

DCBS:

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

Ways and Means Subcommittee on Transportation and
Economic Development – Subcommittee Presentation
Feb. 4-6, 2019



Agency Presentation Schedule

Feb. 4, 2019

Agency Overview

Cameron Smith, Director

Feb. 5, 2019

Worker Protection System

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

Lou Savage, Administrator
Michael Wood, Administrator
Connie Wold, Chairperson

Consumer Protection and Safety

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

Andrew Stolfi, Administrator
Chiqui Flowers, Administrator
Mark Long, Administrator

Feb. 6, 2019

- Department of Administrative Services
Presentation
- Public Testimony

Mission

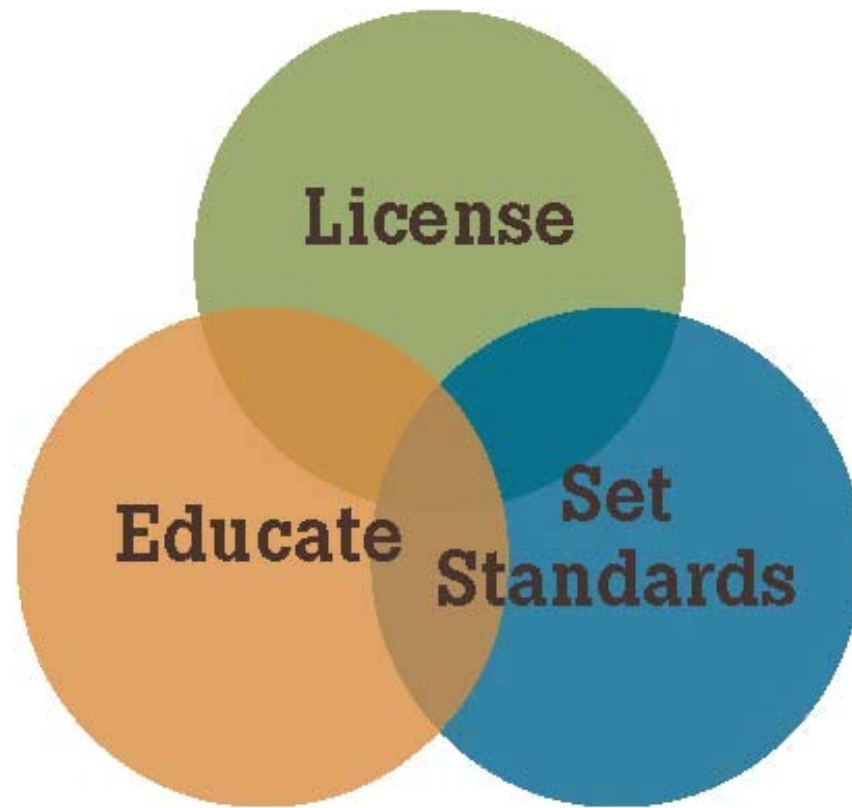
To protect and serve Oregon's consumers and workers while supporting a positive business climate.



What We Do

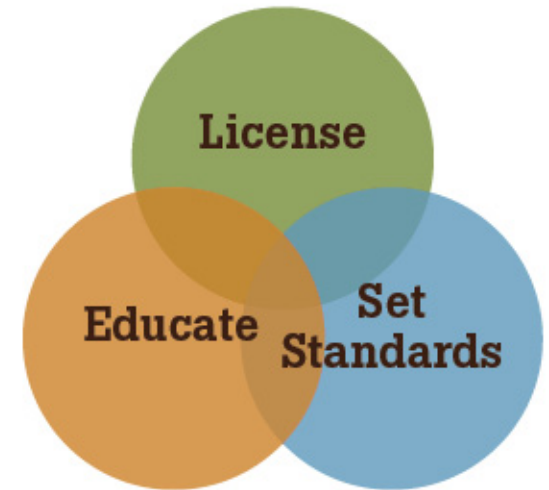
Key Goals

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



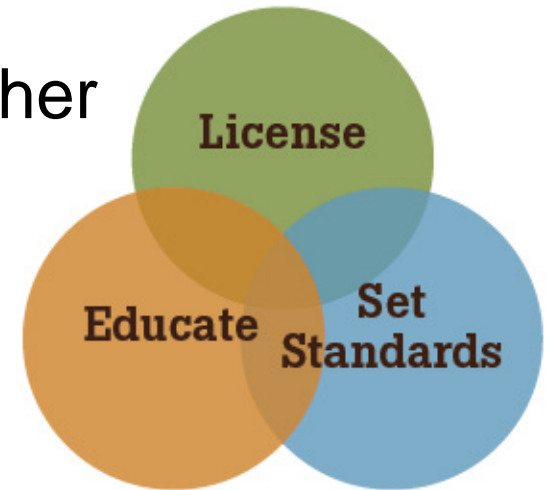
License/Charter/Examine

- 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
- Drug manufacturers, pharmacy benefit managers
- Self-insured employers in workers' compensation



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

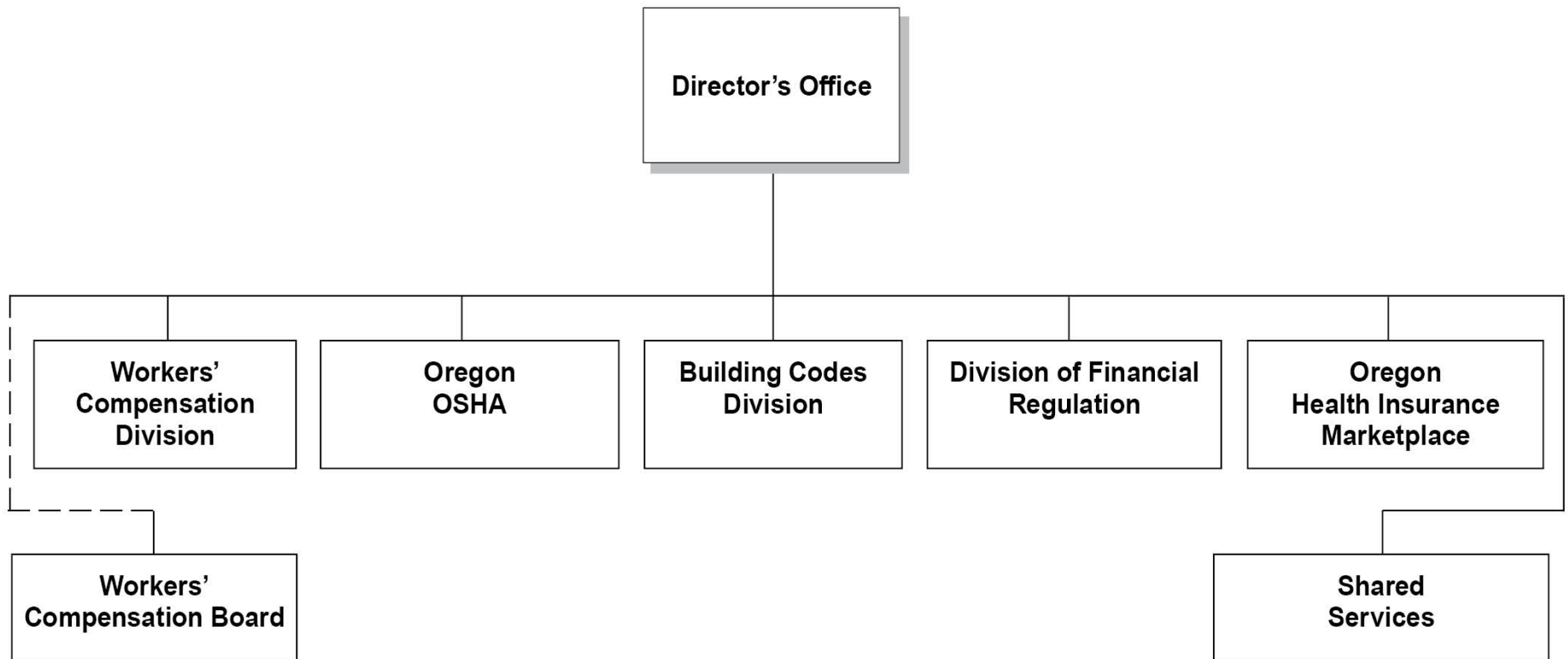


Educate/Advocate

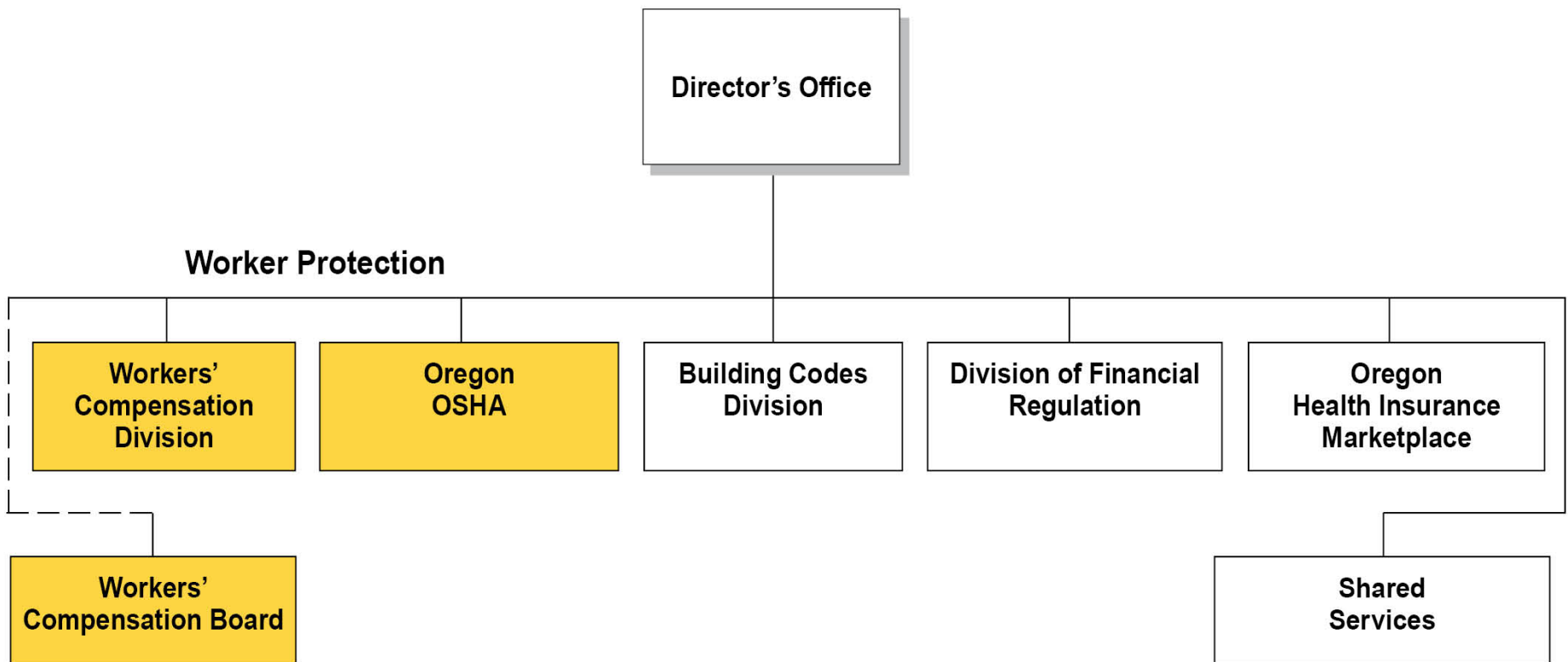
- Workplace safety workshops
- Outreach for investors, homebuyers seeking mortgages
- Partnerships for preventing elder financial abuse, exploitation
- Medicare counseling and health insurance purchases
- Insurance hotline; appeals help for claim denials and delays
- Small business workers' compensation and injured workers advocacy
- Education and outreach about various types of insurance and other financial services



