

LSC Redbook

Analysis of the Executive Budget Proposal

Department of Insurance

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Department of Insurance (INS), which includes the following four sections.

1. Overview: Provides a brief description of INS and an overview of the provisions of the executive budget that affect INS, including major new initiatives proposed for INS.
2. Facts and Figures: Provides some additional data on domestic and foreign insurance taxes.
3. Analysis of Executive Proposal: Provides a detailed analysis of the executive budget recommendations for INS, including funding for each appropriation line item. The line items for INS are organized into four categories.
4. Attachments: Includes the Catalog of Budget Line Items (COBLI) for INS, which briefly describes each line item, and the LSC budget spreadsheet for INS.

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ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Department of Insurance

- The agency receives no GRF funding
- Funding for Department operations is derived primarily from fees that accompany appointments of insurance agents by insurance companies

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 2010 raised over \$412 million (combined) for the General Revenue Fund (GRF; see **Facts and Figures** section).

The Department of Insurance is a cabinet-level agency with 273 employees. Its activities are organized into eight key areas: Consumer Services, Ohio Senior Health Insurance Information Program (OSHIIP), Market Conduct, Licensing, Risk Assessment, Fraud and Enforcement, Product Regulation, and Program Management (executive, legal services, information technology, and human resources and fiscal services). Under the executive proposal, the Department will add another key area, the Health Care Program to prepare and implement provisions related to the federal Patient Protection and Affordable Care Act (PPACA).

The Department of Insurance does not receive funding from the GRF. 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 2011, the agency's estimated expenditures are \$38.9 million.

In 2010, the Department licensed and regulated approximately 1,663 insurance companies operating in the state, of which approximately 250 are "domestic" insurance companies, i.e., companies based and licensed to do business in Ohio. The other 1,414

insurance companies regulated by the Department, those based in another state but licensed to do business in Ohio, are referred to as "foreign" insurance companies. In 2010, the Department also licensed and regulated 286,461 insurance agents and about 20,448 agencies.

The Department is aided in monitoring the financial solvency and market conduct of foreign insurance companies by the departments of insurance for the states in which those companies are based. The 50 state departments of insurance receive support and coordination assistance through the National Association of Insurance Commissioners (NAIC).

The following table presents the total number of full-time and part-time permanent employees. Numbers for FY 2011 do not include the Department's funded vacancies. Figures for FY 2012 and FY 2013 are estimates.

Table 1. Department of Insurance Staffing Levels (Headcount)					
Key Area	FY 2009	FY 2010	FY 2011	FY 2012 Estimates	FY 2013 Estimates
Consumer Services	29	30	29	32	32
OSHIIP	16	18	18	18	18
Licensing	19	18	19	20	20
Market Conduct	16	15	13	15	15
Fraud and Enforcement	23	23	24	26	26
Product Regulation	33	32	30	34	34
Risk Assessment	56	54	56	60	60
Program Management	76	82	84	76	76
Health Care Council	0	0	0	11	11
TOTAL	268	272	273	292	292

Appropriation Overview

The following table provides the executive's recommendations by fund group for the Department of Insurance for the FY 2012-FY 2013 biennium.

Table 2. Executive Budget Recommendations by Fund Group, FY 2012-FY 2013					
Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
General Services	\$2,116,272	\$0	-100.0	\$0	N/A
Federal Special Revenue	\$3,970,000	\$4,270,726	7.6%	\$4,270,725	0.0%
State Special Revenue	\$32,858,979	\$32,001,222	-2.6%	\$31,402,615	-1.9%
TOTAL	\$38,945,251	\$36,271,948	-6.9%	\$35,673,340	-1.7%

