



DCBS:

OREGON'S LARGEST BUSINESS REGULATORY **AND CONSUMER PROTECTION AGENCY**

Ways and Means Subcommittee on Transportation and
Economic Development – Subcommittee Presentation
Feb. 21-23, 2017



Agency Presentation Schedule

Feb. 21, 2017

Agency Overview

Patrick Allen, Director

Feb. 22, 2017

Workers' Safety System

- Workers' Compensation Division
- Oregon OSHA
- Workers' Compensation Board

Lou Savage, Administrator
Michael Wood, Administrator
Holly Somers, Chairperson

Consumer Protection and Safety

- Division of Financial Regulation
- Building Codes Division
- Health Insurance Marketplace

Laura Cali Robison, Administrator
Mark Long, Administrator
Patrick Allen, Director

Feb. 23, 2017

- Department of Administrative Services
Presentation
- Public Testimony

Mission

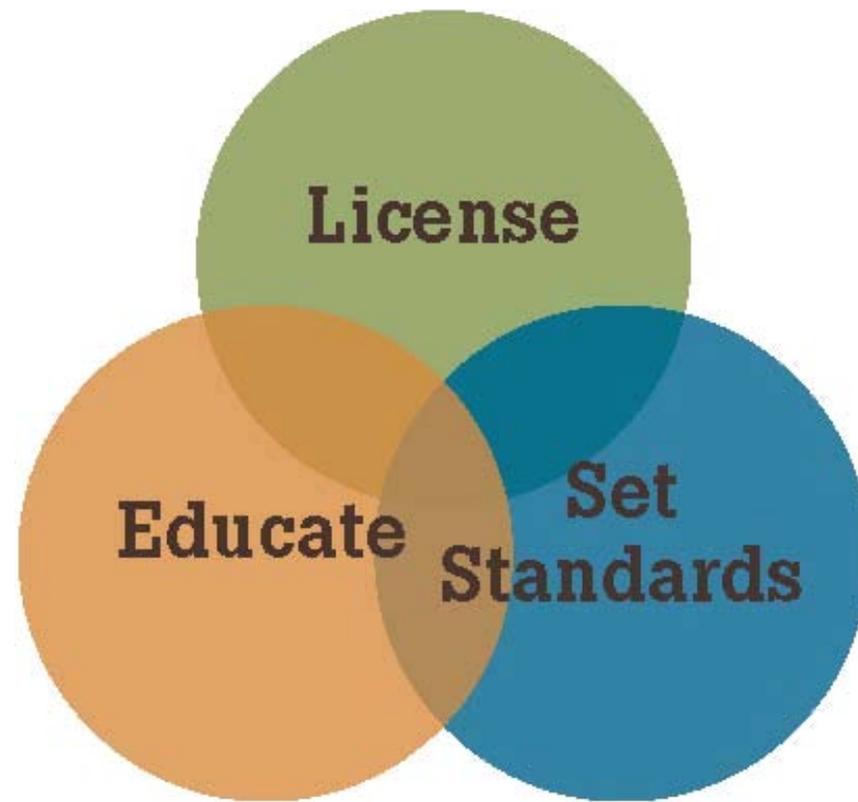
To protect and serve Oregon's consumers and workers while supporting a positive business climate in the state.



What We Do

Key Goals

- Consumer and Worker Protection
- Healthy and Competitive Markets
- Informed Businesses and Consumers
- Satisfied Customers
- Financial Soundness
- Operational Excellence
- Engaged Staff



License/Charter/Examine

- Securities broker dealers, investment advisors, and insurance companies and agents
- Banks, trusts, credit unions, mortgage bankers, brokers, and loan originators
- Payday lenders, consumer finance companies, pawnbrokers, and check cashing businesses
- Building trades workers and state and local building code inspectors
- Worker leasing companies



Set/Enforce Standards

- Securities, mortgage lending, and other consumer finance
- Workplace deaths/injuries, prevention, and insurance benefits
- Worksites for safety/health
- Insurance companies/agents
- Building construction standards
- Employer coverage and self-insurance in workers' compensation

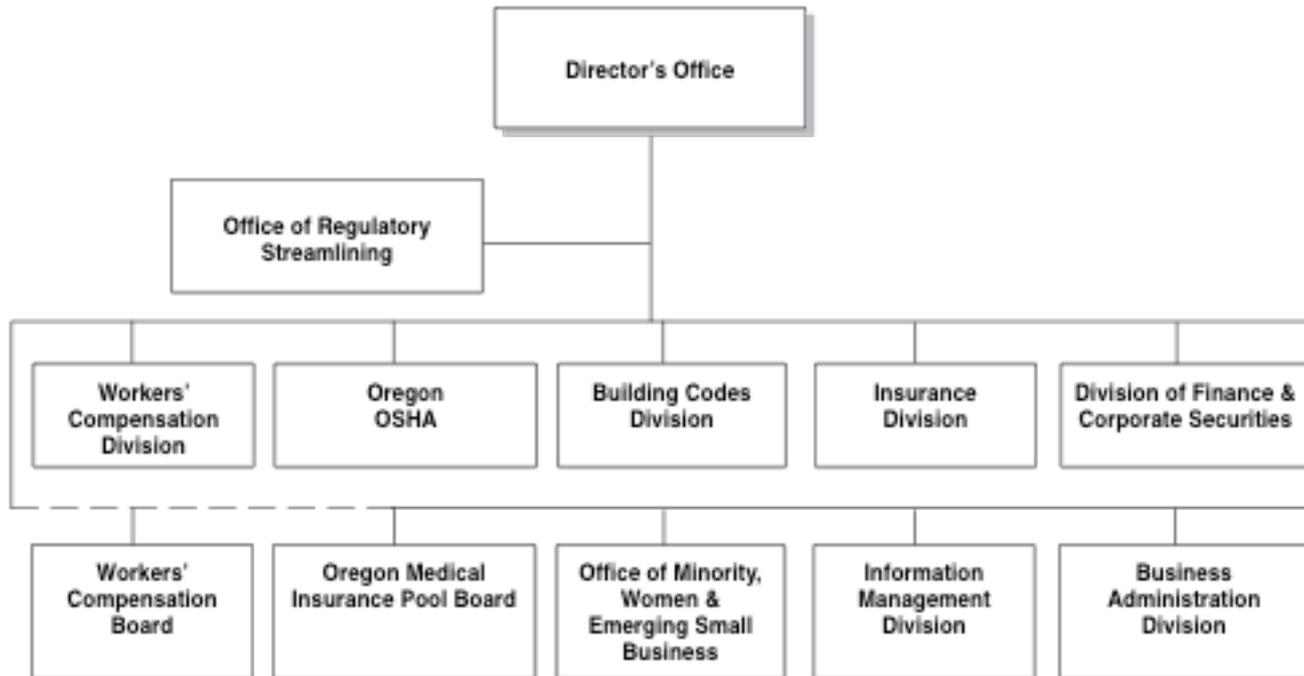


Educate/Advocate

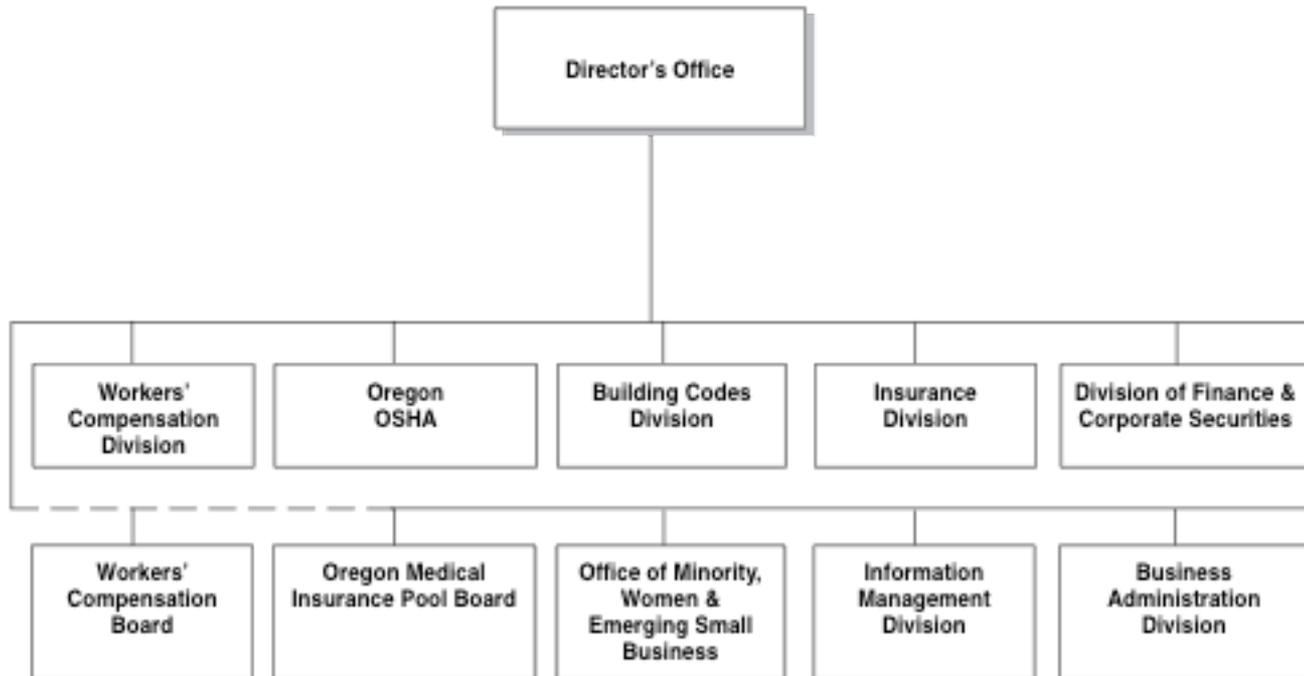
- Workplace safety workshops
- Outreach for investors and homebuyers seeking mortgages
- Work with seniors groups and others on financial scam alerts
- Medicare counseling and health insurance purchases
- Insurance hotline, help with appeals of claim denials and delays
- Small business workers' compensation and injured workers advocacy
- Education and outreach about various types of insurance



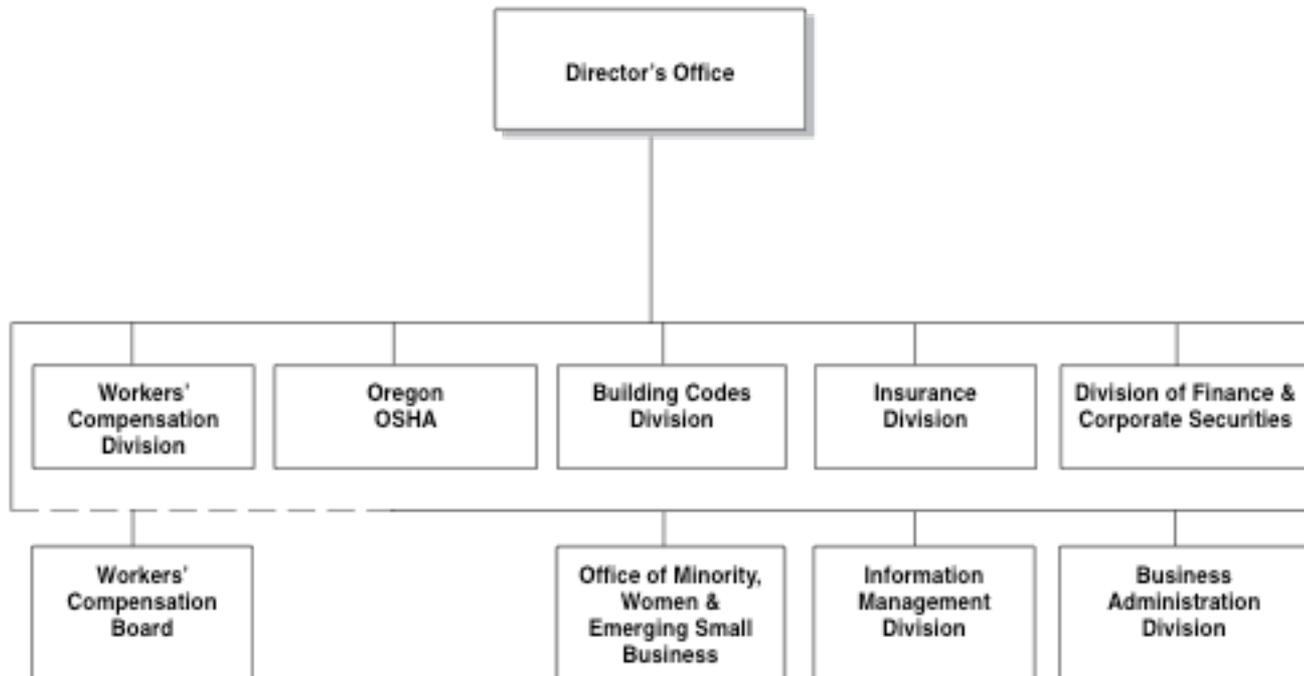
Restructuring for efficiency and effectiveness