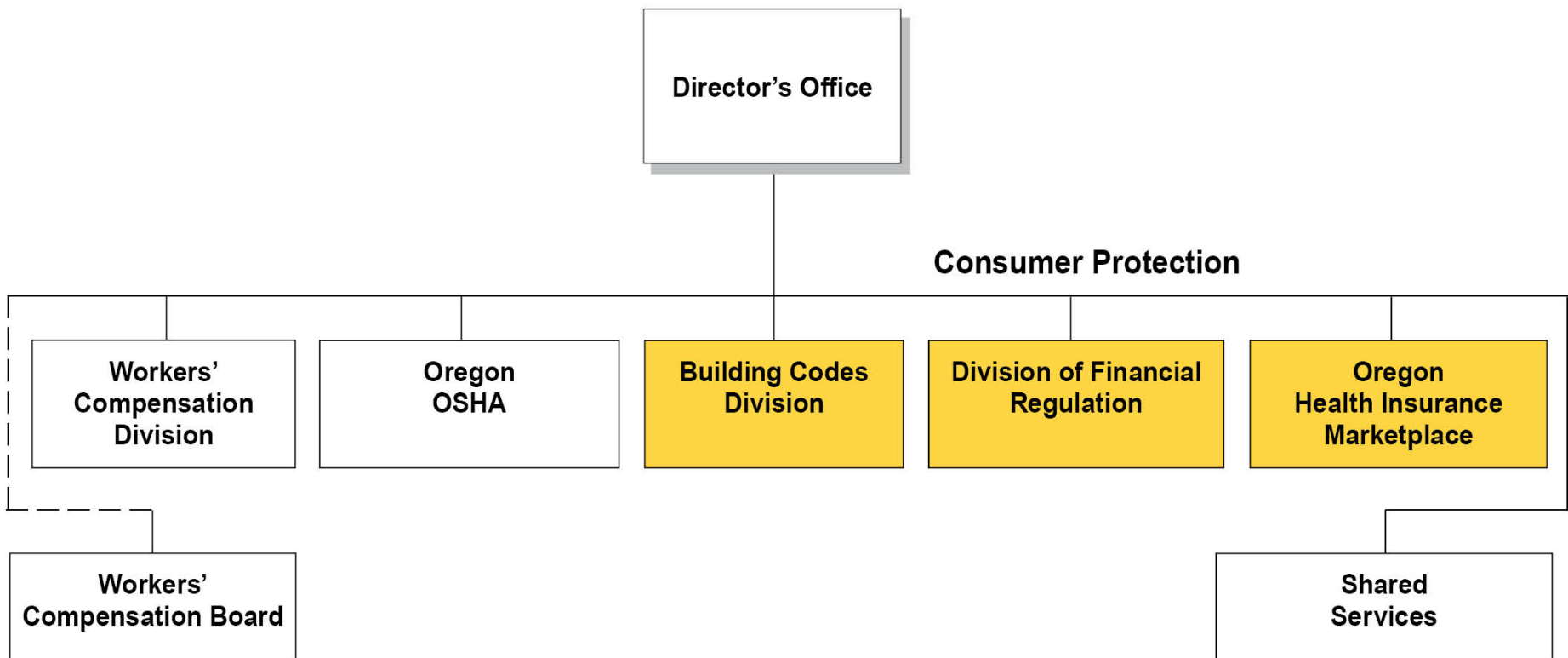
DCBS Organizational Chart



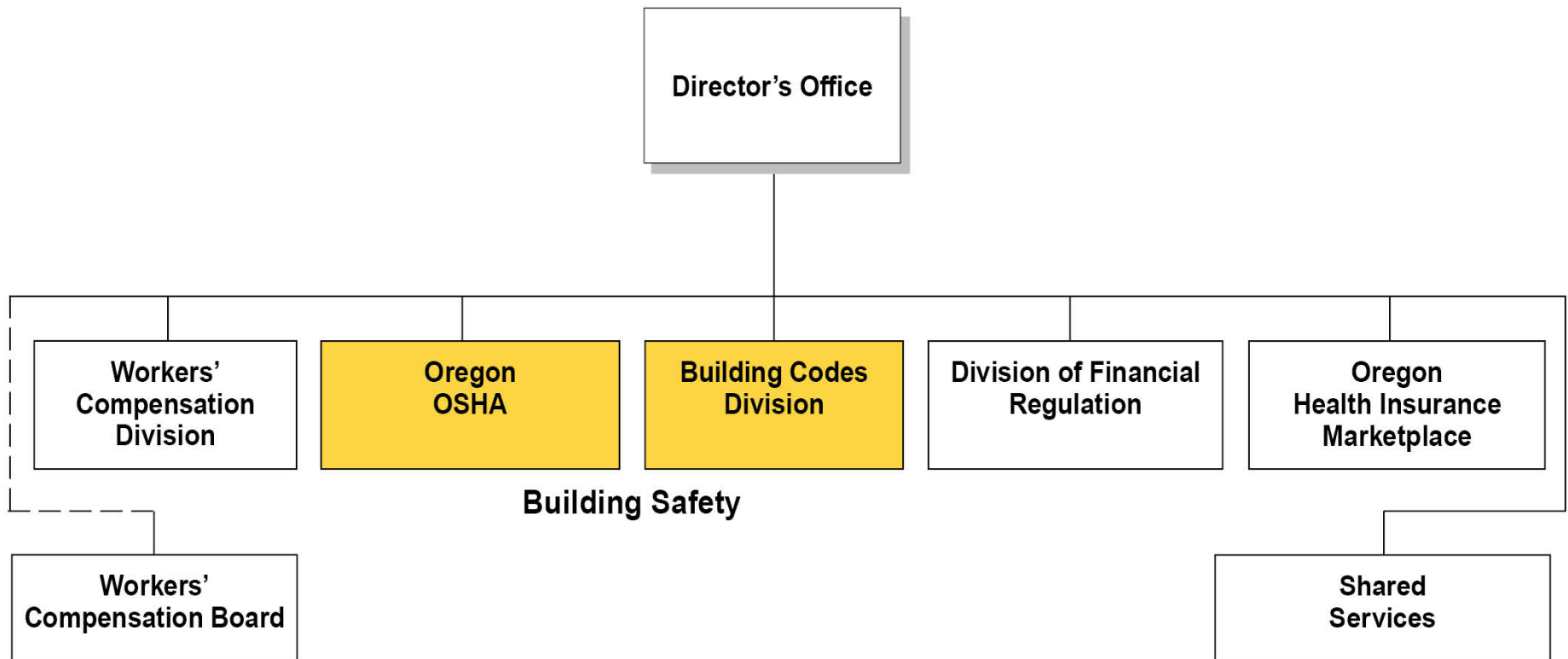
DCBS Organizational Chart



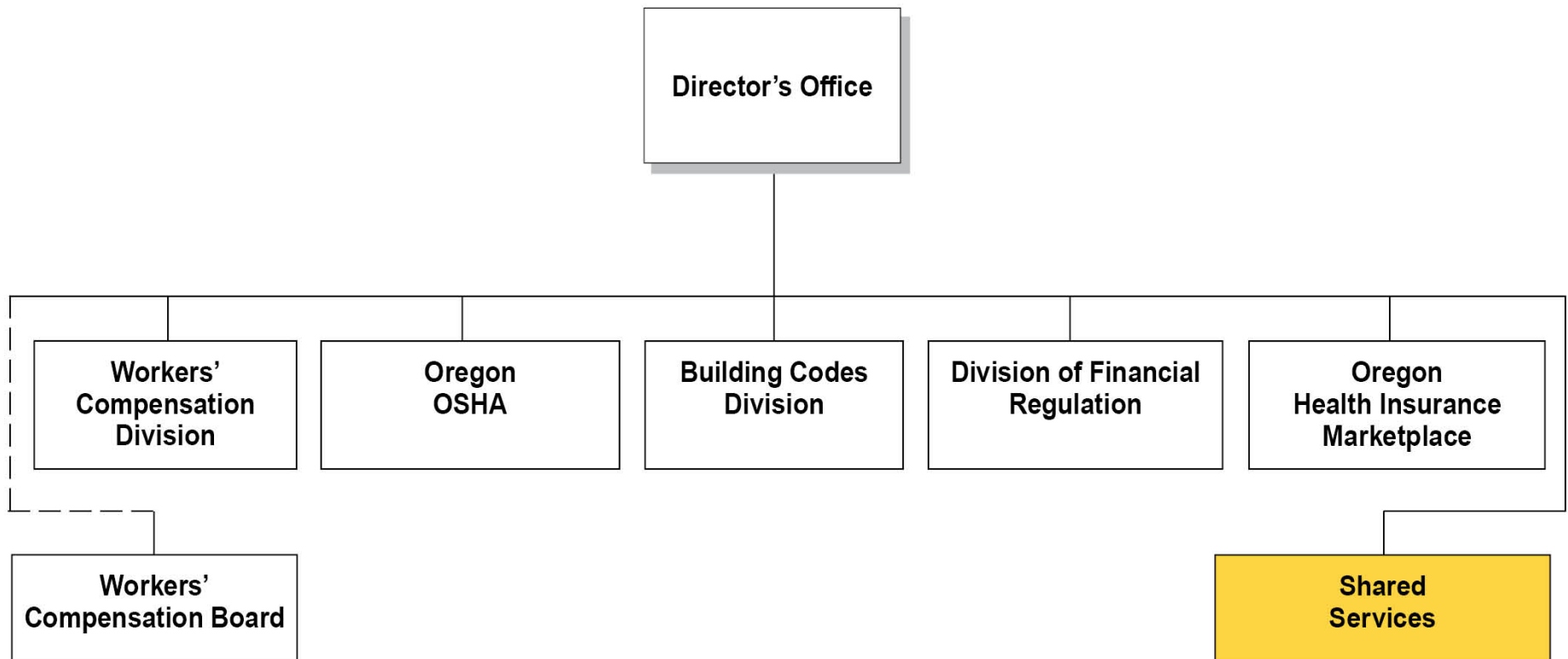
DCBS Organizational Chart



DCBS Organizational Chart



DCBS Organizational Chart



2017 Legislative Session

- **Senate Bill 860** – Parity review of insurer payments to mental health providers and physicians (\$600k – DFR)
- **HB 2356** – Debt buyers program (\$165k – DFR)
- **SB 98** – Mortgage loan servicers (\$166k– DFR)
- **House Bill 5006** – Reinsurance (HB 2391) position and administrative costs (\$154k – DFR)
 - Continuation POP 102 in 2019-21

2017 Legislative Session

- **Policy Option Package 101** – Workplace presence (\$1.9 million – Oregon OSHA)
- **Policy Option Package 102** – Compact of Free Association Premium Assistance Program (\$1.4 million – COFA)
 - Continuation POP 103 in 2019-21

2018 Legislative Session

HB 4005 – Prescription Drug Price Transparency

Two proposed assessments to take effect July 2019 with a due date of October 2019.

- \$400 annual assessment
 - Payable by drug manufacturers in Oregon
 - 2019-21 estimate \$320,000
- Variable annual assessment
 - Payable by drug manufacturers subject to reporting
 - 2019-21 estimate: \$316,240
- Total 2019-21 biennial revenue estimate: \$636,240
- Estimated 2019-21 expenditures: \$636,240

Additional major changes

- Affordable Care Act (took effect 2014)
- Implementation of Oregon Health Insurance Marketplace (2015)
- Creation of Compact of Free Association Premium Assistance Program (2016)
- Transfer of collections work to Department of Revenue (2017)
- Administrative reorganization to increase efficiencies

2019 Department-sponsored Bills

- **HB 2087** – Workers’ compensation civil penalty cap change
- **HB 2088** – Endowment care receivership authority
- **HB 2089** – Prohibition on payday loan “stacking”
- **SB 249** – Health insurance prior authorization
- **SB 250** – Health insurance stabilization
- **SB 251** – National Association of Insurance Commissioners accreditation/alignment



Financial Overview

Budget Drivers, Risks, Environmental Factors

- The economy
 - Revenues directly tied to changes in economy
 - Effect of certain industries on workload, such as construction industry
- Federal health care changes
- Oregon's health insurance transformation

Service Priorities

Principles

- Safety and health of Oregonians
- Financial safety
- How our work affects 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 \$178 million for General Fund

2019-21 Governor's Budget

2019-21 Expenditure Summary

2017-19 Legislatively Approved Budget	\$471,905,771
2019-21 Governor's Budget (CSL)	\$494,562,298
Percentage Change from 17-19 LAB to 19-21 GRB, CSL	4.8%
Program – Policy Option Packages Operational	\$859,671
Program – Policy Option Packages – Pass-Through Payments	\$186,729,502
Analyst Adjustments – Policy Option Packages	(\$2,705,789)
Total Budget	\$679,445,682
Percentage Change from 17-19 LAB to 19-21 GRB, CSL	37.4%

Policy Option Packages

Workers' Safety System

- OSHA Funding Alignment – 0.00 FTE, POP 105, \$1.1 million (Other Fund)
- Workers' Compensation Modernization Program – 4.40 FTE, POP 106, \$1 million (Other Fund)

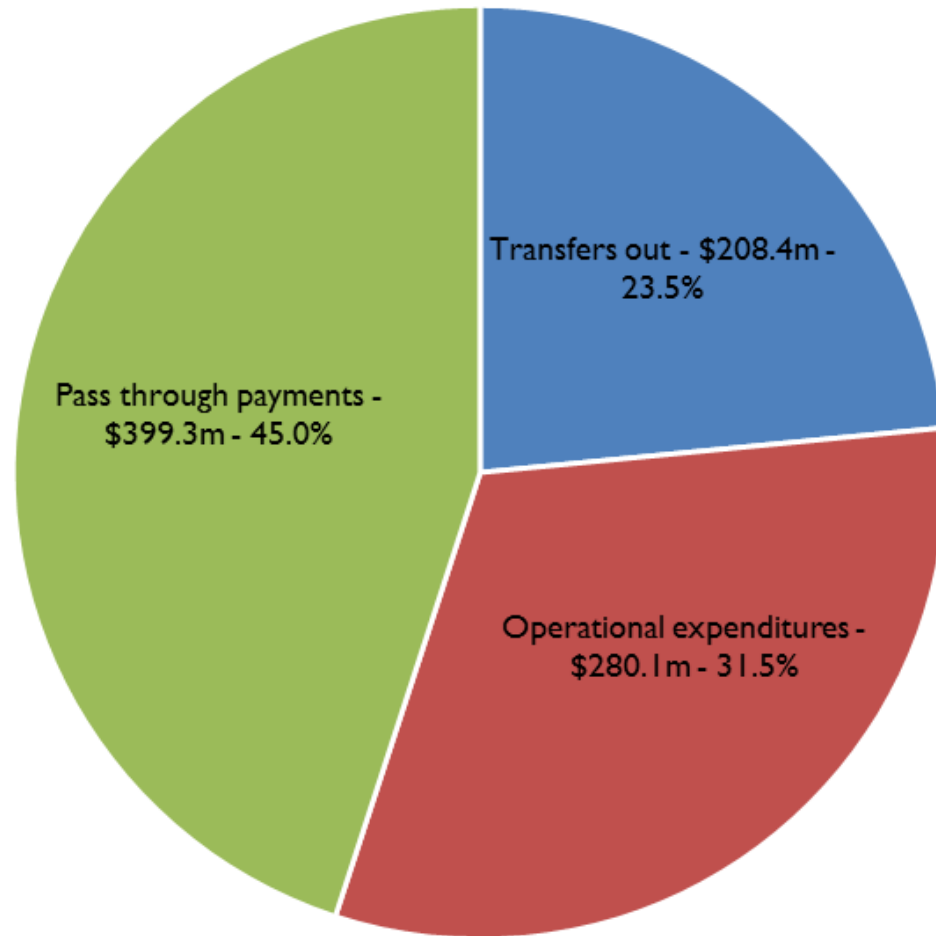
Consumer Protection

- Insurance Stabilization – 1.00 FTE, POP 102, \$185.7 million (Other Fund/Federal Fund)
- Covering COFA Families – 0.00 FTE, POP 103, net \$1.6 million (General Fund)

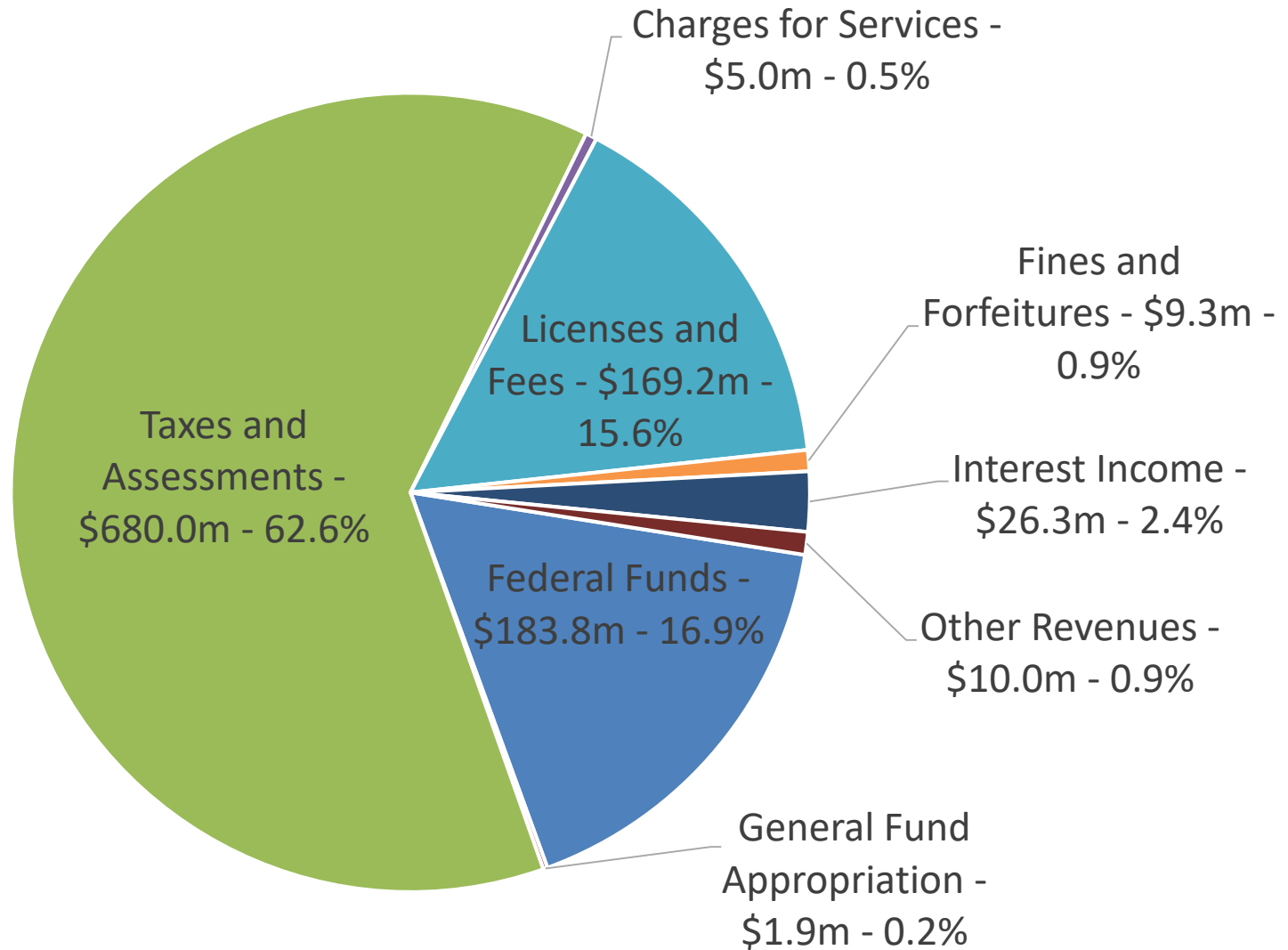
Administrative Efficiencies

- Performance management and process improvement
- Centralized debt collections at Department of Revenue
- State Data Center migration
- Provide human resources services to Bureau of Labor and Industries and Construction Contractors Board
- Shared hearings facilities for use by other agencies, and lease agreements with public entities and community partners
- OregonBuys implementation planned in FY 2019-20