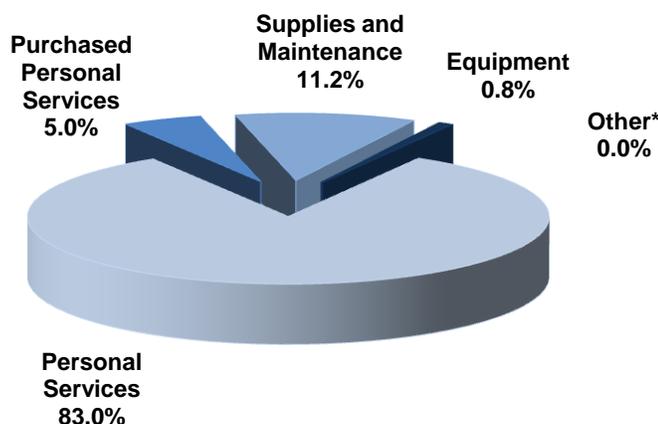
*FY 2011 figures represent estimated expenditures. FY 2011 figures do not include an additional \$200,000 increase in the Department's Federal Special Revenue Fund Group, Fund 3U50, line item 820602, OSHIIP Operating Grant, that was approved by the Controlling Board on March 14, 2011.

The executive's recommended total funding for FY 2012 is \$36.3 million. This amount is \$2.7 million lower than FY 2011 estimated expenditures, a 6.9% decrease. Recommended total funding for FY 2013 is \$35.7 million. This amount is \$0.6 million lower than FY 2012, a 1.7% decrease.

The executive budget provides the Department with federal funding of \$4.3 million for FY 2012. This amount is \$300,726, or 7.6%, higher than total federal funds in FY 2011. Recommended federal funding for FY 2013 is nearly the same amount as in FY 2012. The increase in recommended federal funding for the FY 2012-FY 2013 biennium is primarily due to two federal grants, \$2.0 million for both FY 2012 and FY 2013, for the Health Insurance Premium Review and the Health Exchange Planning programs. The remaining recommended federal funding for the biennium includes awarded federal grants for OSHIIP, \$2.3 million for both FY 2012 and FY 2013.

The following chart provides the executive's recommendations by expense category for the Department of Insurance for the FY 2012-FY 2013 biennium. Personal services, payroll, and benefit costs for the Department's employees are included in the personal services category.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2012-FY 2013



* "Other" refers here to judgments, settlements, and bonds, which account for 0.03% of the overall biennial budget recommendation.

Major Initiatives

The executive recommendation provides the funding necessary to maintain Department of Insurance operations at current levels and to work toward the Department's mission. In the next biennium, the Department will continue investigating insurance fraud, assisting Ohioans with insurance issues, and promoting a robust and stable marketplace for the insurance industry in Ohio. The Department is also planning for a health insurance exchange and health insurance market reforms that will take effect in 2014, under federal law.

The executive proposal would require the Director of Budget and Management to transfer \$5 million each year of the biennium from the Department of Insurance Operating Fund (Fund 5540) to the GRF. Department officials report that there is sufficient cash in Fund 5540 to accommodate the transfers.

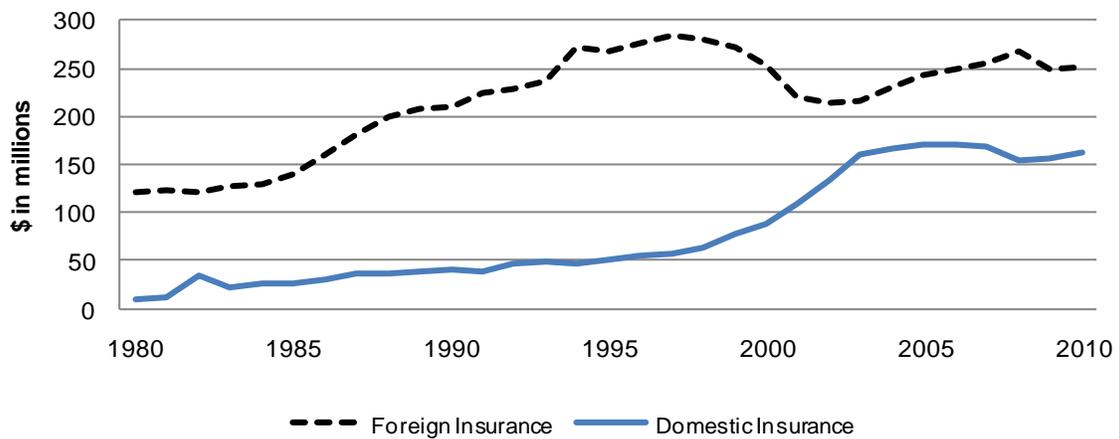
The 128th General Assembly enacted several pieces of legislation related to insurance issues. Among them were Am. Sub. H.B. 1, the state budget bill for FYs 2010-2011, which included health insurance reforms (effective July 17, 2009) and Sub. H.B. 300, which revised the law governing the licensure and regulation of insurance agents and other changes related to insurance issues. H.B. 1 implemented various health insurance reforms and codified the Ohio Health Care Coverage and Quality Council (originally created under an Executive Order in March 2009), a public-private partnership designed to improve the coverage, cost, and quality of Ohio's health insurance and health care system. The council was disbanded recently. In addition, H.B. 300 improved insurance agent licensing oversight and brought Ohio's insurance agent licensing into uniformity with the NAIC standards.