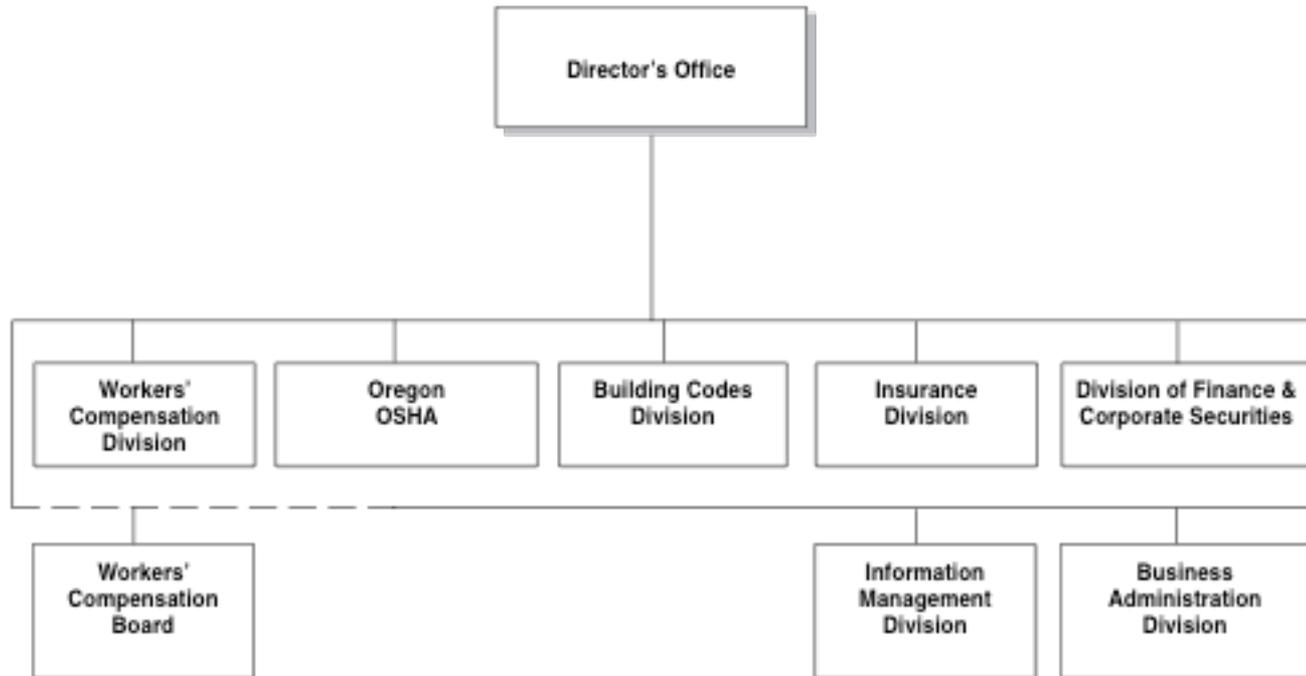
Restructuring for efficiency and effectiveness



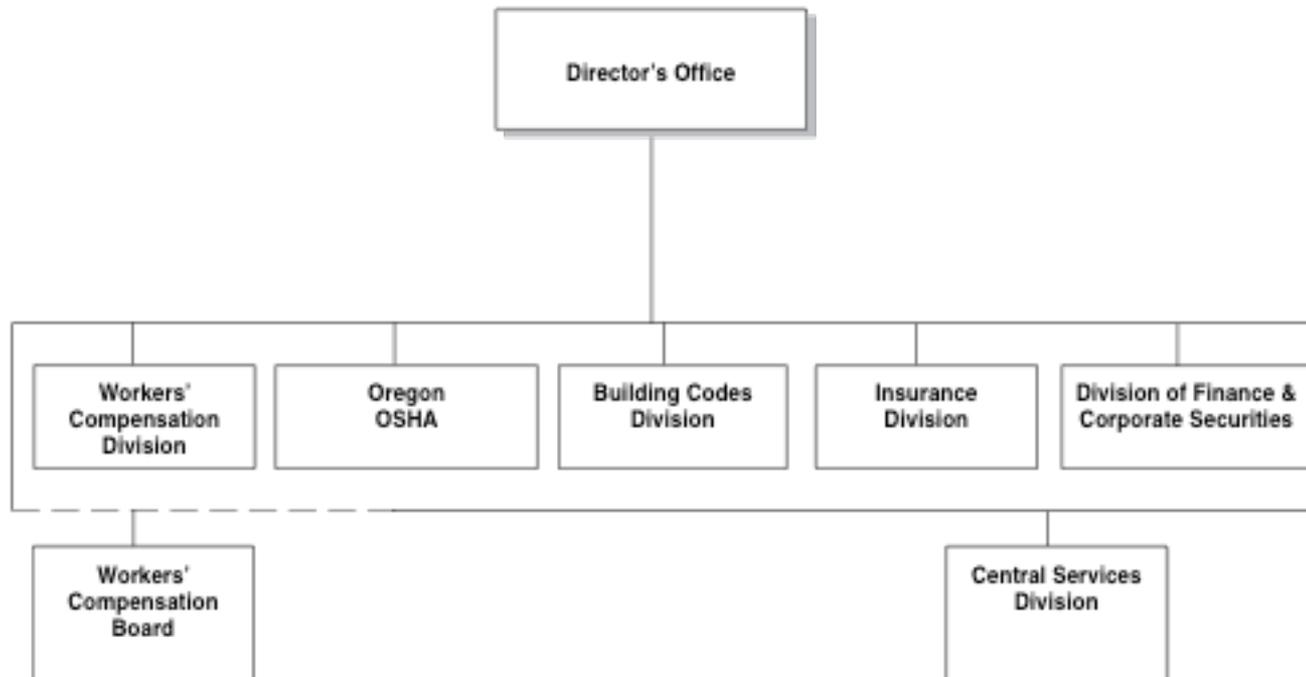
Restructuring for efficiency and effectiveness



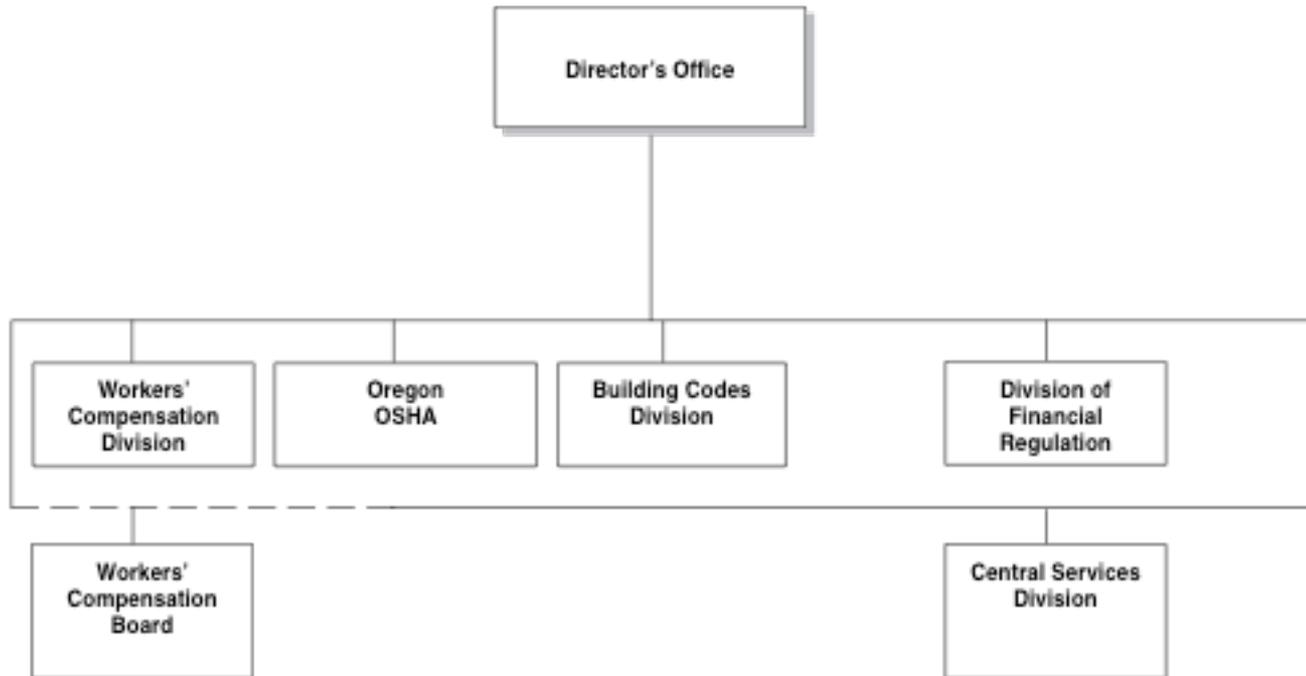
Restructuring for efficiency and effectiveness



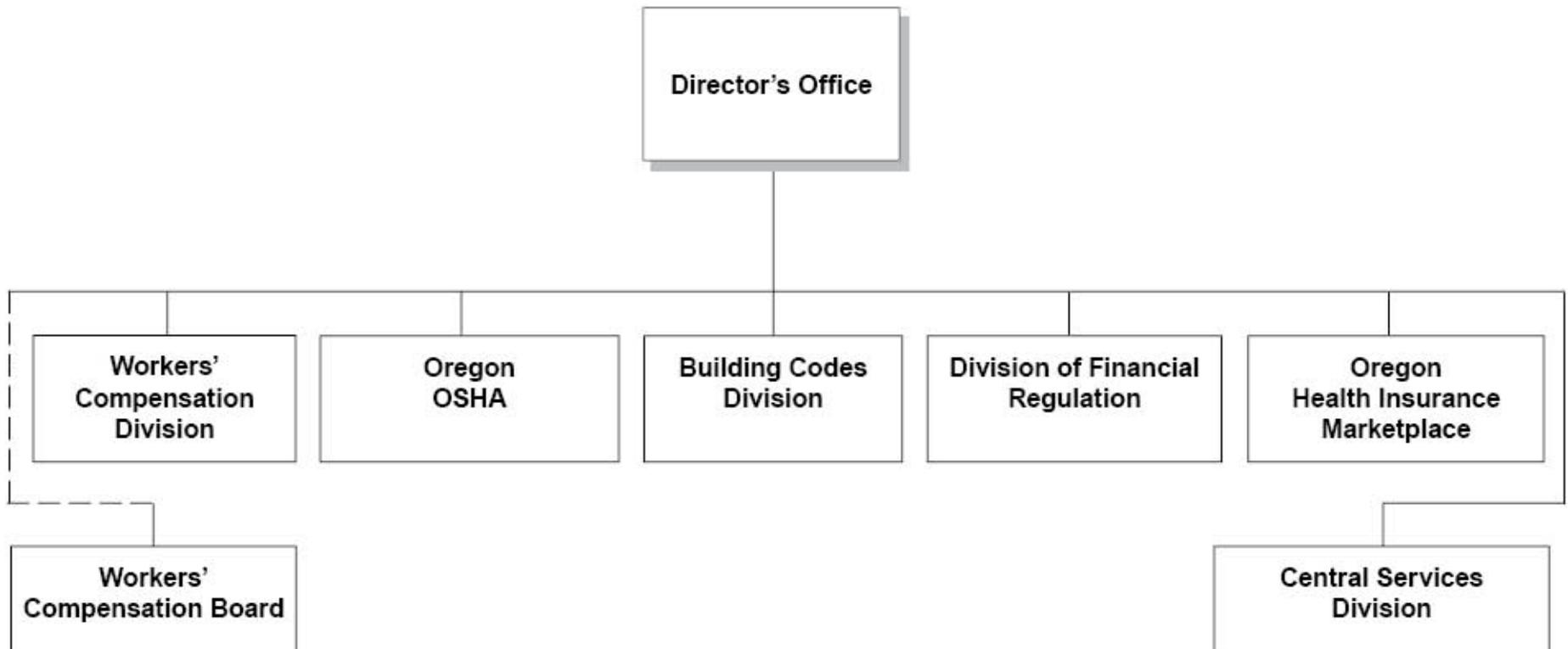
Restructuring for efficiency and effectiveness