DCBS Uses of Revenues - 2019 - 21 - Governor's Budget - \$887.8m

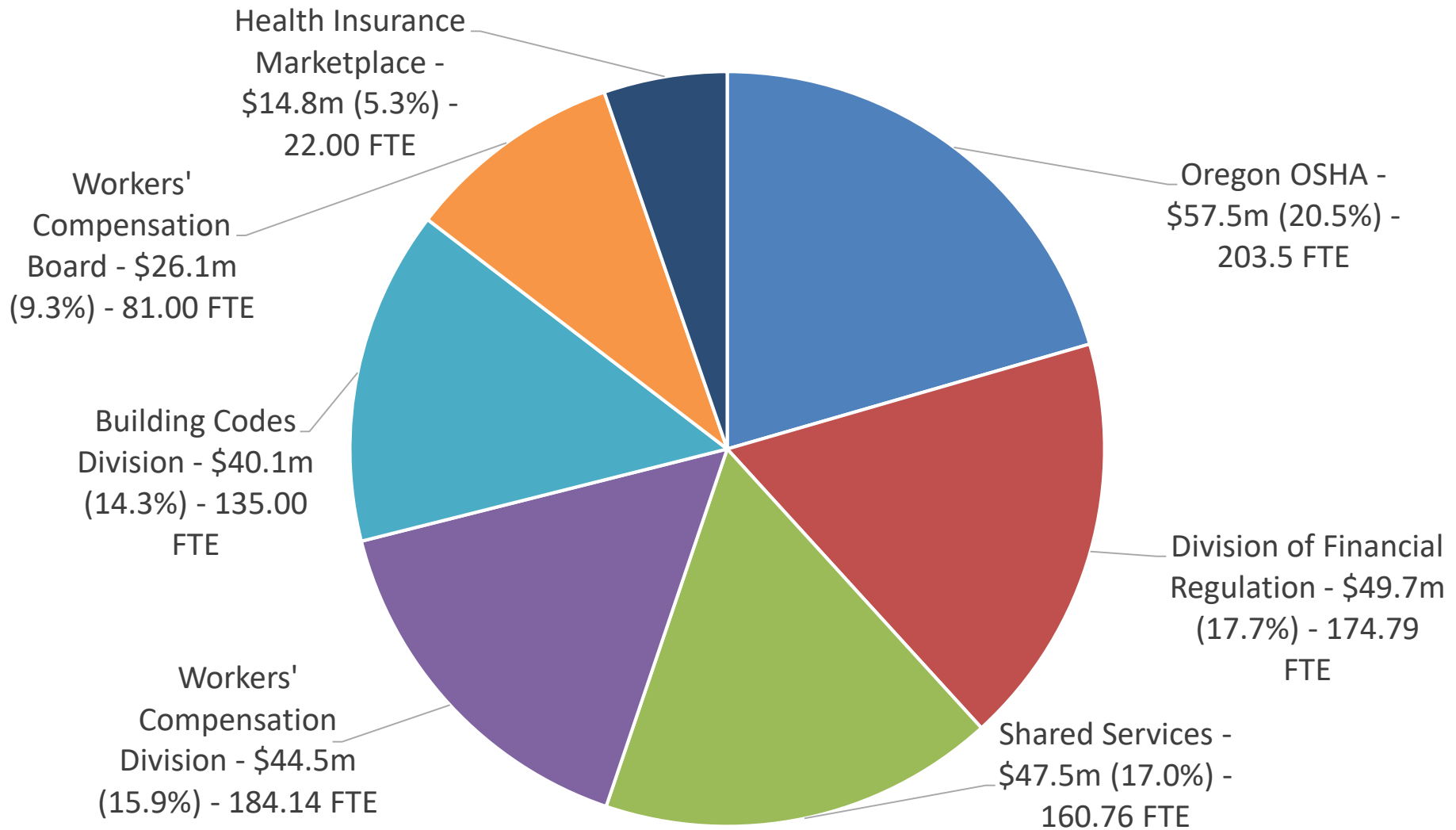


DCBS Revenue Sources - 2019-21 Governor's Budget: \$1,085.5 million

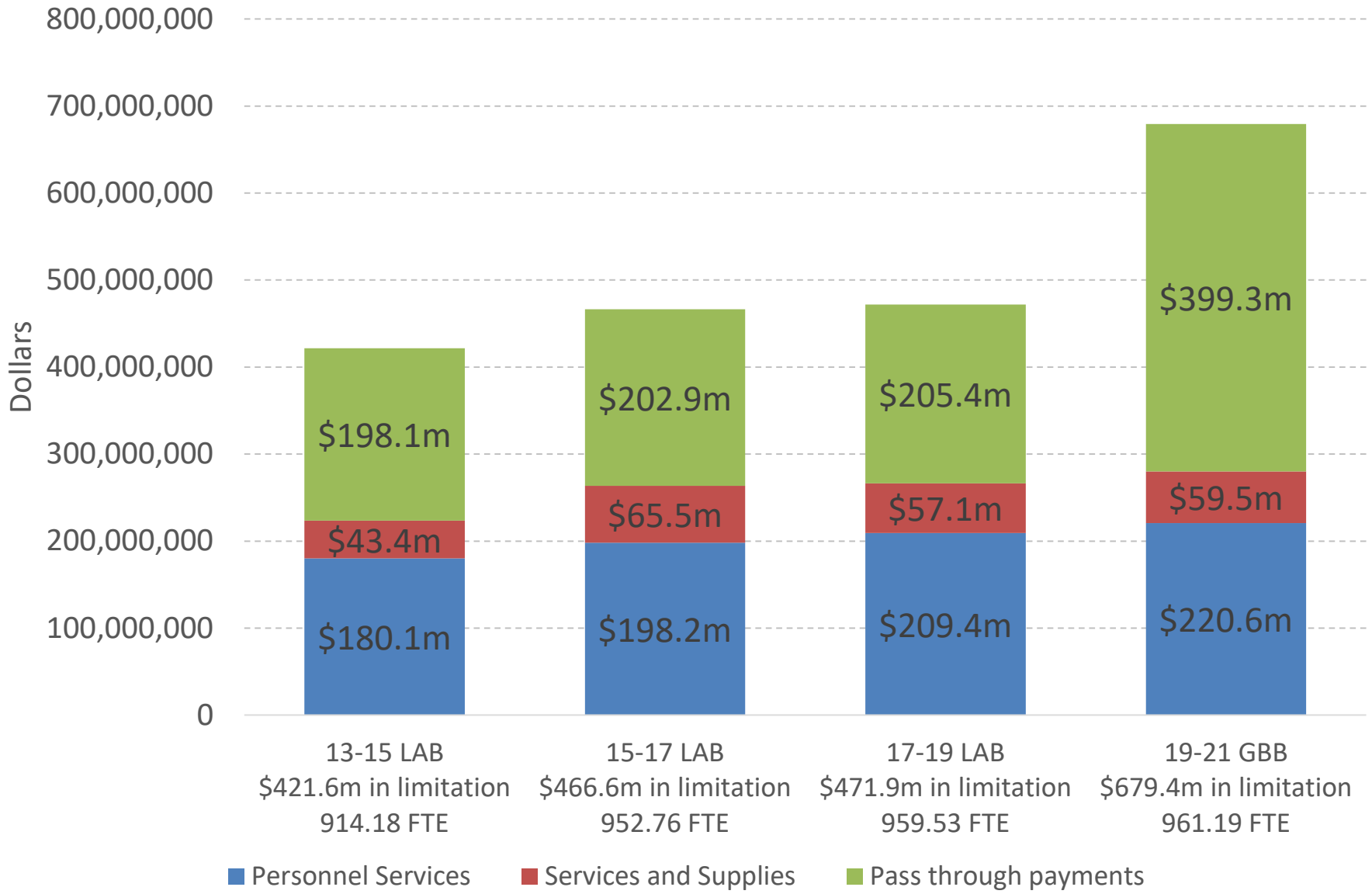


*Excludes Transfer-In

DCBS Operational Costs - 2019-21 Governor's Budget: \$280.1 million



DCBS limitation request and FTE history



Technology Projects

- 2019-2021 – Workers' Compensation Division Modernization (multi-biennial project)
 - Create core team to plan program
 - Broadly review the division's entire business processes and current information systems
 - Ensure accountability and long-term success
 - Coordinate with Office of the State Chief Information Officer for Stage Gate

5 and 10 Percent Reduction

DCBS approach:

- Prioritize DCBS programs by program impact
- Estimate cost of programs
- Set 5 percent and 10 percent cut levels

Governor's Budget Reduction

From Agency Continuing Service Level Budget:

- Reduction in limitation within Oregon Health Insurance Marketplace
- Reductions related to cost of services provided by Department of Administrative Services, Department of Justice

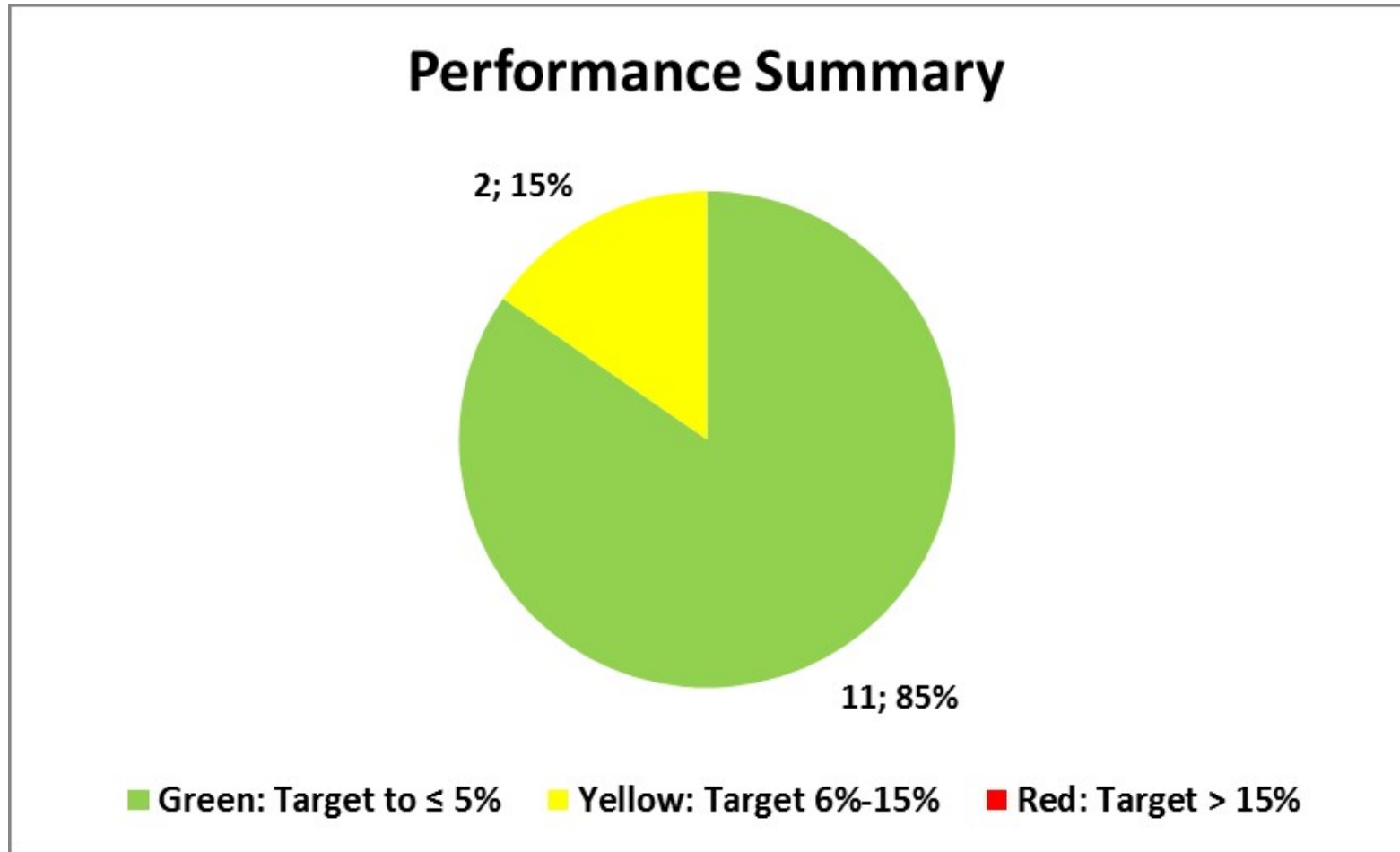
Long-term Vacancies

- Reporting period: 12/31/18
- Total long-term positions: 50 (29 are aged 7 to 11 months, 21 positions aged 12+ months)
 - 26 positions have been filled or are in recruitment
 - 15 positions are abolished
 - 3 positions are filled with temporary employees
 - 6 net remaining vacancies – under review (reclassifying or evaluating)

