administration (820609)**

The budget appropriates \$479,575 each for FY 2010 and FY 2011 in this new line item. It will provide funding for personnel and administration related to the implementation of insurance reforms and the new Health Care Coverage and Quality Council that were included in the budget. Funding for this line item will come from Fund 5540, the Department's operating fund.

**Health Information Technology and Health Care Coverage and Quality Council (820603)**

The budget establishes this new SSR appropriation item and appropriates \$10.1 million for FY 2010. The line item will draw non-GRF funding from the Medical Liability Fund (Fund 5AG0), used by the Department of Insurance. Money in the Fund



came from a non-GRF fund that was established by H.B. 282 of the 125th General Assembly. H.B. 282 was enacted due to unfavorable conditions in the market for medical liability insurance; rates had recently increased sharply and there were fears of medical providers not being able to obtain insurance. Since enactment, though, the market stabilized, and the funds were not needed for their intended purpose. The budget earmarks up to \$8 million of the appropriation in FY 2010 for health information technology initiatives and earmarks up to \$2.1 million for the implementation of strategies recommended by the Health Care Coverage and Quality Council. The appropriation will permit the state to receive a projected \$150.0 million in federal funding over the biennium. No appropriation is provided for FY 2011, but the budget specifies that any unexpended or unencumbered money in this line item at the end of FY 2010 will be reappropriated for the same purpose for FY 2011.

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

<i>Line Item Detail by Agency</i>			<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010 Appropriations</i>	<i>% Change FY09 - FY10</i>	<i>FY 2011 Appropriations</i>	<i>% Change FY10 - FY11</i>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>INS Department of Insurance</b>								
3CX0	820608	State Coverage Initiative - Federal	\$0	\$0	\$ 50,000,000	N/A	\$ 100,000,000	100.00%
3U50	820602	OSHIIP Operating Grant	\$ 1,146,017	\$ 1,330,991	\$ 1,770,000	32.98%	\$ 1,790,000	1.13%
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 1,146,017</b>	<b>\$ 1,330,991</b>	<b>\$ 51,770,000</b>	<b>3,789.58%</b>	<b>\$ 101,790,000</b>	<b>96.62%</b>
5540	820601	Operating Expenses-OSHIIP	\$ 376,442	\$ 621,867	\$ 200,000	-67.84%	\$ 200,000	0.00%
5540	820606	Operating Expenses	\$ 22,884,736	\$ 22,276,747	\$ 22,884,736	2.73%	\$ 22,884,736	0.00%
5540	820609	State Coverage Initiative Administration	\$0	\$0	\$ 479,575	N/A	\$ 479,575	0.00%
5550	820605	Examination	\$ 7,126,695	\$ 7,778,600	\$ 9,275,768	19.25%	\$ 9,294,668	0.20%
5AG0	820603	Health Information Technology and Health Care Coverage and Quality Council	\$0	\$ 1,500,000	\$ 10,116,272	574.42%	\$ 0	-100.00%
<b>State Special Revenue Fund Group Total</b>			<b>\$ 30,387,872</b>	<b>\$ 32,177,214</b>	<b>\$ 42,956,351</b>	<b>33.50%</b>	<b>\$ 32,858,979</b>	<b>-23.51%</b>
<b>Department of Insurance Total</b>			<b>\$ 31,533,889</b>	<b>\$ 33,508,205</b>	<b>\$ 94,726,351</b>	<b>182.70%</b>	<b>\$ 134,648,979</b>	<b>42.15%</b>