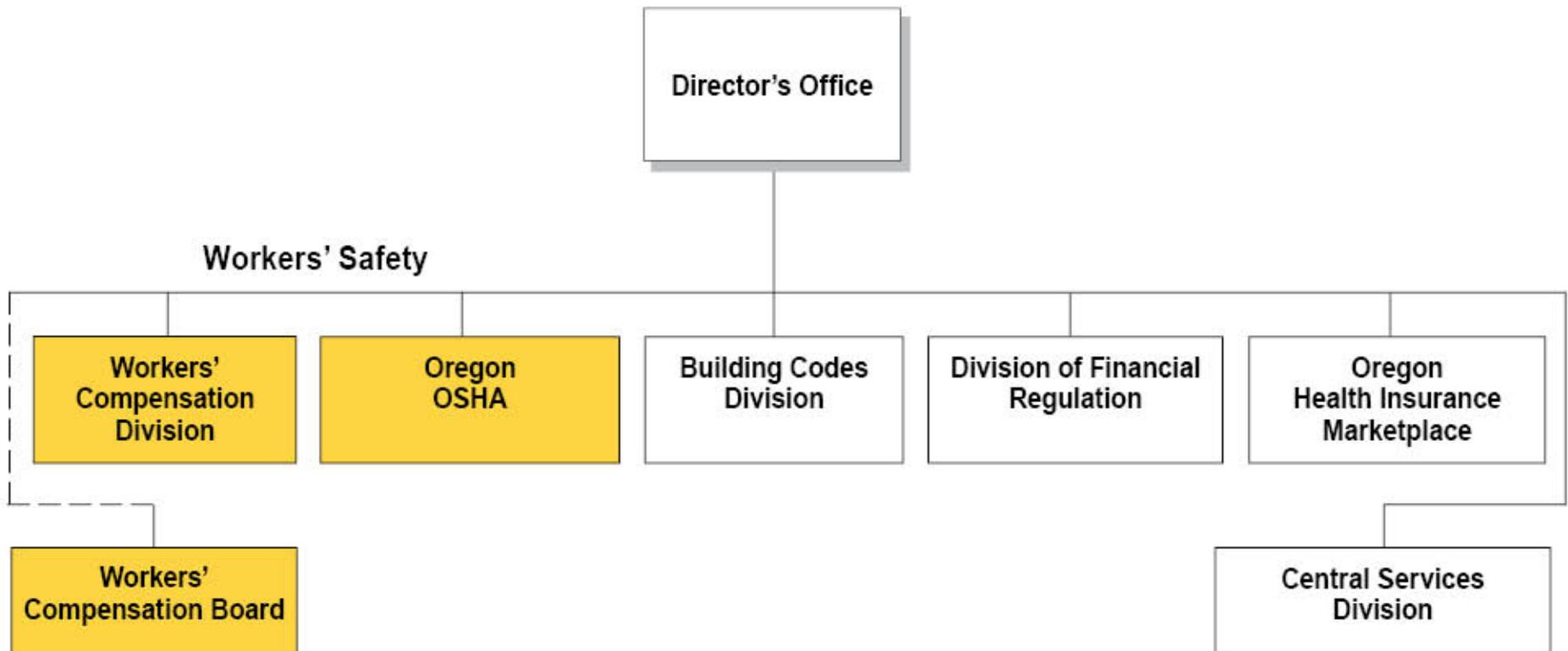
Restructuring for efficiency and effectiveness



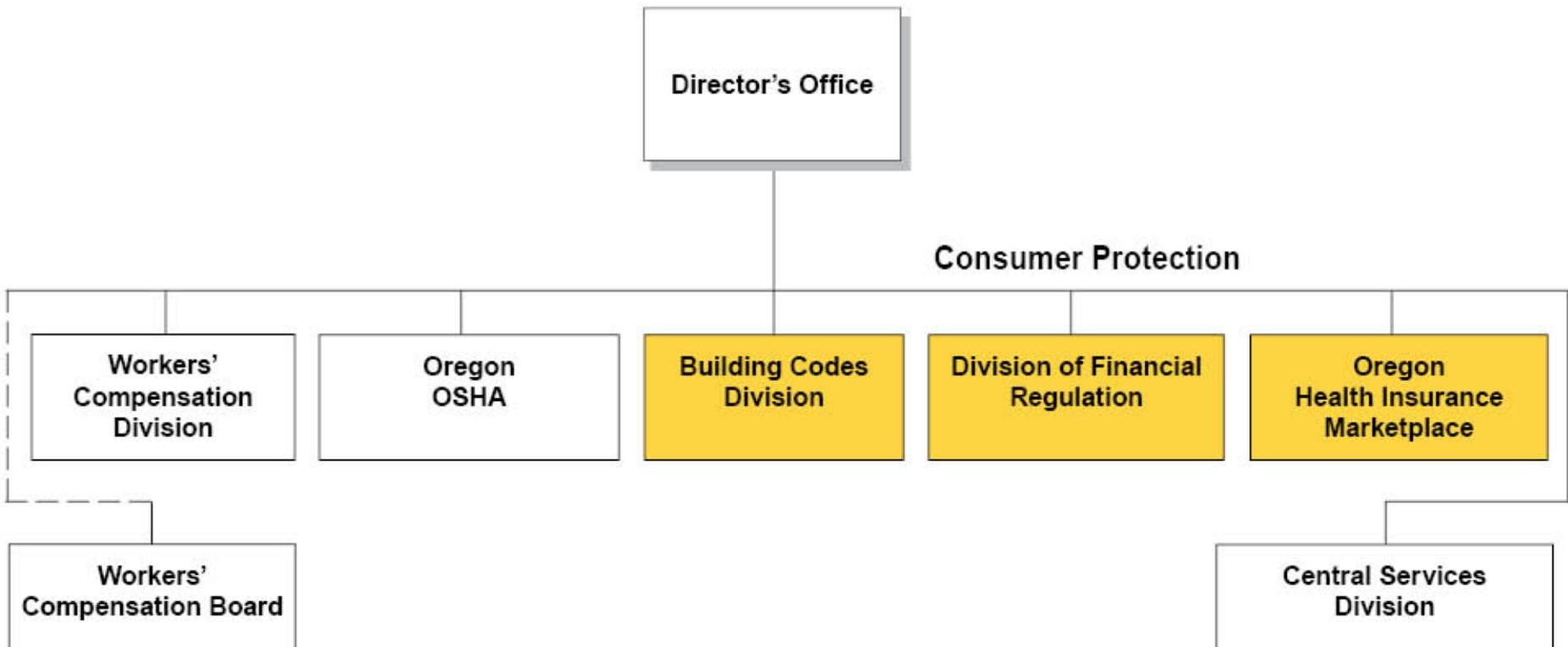
DCBS Organizational Chart



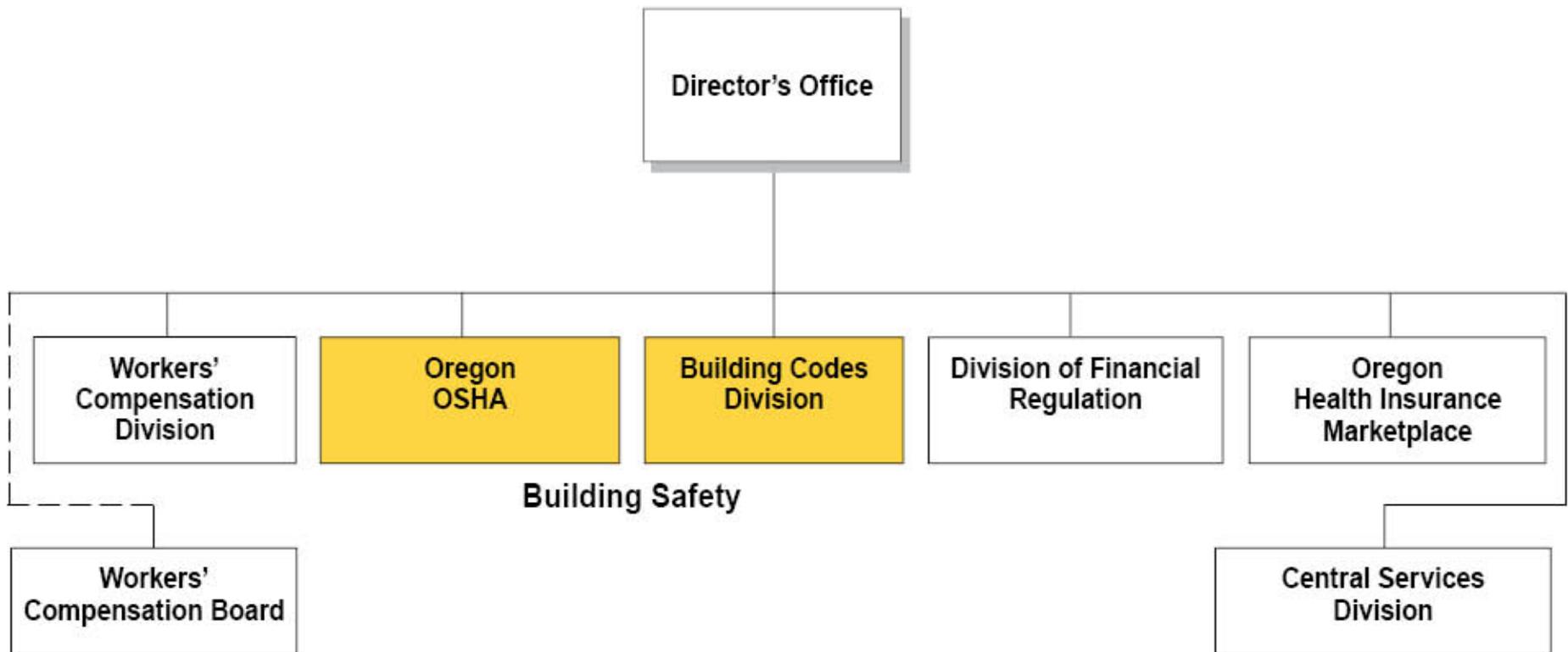
DCBS Organizational Chart



DCBS Organizational Chart



DCBS Organizational Chart



2017 Department-Sponsored Bills

Worker Safety

- **House Bill 2335** – Medical Arbiter Panels
- **House Bill 2337** – Workers' Comp. Benefit Improvements
- **House Bill 2338** – Workers' Comp. Death Benefits
- **Senate Bill 92** – OSHA Federal Penalties Alignment
- **Senate Bill 93** – Workers' Memorial Scholarship Funds
- **Senate Bill 94** – Sanitary Facilities/Construction Projects

Regulatory Streamlining

- **House Bill 2336** – Self-Insurance Streamlining

2017 Department-Sponsored Bills

Health Care

- **House Bill 2340** – Health Insurance Modernization
- **House Bill 2341** – ACA Reconnect
- **House Bill 2342** – Health Care Reform

Consumer Protection

- **House Bill 2339** – Balance Billing
- **Senate Bill 95** – Seniors, Vulnerable Adults
- **Senate Bill 96** – Financial Advisors
- **Senate Bill 97** – Insurance Corporate Governance Modernization
- **Senate Bill 98** – Loan Servicers



Financial Overview

Budget Drivers, Environmental Factors

- The economy
 - Revenues directly tied to changes in economy
 - Growth in construction industry
 - OSHA presence in workplaces
- Federal health care changes
- Oregon's health transformation

Service Priorities

Principles

- Health and safety of Oregonians
- Financial safety
- Impact on Oregonians
- Emerging issues
- Revenue constraints and reductions
- Ease of compliance and public access

Funding

- Funded by those we regulate and their customers
- More than:
 - ✓ 30 dedicated funds and
 - ✓ 500 dedicated fees, assessments, and charges
- Federal funds
- General funds
- Collect approximately \$151 million for General Fund