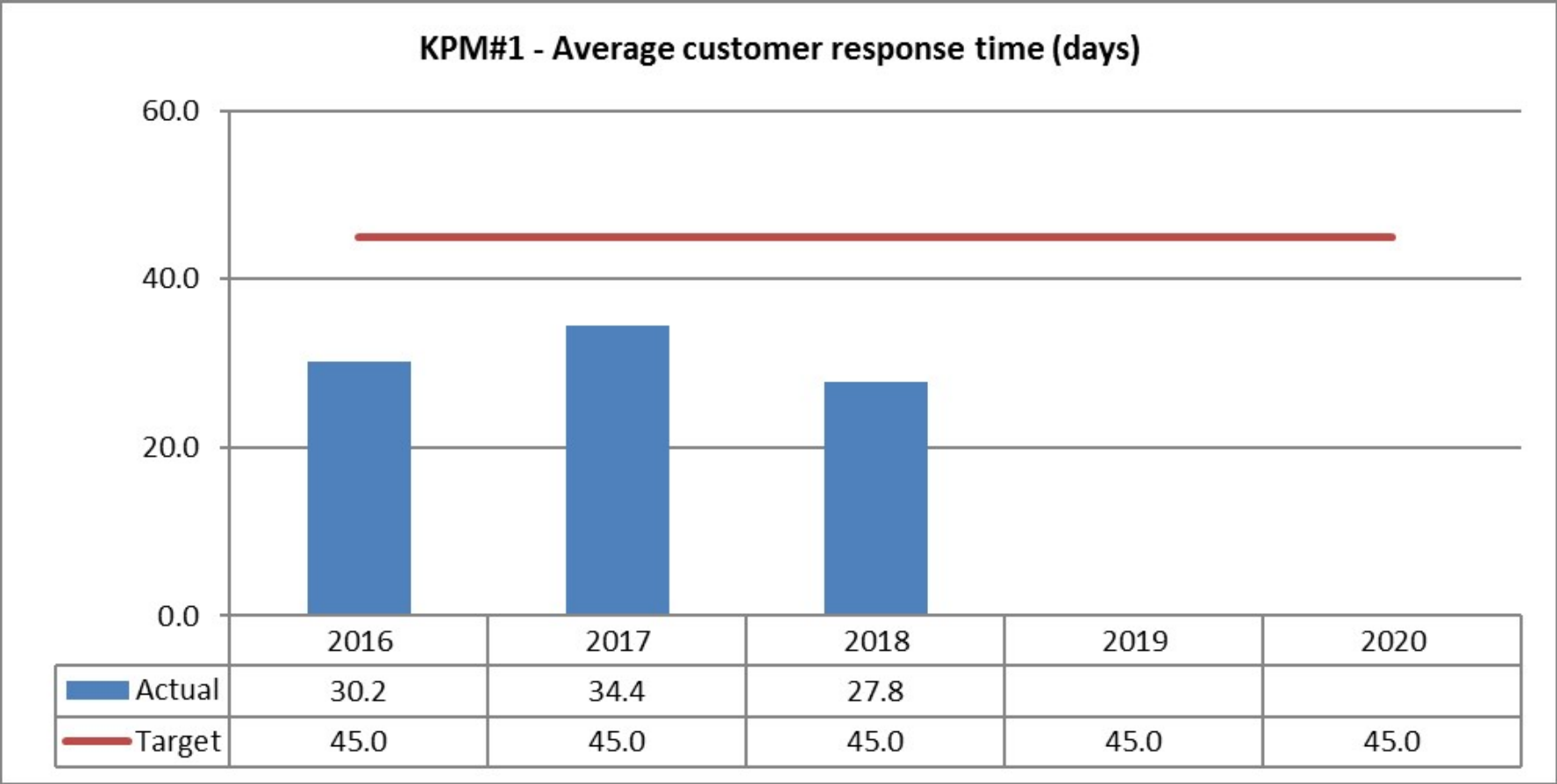


Key Performance Measures and Outcomes

Key Performance Measures

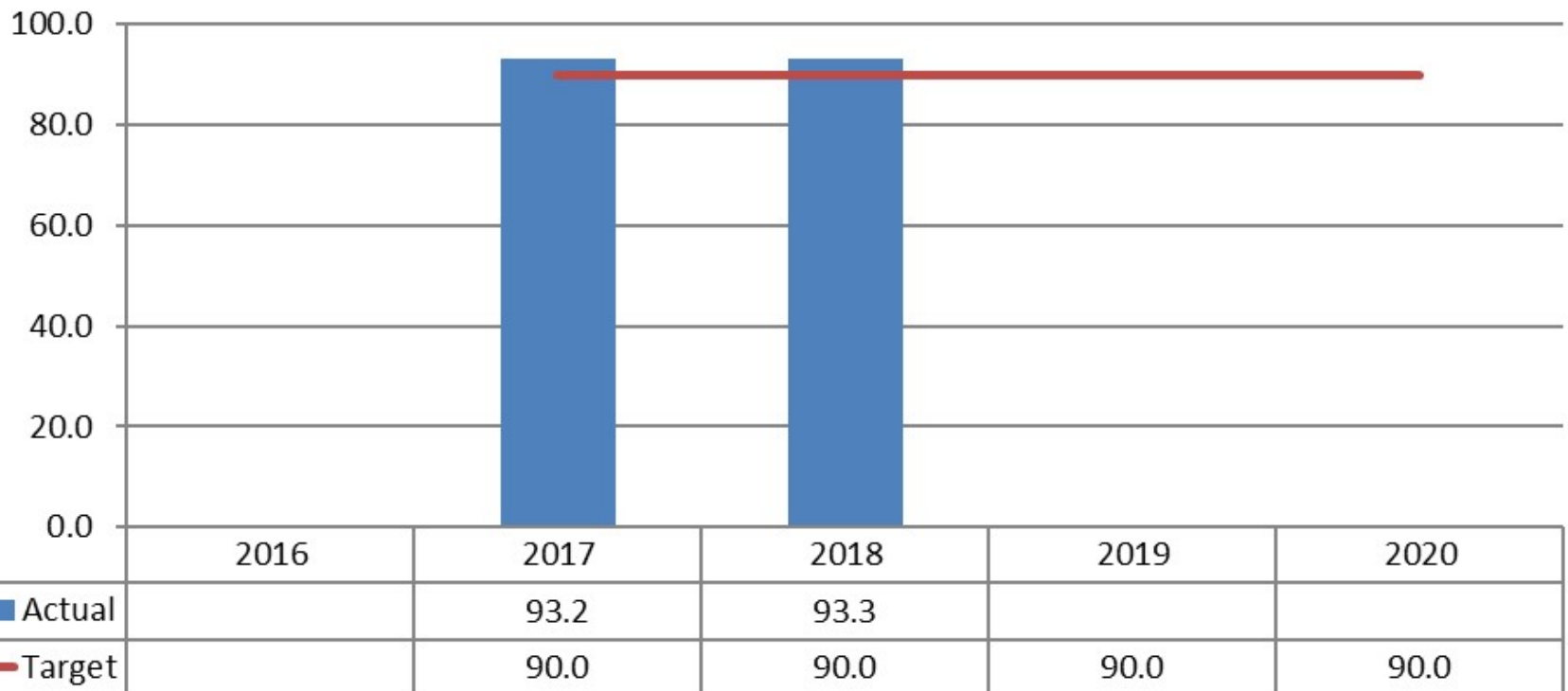


KPM #1 – Average customer response time

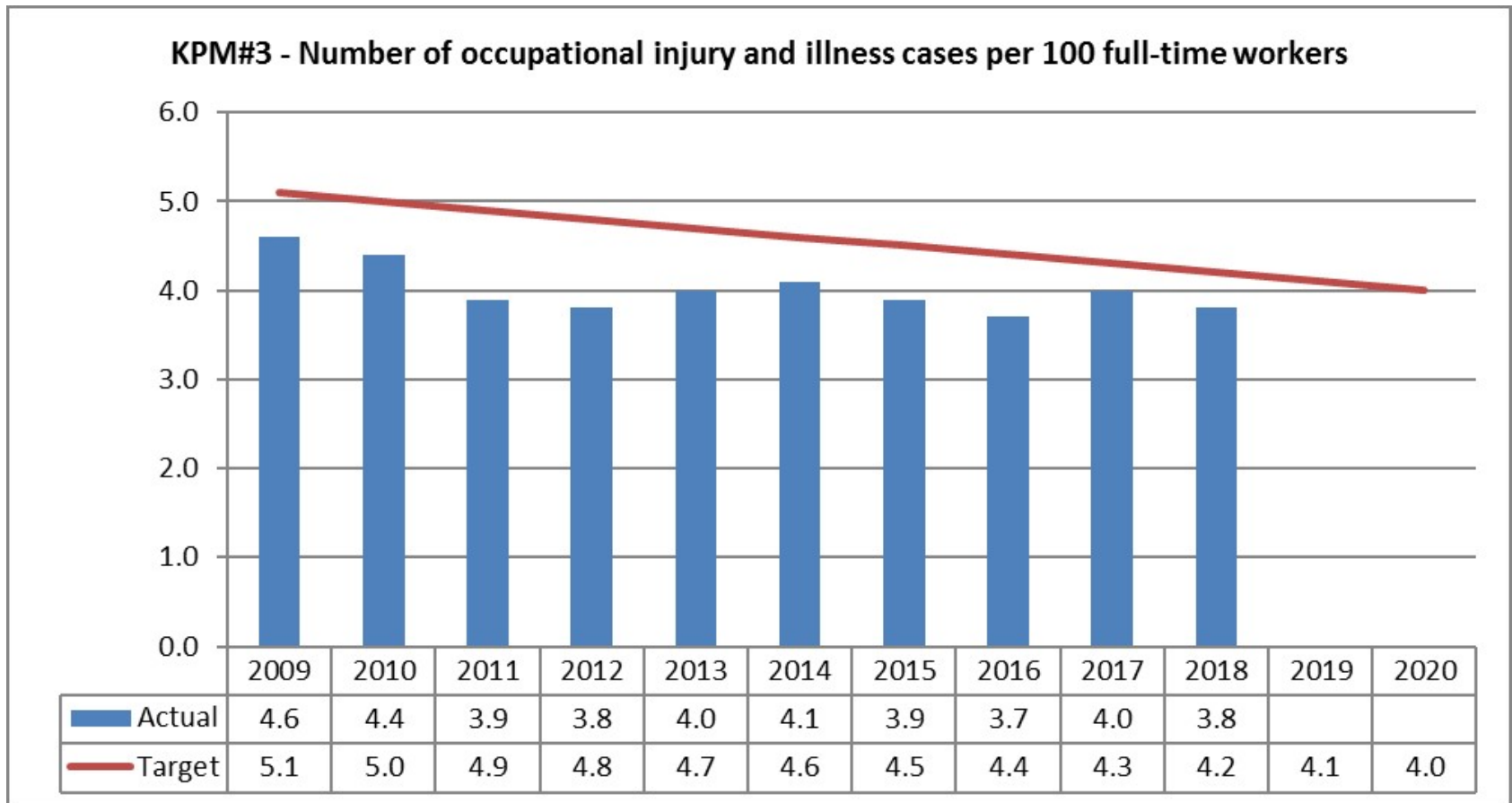


KPM #2 – Effective Regulation

KPM#2 - Percent of licensees receiving satisfactory exam score

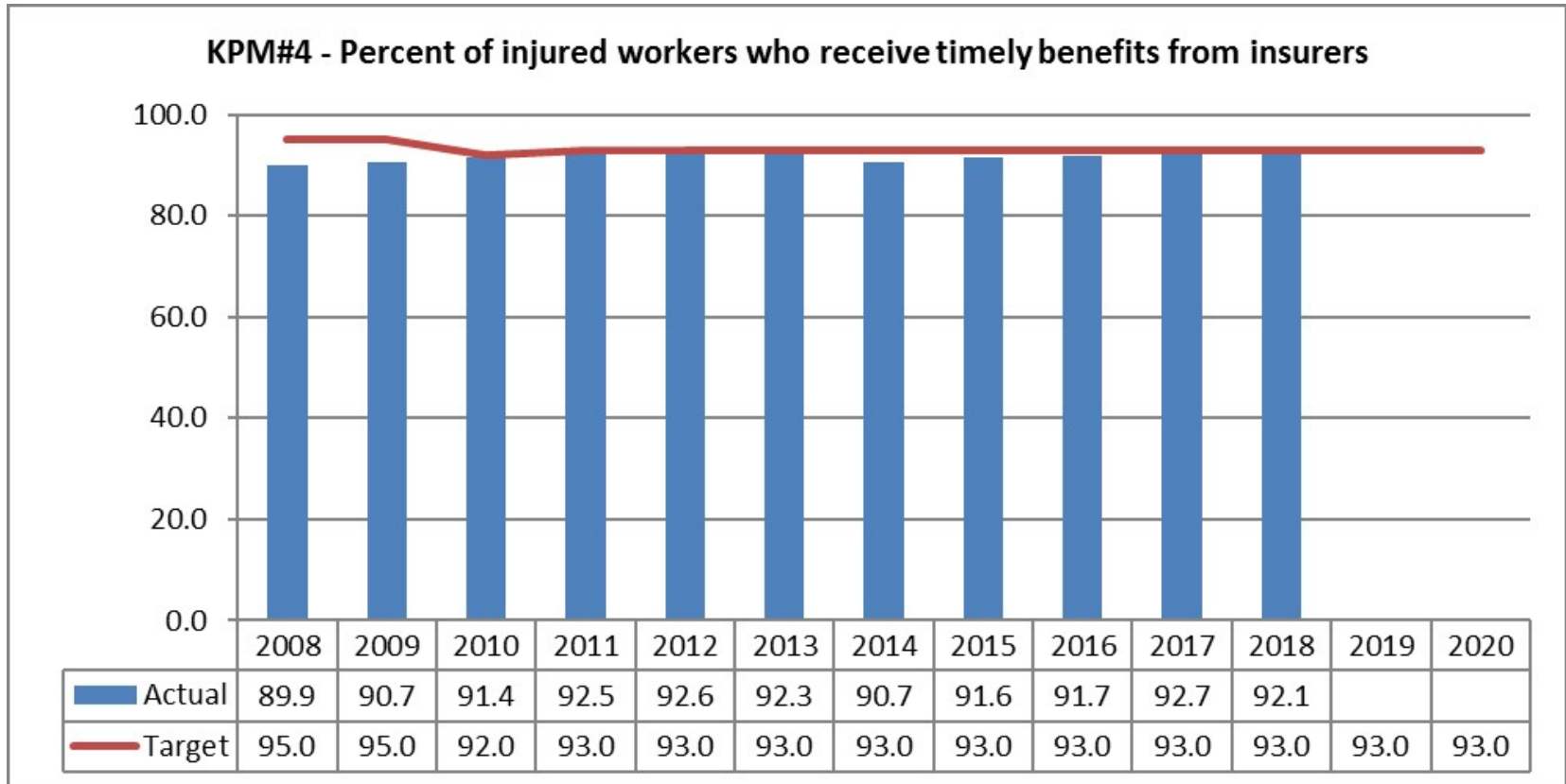


KPM #3 – Occupational Injury and Illness Incidence Rates



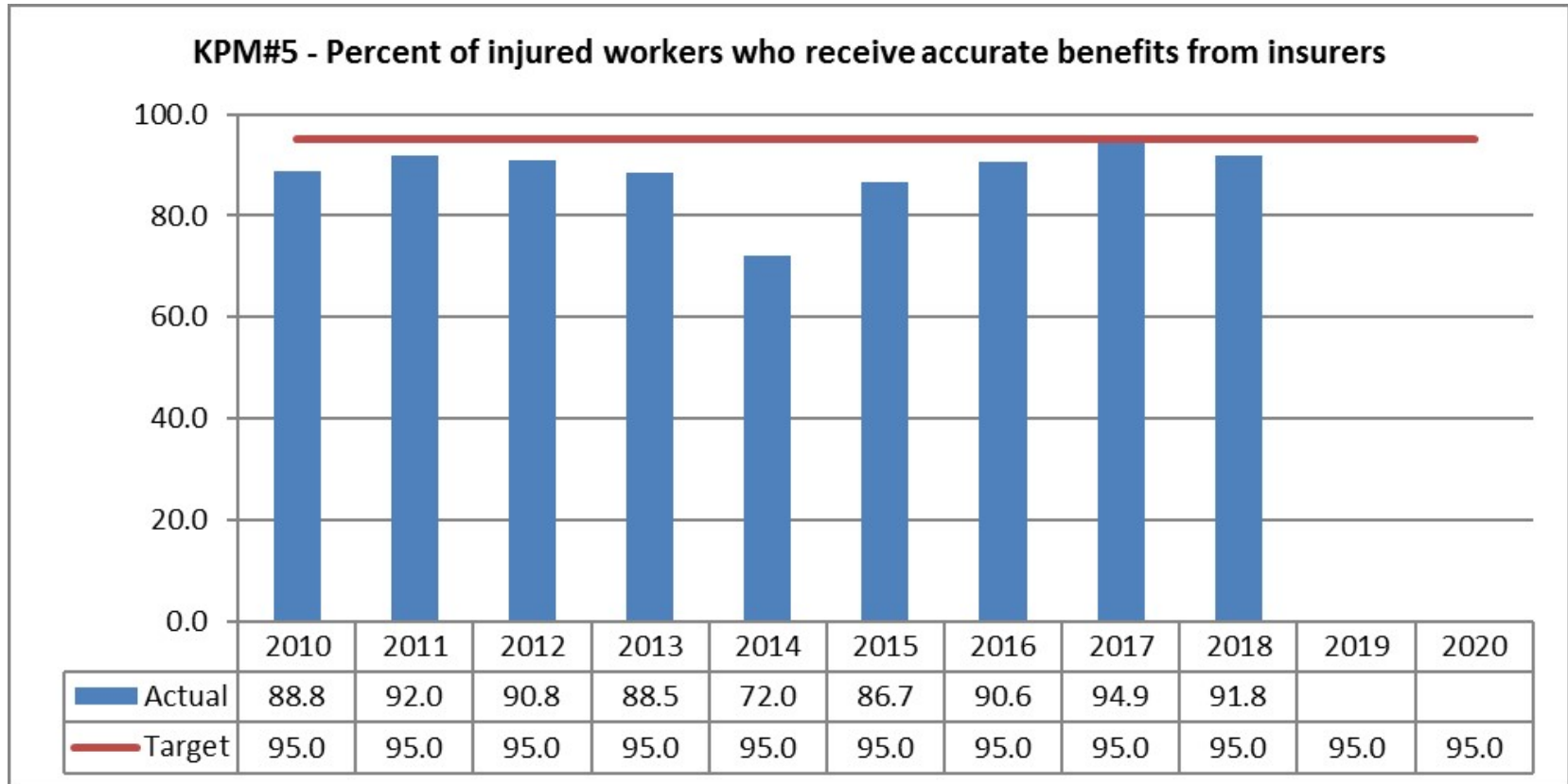
KPM #4 – Timely Worker Benefits

Injured workers receive timely benefits



KPM #5 – Accurate Worker Benefits

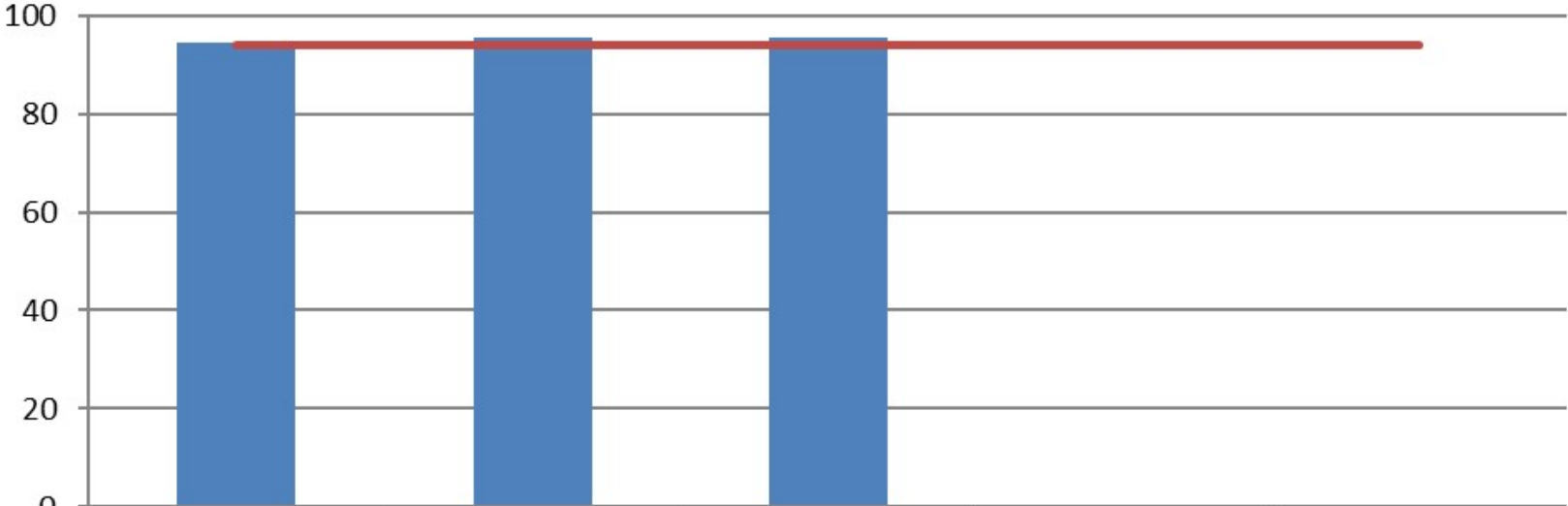
Injured workers receive accurate benefits



KPM #6 – Re-employment for Injured Workers

Disabling injuries vs. nondisabling injuries