FACTS AND FIGURES

Domestic and Foreign Insurance Taxes

The Department of Insurance administers both the domestic and the foreign insurance taxes. The chart below presents the amount of revenues credited to the GRF for FY 1980 through FY 2010 from the taxes. The decrease between FY 1999 and FY 2003 in revenues from the taxes was due to changes in the tax rates, and, in the case of the domestic insurance tax, the tax base, which were made by Am. Sub. H.B. 215 of the 122nd General Assembly.

**Chart 2: GRF Domestic and Foreign Insurance Taxes
FY 1980-FY 2010**



ANALYSIS OF EXECUTIVE PROPOSAL

Introduction

This section provides an analysis of the Governor's recommended funding for each appropriation item in the Department's budget. For each category a table is provided listing the recommended 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 that are proposed by the Governor. The four categories used in this analysis are as follows:

1. Operating Expenses;
2. Consumer Services;
3. Examination; and
4. Health Care.

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 bill.

Categorization of INS's Appropriation Line Items for Analysis of Executive Proposal		
Fund	ALI and Name	Category
Federal Special Revenue Fund Group		
3EV0 820610	Health Insurance Premium Review	4: Health Care
3EW0 820611	Health Exchange Planning	4: Health Care
3U50 820602	OSHIIP Operating Grant	2: Consumer Services
State Special Revenue Fund Group		
5540 820601	Operating Expenses - OSHIIP	2: Consumer Services
5540 820606	Operating Expenses	1: Operating Expenses
5550 820605	Examination	3: Examination

Category 1: Operating Expenses (820606)

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 of Insurance'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. Staff in this area provide extra support to elderly consumers under OSHIIP, which is described separately. Consumer affairs staff coordinate community outreach activities, guide victims at disaster assistance sites, and participate in insurance fairs throughout the state. The consumer affairs staff also assist Ohioans with insurance questions and complaints through e-mails, telephone calls, and walk-ins. The consumer affairs staff resolved tens of thousands of complaints and inquiries, and recovered about \$10 million in restitution for Ohio consumers in 2010. They also referred hundreds cases to the Fraud and Enforcement division or the Market Conduct division for further actions.

Personnel in the market conduct area examine records of insurance companies doing business in Ohio on a routine basis or as needed 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, NAIC databases, and research tools. The Department is also required 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). However, the executive proposal would authorize the Department to assess the insurers that are examined for the costs of the examination.

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 online agent testing and licensing system, which allows applicants to submit and complete applications over the Internet and

receive a license within a few days. It also allows agents to track their continuing education credits and status through the Department's web site.

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. It promotes the detection and prevention of insurance fraud through public awareness campaigns, educational programs, and cooperation among insurers, governmental agencies, and insurance industry groups. The Department receives thousands of allegations of insurance fraud and agent misconduct annually and the number of reports of insurance fraud and agent misconduct increases each year.

Department staff review policy forms, endorsements, and manual rules and rates for products marketed to Ohio consumers by Ohio licensed property and casualty companies. 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. In the next biennium, the Department anticipates a significant increase in the volume and complexity of insurance product reviews related to the federal PPACA. However, additional staff funded by federal grants recommended in line item 820610, Health Insurance Premium Review, would ease some of the staff workload in the next biennium.