2017-19 Governor's Budget

2017-19 Expenditure Summary

	2015-2017 Legislatively Approved Budget	2017-2019 Governor's Budget	Percentage Change
Continuing Service Level	424,079,531	475,917,427	12%
Program Policy Packages	33,149,374	5,681,512	n/a
Analyst Adjustments – Policy Option Packages	-	(11,496,759)	n/a
E-Board and Special Session	8,961,795	-	n/a
Total Budget	466,190,700	470,102,180	1%

2017-19 Fund Source: 96% other funds; 4% federal funds; less than 1% General Fund

n/a = not applicable

Policy Option Packages

Workers' Safety System

- Workplace Presence – 15.40 FTE, POP 101

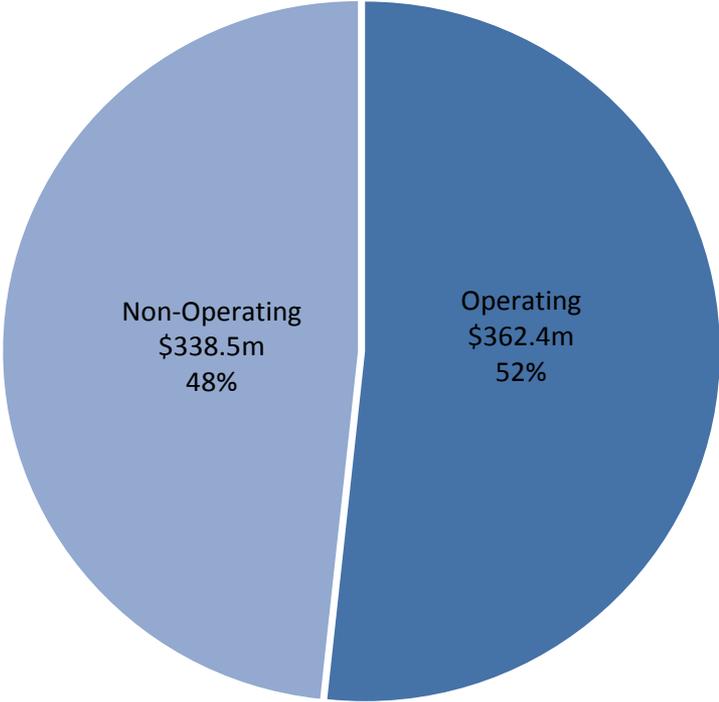
Consumer Protection

- COFA Premium Assistance Program – 1.00 FTE, POP 102
- Regulation of Financial Advisors – 0.88 FTE, POP 103
- Regulation of Loan Servicers – 0.88 FTE, POP 104, SB 98

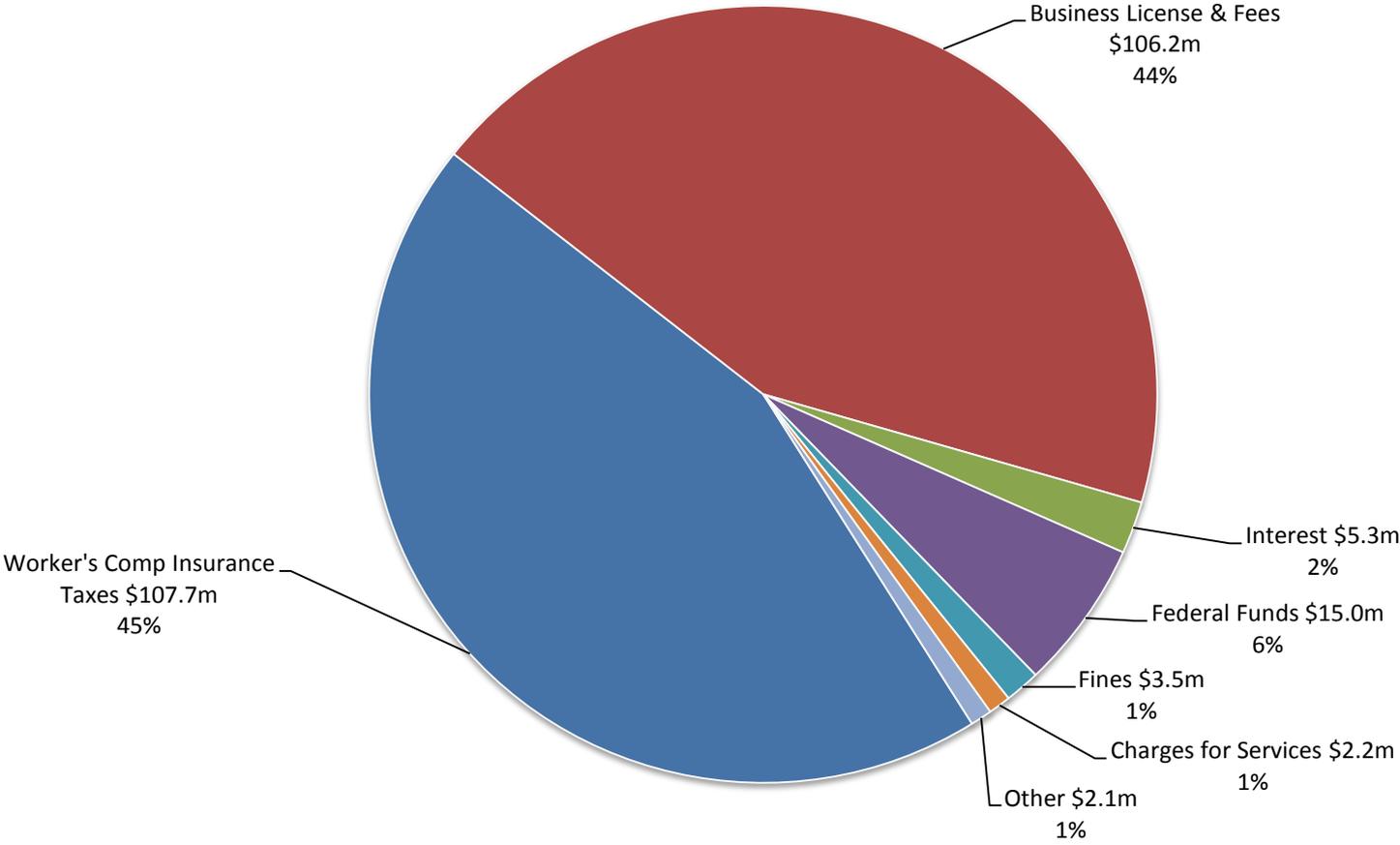
Administrative Efficiencies

- Merging similar programs (e.g., Division of Financial Regulation)
- DAS Shared Payroll Services
- Performance management
- Reducing office space
- Email consolidation

**2017-19 Governor's Budget
Projected Available Revenue
\$700.9 Million**

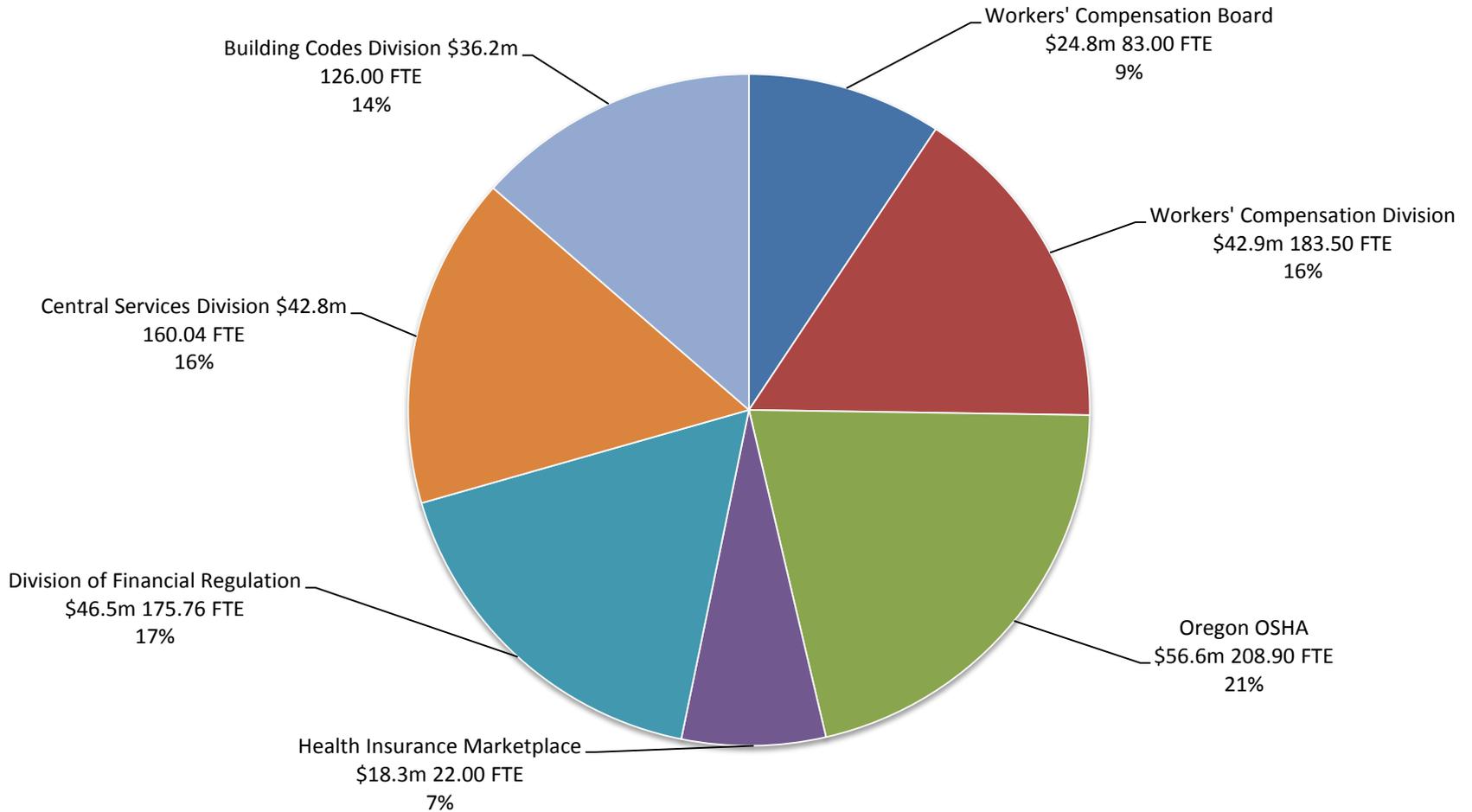


2017-19 Governor's Budget Projected Operating Revenue by Source \$242 Million



*Excludes: Beginning Balance, Fire Marshal, Transfer-In, and Transfer-Out

2017-19 Governor's Budget Total Operating Budget \$268.1 Million



Technology Projects

- 2017-19 – No proposed Stage Gate projects – Gathering business requirements, developing business case for possible project to replace Workers' Compensation Claim Information System
- 2019-21 – Possible Stage Gate project for Workers' Compensation Claim Information System replacement

15 Percent Reduction

DCBS approach:

- Begin with prioritized services
- Propose cuts to lowest prioritized services
- Program impacts

Governor's Budget Reduction

From Agency Continuing Service Level Budget:

- Marketplace
- Reductions related to cost of services provided by DAS, DOJ
- Consolidating services – security, payroll positions

