

INSURANCE

Budget Summary						FTE Position Summary				
Fund	2022-23 Adjusted Base	Act 19		2023-25 Change Over Base Year Doubled		2022-23	Act 19		2024-25 Over 2022-23	
		2023-24	2024-25	Amount	%		2023-24	2024-25	Number	%
GPR	\$34,233,200	\$21,733,500	\$16,535,000	-\$30,197,900	-44.1%	0.00	0.00	0.00	0.00	N.A.
FED	165,766,800	208,266,500	213,465,000	90,197,900	27.2	0.00	0.00	0.00	0.00	N.A.
PR	20,513,900	21,391,800	21,518,400	1,882,400	4.6	124.15	129.15	129.15	5.00	4.0%
SEG	<u>62,997,400</u>	<u>63,048,200</u>	<u>63,048,200</u>	<u>101,600</u>	0.1	<u>10.68</u>	<u>10.68</u>	<u>10.68</u>	<u>0.00</u>	0.0
TOTAL	\$283,511,300	\$314,440,000	\$314,566,600	\$61,984,000	10.9%	134.83	139.83	139.83	5.00	3.7%

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 105]

PR	-\$539,600
SEG	<u>101,600</u>
Total	-\$438,000

Reduce funding by \$219,000 (-\$269,800 PR and \$50,800 SEG) annually to reflect the following standard budget adjustments:

(a) -\$462,500 PR annually for turnover reduction; (b) \$259,300 PR and \$53,500 SEG annually for full funding of continuing position salaries and fringe benefits; and (c) -\$66,600 PR and -\$2,700 SEG annually for full funding of lease and directed move costs.

2. FINANCIAL AND MARKET REGULATION POSITIONS [LFB Paper 490]

	Funding	Positions
PR	\$679,100	4.00

Provide \$291,100 in 2023-24 and \$388,000 in 2024-25 and 4.0 positions, beginning in 2023-24, to address increased workload and responsibilities relating to supervision of the insurance industry by the Office of the Commissioner of Insurance (OCI). Of the funding and positions that would be provided, 3.0 positions would be assigned to the Division of Market Regulation, which regulates the market conduct of insurance companies and agents to ensure compliance with insurance laws and rules. This includes investigating consumer complaints, providing consumer information, issuing agent licenses, and reviewing company underwriting and rating practices. The other 1.0 position would be assigned to the Division of Financial Regulation, which oversees company licensing, financial analysis and examinations, and the solvency of insurers licensed to do business in Wisconsin. This includes conducting regular financial examinations of companies and issuing company licenses.

3. RESTORE FUNDING FOR AGENCY OPERATIONS

PR	\$1,404,600
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Provide \$702,300 for OCI administrative functions, reflecting the net effect of the following two changes: (a) provide an increase of \$2,222,600 annually in OCI's general program operations appropriation; and (b) delete \$1,520,300 annually in the interagency and intra-agency operations appropriation to reduce funding in that appropriation to \$0.

The 2021-23 budget (Act 58) created an interagency and intra-agency PR appropriation in OCI for general program operations and made a non-recurring transfer of \$1,520,300 in each year of the biennium to that appropriation from the unencumbered revenue balance in OCI's PR appropriation for general program operations. In addition, Act 58 reduced funding in the general program operations appropriation by \$2,222,600 annually. The result of these changes was a net reduction in program operations funding, in both appropriations combined, of \$702,300. This item retains the interagency and intra-agency appropriation created by Act 58, reverses the net funding reduction that resulted from that act, and consolidates funding for administrative functions in OCI's general program operations appropriation.

4. WISCONSIN HEALTHCARE STABILITY PLAN [LFB Paper 106]

GPR	- \$30,197,900
FED	<u>90,197,900</u>
Total	\$60,000,000

Provide \$30,000,000 (-\$12,499,700 GPR and \$42,499,700 FED) in 2023-24 and \$30,000,000 (-\$17,698,200 GPR and \$47,698,200 FED) in 2024-25 to reflect estimated increases in total reinsurance payments under the Wisconsin healthcare stability plan (WHSP), from the base of \$200,000,000 annually to \$230,000,000 annually.