Personnel involved in administrative support include legal services staff who provide legal advice on regulatory transactions including changes of control, mergers, re-domestications, de-mutualizations and the investment activities of domestic insurance companies, and enforcement issues. They also 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 who are responsible for the overall technology infrastructure in the Department, and who administer the Department's telecommunications system and web site. Still other personnel in this

area include staff in the executive, fiscal operations, and human resources offices; these offices manage and support the overall operations of the Department.

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 executive proposal provides sufficient funding to continue the Department's general operation at its current level of service and to continue to achieve its mission. The executive recommends total appropriations of \$22.7 million in FY 2012 in this line item. The FY 2012 amount represents a decrease of 0.6% from the estimated expenditures for FY 2011. The executive recommends total appropriations of \$22.3 million in FY 2013, which is 2.0% lower than the FY 2012 recommended amount.

Governor's Recommended Amounts for Operating Expenses				
Fund	ALI and Name		FY 2012	FY 2013
State Special Revenue Fund Group				
5540	820606	Operating Expenses	\$22,745,538	\$22,288,550
State Special Revenue Fund Group Subtotal			\$22,745,538	\$22,288,550
Total Funding: Operating Expenses			\$22,745,538	\$22,288,550

Category 2: Consumer Services (820602 and 820601)

The appropriation line items, OSHIIP Operating Grant (820602) and Operating Expenses (820601) provide funding for the administration of the Consumer Services Program. The program assists and educates Ohioans on insurance issues. It also assists seniors in making informed decisions about health insurance related matters. Over 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.

Recommended state funding for FY 2012 is \$190,000, or 5.0%, below the estimated expenditures for FY 2011. The recommended state funding for FY 2013 is \$180,000, which is a 5.3% lower than FY 2012 recommended funding. Total recommended state funding for FYs 2012-2013 is \$370,000. State funding for FYs 2010-2011 is estimated to be \$365,434. The recommended state funding for FYs 2012-2013 is \$4,566, or 1.2%, higher than estimated state funding for FYs 2010-2011.

The federal grant that provides most of the funding for this program was \$2.0 million in FY 2010. In FY 2011, the estimated amount of the federal grant is \$1.9 million. Department officials expect the grant amount to increase to approximately \$2.3 million each year of the upcoming biennium.

The recommended level of total funding for the program for FY 2012 is \$2.5 million, or 16.0%, higher than the total for FY 2011. The recommended total funding for FY 2013 is \$2.5 million, which is \$10,000, or 0.4%, lower than recommended total funding in FY 2012.

Governor's Recommended Amounts for Consumer Services				
Fund	ALI and Name		FY 2012	FY 2013
Federal Special Revenue Fund Group				
3U50	820602	OSHIIP Operating Grant	\$2,270,726	\$2,270,725
Federal Special Revenue Fund Group Subtotal			\$2,270,726	\$2,270,725
State Special Revenue Fund Group				
5540	820601	Operating Expenses - OSHIIP	\$190,000	\$180,000
State Special Revenue Fund Group Subtotal			\$190,000	\$180,000
Total Funding: Consumer Services			\$2,460,726	\$2,450,725

Category 3: Examination (820605)

This line item funds departmental oversight of insurance companies that are licensed to operate in Ohio. It allows the Department to monitor approximately 250 domestic insurance companies and 1,401 foreign and alien insurance companies licensed to sell insurance in Ohio, in cooperation with other state insurance departments and NAIC. It allows the Department to monitor companies financial solvency, 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. In FY 2010, the Department conducted 60 on-site exams and 6,992 audits to monitor financial solvency of domestic and other companies licensed to write insurance business in Ohio. 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.

The executive proposal provides sufficient funding to continue this program at its current level of service. The executive proposal provides appropriations of \$9.1 million for FY 2012 in this line item. This amount represents a decrease of 2.5% from the estimated expenditures for FY 2011. The executive recommends \$8.9 million for FY 2013, which is \$131,619, or 1.5%, lower than the recommended amount for FY 2012.