Long-term Vacancies

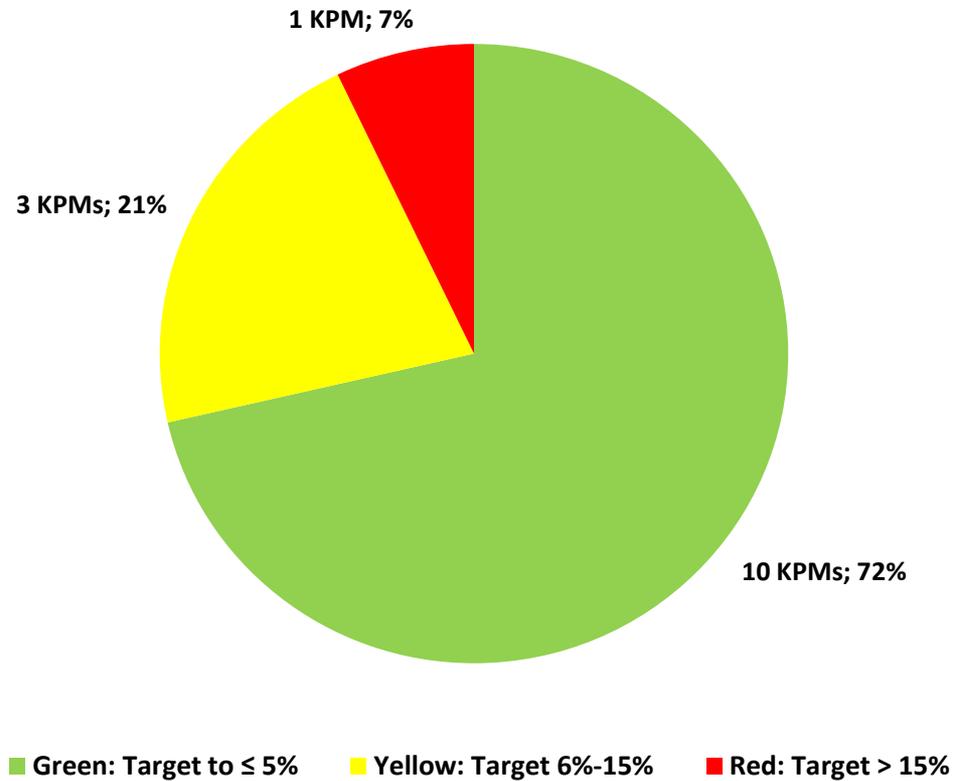
- Reporting period 12/31/16
- Total long-term positions 36 (16 are aged 7 to 11 months, 20 positions aged 12+ months)
 - 12 positions have been filled or are in recruitment
 - 1 position is abolished in the Governor's Budget (payroll position)
 - 23 net remaining vacancies – under review



**Key Performance
Measures and
Outcomes**

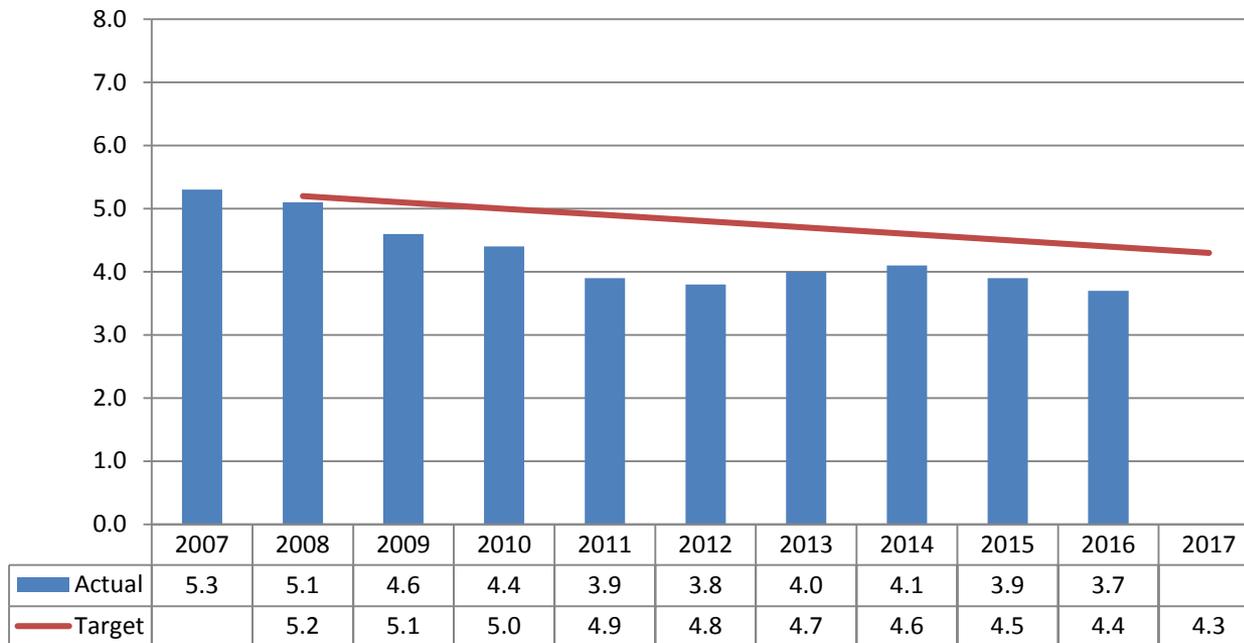
Key Performance Measures

Performance Summary



KPM #3 – Occupational Injury and Illness Incidence Rates

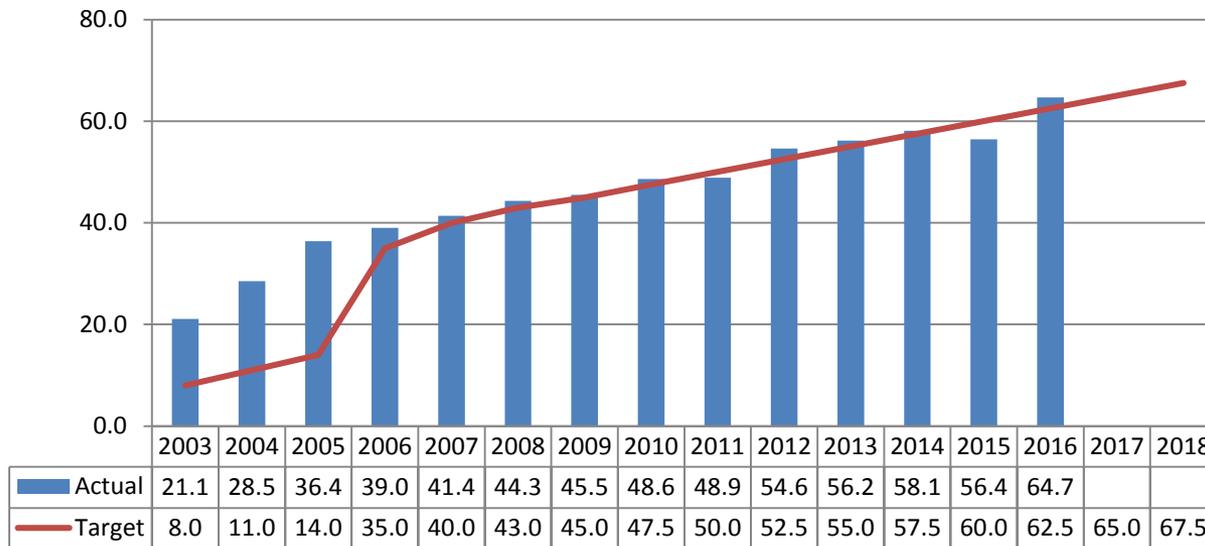
Number of occupational injury and illness cases per 100 full-time workers



KPM #13 – E-Transactions for Customers

Electronic Transactions

Percent of customer transactions completed electronically



Key Performance Measures

- Implementation of Performance Management System
- Key Performance Measures not consistent with Performance Management System
- Aligning KPMs with actual measures within the Performance Management System

Key Performance Measures

Eliminate

#1 – Performance of Financial Service Entities – Measures a portion of financial institutions and their performance within the examination process. (Division of Financial Regulation)

Replace with

Effective Regulation – Measures all financial institutions and their performance within the examination process. (DFR)

Eliminate

#2 – Insurance Consumer Relief – Measures a portion of complaints and associated relief limited to the definition criteria established by National Association of Insurance Commissioners (DFR)

Replace with

Customer Response Time – Measure division's performance in providing complaint resolution back to Oregonians (DFR)

Key Performance Measures

Eliminate

#6 – Re-employment for Injured Workers – Measures how often injured workers using return-to-work programs are re-employed compared to those not using those programs (Workers' Compensation Division)

#7 – Wage Recovery for Injured Workers – Measures how much pre-injury wage injured workers recover using return-to-work programs compared to those not using those programs (WCD)

Replace with

Re-employment of Injured Workers – Measures how often injured workers with disabling injuries are re-employed compared to those without disabling injuries (WCD)

Eliminate

#9 – Workers' Compensation Insurer Performance – Measures how well workers' comp. insurers provide coverage while complying with benefit delivery standards and reporting claims information (WCD)



**WORKERS'
SAFETY
SYSTEM**



**Workers'
Compensation
Division**

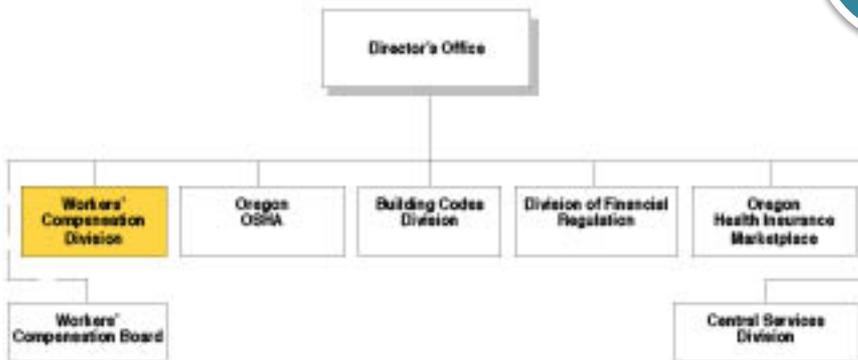
Workers' Compensation Division

Improving Oregon's workers' compensation system for employers and workers

7th lowest workers' comp. rate in nation

System is designed to provide:

- Prompt and complete medical treatment
- Adequate and reasonable income benefits
- A fair and just administrative system
- Self-sufficiency for workers
- A sole and exclusive remedy



Big Four Reform Successes

- ✓ Fewer injuries
- ✓ Streamlined medical processes
- ✓ Affordable for employers
- ✓ Good benefits and outcomes for workers

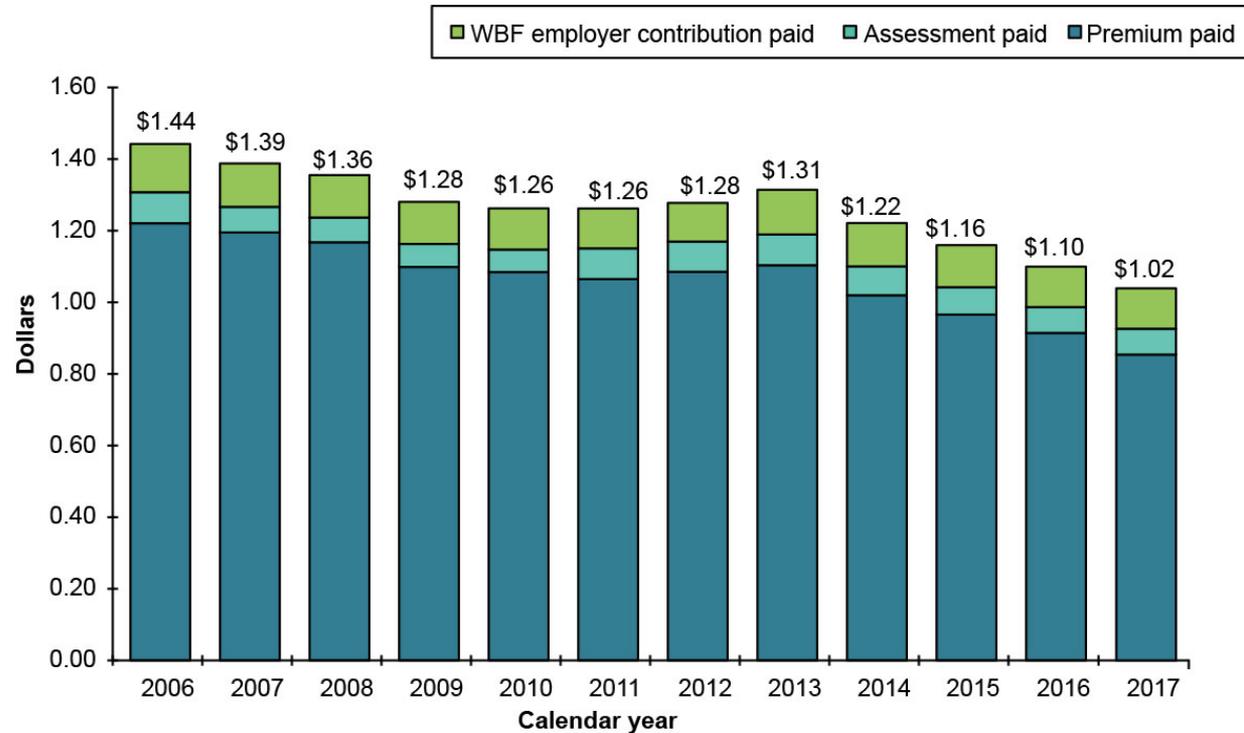
Workers' Compensation Division

Accomplishing the mission in 2017-2019

- Work with other DCBS divisions to implement outcomes-based worker protection initiative
- Modernize records management (Example: Scan and electronically store paper documents)
- Collaborate with other agencies (Example: Connecting employers with preferred workers)
- Implement revised and streamlined vocational assistance and return-to-work rules