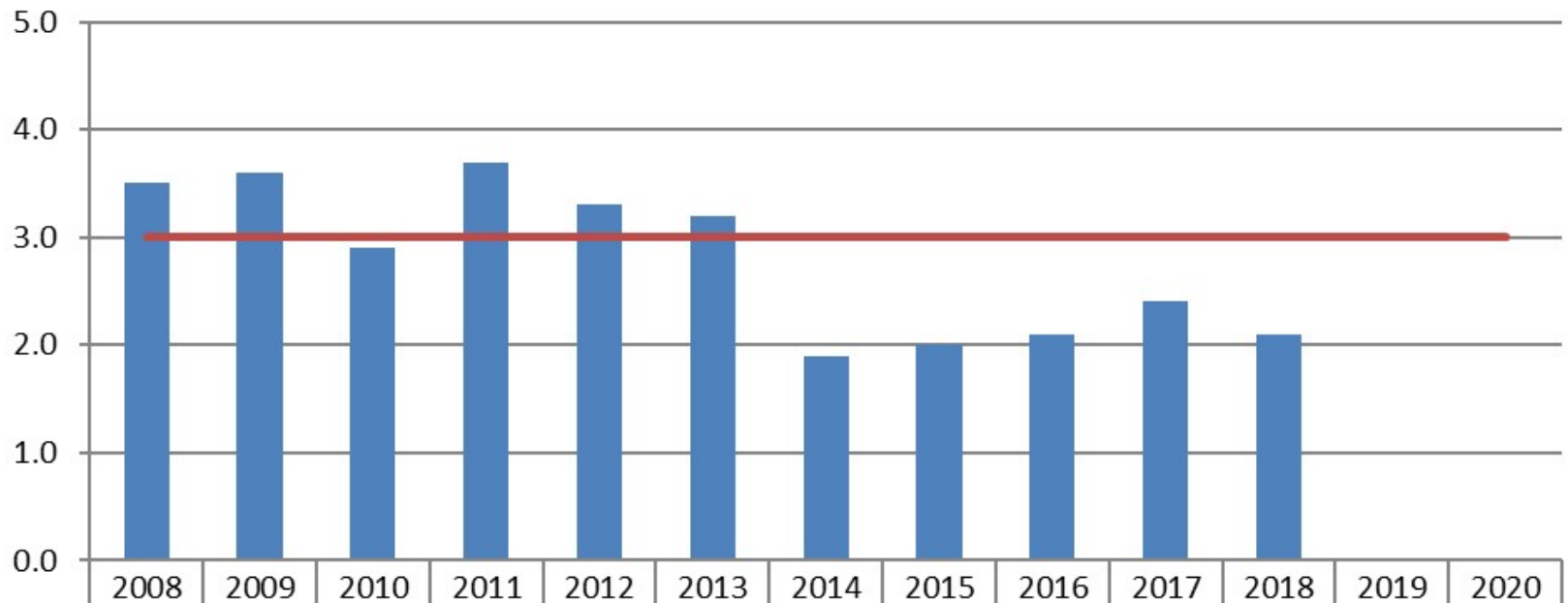
KPM#6 - Difference in percentage re-employment from workers with disabling injuries from those without disabling injuries



	2016	2017	2018	2019	2020
Actual	94.3	95.3	95.5		
Target	94.0	94.0	94.0	94.0	94.0

KPM #8 – Workers’ Compensation Coverage

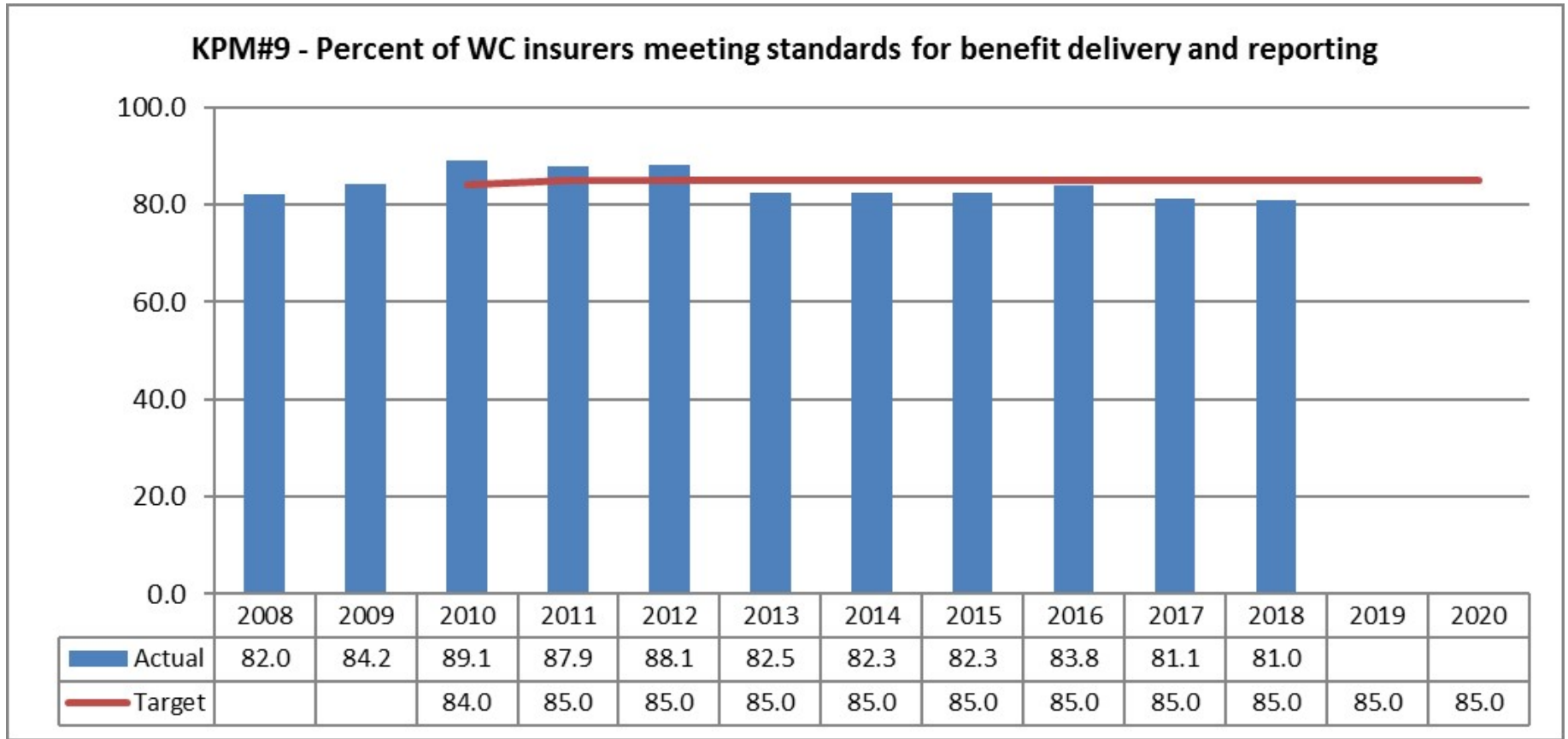
KPM#8 - Number of claims against employers without WC coverage per 1,000 claims



Actual	3.5	3.6	2.9	3.7	3.3	3.2	1.9	2.0	2.1	2.4	2.1		
Target	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

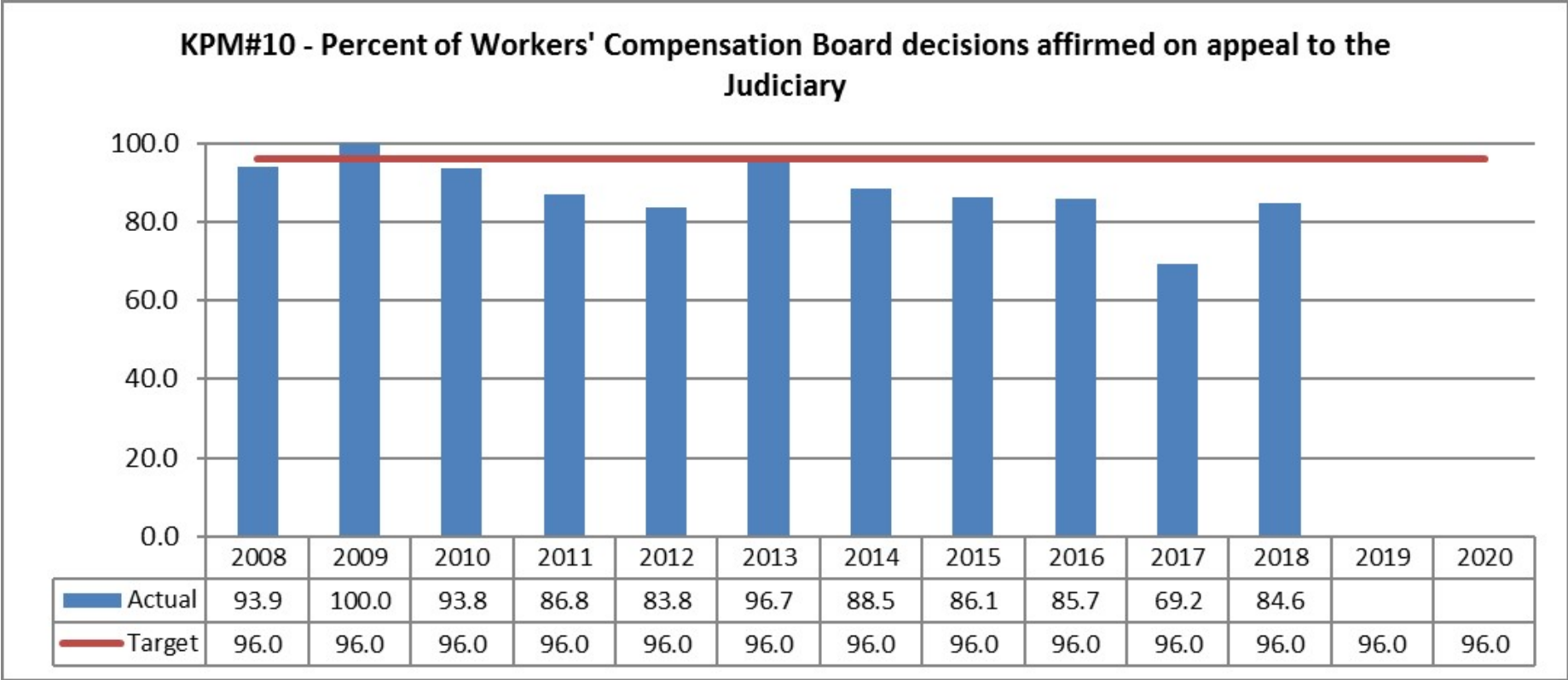
KPM #9 – Workers’ Compensation Insurer Performance

WC insurers meet strict performance standards



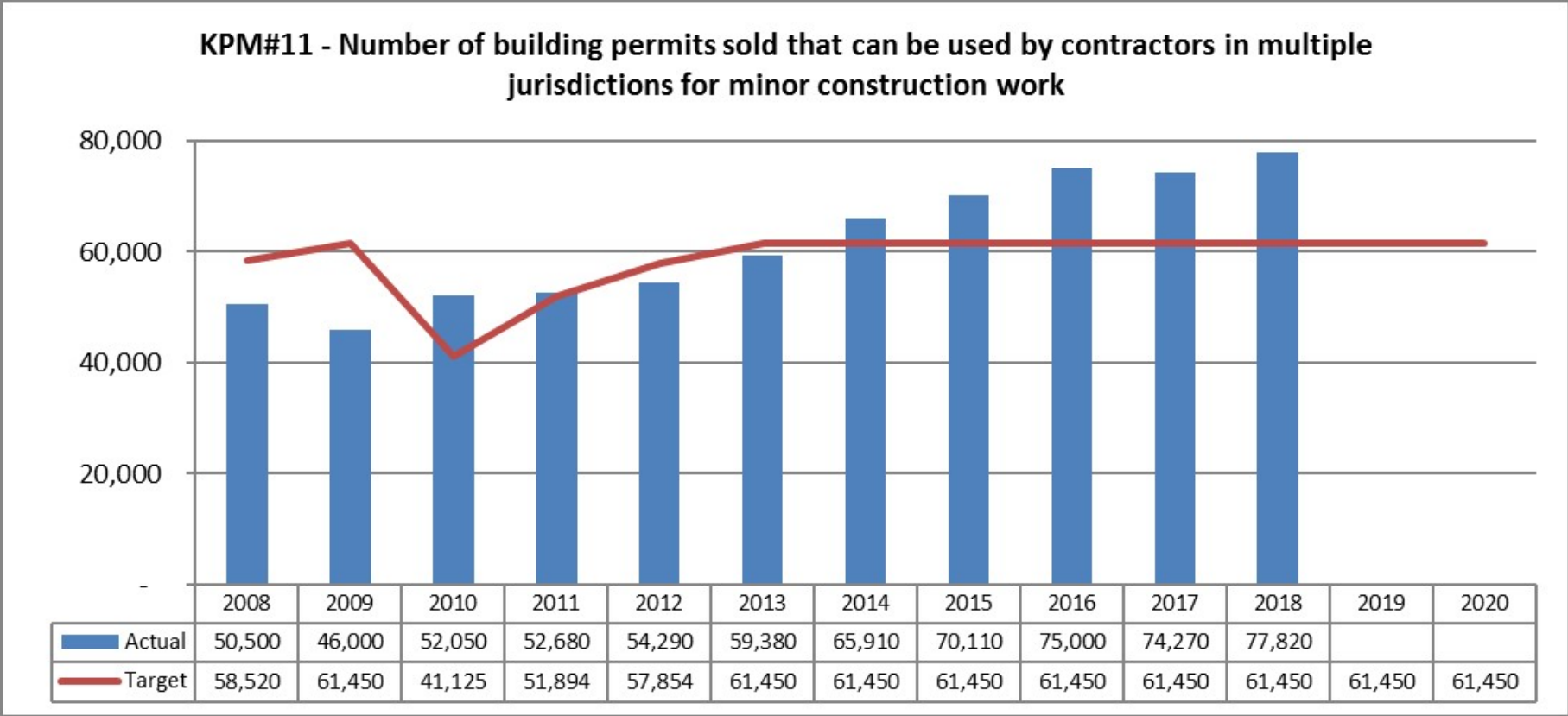
KPM #10 – Upheld Workers’ Compensation Decisions