Governor's Recommended Amounts for Examination				
Fund	ALI and Name		FY 2012	FY 2013
State Special Revenue Fund Group				
5550	820605	Examination	\$9,065,684	\$8,934,065
State Special Revenue Fund Group Subtotal			\$9,065,684	\$8,934,065
Total Funding: Examination			\$9,065,684	\$8,934,065

Category 4: Health Care (820610 and 820611)

This is a newly proposed program under the executive recommendation. The program will be funded by federal grants included in two new appropriation line items, Health Insurance Premium Review (820610) and Health Exchange Planning (820611). In 2010, the Department was awarded two federal grants from the U.S. Department of Health and Human Services (HHS). No state matching funds were required. The grants, which are related to the federal PPACA, would help the agency to perform health insurance rate review and to pay for initial planning activities related to the implementation and administration of a health exchange in Ohio.

Health Insurance Premium Review (820610)

This line item provides new federal funding to enhance reviews of health insurance premiums. Funding will be used to develop and upgrade technology to meet reporting requirements and data analysis. Funding will also be used to hire seven additional staff to enable the Department to review complex health insurance rate filings more quickly and efficiently. The Department anticipated that additional resources will be available in subsequent years to fund the staff positions on an ongoing basis. The executive proposal recommends \$1.0 million for FY 2012 and the same amount for FY 2013.

Health Exchange Planning (820611)

This line item provides new federal funding to pay for initial planning activities related to a health exchange and to evaluate how an exchange will be operated and governed in Ohio. The federal PPACA requires all states to establish a health exchange by January 1, 2014. An exchange is a mechanism for organizing a health insurance marketplace and helping individuals and small businesses to shop for coverage and compare available plan options, price, and benefits covered. Funding will also be used to hire three additional staff to evaluate and plan for a health exchange in Ohio. The Department anticipated that additional resources will be available in subsequent years to fund the staff positions on an ongoing basis. The recommended level of funding for FY 2012 is \$1.0 million. The same amount is recommended for FY 2013.

Governor's Recommended Amounts for Health Care				
Fund	ALI and Name		FY 2012	FY 2013
Federal Special Revenue Fund Group				
3EVO	820610	Health Insurance Premium Review	\$1,000,000	\$1,000,000
3EW0	820611	Health Exchange Planning	\$1,000,000	\$1,000,000
Federal Special Revenue Fund Group Subtotal			\$2,000,000	\$2,000,000
Total Funding: Health Care			\$2,000,000	\$2,000,000

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Department of Insurance

General Services Fund Group

5AG0 820603 Health Information Technology and Health Care Coverage and Quality Council

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$1,500,000	\$8,000,000	\$2,116,272	\$0	\$0
	N/A	433.3%	-73.5%	-100%	N/A

Source: General Services Fund Group: This fund does not have a continuing source of revenue. The one-time source was the remaining funds from the Joint Underwriting Association established by the state in 1975 and dissolved in 1997.

Legal Basis: Section 307.20 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Sub. H.B. 282 of the 125th G.A.)

Purpose: To fund health information technology initiatives and the implementation of strategies recommended by the Health Care Coverage and Quality Council. (Originally, the fund was created for the Medical Liability Underwriting Association, if established in response to medical malpractice insurance market conditions specified in H.B. 282, or for funding another medical malpractice initiative with the approval of the General Assembly.)

In FY 2009, this line item was named the Ohio Family Health Survey, and it was used to pay for expenses related to a survey of that name (funding for the survey was appropriated in H.B. 562 of the 127th General Assembly). The survey was developed to obtain comprehensive state-level health coverage and insurance data in Ohio. Data collected from the survey in 2008 were used to formulate some of the health care reform initiatives that were included in H.B. 1.