Workers' Compensation System Employer Costs

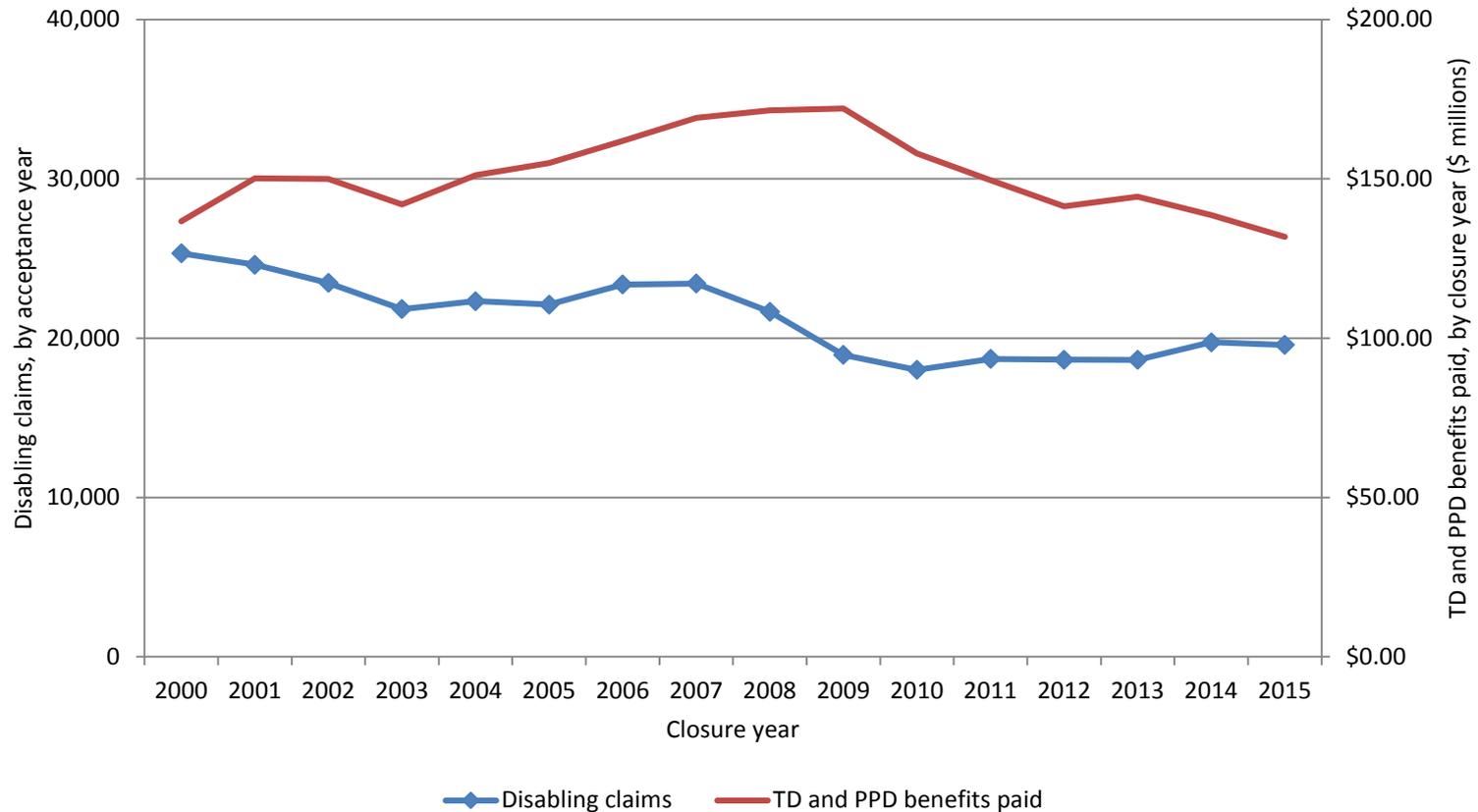
1990 cost:
\$2.99 per
\$100 of
payroll



This chart shows that employers pay \$1.02 per \$100 of payroll for pure premium, premium assessment and Workers' Benefit Fund (cents-per-hour) assessment. This chart does not include insurers' expenses and profit, known as expense loading factors. With insurers' costs, the 2017 average employer cost would be \$1.28 per \$100 of payroll. Historic figures are adjusted to reflect the 2014 mix of employment and payroll.

Workers' Compensation System Worker Benefits and Claims

Disabling claims and TD and PPD benefits paid,
CY 2000-2015





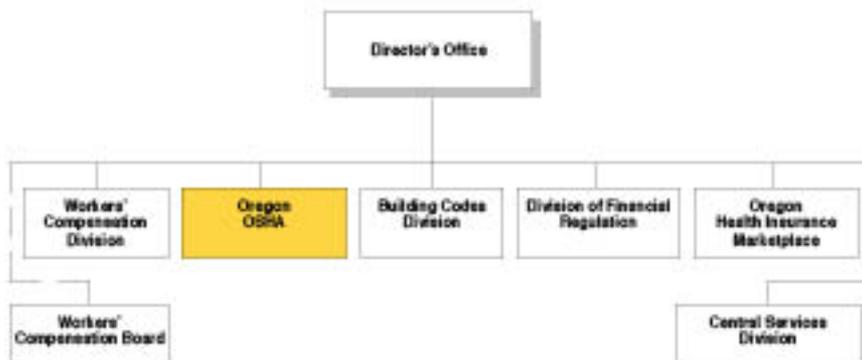
Oregon Occupational Safety and Health Division

Oregon OSHA

Improving workplace safety and health for all Oregon workers

Worker fatality rate dropped by about half over past 15 years

- Inspect workplaces
- Help employers identify and eliminate hazards
- Investigate workplace fatalities/injuries



Oregon OSHA

Accomplishing the mission in 2017-2019

- Maintain strong presence in the workplace
- Enforcement focus: high-hazard industries and occupations
- Education focus: small employers
- Outreach focus: vulnerable and hard-to-reach workers
- Ensure enforcement is used more effectively as a tool to promote worker safety and health, both before and after a particular workplace has been inspected

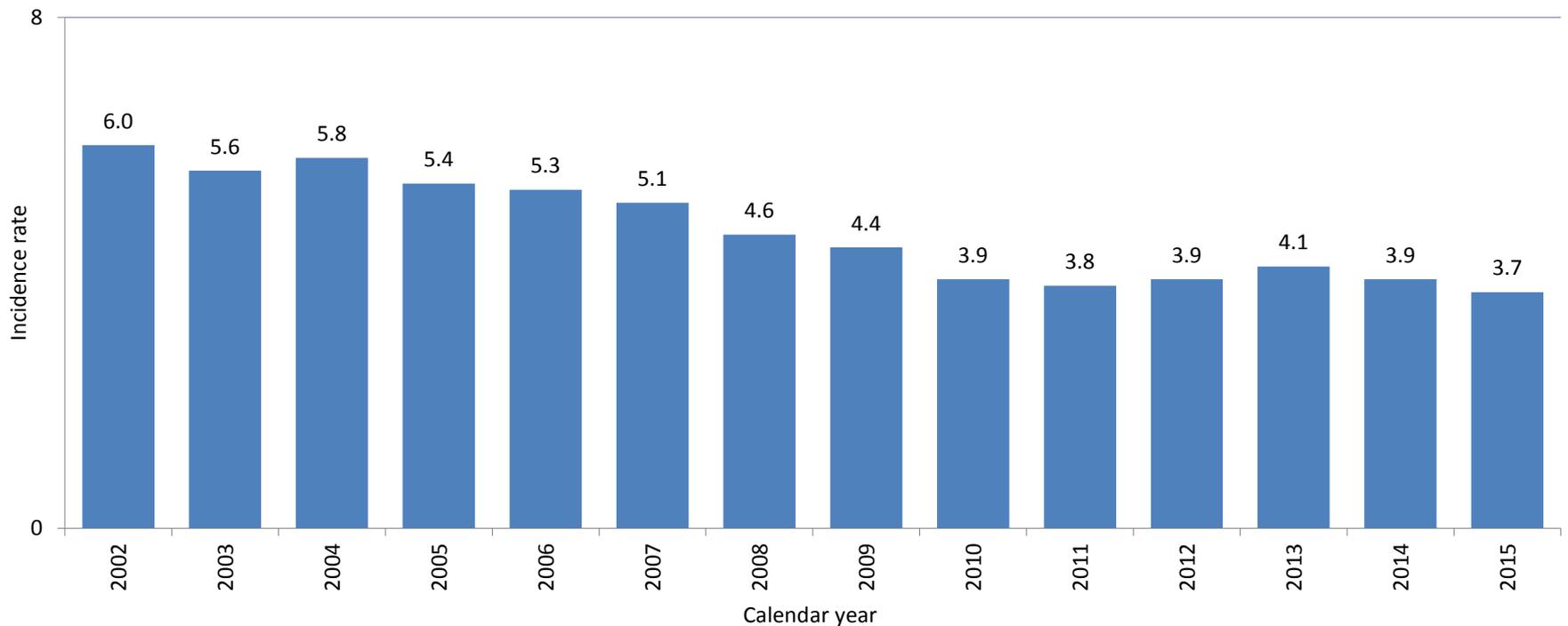
Oregon OSHA

Accomplishing the mission in 2017-2019

- Use technology to increase employer and employee safety and health training
- Make safety and health standards easier to understand by writing rules more clearly and using common industry terms
- Maintain partnerships to help spread the word about workplace safety and health

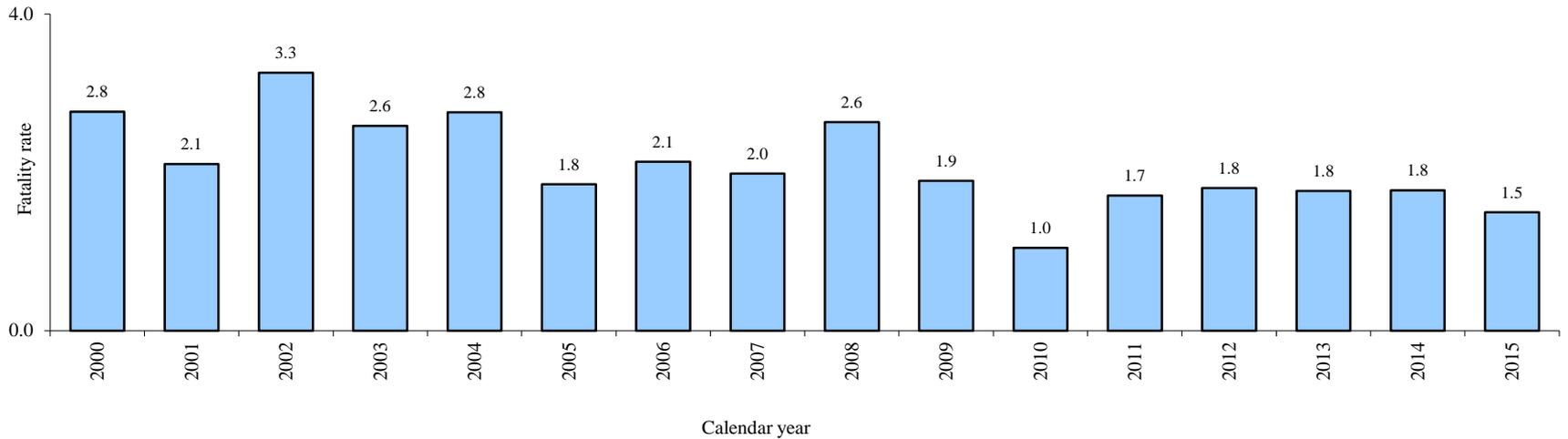
Occupational Injury and Illness Incidence Rates

