



# Louisiana Senate Finance Committee



## FY20 Executive Budget

**04-165 – Department of Insurance**

May 2019

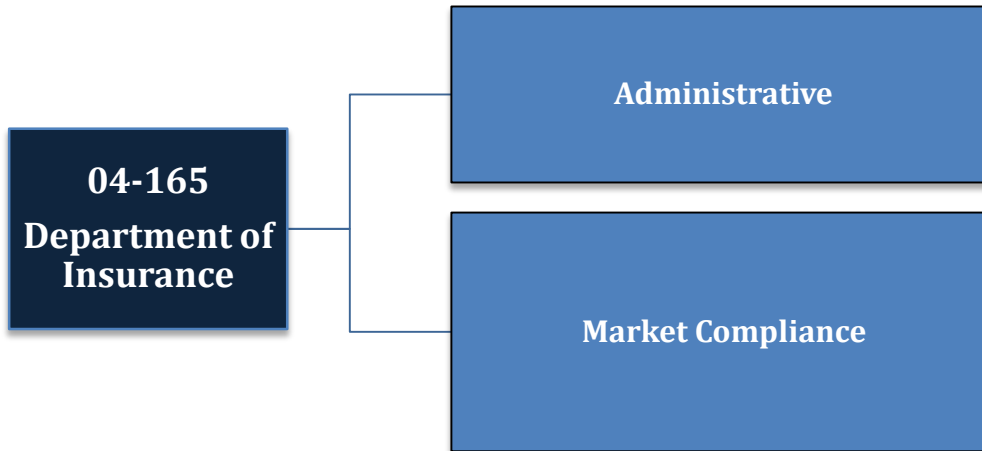
*Sen. John A. Alario, President*  
*Sen. Eric LaFleur, Chairman*



# FY20 Proposed Budget

## Schedule 04-165 — Department of Insurance

Departmental mission — The mission of the Louisiana Department of Insurance is to regulate the insurance industry in the state (licensing of producers, insurance adjusters, public adjusters, and insurers), and to serve as an advocate for the state’s insurance consumers.



### Total Funding — All Means of Finance

Total Funding	FY18 Actual	FY19 Enacted	FY19 EOB as of 12-1-18	FY20 Proposed	<i>Difference FY19 EOB HB1 vs. FY20 Proposed</i>
Administrative	\$ 11,536,774	\$ 12,316,928	\$ 12,316,928	\$ 12,497,458	\$ 180,530
Compliance	\$ 18,119,314	\$ 19,561,277	\$ 19,561,277	\$ 20,332,378	\$ 771,101
<b>TOTAL</b>	<b>\$ 29,656,088</b>	<b>\$ 31,878,205</b>	<b>\$ 31,878,205</b>	<b>\$ 32,829,836</b>	<b>\$ 951,631</b>
Total Authorized FTEs	222	222	222	222	-



# Dept. of Insurance

## FY20 Proposed Means of Finance by Agency

### 04-165 — Department of Insurance FY20 Proposed Means of Financing by Agency

Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
Administrative	\$0	\$0	\$11,749,496	\$30,000	\$717,962	\$12,497,458
Market Compliance	\$0	\$0	\$18,411,678	\$1,920,700	\$0	\$20,332,378
<b>Dept. of Insurance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,161,174</b>	<b>\$1,950,700</b>	<b>\$717,962</b>	<b>\$32,829,836</b>

Agency	Program Description
Administrative	Provides necessary administrative and operational support to the entire department to attract insurers to do business in the state, to promote a more competitive market, and to stabilize the property insurance market.
Market Compliance	Regulates the insurance industry in the state and serves as an advocate for insurance consumers.



# Department of Insurance Dedicated Funds FY18, FY19, and FY20

Dedicated Funds	Source of Funding	FY18 Actual	FY19 EOB	FY20 Proposed
Administrative Fund - Department of Insurance	Assessment on Insurance Premiums	\$948,601	\$963,929	\$1,069,532
Auto. Theft and Insurance Fraud Prev. Auth. Fund	Settlements and judgments related to fraud cases	\$187,196	\$227,000	\$227,000
Insurance Fraud Investigation Fund	Assessment on Insurance Premiums	\$514,408	\$626,821	\$654,168
<b>TOTALS</b>		<b>\$1,650,205</b>	<b>\$1,817,750</b>	<b>\$1,950,700</b>

*Dedicated Fund Review Subcommittee recommendation FY2018 Review – Act 612 of 2018:*

*Administrative Fund of the Department of Insurance = Eliminate and reclassify to Fees & Self-generated revenues*



# Department of Insurance

## Changes in Funding since FY11

**Total Budget by Fiscal Year and Means of Finance**  
(in \$ millions)

Change from FY11 to FY20 is +13.1%.