Department of Insurance

Federal Special Revenue Fund Group

3EVO 820610 Health Insurance Premium Review

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000
	N/A	N/A	N/A	0.0%	0.0%

Source: Federal Special Revenue Fund Group: CFDA 93.511 from the Office of Consumer Information and Insurance Oversight (OCIIO), a division of the U.S. Department of Health and Human Services

Legal Basis: Controlling Board on November 8, 2010

Purpose: This line item is used to enhance reviews of health insurance premiums. The Department receives a large volume of health insurance rate filings. This line item provides resources, in addition to those paid using line item 820606, to review those filings more quickly for compliance with Ohio laws. Funding supports seven positions in the Health Care program.

3EW0 820611 Health Exchange Planning

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000
	N/A	N/A	N/A	0.0%	0.0%

Source: Federal Special Revenue Fund Group: CFDA 93.525 from the Office of Consumer Information and Insurance Oversight (OCIIO), a division of the U.S. Department of Health and Human Services

Legal Basis: Controlling Board on November 8, 2010

Purpose: This line item is used to study and plan for a health insurance exchange, which the federal Patient Protection and Affordable Care Act requires the state to establish by 2014. This line supplements Department resources paid through 820606 by supporting three new positions and paying for contracted actuarial analysis of Ohio's health insurance market.

Department of Insurance

3EX0 820612 Consumer Assistance Grant

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$0	\$0	\$50,000	\$0	\$0
	N/A	N/A	N/A	-100%	N/A

Source: Federal Special Revenue Fund Group: CFDA 93.519 from the Office of Consumer Information and Insurance Oversight (OCIIO), a division of the U.S. Department of Health and Human Services

Legal Basis: Controlling Board on November 8, 2010

Purpose: This line item is used to assist consumers with health insurance matters, including complaints and appeals, and enrolling in coverage. The program would also educate consumers about their rights and responsibilities with respect to health insurance coverage.

3U50 820602 OSHIIP Operating Grant

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,146,017	\$1,330,991	\$2,033,398	\$1,920,000	\$2,270,726	\$2,270,725
	16.1%	52.8%	-5.6%	18.3%	0.0%

Source: Federal Special Revenue Fund Group: CFDA 93.779, a grant awarded from the Centers for Medicare and Medicaid Services (CMS)

Legal Basis: Section 307.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Controlling Board on December 6, 1999)

Purpose: The Ohio Senior Health Insurance Information Program (OSHIIP) is jointly administered with the Ohio Department of Aging (ODA). The federal grant that funds the program was formerly made to ODA, with OSHIIP being reimbursed for its expenses via Intrastate Transfer Voucher (ISTV). Starting in FY 2000, OSHIIP was awarded the federal grant directly from the Health Care Finance Administration (now known as the Centers for Medicare and Medicaid Services). As a result, instead of commingling the grant funds with the Ohio Department of Insurance's Operating Fund 5540, Fund 3U50 and line item 820602 were created to receive and disburse the grant funds. ODA receives 10% of the grant funds via ISTV to finance the Benefits Eligibility Screening Service program, in accordance with an interagency agreement between ODI and ODA. Because the grant is a demonstration grant, no state match is required. Funding for the program is supplemented, however, with spending from line item 820601, Operating Expenses-OSHIIP.

Department of Insurance

State Special Revenue Fund Group

5540 820601 Operating Expenses-OSHIIP

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$376,442	\$621,867	\$165,434	\$200,000	\$190,000	\$180,000
	65.2%	-73.4%	20.9%	-5.0%	-5.3%

Source: State Special Revenue Fund Group: Insurance agents' fees

Legal Basis: Section 307.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Controlling Board on September 14, 1998; the OSHIIP program was originally created by Executive Order in 1992)

Purpose: The Ohio Senior Health Insurance Information Program (OSHIIP) educates and counsels senior citizens on Medicare and other health insurance concerns. This program serves an eligible population of 1.4 million elderly Ohioans. Program staff provide counseling and telephone assistance, conduct educational seminars, assemble and publish insurance information brochures, and recruit and train volunteers who serve as counselors at the county level. Prior to FY 2000, the program received funding through an interagency agreement with the Ohio Department of Aging and through the department's operating fund (Fund 5540). Beginning in FY 2000, the grant funds were appropriated in Fund 3U50, line item 820602, OSHIIP Operating Grant. The program continues to be funded in part by Fund 5540, through this line item (820601).