Total cases incidence rate per 100 workers (private sector), 2002-2015



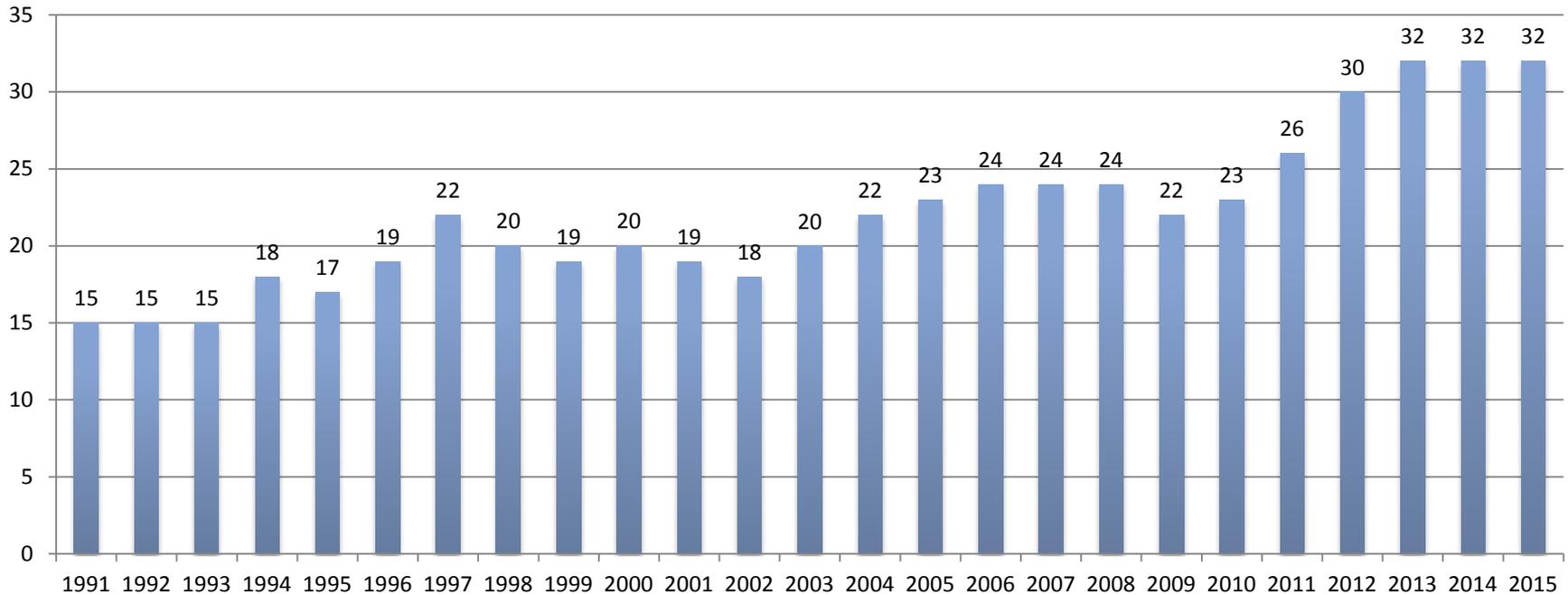
Fatality Rates

Compensable fatality rates per 100,000 workers, 2000-2015



Years Needed for Oregon OSHA to Inspect all Oregon Jobsites

1991 - 2015



Oregon OSHA

Workplace Safety and Health

Policy Option Package No. 101 – *2017-2019*

- Increase in Oregonians joining workforce
- Reduce decline in enforcement presence
- Reduce decline in consultation presence
- Reduced workers' compensation claims costs



Ombudsmen

Ombudsmen

Helping consumers and small business owners through the workers' compensation system

- 1,664 total SBO contacts
- 7,464 total OIW inquiries

Small Business Ombudsman (SBO)

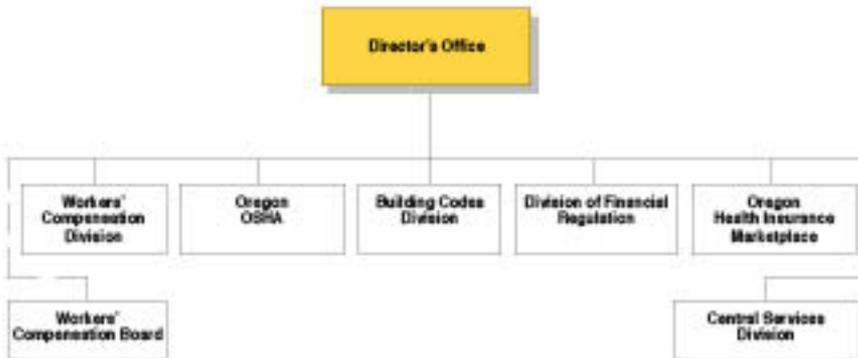
Answers questions about:

- Shopping for workers' compensation insurance
- Premiums/audits

Ombudsman for Injured Workers (OIW)

Answers questions about:

- Worker rights and responsibilities
- Benefits
- Returning to work





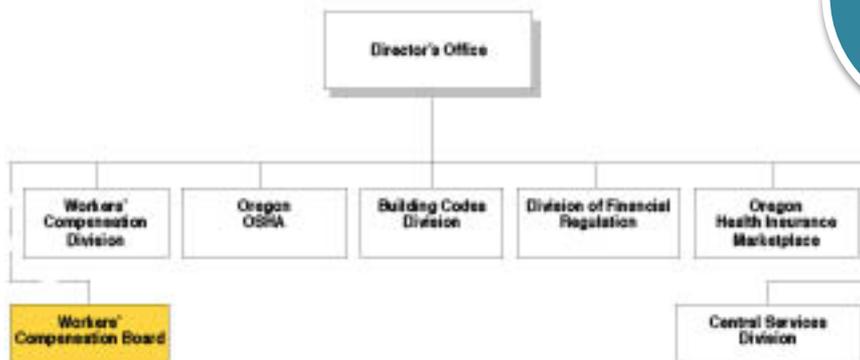
Workers' Compensation Board

Workers' Compensation Board

Producing sound legal decisions for Oregon's workers' compensation system

*99% of ALJ orders timely issued
86% of mediations settle*

- Administrative Law Judges (ALJs):
 - Hold due process hearings of workers' compensation and Oregon OSHA disputes
 - Provide mediation services
- Board Members:
 - Provide appellate review of ALJ decisions
 - Approve claim disposition agreements
 - Exercise own motion jurisdiction



Workers' Compensation Board

Accomplishing the mission in 2017-2019

- Continue to provide timely and impartial dispute resolution of cases arising under workers' compensation and safety laws
- Maintain high affirmation rate of board orders at the Court of Appeals
- Enhance the use of mediation services so stakeholders have an alternative to litigation
- Continue to expand the online portal so stakeholders can electronically transact additional business with the board
- Enhance electronic docket to provide quicker and more efficient service to stakeholders



**CONSUMER
PROTECTION
AND SAFETY**



**Division of Financial
Regulation**

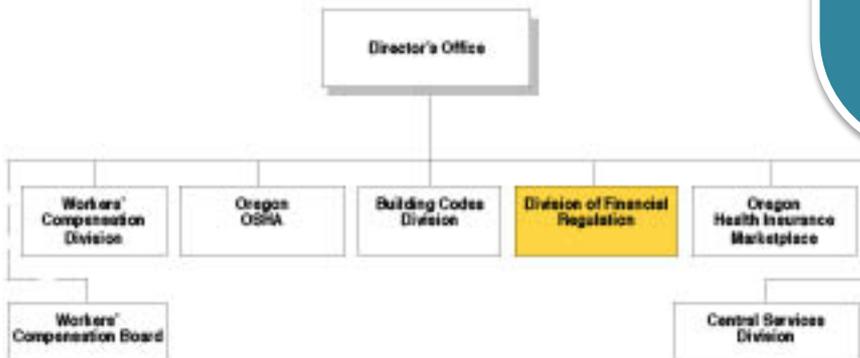
Financial Regulation

Protecting Oregonians' access to fair products and services through education, regulation, and consumer assistance

More than 17,900 phone calls and emails from consumers in 2016

The division ensures that:

- Insurance companies, banks, and credit unions are financially sound
- Oregonians are treated fairly as policyholders and beneficiaries
- All financial, insurance, and mortgage professionals are held to high standards
- Rates are reasonable in relation to the benefits provided by an insurance policy



Division of Financial Regulation

Accomplishing the mission in 2017-2019

- Enhance safety and soundness oversight of financial and insurance institutions
- Work closely with stakeholders to ensure fair, sustainable insurance and financial markets
- Continue to streamline customer and licensee experience by expanding use of National Mortgage Licensing System
- Continue to enhance health insurance rate review

Division of Financial Regulation

Accomplishing the mission in 2017-2019

- Continue to integrate teams (former Insurance and Finance and Corporate Securities divisions) to ensure effect and efficient processes and procedures
- Continue to develop compliance and enforcement programs to take action and close cases quicker
- Provide information and assistance to Oregonians about insurance and financial issues
- Conduct more outreach events to reduce probability of seniors and others becoming victims of financial fraud

Licensees/Registrants

	Total as of 12/31/16	Complaints CY 2016	Exams CY 2016
Insurance companies	1,526	3,997	12
Insurance producers	138,846		
Banks/trusts	23	86	16
Credit unions	21	77	16
Mortgage lenders	2,239	207	196
Loan originators	9,555		
Securities investment advisors	9,070	76	38
Other programs (including payday/title, pawnbrokers, collection agencies)	1,109	59	124

Division of Financial Regulation

Regulation of Financial Advisors

Policy Option Package No. 103 – *2017-2019*

- Recent examples of fraud by investment advisors highlight link between financial safety and soundness and potential for consumer harm
- Ability to protect consumers limited after fraud occurs
- Addition of safety and soundness exams to current exam framework will help identify and resolve financial issues proactively
- Focus on investment advisors with discretionary authority to trade client funds or that have custody of client funds

Division of Financial Regulation

Regulation of Loan Servicers

Policy Option Package No. 104 – *2017-2019*

- No state agency in Oregon has authority to address wrongdoing by non-bank servicers
- Vast majority of complaints are servicing related
- Problems included misapplying home loan and property tax payments, mishandling foreclosures
- Establishes licensing and regulatory requirements for non-bank servicers