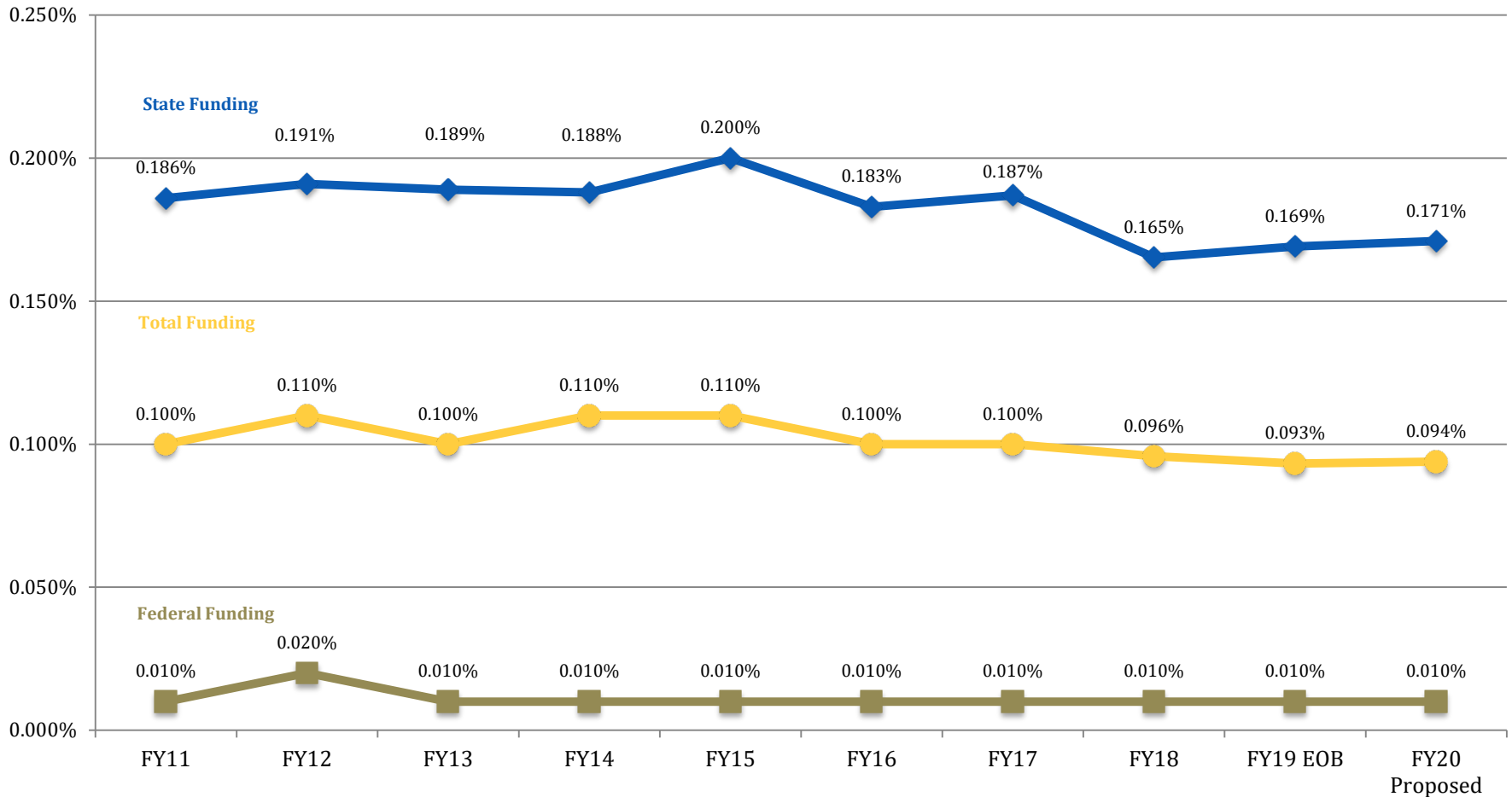


	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 as of 12/1/18	FY20 Proposed
■ SGF	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
■ IAT	\$-	\$-	\$-	\$145,702	\$-	\$-	\$-	\$-	\$-	\$-
■ FSGR	\$26,525,106	\$27,210,216	\$26,963,383	\$26,875,725	\$28,515,878	\$26,043,455	\$26,647,792	\$27,453,815	\$29,342,980	\$30,161,174
■ STAT DED	\$1,286,854	\$1,316,821	\$1,293,744	\$1,322,961	\$1,355,775	\$1,308,734	\$1,381,529	\$1,650,205	\$1,817,750	\$1,950,700
■ FED	\$1,193,012	\$1,982,934	\$790,683	\$909,701	\$1,080,019	\$916,516	\$717,560	\$552,067	\$717,475	\$717,962