Board provides consistent, sound legal decisions



KPM #11 – Permits for Minor Construction Work

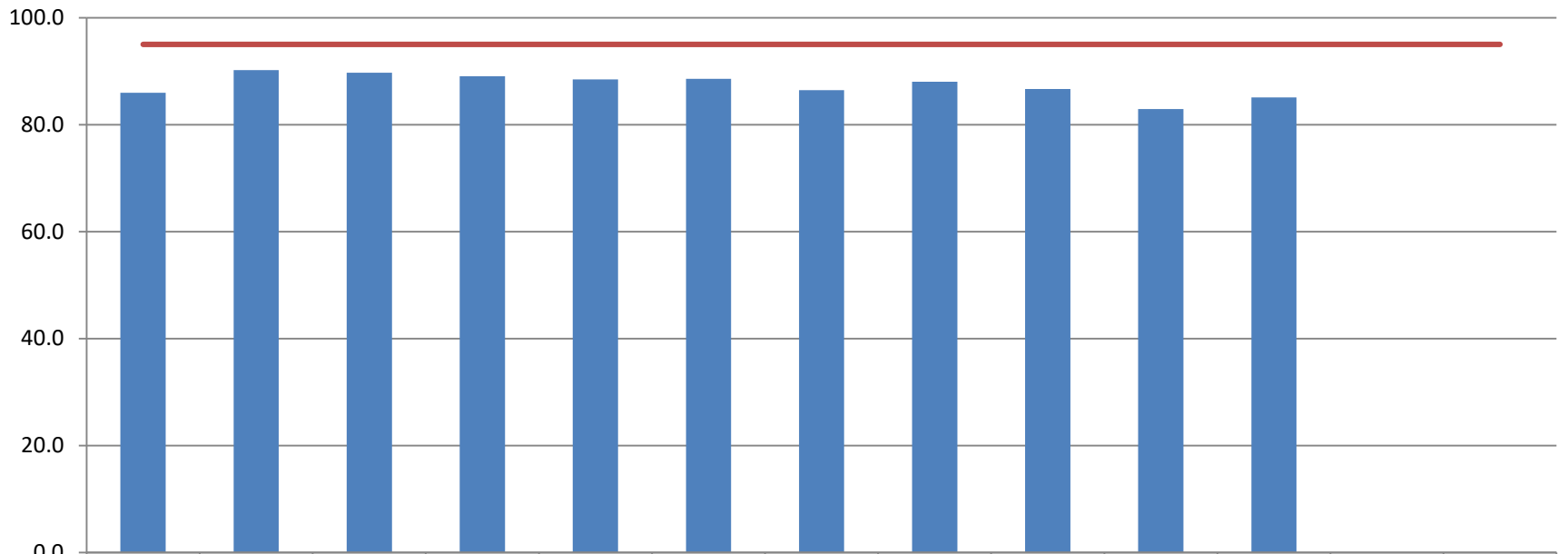
Streamlined processes for contractors



KPM #12 – On-Time Work

Providing Timely Service to Oregonians

KPM#12 - Percent of timelines for key department activities that are met

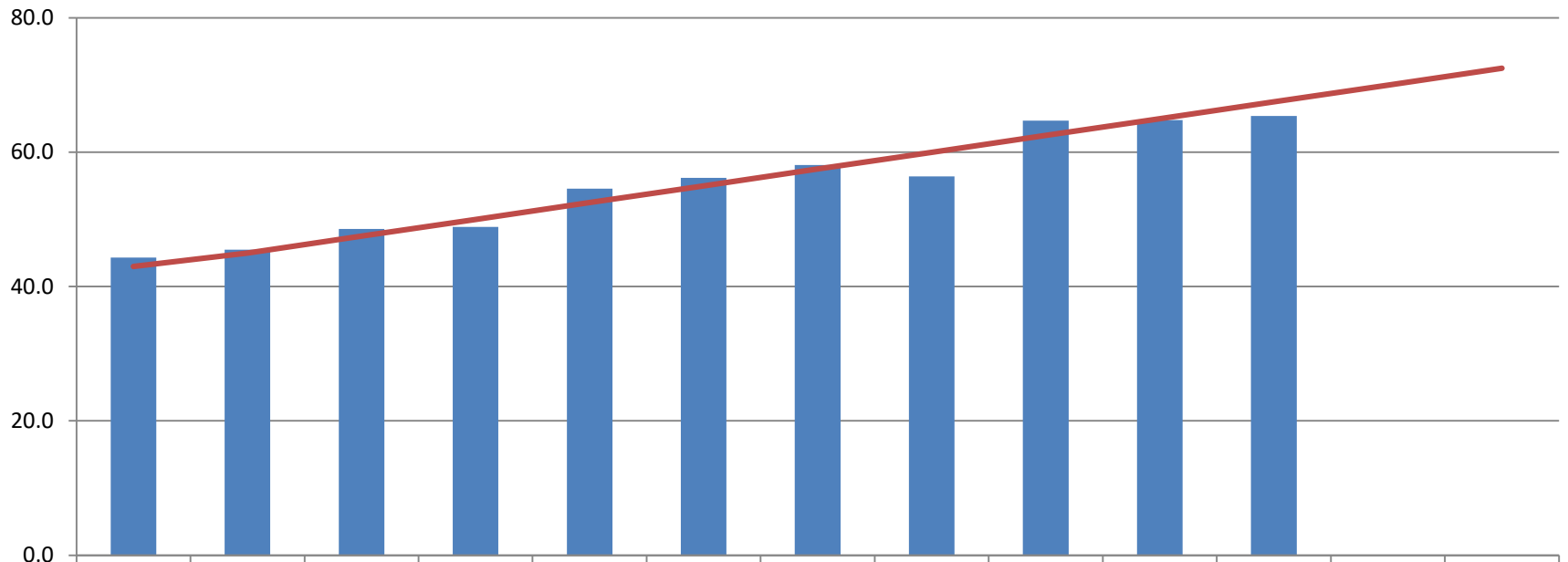


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actual	86.0	90.2	89.7	89.1	88.5	88.6	86.5	88.0	86.7	83.0	85.1		
Target	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0

KPM #13 – E-Transactions for Customers

Electronic Transactions

KPM#13 - Percent of customer transactions completed electronically



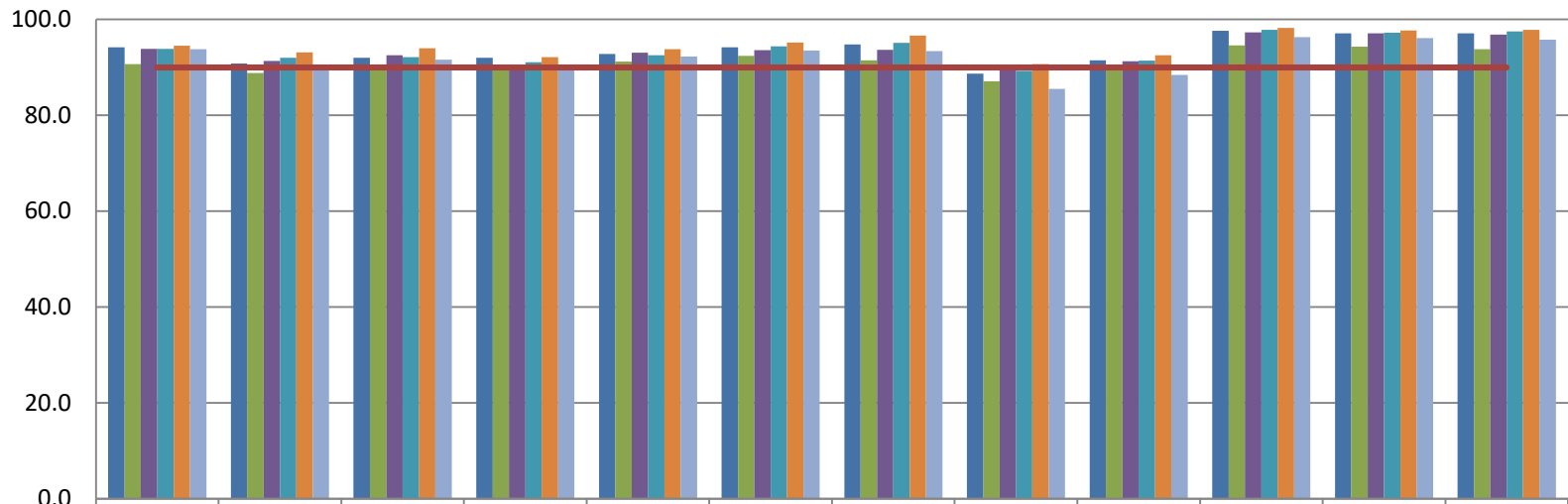
Actual
Target

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actual	44.3	45.5	48.6	48.9	54.6	56.2	58.1	56.4	64.7	64.8	65.4		
Target	43.0	45.0	47.5	50.0	52.5	55.0	57.5	60.0	62.5	65.0	67.5	70.0	72.5

KPM #14 – Customer Service

Agency-wide Customer Service Experience

KPM#14 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Overall	94.2	90.8	92.0	92.0	92.8	94.2	94.8	88.7	91.5	97.6	97.1	97.1
Timeliness	90.7	88.8	90.6	89.8	91.2	92.4	91.5	87.1	89.5	94.6	94.3	93.8
Accuracy	93.8	91.4	92.6	90.5	93.0	93.6	93.7	89.6	91.3	97.3	97.1	96.8
Helpfulness	93.9	92.0	92.1	91.0	92.5	94.4	95.1	89.3	91.4	97.8	97.2	97.5
Expertise	94.5	93.1	94.0	92.1	93.8	95.2	96.6	90.7	92.5	98.2	97.7	97.8
Avail. Info.	93.8	89.8	91.6	90.3	92.2	93.5	93.4	85.5	88.4	96.3	96.1	95.8
Target	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0



**WORKER
PROTECTION
SYSTEM**



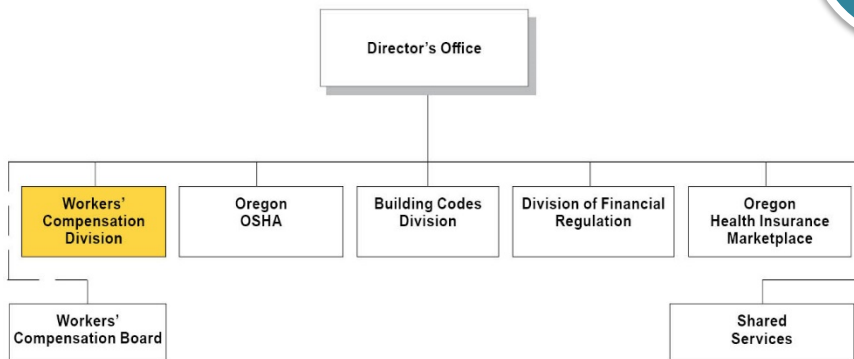
Workers' Compensation Division

Workers' Compensation Division

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

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



Reform Successes

- ✓ Lower claims rate
- ✓ Streamlined medical processes
- ✓ Affordable for employers
- ✓ Good benefits and outcomes for workers

Management-Labor Advisory Committee

- Created in early 1990s as part of state workers' compensation system reforms
- Effective forum for employees, employers to explore and resolve issues
- Commitment to common set of values for system:
 - Balance and fairness
 - Adequacy of benefits
 - Affordability
 - Efficiency
 - Stability and flexibility

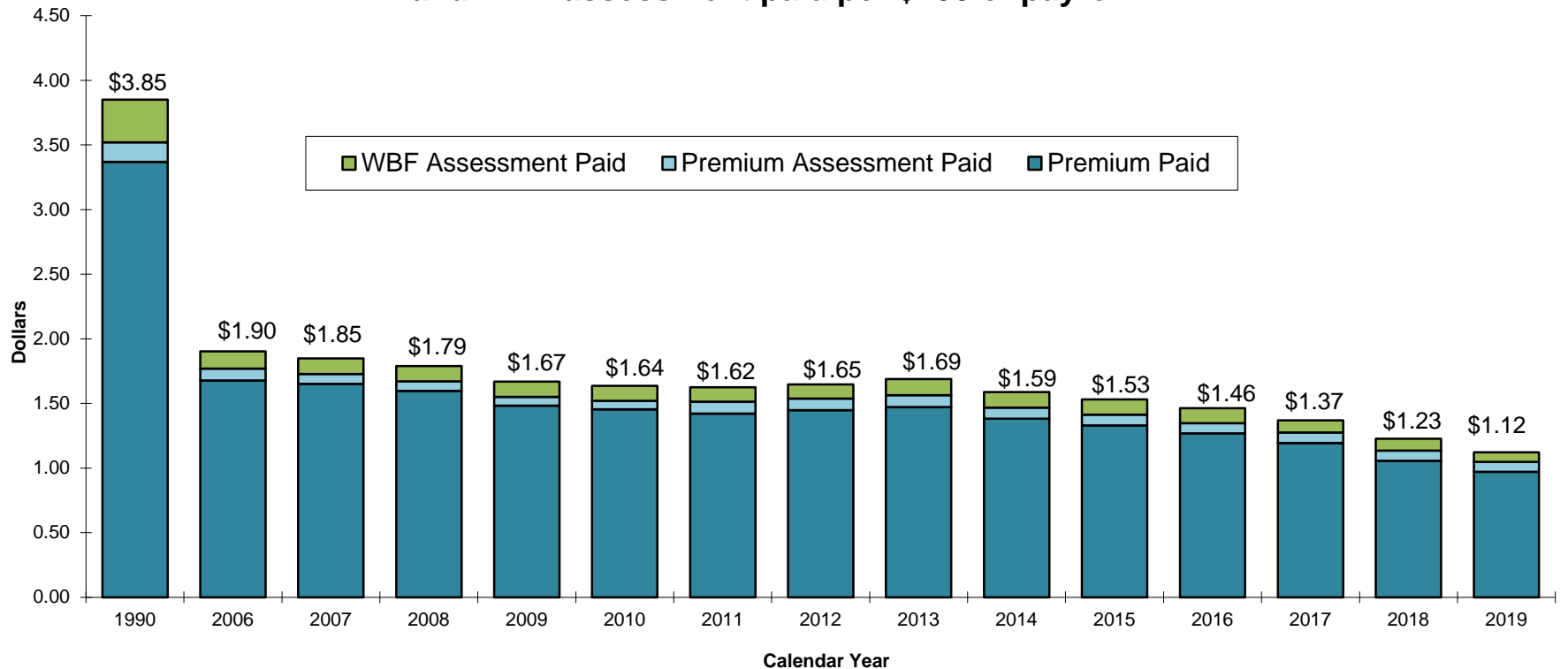
Workers' Compensation System

Nationwide Rate Ranking



Workers' Compensation System Employer Costs

Total loaded pure premium, premium assessment, and WBF assessment paid per \$100 of payroll



Loaded pure premium includes insurer costs, known as expense loading factors. Historic figures are adjusted to reflect the 2018 mix of employment and payroll.