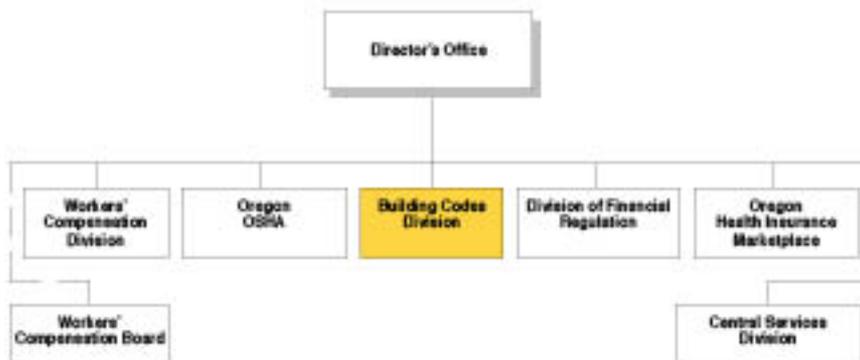
Building Codes Division

Building Codes Division

Set uniform standards

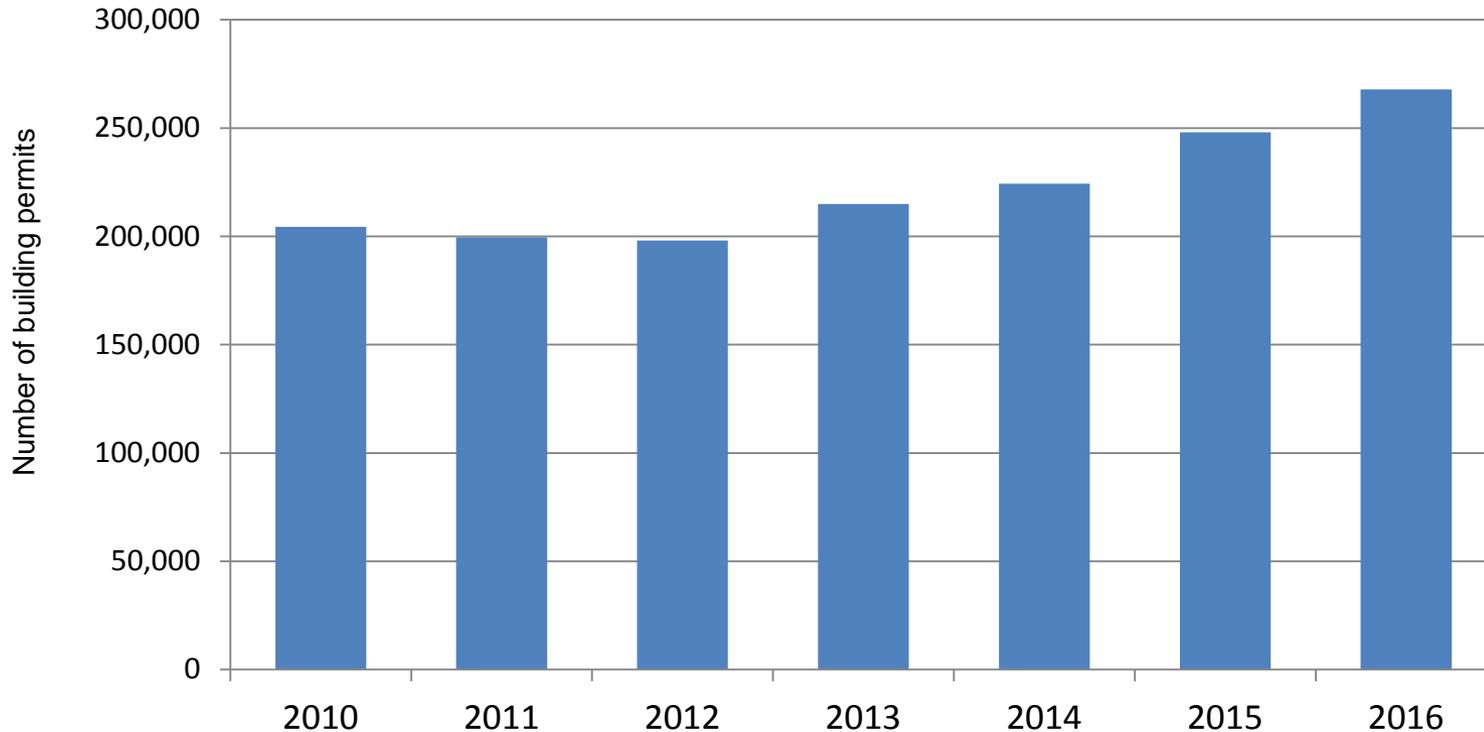
Oversee 130 city and county building departments

- Adopt and enforce uniform building code for Oregon
- Resolve code disputes
- Local government assistance
- Certify inspectors and license trades workers
- Provide building department services where local entities do not



Building Codes Division

Statewide building permits issued per fiscal year



Source: Local government surcharge reports as reported to the state by local jurisdictions.

Building Codes Division

Accomplishing the mission in 2017-2019

- Support economic growth by providing quick response to local governments' permitting and inspecting needs
- Create more flexible permitting and inspecting processes to encourage code compliance and ensure building safety
- Continue to implement comprehensive electronic permitting, inspecting, and licensing programs

Building Codes Division

Accomplishing the mission in 2017-2019

- Continue to develop a highly trained inspector workforce by streamlining certification requirements and providing innovative inspector training
- Continue to provide Web-based continuing education opportunities
- Become a resource to state and construction industry for building information and technology
- Remove barriers to emerging technology in construction



Health Insurance Marketplace

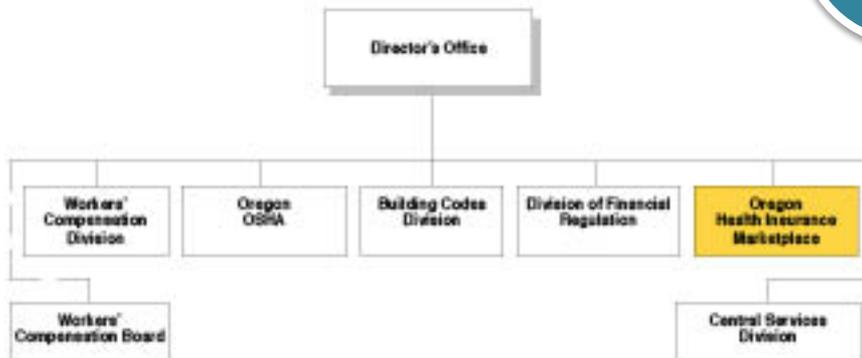
Health Insurance Marketplace

(Help Oregonians enroll in health insurance that best fits their needs)

Enrollment

*155,000 in 2017 on HealthCare.gov;
5 percent increase
from 2016*

- Ensure health insurance plans comply with state consumer protections
- Support a network of free and local community partners and agents to help Oregonians enroll
- Raise awareness among Oregonians about how to use their health insurance
- Provide seamless enrollment support to Oregonians in the commercial market and on Medicare



Health Insurance Marketplace

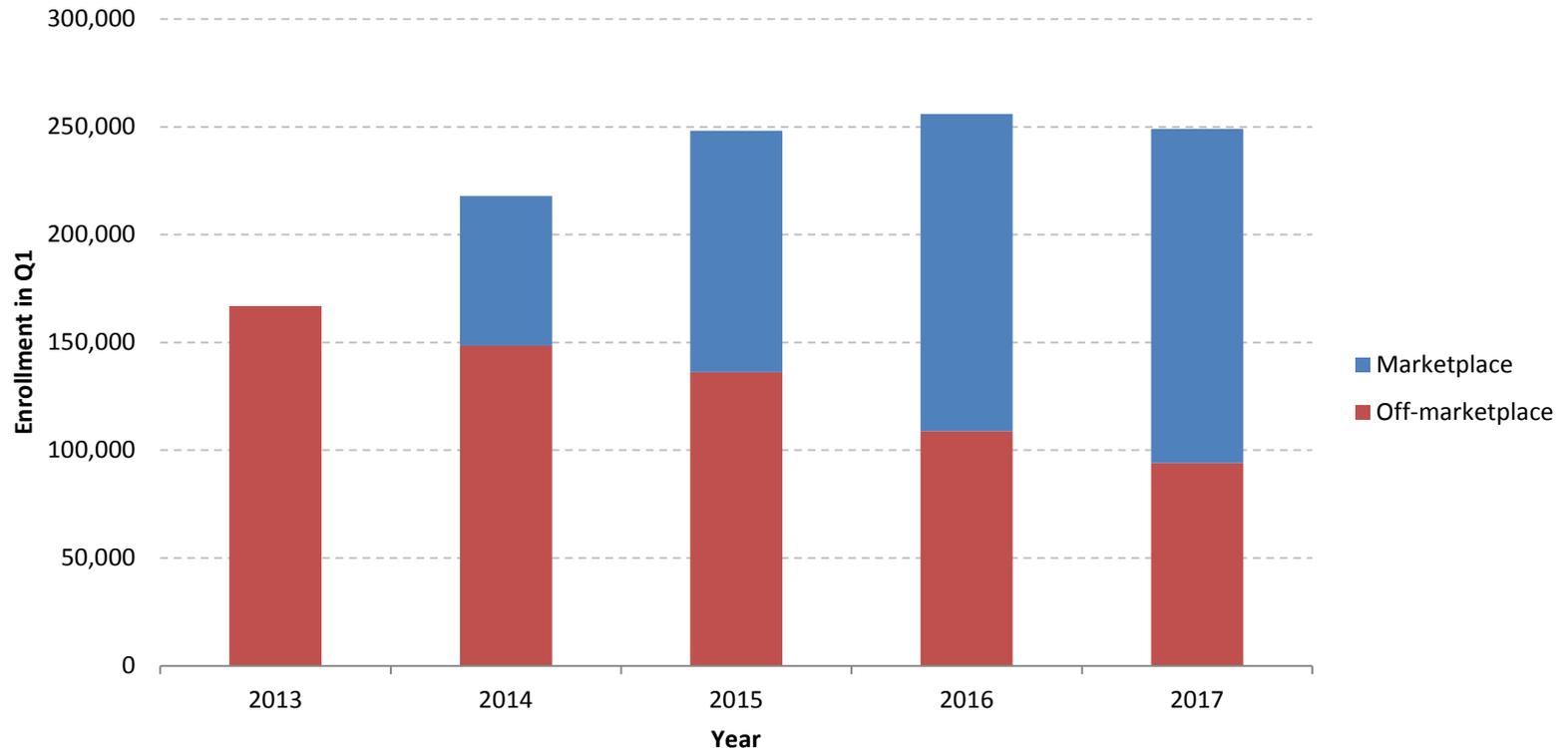
Accomplishing the mission in 2017-2019

- Drive enrollment in the marketplace by targeting uninsured and those eligible for financial assistance
- Encourage Oregonians with insurance to compare all of their plan options
- Connect Oregonians with local help with enrolling
- Ensure Marketplace remains financially self-sufficient
- Work closely with consumer advocacy organizations and other stakeholders on policy and operations
- Monitor federal activity to anticipate customers' needs

Health Insurance Marketplace

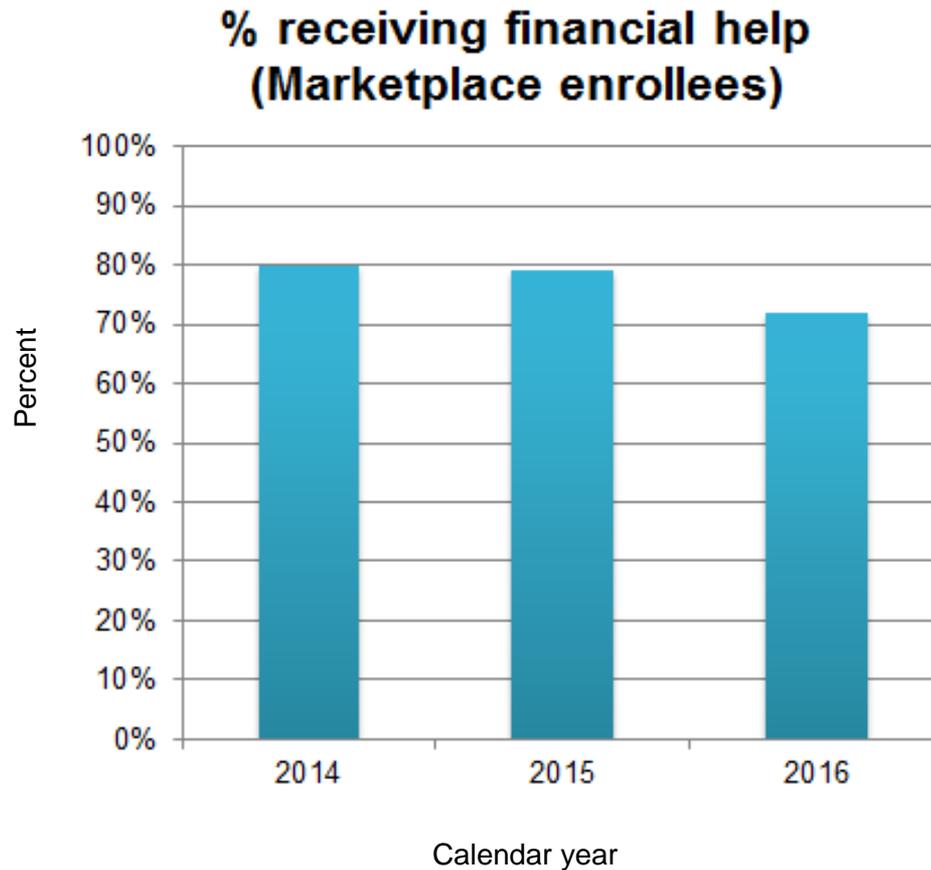
Even consumers getting no financial help choose the Marketplace

Individual market enrollment



Health Insurance Marketplace

Even consumers getting no financial help choose the Marketplace



Health Insurance Marketplace

COFA Program

Policy Option Package No. 102 – *2017-2019*

- Citizens of Palau, Marshall Islands, and Federated States of Micronesia living in the U.S. under COFA are ineligible for Medicaid
- 2016 Legislature passed HB 4071 to help provide coverage
- Continues to provide Medicaid-like benefits and funding for medical insurance premiums and out-of-pocket costs to COFA citizens in Oregon
- Eighty percent funded by remaining 2015-17 funds; \$400,000 new from General Fund



QUESTIONS?