State of Wyoming

2021-2022
Supplemental Budget Request

Agency 044: Insurance Department

Prepared for the February 2021 Legislature.

The information in this budget request has been developed in accordance with the agency plan prepared according to W.S. 28-1-115 & 28-1-116 [W.S. 9-2-1011(b)(vi)].

Submitted by:

Signature

Name **Jeffrey P. Rude**

Title **Insurance Commissioner**

Person(s) responsible for the preparation of this budget:

Jeffrey P. Rude

Wyoming

State Budget Department

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DIVISION							
ADMINISTRATION	0100	6,384,806	0	0	0	0	6,384,806
HEALTH INSURANCE POOL	0400	13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
WYOMING SMALL EMPLOYER HEALTH REINSURANCE	0600	0	0	0	0	0	0
TOTAL BY DIVISION		19,678,886	(441,235)	(441,235)	0	220,617	19,017,033
OBJECT SERIES							
PERSONNEL	0100	5,059,524	0	0	0	0	5,059,524
SUPPORTIVE SERVICES	0200	264,323	0	0	0	0	264,323
RESTRICTIVE SERVICES	0300	389,271	0	0	0	0	389,271
CENT. SERV./DATA SERV.	0400	28,612	0	0	0	0	28,612
SPACE RENTAL	0500	420,000	0	0	0	0	420,000
GRANTS & AID PAYMENT	0600	12,766,735	(441,235)	(441,235)	0	220,617	12,104,882
CONTRACTUAL SERVICES	0900	750,421	0	0	0	0	750,421
TOTAL BY OBJECT SERIES		19,678,886	(441,235)	(441,235)	0	220,617	19,017,033
SOURCES OF FUNDING							
GENERAL FUND/BRA	G	4,412,348	(441,235)	(441,235)	0	220,617	3,750,495
OTHER FUNDS	Z	15,266,538	0	0	0	0	15,266,538
TOTAL BY FUNDS		19,678,886	(441,235)	(441,235)	0	220,617	19,017,033
AUTHORIZED EMPLOYEES							
FULL TIME EMPLOYEE COUNT		26	0	0	0	0	26
TOTAL AUTHORIZED EMPLOYEES		26	0	0	0	0	26

Department Name: INSURANCE DEPARTMENT **Department Number:** 044

SECTION 1. STATE OF THE AGENCY

Agency Overview

With only 26 employees, the Wyoming Department of Insurance (DOI) is the smallest Insurance Department of any state in the nation. Despite its size, the DOI still maintains expertise in, and regulation of, all insurance specialties. The DOI 2021-2022 biennium administrative budget is $6,400,933 which includes no state general funds. The 1,100 insurance companies licensed in Wyoming are each assessed annually an equal amount which fund the Department's budget. The DOI brings in approximately $35,000,000 annually to the general fund through fees and assessments.

Agency Background & Structure

The Wyoming Department of Insurance regulates the business of insurance in the State of Wyoming and assists citizens with insurance problems pursuant to the Wyoming Insurance Code. The Department structure can be broken down as follows:

Consumer Assistance - providing assistance to consumers to assure that state laws are being followed regarding insurance claims and other areas of insurance in which consumers may request assistance.

Examination - conducting examinations of domestic insurers and pre-need funeral and cemetery trust funds to assure financial solvency and compliance with the Wyoming Insurance Code. The Department also conducts examinations of producers (agents) to ensure compliance with the Wyoming Insurance Code.

Licensing - assuring that insurers, producers and others licensed by the Department meet the minimum standards contained in the Insurance Code.

Enforcement - taking enforcement action when necessary to ensure compliance with the Insurance Code.

Oversight - providing administrative oversight of insurance related programs. These programs include: the Wyoming Health Insurance Pool, the Wyoming Small Employer Health Reinsurance Program, the Wyoming State Health Insurance Information Program, the Wyoming Life and Health Insurance Guaranty Association, the Wyoming Insurance Guaranty Fund Association, the Employees' and Officials' Group Insurance Program, the Wyoming Health Benefit Plan Committee, the Wyoming Insurance Producer Continuing Education Program, and the Early Intervention Council.