Worker benefits

- Worker benefits are strong
- Most worker benefits adjust with changes in Oregon's wages
- Benefits have been improved for:
 - Fatality claims
 - Permanent totally disabled workers
 - Permanent partially disabled workers
- Return-to-work programs help workers get back to work quickly and safely

Return-to-work programs

- Workers who use them have better employment outcomes than those who don't
- In 2017:
 - Employer-at-Injury Program had nearly 7,900 placements
 - 427 workers started Preferred Worker Program contracts
 - 295 injured workers found eligible for vocational assistance

Workers' Compensation Division

Accomplishing the mission

- Initiate planning for modernizing information systems
- Expand significantly the outreach to medical providers and their offices
- Continue to expand outreach to injured workers and collaborate with employers to further the goals of the return-to-work programs
- Continue to hold parties to high performance standards

Workers' Compensation Division

Information System Modernization

Policy Option Package No. 106

(\$1 million Other Fund, 4.40 FTE, 5 positions)

- Transform business processes
- Enhance stakeholder experience
- Modernize technology
- Supports state, agency, and division goals



Ombudsmen

Ombudsmen

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

July 2017 to June 2018

- 1,649 total SBO contacts

- 7,987 total OIW inquiries

Small Business Ombudsman (SBO)

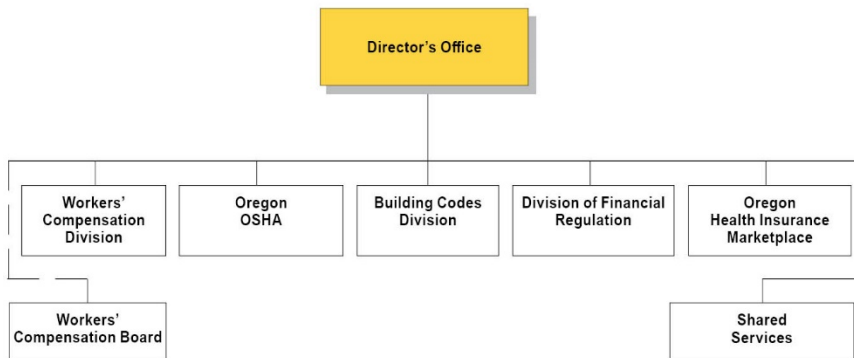
Answers questions about:

- Shopping for workers' compensation insurance
- Premiums/audits

Ombudsman for Injured Workers (OIW)

Answers questions about:

- Worker rights and responsibilities
- Benefits
- Returning to work





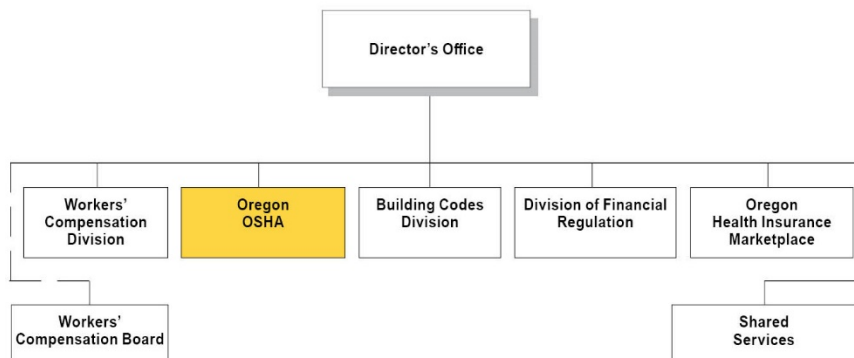
Oregon Occupational Safety and Health Division

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

- Enforcement focus: high-hazard industries and occupations; balance regular scheduled activities with several emphasis programs to address key risks
- Education focus: small employers
- Outreach focus: vulnerable and hard-to-reach workers
- Continue to achieve the highest employer inspection penetration in the country
- Use a variety of communication channels to highlight and address significant workplace hazards and lessons learned

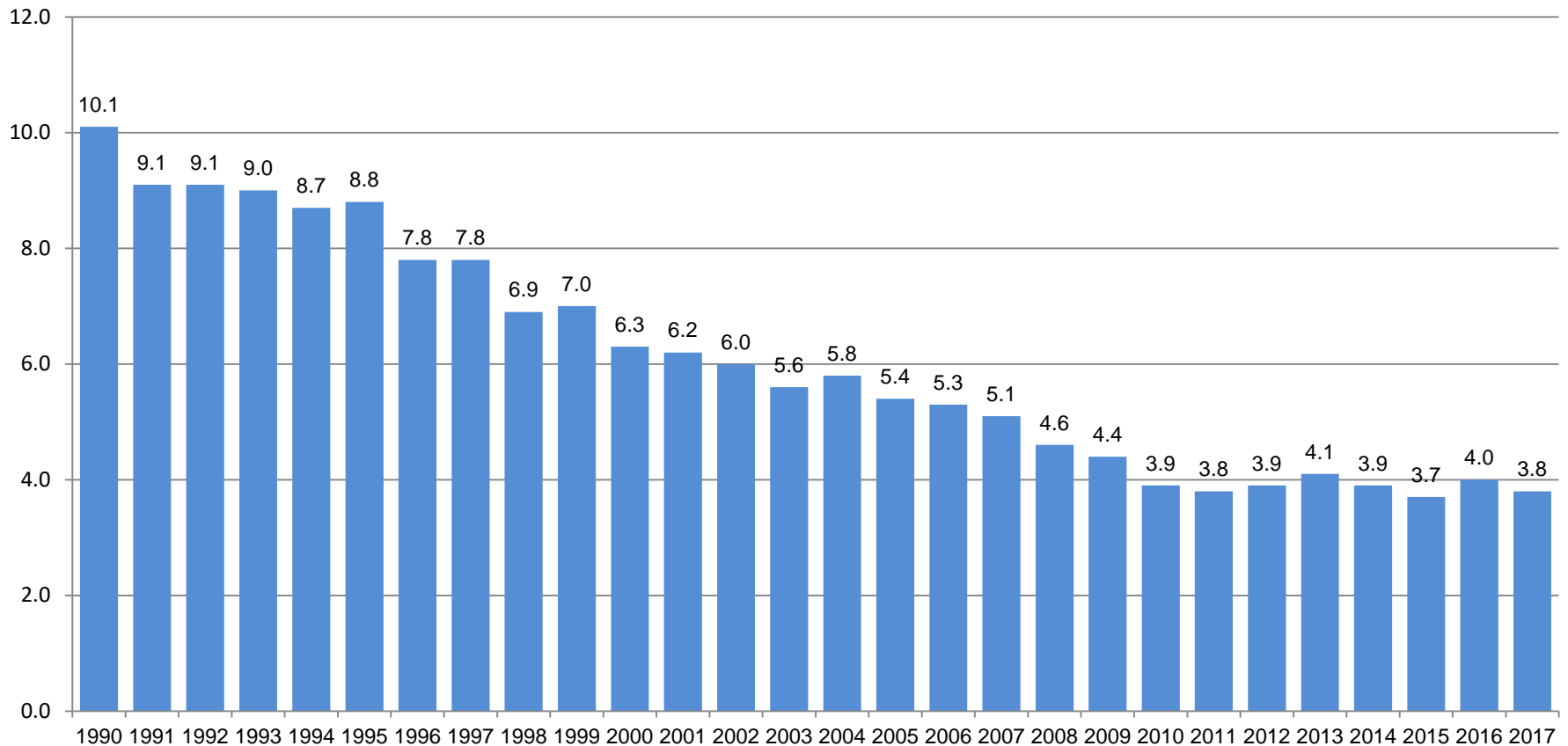
Oregon OSHA

Accomplishing the mission

- Continue to move more safety and health training online to allow better employer/worker access, including adding Spanish-language versions
- Make safety and health standards easier to understand by providing technical assistance, publications, and outreach materials
- Maintain stakeholder relationships through involvement in rulemaking, policy development, and ongoing advisory groups

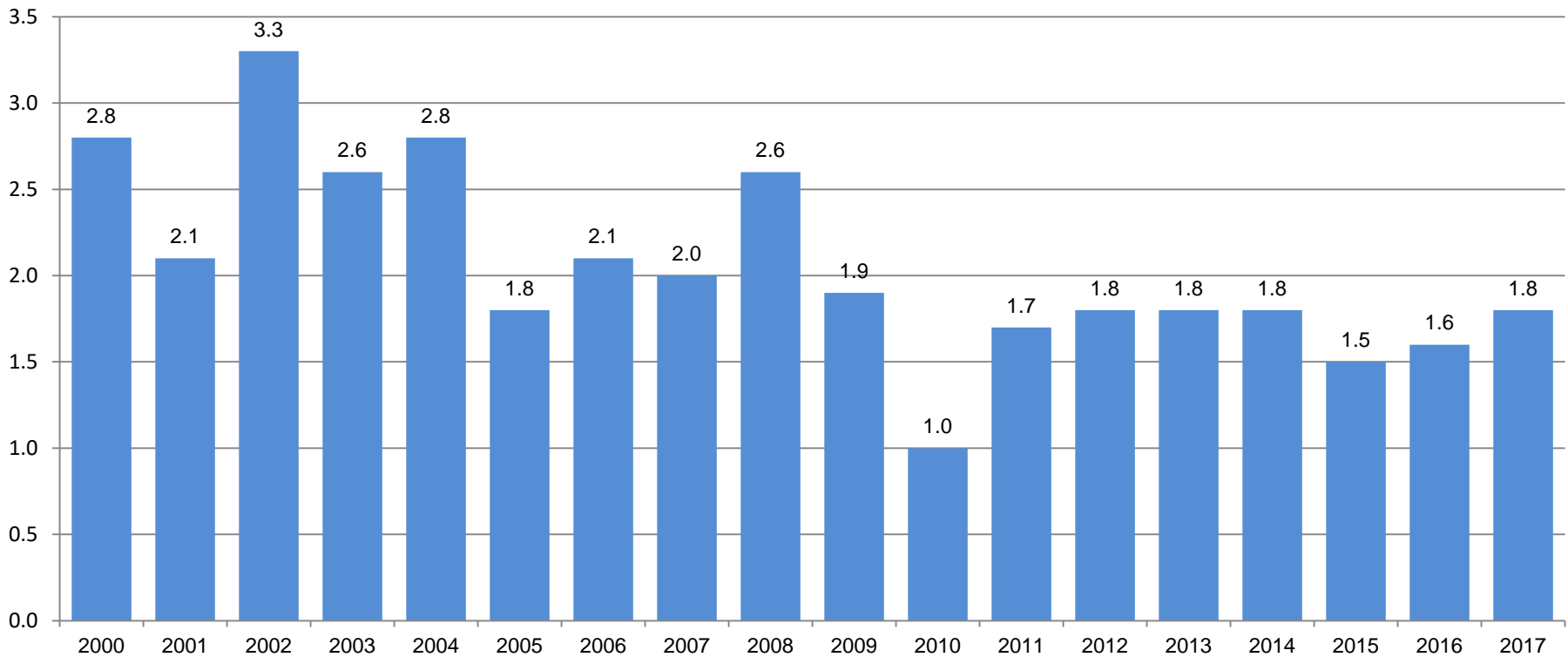
Occupational Injury and Illness Incidence Rates

Total cases incidence rate per 100 workers (private sector)

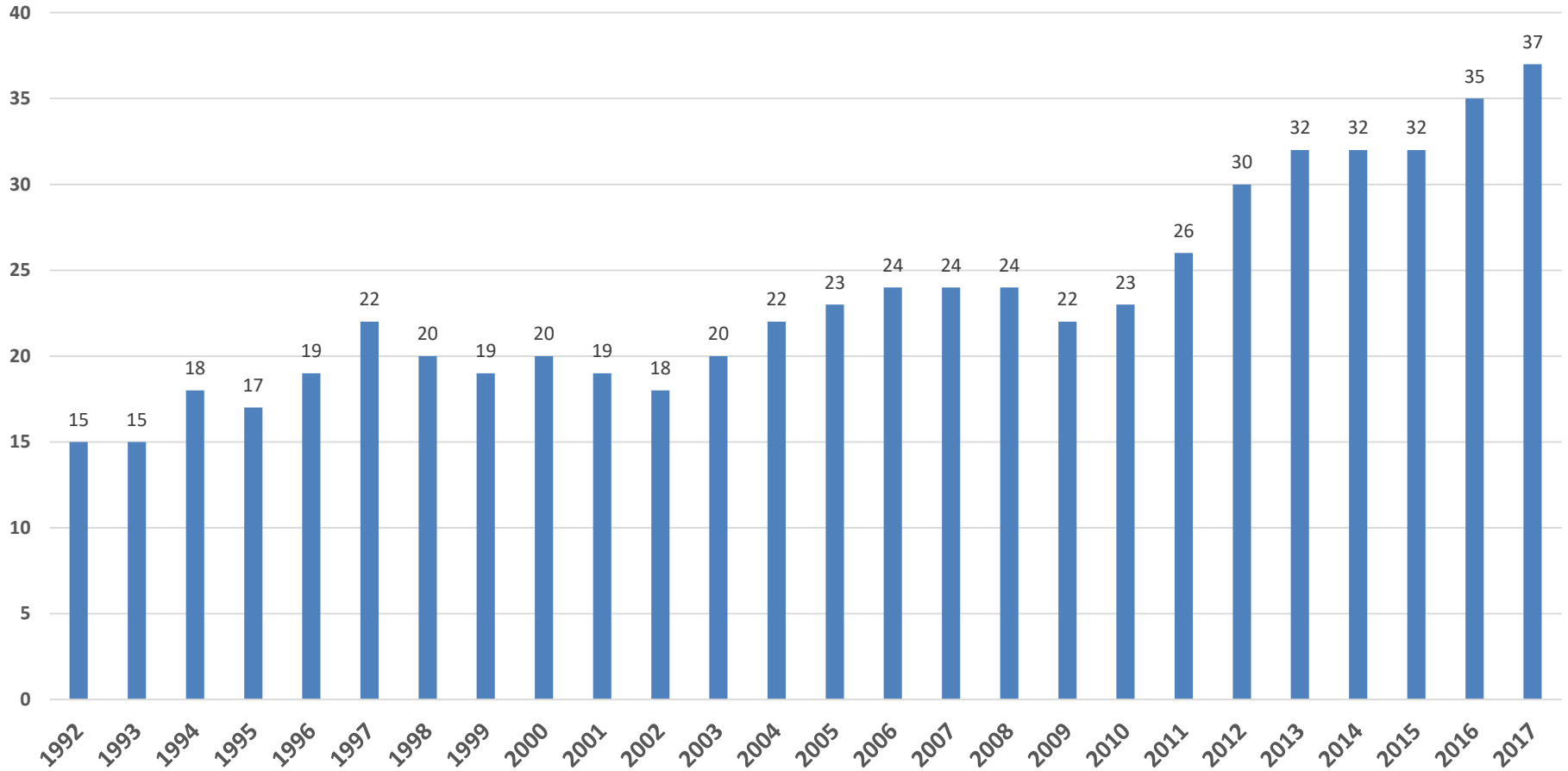


Fatality Rates

Compensable fatality rates per 100,000 workers, 2000-2017



Years Needed for Oregon OSHA to Inspect all Oregon Jobsites



Oregon OSHA

Workplace Safety and Health Policy Option Package No. 105

- Federal Funds versus Other Funds (Premium Assessment Operating Account) limitation
- Limitation adjustments for “Salary Pot” changes (Cost-of-Living Adjustment and Personal Services)
- Federal grant awards do not increase comparable to Legislature-approved changes to compensation and benefits