The following table shows the appropriation base and estimated funding for reinsurance payments in the 2023-25 biennium with these adjustments.

	Base	Change to Base		Total Funding	
		2023-24	2024-25	2023-24	2024-25
GPR	\$34,233,200	-\$12,499,700	-\$17,698,200	\$21,733,500	\$16,535,000
FED	<u>165,766,800</u>	<u>42,499,700</u>	<u>47,698,200</u>	<u>208,266,500</u>	<u>213,465,000</u>
Total	\$200,000,000	\$30,000,000	\$30,000,000	\$230,000,000	\$230,000,000

WHSP is a state-operated reinsurance program, supported with state and federal funding, that is intended to reduce premiums for health insurance policies sold in the individual market. Reinsurance payments reimburse insurers for a portion of the total annual claims for individuals with high costs. Each year, OCI establishes reinsurance payment parameters based on a total expenditure target. The 2021-23 budget act increased the statutory target from \$200,000,000 to \$230,000,000, beginning for the 2022 insurance plan year. Since the 2022 plan year reinsurance payments will be made in state fiscal year 2023-24, this item adjusts the GPR and FED appropriations to equal anticipated expenditures.

The reinsurance payments for the 2022 plan year will be made in 2023-24 with a combination of federal funds received for that plan year (\$181,902,400) and federal funds received

for the 2021 plan year, but not needed for 2021 reinsurance payments (\$26,364,100). Since the federal funding for 2021 exceeded the total amount of reinsurance payments, the excess funding will be carried over to offset the state cost of making the 2022 payments.

On March 30, 2023, the federal Center for Consumer Information and Insurance Oversight provided notice that the state will receive federal pass-through funding of \$213,464,988 for 2023 which reduces the estimated amount of state funding needed for reinsurance payments to \$16,535,000, an amount that will be paid in 2024-25.

5. BOARD ON AGING AND LONG-TERM CARE HELPLINE FUNDING TRANSFER [LFB Paper 491]

PR	\$92,200
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Provide \$46,900 in 2023-24 and \$45,300 in 2024-25 to reflect a reestimate of the amount of insurance fee revenue that will be needed to fund telephone counseling services provided by the Board on Aging and Long-Term Care (BOALTC) for individuals seeking information on Medicare supplemental insurance policies ("Medigap" policies), Medicare Part D policies (policies that cover prescription drugs), and SeniorCare.

The BOALTC Helpline provides free one-on-one insurance counseling services to state residents over the age of 60. The Helpline is supported from two sources -- federal funds the state receives under the state health insurance assistance program (SHIP) and state insurance fee revenue budgeted as part of OCI's general program operations appropriation that OCI transfers to BOALTC.

6. FRAUDULENT INSURANCE ACTS

	Funding	Positions
PR	\$246,100	1.00

Provide 1.0 position for investigation of fraudulent insurance acts, beginning in 2023-24, and provide \$107,400 in 2023-24 and \$138,700 in 2024-25 to support the position. Establish a prohibition against fraudulent insurance acts, within current law statutory section related to OCI's general powers and duties. Specify, for the purposes of this provision, that a fraudulent insurance act includes knowingly presenting a false or fraudulent claim for payment of a loss or benefit or knowingly presenting false information in an application for insurance. Specify that, if based on an investigation, it has a reasonable basis to believe that a violation of laws involving theft, forgery, fraudulent writings, fraudulent data alteration, fraudulent insurance and employee benefit program claims, fraudulent destruction of certain writings, or any other criminal law has occurred, OCI may refer the results of an investigation to the Department of Justice or to the district attorney of the county in which the alleged violation occurred for prosecution.

[Act 19 Section: 461]