

INSURANCE DEPARTMENT (425)
FISCAL YEAR 2016
As Enacted by Act 871 of 2015

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

According to Arkansas Code § 23-61-101(c)(1)(A) and (B),

"(A) The purpose of the department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.

(B) The primary mission of the department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence."

TOTAL APPROPRIATION

The total appropriation is \$121,301,075.

II) CHANGE LEVEL REQUESTS

INSURANCE-STATE OPERATIONS (APPROPRIATION 2SW)

This appropriation is funded by special revenues which are fees assessed or imposed upon insurers, insurance agents, brokers, professional bail bond companies, and other licensees or registrants and other regulatory fees, and is to be used to defray the expenses of the State Insurance Department in the discharge of its administrative and regulatory powers and duties.

The total appropriation is \$13,243,262. This total includes base level in addition to \$394,878 for increased rent expenses. Regular Salaries and Personal Services Matching increases \$100,000 to provide for position reclassifications. Total appropriation also includes an additional \$135,000 for scheduled upgrades of IT equipment.

FRAUD INVESTIGATION UNIT (APPROPRIATION 2SX)

This appropriation is funded by an annual regulatory fee collected from each company under the Department's jurisdiction exclusively to support fraud investigation efforts.

The total appropriation is \$397,760. The total appropriation includes base level appropriation and an additional \$29,438 in Operating Expenses for increased rent costs.

PREPAID FUNERAL BENEFITS DIVISION (APPROPRIATION 2SZ)

Funding for this appropriation is derived from initial application or renewal fees for annual permits to sell prepaid funeral benefits.

The total appropriation is \$399,394. Change level requests include \$41,159 in Regular Salaries and \$14,441 in Personal Services Matching for the addition of one Audit Coordinator position.

STATE EMPLOYEE CLAIMS (APPROPRIATION 2TB)

This appropriation is funded by a revolving fund which derives its revenue from agency workers' compensation benefit contributions, and is used to process workers' compensation benefit claims payments for employees of the state.

The total appropriation is \$16,500,000 which includes an increase of \$500,000 over base level to assure sufficient appropriation is available to cover the growing level of claims expenses.

PUBLIC EMPLOYEES CLAIMS SECTION (APPROPRIATION 2TD)

This appropriation is funded by transfers from the Public School Fund, County Aid Fund, and Municipal Aid Fund, and state agency fund accounts for administering the Workers' Compensation Claims program. The total appropriation is \$1,614,791 which includes a change level increase of \$17,400 for increased rent costs.

RATE REVIEW - FEDERAL (APPROPRIATION 85P)

This appropriation, formerly known as the Health Insurance Premium Rate Review program is funded by a grant from the U.S. Department of Health and Human Services to establish a state program that will conduct an annual review of health insurance premiums to protect consumers.

The total appropriation is \$5,845,413. This amount includes an increase of \$129,032 in Operating Expenses, \$25,775 in Conference and Travel Fees, and \$2,580,907 in Professional Fees for the continuation of the Cycle III portion of the program that was approved in the interim.

LEVEL ONE COOPERATIVE AGREEMENT - FEDERAL (APPROPRIATION F08)

This appropriation is funded with federal grant funds in later phases of the Health Care Exchange Planning Program. The appropriation is for \$39,590,089. The appropriation provides for the following:

- Regular Salaries: an increase of \$968,677 for 21 restored positions.
- Personal Services Matching: an increase of \$326,950 for matching costs for the restored positions.
- Operating Expenses: an increase of \$913,070 for office supplies, rent, postage, and telecommunications.
- Conference and Travel Expenses: an increase of \$199,786 for meals, lodging and common carrier.
- Professional Fees: an increase of \$29,586,022 for contracts for the planning and implementation of the Arkansas Health Care Exchange.

Medicare - MIPPA - 2 (APPROPRIATION M52)

The Medicare Improvements for Patients and Providers (MIPPA) Program is funded through Federal grants and provides application assistance for Medicaid Part D Programs and benefits. This grant was approved as a Miscellaneous Federal Grant in June 2014. The change is the restoration of the appropriation.

The total request is for \$320,850 for the following items:

- \$72,452 in Operating Expenses for telecommunication services.
- \$81,896 in Professional Fees to contract with community based organizations in Arkansas to assist beneficiaries in paperwork completion.
- \$166,502 in Grants and Aid for organizations and agencies supplying program benefits to eligible recipients.

III) ADDITIONAL POSITIONS (Total FY2015 Authorized Positions: 197)

Total Authorized Positions FY2016: 217

Total Base Level Positions: 195

Increase / (Decrease) Over Base Level: 22

Extra Help Positions FY2016: 19 (Total FY2015 Authorized Extra Help: 19)

IV) SPECIAL LANGUAGE

TRANSFER PROVISION: Recommends language that allows unused appropriations in Regular Salaries, Extra Help, and Personal Services Matching to be transferred to Professional Services special line item for contracting with qualified individuals or firms for exam assistance in the event the Department cannot maintain a full roster of examination personnel.

HEALTHCARE INDEPENDENCE PROGRAM AND ARKANSAS HEALTH INSURANCE

MARKETPLACE RESTRICTIONS: Language prohibits the Department of Insurance from budgeting, allocating, or expending any funds for the purpose of advertising or promoting the Healthcare Independence Program or Health Insurance Marketplace. Additionally, the language prohibits the Department of Insurance from budgeting, allocating, or expending any funds for the Navigator programs of the Healthcare Independence Program and Health Insurance Marketplace.

NEW LANGUAGE Language changes the code to allow the Department to only carry forward the amount of one year's budget in the State Insurance Department Trust Fund and provides for the recoupment of any balances above the one year allotment into General Revenue. Also added are sections requiring insurance companies to pay taxes on health insurance premiums sold in the Private Option and Health Insurance Exchange and for all premium taxes collected on the named premiums to be deposited into the Health Care Independence Program Trust Fund.

NEW LANGUAGE Language prohibits the Insurance Department from granting any funding to the Arkansas Health Insurance Marketplace Board for the final implementation of a state-based insurance exchange until the King V. Burwell Supreme Court Case decision is handed down.

NEW LANGUAGE Language amends the Arkansas Code to prevent the Arkansas Health Insurance Marketplace Board from spending any funding on the final implementation of the state-based exchange until the decision is handed down.

UPDATED APRIL 2015