Policy Form Review - reviewing policy forms and filings to assure that insurance companies are following state statutes and regulations before approving the forms and filings for use in the state of Wyoming.

Health Care Reform - providing information to insurers, employers and consumers regarding implementation of the Affordable Care Act (ACA) monitoring the effects of the federal law on the state of Wyoming.

Regulation - monitoring insurance company compliance with state laws and regulations designed to protect the insurance consumer and promote a healthy competitive market.

Agency Challenges/Risks/Priorities

Department Name: INSURANCE DEPARTMENT **Department Number:** 044

Challenge - Succession Planning**.** Fifty percent of the Department employees are, or will be, retirement eligible within the next 5 years.

Priority – Develop extensive training and reference manuals**.** The Department must capture the day to day activities of each staff member in order to ensure new personnel have the necessary tools to perform the job.

Priority – Organizing a historical database of department briefings, training materials, studies, and reference materials**.** Given the size of the Department, efficiency is paramount. The Department must ensure that employees are able to easily access information and not have to waste time researching an issue that has previously been addressed.

Agency Successes and Efficiencies

Reduction of Manual Processes**.** Improved efficiency by reducing over 6,000 manual (paper) licensing transactions annually. The Department currently licenses over 150,000 agents and businesses. By working on improvements with the software vendor, the Department was able to reduce manual (paper) transactions from 6 percent to 1.9 percent of all licenses over the past four years.

Better understanding of Wyoming's health insurance market**.** Applied for, and received a federal grant of $275,000 for a two-year study of the Wyoming health insurance market to identify the impacts of the numerous federal changes to healthcare law. Specifically, the study will address changes in the ACA, Association Health Plans (AHPs), Multiple Employer Welfare Arrangements (MEWAs), Short Term Limited Duration plans (STLD) and their affect on Wyoming's health insurance market.

Accreditation**.** The Department recently passed National Association of Insurance Commissioner's 5-year accreditation review. Accreditation ensures that all states may rely upon the Department's financial examinations of Wyoming insurers. It is critical the Department of Insurance maintain its accreditation.

Department Name: INSURANCE DEPARTMENT **Department Number:** 044

SECTION 3. DEPARTMENT STATUTORY AUTHORITY

The Wyoming Department of Insurance regulates the business of insurance in the State of Wyoming and assists Wyoming citizens with insurance problems pursuant to the Wyoming Insurance Code, W.S. 26-1-101 through 26-51-110.

SECTION 5. DEPARTMENT PRIORITIES

044 - Department of Insurance
2021-2022 Biennium Priorities

Priority	Division	Unit #	Program Name / Description	$	GF	FF	OF	# of Positions	Describe the consequences if priority is cut.
1	0100	0101	Administration	6,384,806	$0	$0	$6,384,806	26	The Department of Insurance will not be able to carry out its statutory obligation.
2	0400	0401	Wyoming Health Insurance Pool	$8,881,732	$0	$0	$8,881,732	-	There are no general funds associated with this portion of the priority. If the priority is cut, Wyoming consumers will lose this insurance.
3	0400	0401	Wyoming Health Insurance Pool	$4,412,348	$4,412,348	$0	$0	-	If the priority is cut, Wyoming consumers enrolled in the program will lose this insurance.
								-	
,			**Totals**	**$19,678,886**	**$4,412,348**	**$0**	**$15,266,538**	26	

Department Name: INSURANCE DEPARTMENT **Department Number:** 044

- SECTION 8. STEP TWO COVID 19 REDUCTION PRIORITIES

2021-2022 Step Two COVID19 Reduction Priorities

			Department Reduction		Governor's Recommendation				
Priority	Unit #	Description	Amount	Pos	Amount	GF	FF	OF	Pos
1	0401	Step Two COVID 19 Reduction - WHIP (Wy Health Insurance Pool)	($441,235)	0	($441,235)	($441,235)	$0	$0	0
		Totals	($441,235)	0	($441,235)	($441,235)	$0	$0	0
		General Fund	($441,235)						
		Federal Funds	$0						
		Other Funds	$0						
		Total Reductions	($441,235)						