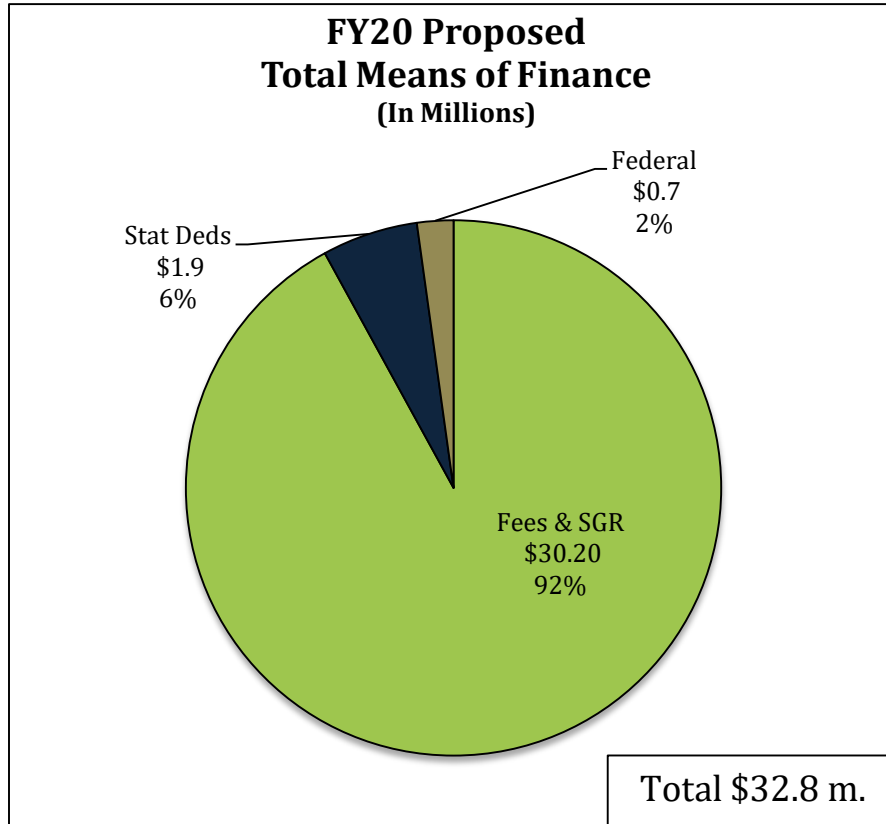
# Dept. of Insurance Changes in Funding since FY11

## Dept. of Insurance's Budget as a Portion of the Total State Budget





# Department of Insurance FY20 Proposed Means of Finance



## Non-SGF Sources of Funding:

Non-SGF means of finance in the department include **Fees and Self-generated Revenues, Statutory Dedications, and Federal Funds.**

**Fees and Self-generated Revenues\*** are derived from various fees and licenses authorized by R.S. 22 and the Louisiana Insurance Rating Assessment authorized by R.S. 22:1419. Over the last three years, the department has reverted on average \$14 million annually in fees & self-generated revenues.

The **Statutory Dedications** are funded by the Insurance Fraud Investigation Fund (S) from assessments on various insurance policies written in the state; the Administrative Fund (S) (Health Insurance Portability Administrative Act) comprised of penalties and an assessment not to exceed .0005 of the amount of premiums received in this state by health insurers during the preceding year ending December 31; and the Automobile Theft and Insurance Fraud Prevention Authority Fund (S) from grants and assessments on various policies written in Louisiana.

**Federal Funds** are derived from the CFDA 93.324 Department of Health & Human Services Administration for Community Living CDAP State Health Insurance Assistance Program.