5540 820606 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$22,884,736	\$22,276,747	\$20,748,054	\$22,884,736	\$22,745,538	\$22,288,550
	-2.7%	-6.9%	10.3%	-0.6%	-2.0%

Source: State Special Revenue Fund Group: The fund receives up to three-fourths of the fees related to licensing of insurance agents and agencies, plus charges for continuing education of insurance agents, and fees for a variety of services or transactions performed by the Department for the regulation of insurance companies

Legal Basis: ORC 3901.021 (originally established by Am. Sub. H.B. 694 of the 114th G.A.)

Purpose: This line item provides funding for the Department's operations, other than those directly related to examining the books of insurance companies. This appropriation line item became effective November 15, 1981.

Department of Insurance

5540 820609 State Coverage Initiative Administration

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$0	\$271,996	\$479,575	\$0	\$0
	N/A	N/A	76.3%	-100%	N/A

Source: State Special Revenue Fund Group: Insurance agents' fees

Legal Basis: Section 307.10 of Am. Sub. H.B. 1 of the 128th G.A.

Purpose: The line item provides funding for personnel and other administration costs related to the State Coverage and Quality Initiative programs.

5550 820605 Examination

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$7,126,695	\$7,778,600	\$8,515,263	\$9,294,668	\$9,065,684	\$8,934,065
	9.1%	9.5%	9.2%	-2.5%	-1.5%

Source: State Special Revenue Fund Group: Insurance company fees

Legal Basis: ORC 3901.071 (originally established by Am. Sub. H.B. 1267 of the 111th G.A.)

Purpose: This line item receives payments from insurance companies for the services of state examiners. The receipts are used to pay the salaries, fringe benefits, and travel expenses of the examiners, and administrative costs associated with the Office of Financial Regulation. This line item became effective May 21, 1976.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
INS Department of Insurance								
5AG0	820603	Health Information Technology and Health Care Coverage and Quality Council	\$ 8,000,000	\$ 2,116,272	\$ 0	-100.00%	\$ 0	N/A
General Services Fund Group Total			\$ 8,000,000	\$ 2,116,272	\$ 0	-100.00%	\$ 0	N/A
3EV0	820610	Health Insurance Premium Review	\$0	\$ 1,000,000	\$ 1,000,000	0.00%	\$ 1,000,000	0.00%
3EW0	820611	Health Exchange Planning	\$0	\$ 1,000,000	\$ 1,000,000	0.00%	\$ 1,000,000	0.00%
3EX0	820612	Consumer Assistance Grant	\$0	\$ 50,000	\$ 0	-100.00%	\$ 0	N/A
3U50	820602	OSHIIP Operating Grant	\$ 2,033,398	\$ 1,920,000	\$ 2,270,726	18.27%	\$ 2,270,725	0.00%
Federal Special Revenue Fund Group Total			\$ 2,033,398	\$ 3,970,000	\$ 4,270,726	7.57%	\$ 4,270,725	0.00%
5540	820601	Operating Expenses-OSHIIP	\$ 165,434	\$ 200,000	\$ 190,000	-5.00%	\$ 180,000	-5.26%
5540	820606	Operating Expenses	\$ 20,748,054	\$ 22,884,736	\$ 22,745,538	-0.61%	\$ 22,288,550	-2.01%
5540	820609	State Coverage Initiative Administration	\$ 271,996	\$ 479,575	\$ 0	-100.00%	\$ 0	N/A
5550	820605	Examination	\$ 8,515,263	\$ 9,294,668	\$ 9,065,684	-2.46%	\$ 8,934,065	-1.45%
State Special Revenue Fund Group Total			\$ 29,700,746	\$ 32,858,979	\$ 32,001,222	-2.61%	\$ 31,402,615	-1.87%
Department of Insurance Total			\$ 39,734,145	\$ 38,945,251	\$ 36,271,948	-6.86%	\$ 35,673,340	-1.65%