

Director: Christina Urias

JLBC Analyst: Leatta McLaughlin

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved	FY 2009 Approved
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	106.5	106.5	106.5 ^{1/}	106.5 ^{1/}
Personal Services	3,819,200	4,139,300	4,263,000	4,139,300
Employee Related Expenditures	1,224,000	1,471,300	1,583,600	1,481,700
Professional and Outside Services	118,100	121,500	425,000	415,500
Travel - In State	44,200	37,400	37,400	37,400
Travel - Out of State	9,800	5,000	5,000	5,000
Other Operating Expenditures	798,200	774,100	828,700	662,700
Equipment	39,700	22,500	22,500	22,500
OPERATING SUBTOTAL	6,053,200	6,571,100	7,165,200	6,764,100
SPECIAL LINE ITEMS				
Health Care Group Audit	0	0	200,000	0
Managed Care and Dental Plan Oversight	533,700	601,700	635,600	601,700
NCOIL Participation	12,500	25,000	0	0
AGENCY TOTAL	6,599,400	7,197,800	8,000,800^{2/3/}	7,365,800^{2/3/}
FUND SOURCES				
General Fund	6,586,900	7,172,800	7,800,800	7,365,800
<u>Other Appropriated Funds</u>				
Captive Insurance Regulatory and Supervision Fund	12,500	25,000	0	0
TTHCF - Medically Needy Account	0	0	200,000	0
SUBTOTAL - Other Appropriated Funds	12,500	25,000	200,000	0
SUBTOTAL - Appropriated Funds	6,599,400	7,197,800	8,000,800	7,365,800
Other Non-Appropriated Funds	8,995,100	11,174,800	11,174,800	11,174,800
TOTAL - ALL SOURCES	15,594,500	18,372,600	19,175,600	18,540,600

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department’s oversight responsibilities include solvency regulation, collection and audit of insurance premium taxes, agent licensing, company certification, consumer assistance, complaint resolution, rate and policy form regulation, and administration of companies in receivership. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department’s state General Fund appropriation.

PERFORMANCE MEASURES	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	JLBC
• Average calendar days to complete a consumer complaint investigation	118.9	75.9	80.1	75.0
• % of survey licensees respondents indicating “satisfied” or “better”	91.4	92.6	91.9	93.0
• % of consumer services survey respondents indicating “satisfied” or “better”	69.9	76.2	75.0	77.0

^{1/} Includes 7.5 FTE Positions funded from Special Line Items in FY 2008 and FY 2009.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} It is the intent of the Legislature that \$294,000 in FY 2008 and FY 2009 shall be for new agreements to prosecute fraud cases and shall be funded by the department from revenues from fraud unit fees. (General Appropriation Act footnote)

PERFORMANCE MEASURES (Cont'd)	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	JLBC
• Average number of days to issue a license	48.3	40.4	60.0	45.0

Comments: The average number of days to issue a license begins on the day an application is received and culminates the day that the license decision is rendered. The following license types are included in the “average days to issue a license” performance measure: Insurers, Re-Insurers, Service Corporations, Health Care Service Organizations, and Prepaid Dental Plan Organizations. The department reports the increased length of time to issue a license is due to the varying number of applications they process each year and the uniqueness of each application.

Operating Budget

The budget provides \$7,165,200 and 99 FTE Positions from the General Fund for the operating budget in FY 2008 and \$6,764,100 and 99 FTE Positions in FY 2009. These amounts fund the following adjustment:

Statewide Adjustments

The budget provides an increase of \$300,100 from the General Fund in FY 2008 and a decrease of \$(101,000) in FY 2009 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details. The annualization of these adjustments for FY 2009 will be addressed in the 2008 budget process.)*

Fraud Unit Investigation

The budget provides an increase of \$294,000 from the General Fund in FY 2008 and FY 2009 to keep up with the prosecution of ongoing and future insurance fraud cases. Currently the department has an Intergovernmental Service Agreement (ISA) with the Attorney General’s (AG) office for 1 FTE Position to prosecute all of the department’s fraud cases. The increased appropriation would be used to add 3 more FTE Positions to the ISA with the AG’s office.

A General Appropriation Act footnote specifies that it is the intent of the Legislature that the appropriation will be funded by the department from revenues from fraud unit fees.

Special Line Items

Health Care Group Audit

The budget provides one-time funding of \$200,000 from the Tobacco Tax and Health Care Fund - Medically Needy Account for the new Health Care Group Audit Special Line Item in FY 2008. The funding is provided for the department to conduct a financial examination of the Health Care Group.

The Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2007, Chapter 263) directs the department to conduct the audit and report their findings by February 15, 2008. The legislation also mandates other changes for Health Care Group. *(Please see the Arizona Health Care*

Cost Containment System Administration Cost Center for more information.)

Managed Care and Dental Plan Oversight

The budget provides \$635,600 and 7.5 FTE Positions from the General Fund for Managed Care and Dental Plan Oversight in FY 2008 and \$601,700 and 7.5 FTE Positions in FY 2009. These amounts fund the following adjustment:

Statewide Adjustments

The budget provides an increase of \$33,900 from the General Fund in FY 2008 and no change in FY 2009 for statewide adjustments.

Monies in this line item are used by the department to oversee Health Maintenance Organization health care plans and to implement and regulate new health care provider grievance and timely pay laws.

NCOIL Participation

The budget provides no funding from the Captive Insurance Regulatory and Supervision Fund for National Conference of Insurance Legislators (NCOIL) Participation in FY 2008 and FY 2009. This reflects the following adjustment:

Conclusion of NCOIL Participation

The budget provides a decrease of \$(25,000) from the Captive Insurance Regulatory and Supervision Fund in FY 2008 and FY 2009 to conclude participation in NCOIL.

NCOIL is an organization of state legislators whose main area of public policy concern is insurance legislation and regulation. Monies in this line item were used to pay for the costs to participate in NCOIL, for access to published documents, and for attendance at a conference for insurance related policy issues.

Additional Legislation

Statutory Fee Revenue Requirement Suspension

The General Revenues BRB (Laws 2007, Chapter 260) suspends in FY 2008 and FY 2009 the statutory requirement that fee revenues be between 95% and 110% of the department’s appropriation. The department is likely to collect fee revenues in excess of 110% of its

appropriation. Fee revenue is deposited in the General Fund. Therefore, this provision will allow the department to collect revenue in excess of 110%.

Health Insurance Premium Tax Credit

Laws 2006, Chapter 378 established a premium tax credit for health care insurers that provide health insurance to qualified individuals and small businesses that are certified by the Arizona Department of Revenue (DOR). Laws 2007, Chapter 263 requires an application to DOR for the tax credit to include a written declaration subject to the penalties of perjury and clarifies that the individual or small business must obtain health insurance to receive the credit, and applies a retroactive date of September 21, 2006.

Mandate Lite

Laws 2007, Chapter 263 also expands the businesses that are able to purchase mandate lite plans from employers with 2 to 25 employees to employers with 2 to 50 employees in order to conform with federal regulations, as long as employees meet uninsured requirements. The bill defines an uninsured small employer as an entity that has not provided a health plan for at least 6 consecutive months immediately prior to the effective date of mandate lite coverage, clarifies the requirement that an employer be uninsured prior to being eligible for mandate lite coverage does not apply to the renewal of coverage, and applies a retroactive date of September 21, 2006.