# Dept. of Insurance Categorical Expenditures FY18, FY19, and FY20

<b>Personal Services:</b>	<b>\$21,860,820</b>	<b>\$22,824,223</b>	<b>\$23,823,774</b>	<b>72.57%</b>	<b>\$999,551</b>
Salaries	\$13,887,549	\$14,504,665	\$14,874,738	45.31%	\$370,073
Other Compensation	\$157,192	\$214,942	\$214,942	0.65%	\$0
Related Benefits	\$7,816,079	\$8,104,616	\$8,734,094	26.60%	\$629,478
<b>Operating Expenses:</b>	<b>\$2,342,532</b>	<b>\$2,562,101</b>	<b>\$2,562,101</b>	<b>7.80%</b>	<b>\$0</b>
Travel	\$157,343	\$242,312	\$242,312	0.74%	\$0
Operating Services	\$2,070,587	\$2,176,363	\$2,176,363	6.63%	\$0
Supplies	\$114,602	\$143,426	\$143,426	0.44%	\$0
<b>Professional Services</b>	<b>\$2,995,948</b>	<b>\$3,756,387</b>	<b>\$3,756,387</b>	<b>11.44%</b>	<b>\$0</b>
<b>Other Charges:</b>	<b>\$1,925,208</b>	<b>\$2,110,359</b>	<b>\$2,062,439</b>	<b>6.28%</b>	<b>(\$47,920)</b>
Other Charges	\$187,196	\$227,000	\$227,000	0.69%	\$0
Debt Service	\$0	\$0	\$0	0.00%	\$0
Interagency Transfers	\$1,738,012	\$1,883,359	\$1,835,439	5.59%	\$1,835,439
<b>Acquisitions &amp; Major Repairs:</b>	<b>\$531,580</b>	<b>\$625,135</b>	<b>\$625,135</b>	<b>1.90%</b>	<b>\$0</b>
Acquisitions	\$531,580	\$625,135	\$625,135	1.90%	\$0
Major Repairs	\$0	\$0	\$0	0.00%	\$0
<b>Total Expenditures</b>	<b>\$29,656,088</b>	<b>\$31,878,205</b>	<b>\$32,829,836</b>	<b>100.00%</b>	<b>\$951,631</b>