- SECTION 9. STEP THREE COVID 19 REDUCTION PRIORITIES

044 - Insurance Department

2021-2022 Step Three COVID19 Reduction Priorities

			Department Reduction		Governor's Recommendation				
Priority	Unit #	Description	Amount	Pos	Amount	GF	FF	OF	Pos
1	0401	Step Three COVID 19 Reduction - WHIP (Wy Health Insurance Pool)	($441,235)	0	($441,235)	($441,235)	$0	$0	0
		Totals	($441,235)		($441,235)	($441,235)	$0	$0	0
		General Fund	($441,235)						
		Federal Funds	$0						
		Other Funds	$0						
		Total Reductions	($441,235)						

* - Requires statutory change. See Section D Statutory Change narrative in Section Three COVID Reductions

Department Name: INSURANCE DEPARTMENT **Department Number:** 044
Division Name: HEALTH INSURANCE POOL **Division Number:** 0400

1 Division	Code	2 BFY 2021 Total Budget	3 Dept Step 2 COVID19 Reductions	4 Dept Step 3 COVID19 Reductions	5 Supplemental Request	6 Governor Changes Total	7 Governor's Recommended Approp.
UNIT							
HEALTH INSURANCE POOL	0401	13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
TOTAL BY UNIT		13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
OBJECT SERIES							
GRANTS & AID PAYMENT	0600	12,766,735	(441,235)	(441,235)	0	220,617	12,104,882
CONTRACTUAL SERVICES	0900	527,345	0	0	0	0	527,345
TOTAL BY OBJECT SERIES		13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
SOURCES OF FUNDING							
ENTERPRISE FUND	EF	8,881,732	0	0	0	0	8,881,732
GENERAL FUND/BRA	G	4,412,348	(441,235)	(441,235)	0	220,617	3,750,495
TOTAL BY FUNDS		13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
AUTHORIZED EMPLOYEES							
TOTAL AUTHORIZED EMPLOYEES							

Department Name: INSURANCE DEPARTMENT
Division Name: HEALTH INSURANCE POOL
Unit Name: HEALTH INSURANCE POOL

Wyoming On Line Financial Codes

DEPT	DIVISION	UNIT	FUND	APPR
044	0400	0401	590	590

SECTION 1. UNIT STATUTORY AUTHORITY

The statutory authority for the Wyoming Health Insurance Pool is set forth in W.S. 26-43-101 et. seq. The sunset date of the Pool is June 30, 2030. The Wyoming Health Insurance Pool was established by the Legislature in 1990. The purpose of the Pool was to provide a basic level of major medical health insurance for residents with uninsurable health conditions, those unable to obtain health insurance, or those whose private market premium rates equal or exceed that which is established for the Pool. In 2007, the Legislature amended the Pool statutes to create two levels of eligibility as set forth below in more detail. Due to the passage of the Affordable Care Act, insurance companies that offer major medical insurance are no longer able to include pre-existing exclusions in policies and cannot refuse to offer insurance to consumers with health conditions, so the need for the Pool has diminished. The Pool now only exists to provide coverage to Wyoming citizens who are under the age of 65 and receiving Medicare due to a disability. Those individuals do not have a guarantee of supplemental coverage until reaching the age of 65. The Wyoming Health Insurance Pool provides coverage similar to a Medicare supplement plan, covering the out-of-pocket expenses that are not paid by Medicare. Effective July 1, 2015, the Commissioner dis-enrolled members in the Pool who were able to access reasonable coverage elsewhere, such as through the federal Marketplace. The remaining Pool population is the specific demographic of those who are under 65 and enrolled in Medicare due to disability and in need of supplemental insurance coverage.

SECTION 3. SPECIAL REVENUE FUND HISTORY

OTHER FUND USAGE HISTORY

Agency Fund 590 - Wyoming Health Insurance Pool

				Estimate	Estimate
	15/16	**17/18**	**19/20**	**21/22**	**23/24**
Beginning Balance	$2,933,808	$2,499,155	$1,611,244	$1,413,049	$1,413,049
- Expenditures Unit 0401	($8,120,722)	($5,534,239)	($6,497,230)	($8,881,732)	($8,881,732)
+ Revenue	$7,686,069	$4,646,328	$6,299,035	$8,881,732	$8,881,732
Ending Balance	$2,499,155	$1,611,244	$1,413,049	$1,413,049	$1,413,049

Current balance as of this report - $2,558,954

Statutory Authority W.S. 26-43-105 and 26-43-107

Department Name: INSURANCE DEPARTMENT
Division Name: HEALTH INSURANCE POOL
Unit Name: HEALTH INSURANCE POOL

Wyoming On Line Financial Codes				
DEPT	**DIVISION**	**UNIT**	**FUND**	**APPR**
044	0400	0401	590	590

Fund Description and restrictions - This fund is used to account for premiums paid by insureds, assessments paid by member insurers, and interest earned on investments. If assessments exceed actual losses and administrative expenses, the excess shall be used to offset future losses or to reduce pool premiums.

Revenue Sources Codes & Descriptions:

1504 Insurance Company Assessment

4601 Investment Income-Self

5105 Health Ins Premium-Operating Cost

Department Name: INSURANCE DEPARTMENT
Division Name: HEALTH INSURANCE POOL
Unit Name: HEALTH INSURANCE POOL

Wyoming On Line Financial Codes

DEPT	DIVISION	UNIT	FUND	APPR
044	0400	0401	590	590

SECTION 5. STEP TWO COVID19 BUDGET REDUCTIONS

PRIORITY # 1 – Wyoming Health Insurance Pool

A. EXPLANATION OF REDUCTION: The Wyoming Department of Insurance only has one budget that is funded by the General Fund. This budget is the Wyoming Health Insurance Pool (WHIP) that is statutorily prescribed in W.S. 26-43-101 et seq.

The WHIP is a high risk pool that was created to provide health insurance coverage to residents of Wyoming who are denied adequate health insurance. Enrollees in the WHIP are currently individuals who are under the age of 65 and enrolled in Medicare due to a disability and therefore are unable to obtain any Medicare supplement insurance coverage. The WHIP is divided into Level One and Level Two participants based on the income of the applicant. Level One participants have a household income above 250% of Federal Poverty Guidelines and Level Two participants are those individuals below 250% of Federal Poverty Guidelines. The WHIP is funded by policyholder premiums, insurance company assessments, investment earnings, and a General Fund appropriation. Only Level Two participants are funded by the General Fund appropriation. As of March 31, 2020, there are 918 participants in the WHIP, and 450 of these participants are Level Two participants

B. REDUCTION BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0615 - Ins. Claims Pmts	($441,235)	100% 1001
	Total	($441,235)	100% 1001 Gen Fund

C. REDUCTION IMPACT: The worst-case consequence of the budget reductions would be that healthcare claims would not be paid by the WHIP, which would result in healthcare providers not being paid for any in-network services and policyholders getting billed for any out-of-network costs. However, in the past there has been a small excess built into the budget authority due to conservative estimates, so the 10% budget reduction could potentially have no effect at all. In addition, if needed, it is possible to increase the assessments to the insurance companies and then those funds could be used to cover the Level Two participants before the General Fund appropriation is used per W.S. 26-43-105(d).

The impact on future operating plans is dependent on how many Level Two participants are in the WHIP. We have seen steady growth in the program, so this may result in additional assessments to the insurance industry in order to offset the decrease in the General Fund appropriation. However, any assessments to the insurance industry (up to $4,000,000) will result in premium tax credits for the insurers, which will result in reduced premium tax collections to the General Fund (tax credit = 80% of first $2 million assessed, and 50% of second $2 million assessed). The assessment amount to all insurers is capped at $6 million per year in accordance with statute. Other remedies to make up for any shortfall in the General Fund would be to stop enrollment in the program, increase the premium rates, and/or reduce the claims reimbursement percentage.