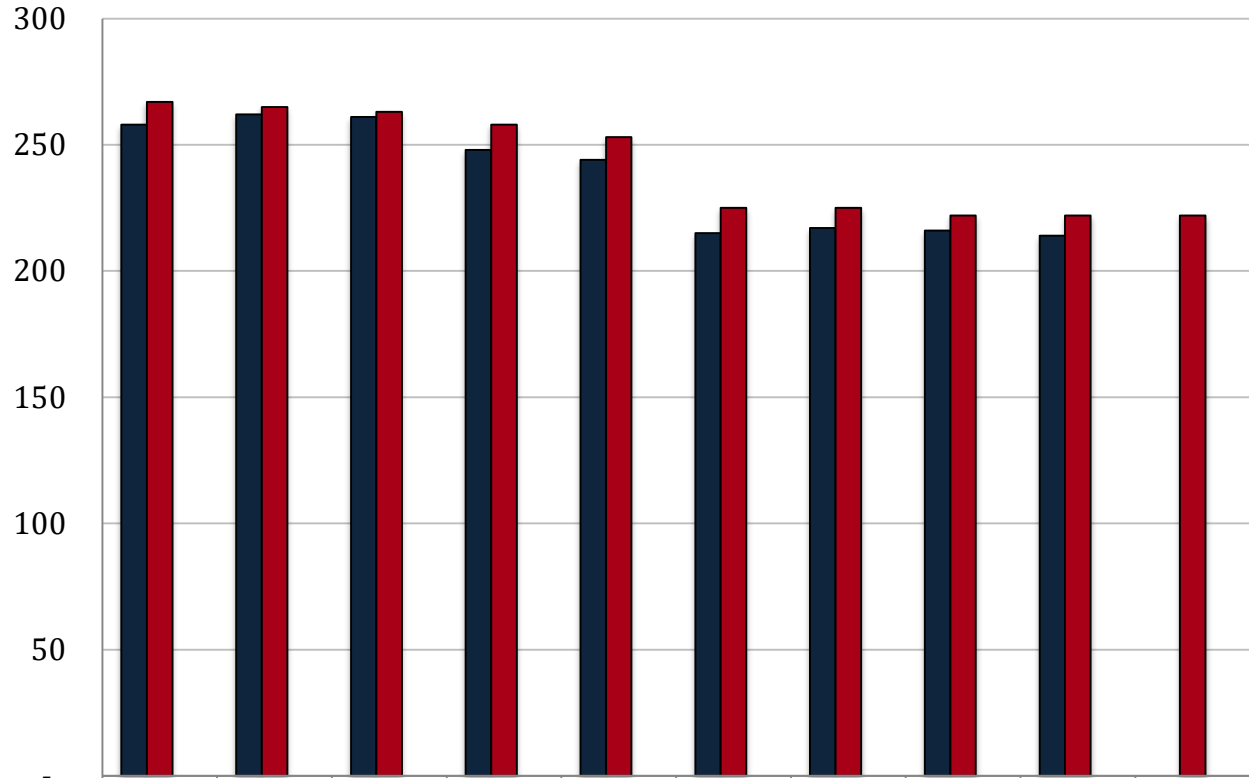




# Department of Insurance

## FTEs, Authorized Positions, and Other Charges Positions

Total FY20 Proposed Authorized Positions of 222 are 0.66% of Total State FY20 Proposed Authorized Positions of 33,675.



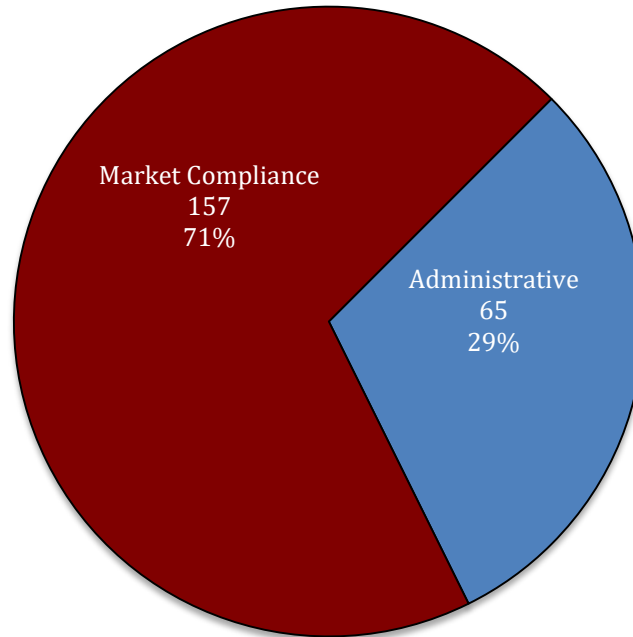
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20 Prop.
■ Total FTEs (as of July 1 of each fiscal year)	258	262	261	248	244	215	217	216	214	-
■ Total Authorized Positions (Enacted)	267	265	263	258	253	225	225	222	222	222
■ Authorized Other Charges Positions	-	-	-	-	-	-	-	-	-	-

**Notes:**  
 Data for Total FTEs uses the first weekly employment report published by State Civil Service in July at the start of the named fiscal year.  
 Data for Total Authorized Positions uses fiscal year enacted levels, except for FY20 Proposed.  
 Data for Other Charges Positions are reflected in the Executive Budget per Act 377 of the 2013 Regular Legislative Session (beginning in FY15).



# Department of Insurance

## FY20 Proposed Total Authorized Positions by Agency



*Market Compliance - These positions include the Office of Financial Solvency, Consumer Services, Licensing, Health, Life & Annuity, and Property & Casualty. The remaining positions are in Legal Services and the Division of Insurance Fraud.*

*Administrative - This includes positions for the Office of Management & Finance which administers the entire department. The remaining positions work in the Office of the Commissioner and participate in overall support and regulatory oversight.*