Department Name: INSURANCE DEPARTMENT
Division Name: HEALTH INSURANCE POOL
Unit Name: HEALTH INSURANCE POOL

Wyoming On Line Financial Codes				
DEPT	**DIVISION**	**UNIT**	**FUND**	**APPR**
044	0400	0401	590	590

a. **What are the current and/or anticipated operational or structural impacts for the agency?**

There are no operational or structural impacts for the Department of Insurance. The administration of the WHIP program is performed by a vendor.

b. **How will the budget reductions affect service provision and delivery?**

The Department does not currently anticipate that the proposed budget reductions will affect service provision and delivery for the WHIP program since there are additional funding mechanisms in place for the program, including policyholder premiums, insurance company assessments, and investment earnings. This assumption is based on the current enrollment of the program remaining stable and the Affordable Care Act remaining in place.

c. **What are the impacts by major population groups, e.g., geography, occupation, age, etc., including populations disproportionately impacted by the reductions?**

The General Fund appropriation for the WHIP Program only funds those individuals whose incomes are less than 250% of the Federal Poverty Guidelines. In addition, only individuals who are under 65 and enrolled in Medicare due to a disability are currently enrolled in the WHIP Program.

d. **What statutory program requirements hinder the agency in meeting its priorities and obligations to Wyoming citizens in an efficient manner?**

The WHIP Program was established pursuant to Chapter 43 of Title 26 of the Wyoming Statutes. The only foreseeable limitation that could potentially hinder the Department in carrying out the WHIP Program is the limit to the assessment authority of $6,000,000 annually per W.S. 26-43-105(d). However, if current enrollment in the WHIP Program remains stable and the Affordable Care Act remaining in place, this limit should not be a problem.

GOVERNOR'S RECOMMENDATION

I recommend approval of this biennial reduction. Of this recommendation, $0 is one-time funding.

SECTION 6. STEP THREE COVID19 BUDGET REDUCTIONS

PRIORITY # 1 – Wyoming Health Insurance Pool

A. EXPLANATION OF REDUCTION: : The Wyoming Department of Insurance only has one budget that is funded by the General Fund. This budget is the Wyoming Health Insurance Pool (WHIP) that is statutorily prescribed in W.S. 26-43-101 et seq. The WHIP is a high risk pool that was created to provide

Department Name: INSURANCE DEPARTMENT
Division Name: HEALTH INSURANCE POOL
Unit Name: HEALTH INSURANCE POOL

Wyoming On Line Financial Codes				
DEPT	**DIVISION**	**UNIT**	**FUND**	**APPR**
044	0400	0401	590	590

health insurance coverage to residents of Wyoming who are denied adequate health insurance. Enrollees in the WHIP are currently individuals who are under the age of 65 and enrolled in Medicare due to a disability and therefore are unable to obtain any Medicare supplement insurance coverage. The WHIP is divided into Level One and Level Two participants based on the income of the applicant. Level One participants have a household income above 250% of Federal Poverty Guidelines and Level Two participants are those individuals below 250% of Federal Poverty Guidelines. The WHIP is funded by policyholder premiums, insurance company assessments, investment earnings, and a General Fund appropriation. Only Level Two participants are funded by the General Fund appropriation. As of March 31, 2020, there are 918 participants in the WHIP, and 450 of these participants are Level Two participants.

B. REDUCTION BY OBJECT CODE, FUNDING AMOUNT & FUND SOURCE:

	Object Code	Amount	Funding Source
1	0615 - ins payment claims	($441,235)	general fund
	Total	($441,235)	100% general fund

C. REDUCTION IMPACT: The worst-case consequence of the budget reductions would be that healthcare claims would not be paid by the WHIP, which would result in healthcare providers not being paid for any in-network services and policyholders getting billed for any out-of-network costs. However, in the past there has been a small excess built into the budget authority due to conservative estimates, so the 10% budget reduction could potentially have no effect at all. In addition, if needed, it is possible to increase the assessments to the insurance companies and then those funds could be used to cover the Level Two participants before the General Fund appropriation is used per W.S. 26-43-105(d). The impact on future operating plans is dependent on how many Level Two participants are in the WHIP. We have seen steady growth in the program, so this may result in additional assessments to the insurance industry in order to offset the decrease in the General Fund appropriation. However, any assessments to the insurance industry (up to $4,000,000) will result in premium tax credits for the insurers, which will result in reduced premium tax collections to the General Fund (tax credit = 80% of first $2 million assessed, and 50% of second $2 million assessed). The assessment amount to all insurers is capped at $6 million per year in accordance with statute. Other remedies to make up for any shortfall in the General Fund would be to stop enrollment in the program, increase the premium rates, and/or reduce the claims reimbursement percentage.

a. **What are the current and/or anticipated operational or structural impacts for the agency?**

There are no operational or structural impacts for the Department of Insurance. The administration of the WHIP program is performed by a vendor.

b. **How will the budget reductions affect service provision and delivery?**

The Department does not currently anticipate that the proposed budget reductions will affect service provision and delivery for the WHIP program since there are additional funding mechanisms in place for the program, including policyholder premiums, insurance company assessments, and investment earnings. This assumption is based on the current enrollment of the program remaining stable and the Affordable Care Act remaining in place.

Department Name: INSURANCE DEPARTMENT
Division Name: HEALTH INSURANCE POOL
Unit Name: HEALTH INSURANCE POOL

Wyoming On Line Financial Codes

DEPT	DIVISION	UNIT	FUND	APPR
044	0400	0401	590	590

c. **What are the impacts by major population groups, e.g., geography, occupation, age, etc., including populations disproportionately impacted by the reductions?**

The General Fund appropriation for the WHIP Program only funds those individuals whose incomes are less than 250% of the Federal Poverty Guidelines. In addition, only individuals who are under 65 and enrolled in Medicare due to a disability are currently enrolled in the WHIP Program.

d. **What statutory program requirements hinder the agency in meeting its priorities and obligations to Wyoming citizens in an efficient manner?**

The WHIP Program was established pursuant to Chapter 43 of Title 26 of the Wyoming Statutes. The only foreseeable limitation that could potentially hinder the Department in carrying out the WHIP Program is the limit to the assessment authority of $6,000,000 annually per W.S. 26-43-105(d). However, if current enrollment in the WHIP Program remains stable and the Affordable Care Act remaining in place, this limit should not be a problem.

GOVERNOR'S RECOMMENDATION

I recommend approval of this budget reduction of ($441,235). Of this recommendation, $0 is one-time funding. I recommend that one-half ($220,618) be reduced this biennium and the on-going portion of this reduction amount of ($220,617) be biennialized for BFY 2023-2024.

Department Name:	INSURANCE DEPARTMENT			**Wyoming On Line Financial Codes**				
Division Name:	HEALTH INSURANCE POOL			**DEPT**	**DIVISION**	**UNIT**	**FUND**	**APPR**
Unit Name:	HEALTH INSURANCE POOL			044	0400	0401	590	590

1 Description	Code	2 BFY 2021 Total Budget	3 Dept Step 2 COVID19 Reductions	4 Dept Step 3 COVID19 Reductions	5 Supplemental Request	6 Governor Changes Total	7 Governor's Recommended Approp.
EXPENDITURES							
INS. PAYMENTS CLAIMS	0615	12,766,735	(441,235)	(441,235)	0	220,617	12,104,882
GRANTS & AID PAYMENT	0600	12,766,735	(441,235)	(441,235)	0	220,617	12,104,882
CONTRACT SERVICES	0901	527,345	0	0	0	0	527,345
CONTRACTUAL SERVICES	0900	527,345	0	0	0	0	527,345
EXPENDITURE TOTALS		13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
SOURCE OF FUNDING							
INSURANCE CO REIM	1504E	4,000,000	0	0	0	0	4,000,000
INVESTMENT INCOME	4601E	110,000	0	0	0	0	110,000
HEALTH INS PREM	5105E	4,771,732	0	0	0	0	4,771,732
ENTERPRISE FUND	EF	8,881,732	0	0	0	0	8,881,732
GENERAL FUND	1001	4,412,348	(441,235)	(441,235)	0	220,617	3,750,495
GENERAL FUND/BRA	G	4,412,348	(441,235)	(441,235)	0	220,617	3,750,495
TOTAL FUNDING		13,294,080	(441,235)	(441,235)	0	220,617	12,632,227
AUTHORIZED EMPLOYEES							