Dept. of Insurance	
Administrative	65
Market Compliance	157
TOTAL	222



# Significant Budget Adjustments Proposed for FY20

## Statewide Adjustments to the Dept. of Insurance Budget

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$308,102	\$82,829	\$0	\$390,931	0	Market Rate Classified
\$0	\$0	\$41,600	\$3,614	\$487	\$45,701	0	Civil Service Training Series Adjustment
\$0	\$0	\$83,600	(\$1,854)	\$0	\$81,746	0	Related Benefits Base Adjustment
\$0	\$0	\$372,513	\$19,160	\$0	\$391,673	0	Retirement Rate Adjustment
\$0	\$0	\$39,414	\$0	\$0	\$39,414	0	Group Insurance Rate Adjustment for Active Employees
\$0	\$0	\$34,357	\$0	\$0	\$34,357	0	Group Insurance Rate Adjustment for Retirees
\$0	\$0	\$118,633	\$29,201	\$0	\$147,834	0	Salary Base Adjustment
\$0	\$0	(\$132,105)	\$0	\$0	(\$132,105)	0	Attrition Adjustment
\$0	\$0	\$625,135	\$0	\$0	\$625,135	0	Acquisitions & Major Repairs
\$0	\$0	(\$625,135)	\$0	\$0	(\$625,135)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$0	(\$1,641)	\$0	\$0	(\$1,641)	0	Risk Management
\$0	\$0	\$14,685	\$0	\$0	\$14,685	0	Legislative Auditor Fees
\$0	\$0	(\$35,024)	\$0	\$0	(\$35,024)	0	Maintenance in State-Owned Buildings
\$0	\$0	(\$255)	\$0	\$0	(\$255)	0	Capitol Park Security
\$0	\$0	\$117	\$0	\$0	\$117	0	UPS Fees
\$0	\$0	\$149	\$0	\$0	\$149	0	Civil Service Fees
\$0	\$0	(\$5,837)	\$0	\$0	(\$5,837)	0	State Treasury Fees
\$0	\$0	\$6,103	\$0	\$0	\$6,103	0	Office of Technology Services (OTS)
\$0	\$0	(\$23,648)	\$0	\$0	(\$23,648)	0	Administrative Law Judges
\$0	\$0	(\$2,569)	\$0	\$0	(\$2,569)	0	Office of State Procurement
\$0	\$0	\$818,194	\$132,950	\$487	\$951,631	0	Total Statewide Adjustments



# Comparison Adjustments to the State General Fund in the FY20 Continuation, Standstill and Proposed Budgets

INSURANCE	FY19 EOB	FY20 Proposed Budget	FY 20 Continuation Budget	FY20 Standstill Budget	DIFFERENCE					
					CONTINUATION OVER/(UNDER) FY19 EOB	STANDSTILL OVER/(UNDER) FY19 EOB	CONTINUATION OVER/(UNDER) STANDSTILL	PROPOSED OVER/(UNDER) CONTINUATION	PROPOSED OVER/(UNDER) STANDSTILL	PROPOSED OVER/(UNDER) FY19 EOB
STATE GENERAL FUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## Continuation Budget, Standstill Budget, and Proposed Budget

The Department of Insurance receives no state general fund.

Difference between the Governor's Proposed Budget (HB 103 by Rep. Leger) and House Bill No. 105 by Rep. Henry

For this agency, there is no difference between the FY20 budget proposed by the governor and the amount contained in HB 105.

DEPARTMENT	EOB AS OF 12/01/2018	HB 103 REP. LEGER	HB 105 REP. HENRY	HB 105 OVER/(UNDER) HB 103
Insurance	\$0	\$0	\$0	\$0



# House Appropriations Committee and House Floor Changes to HB105 and Comparison to the Proposed FY20 Budget

## House Amendments to HB105 - Department of Insurance

HB 105	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	<i>TOTAL</i>
<b>Original</b>	\$0	\$0	\$30,161,174	\$1,950,700	\$717,962	\$32,829,836
Appropriations Amendments:	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	<i>TOTAL</i>
Increases funding for the Administrative/Fiscal Program and reduces the Market Compliance Program by the same amount (\$23,648). This amendment has no impact to the total budget.	\$0	\$0	\$0	\$0	\$0	\$0
Increases fees and self-generated revenues and decreases federal revenues by the same amount (\$487). This amendment has no impact to the total budget.	\$0	\$0	\$0	\$0	\$0	\$0
<b>Reengrossed</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,161,174</b>	<b>\$1,950,700</b>	<b>\$717,962</b>	<b>\$32,829,836</b>
<i>Difference HB105 Original to HB105 Reengrossed</i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><i>FY20 Proposed</i></b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,161,174</b>	<b>\$1,950,700</b>	<b>\$717,962</b>	<b>\$32,829,836</b>
<b><i>Difference HB105 Original to FY20 Proposed</i></b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><i>Difference HB105 Reengrossed to FY20 Proposed</i></b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



# Department of Insurance – Audit Findings

## Louisiana Department of Insurance.

### Oversight of Pharmacy Benefit Managers

May 2, 2018

While the Department has the discretion to conduct regulatory reviews of pharmacy benefit managers (PBMs), it has not done so. Regulation of PBMs is important because their role has changed beyond the traditional claims process to include conducting drug utilization reviews, developing a drug plan formulary, determining which pharmacies are included in a prescription drug plan's network, deciding how much network pharmacies will be reimbursed for their services, and operating mail order and specialty pharmacies. In addition, the Department did not collect sufficient supporting documentation before closing 25 of 42 complaints filed against PBMs. As a result, the Department cannot ensure it resolved the complaints accurately. The Department also should consider developing guidelines that specify consequences, such as fines, when PBMs violate state laws