Workers' Compensation Board

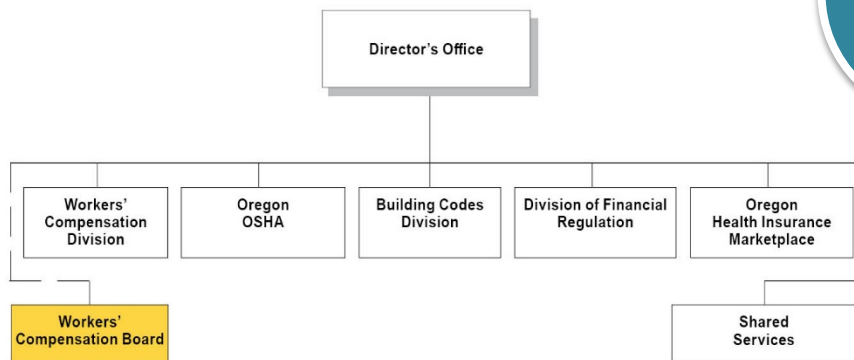
Workers' Compensation Board

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

2018

96% of ALJ orders timely issue
88% of mediations settled

- 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

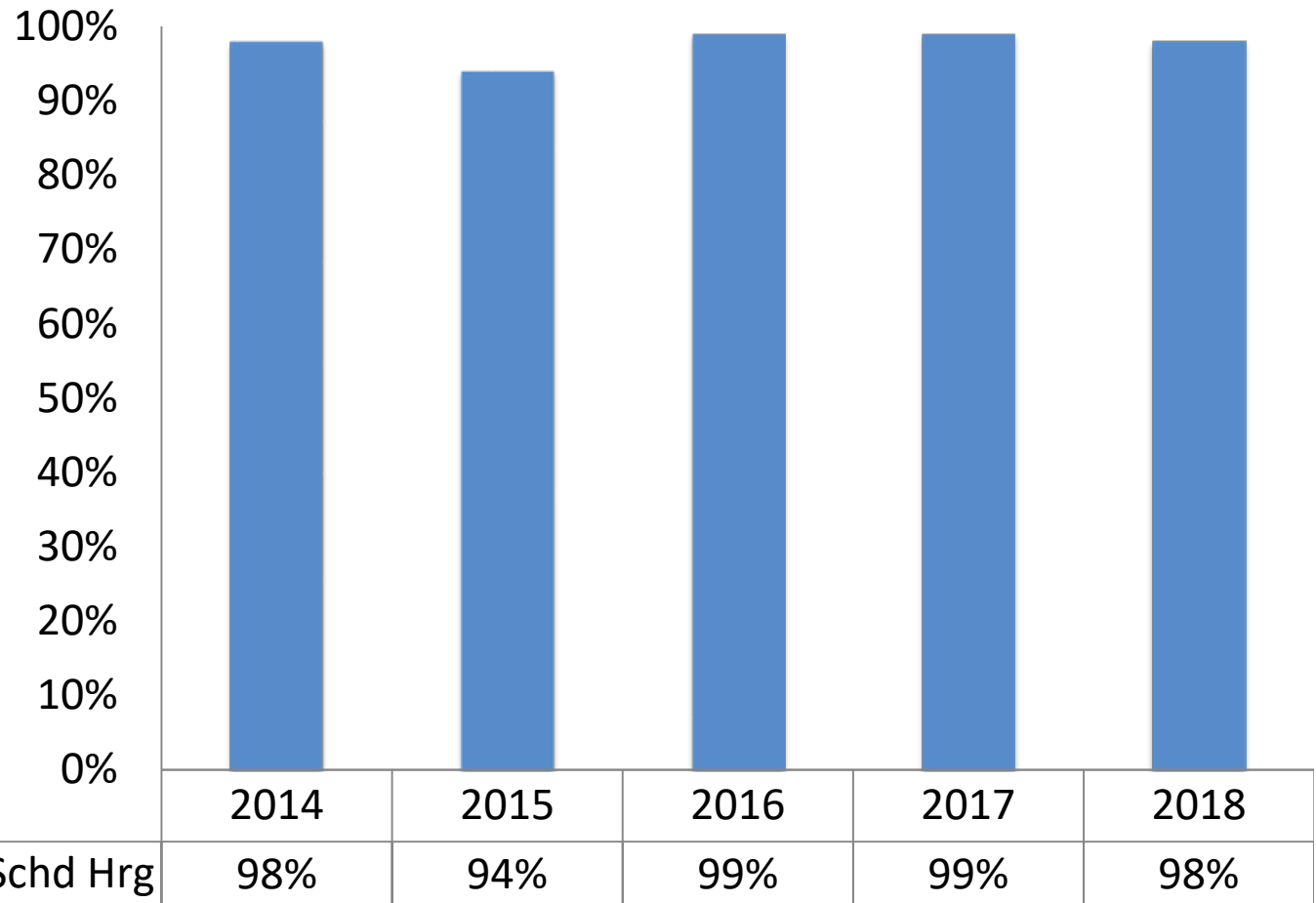


Workers' Compensation Board

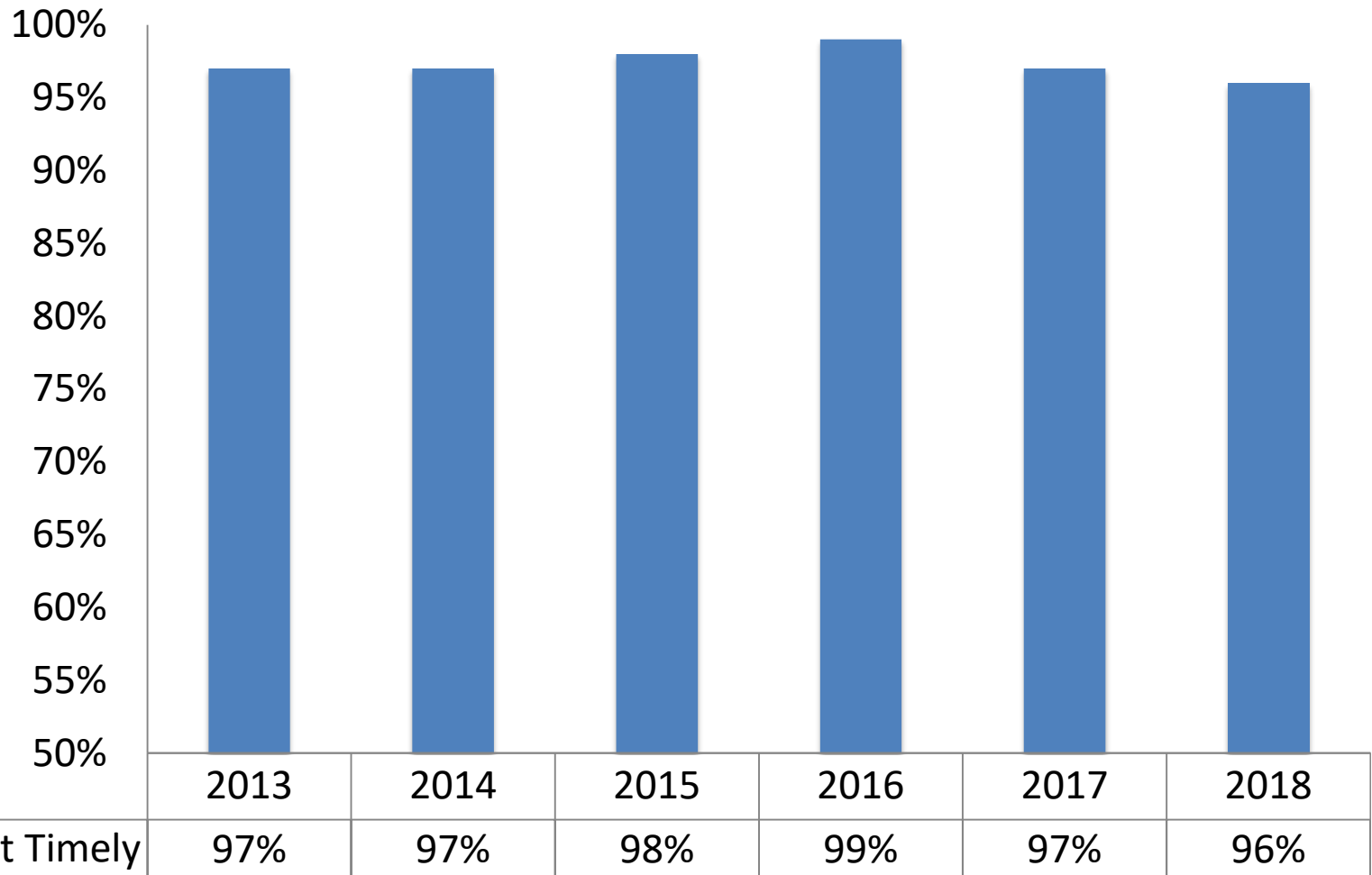
Accomplishing the mission

- Continue to provide timely and impartial dispute resolution of cases arising under workers' compensation and safety laws
- Conduct hearings throughout Oregon to serve stakeholders in their home counties
- Provide access to justice for all users of our forum
- Offer dispute resolution services through WCB's robust mediation program
- Broaden electronic access to WCB services by expanding services offered through the electronic portal and the website

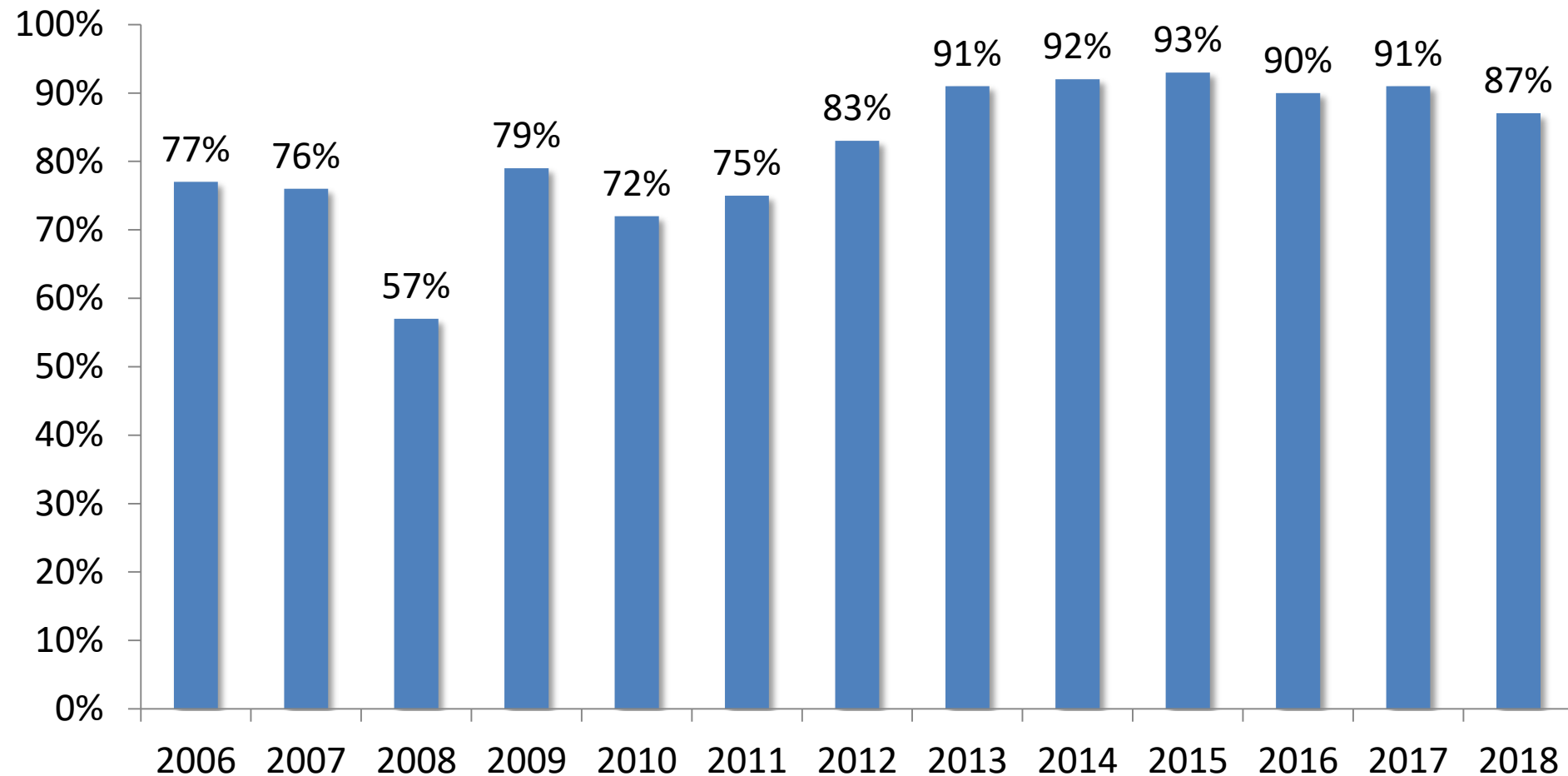
You get your hearing in 90 days



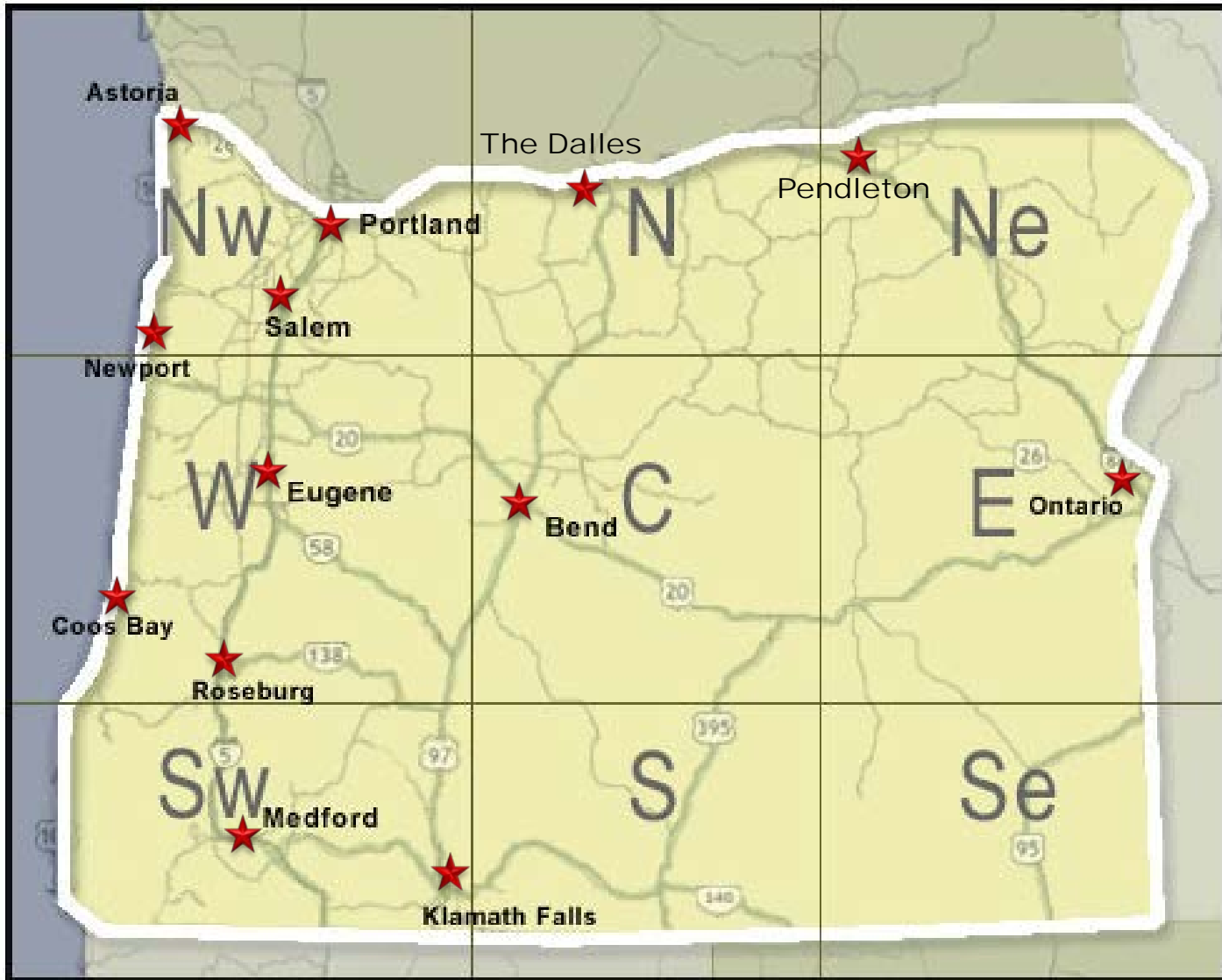
Judge's decision in 30 days



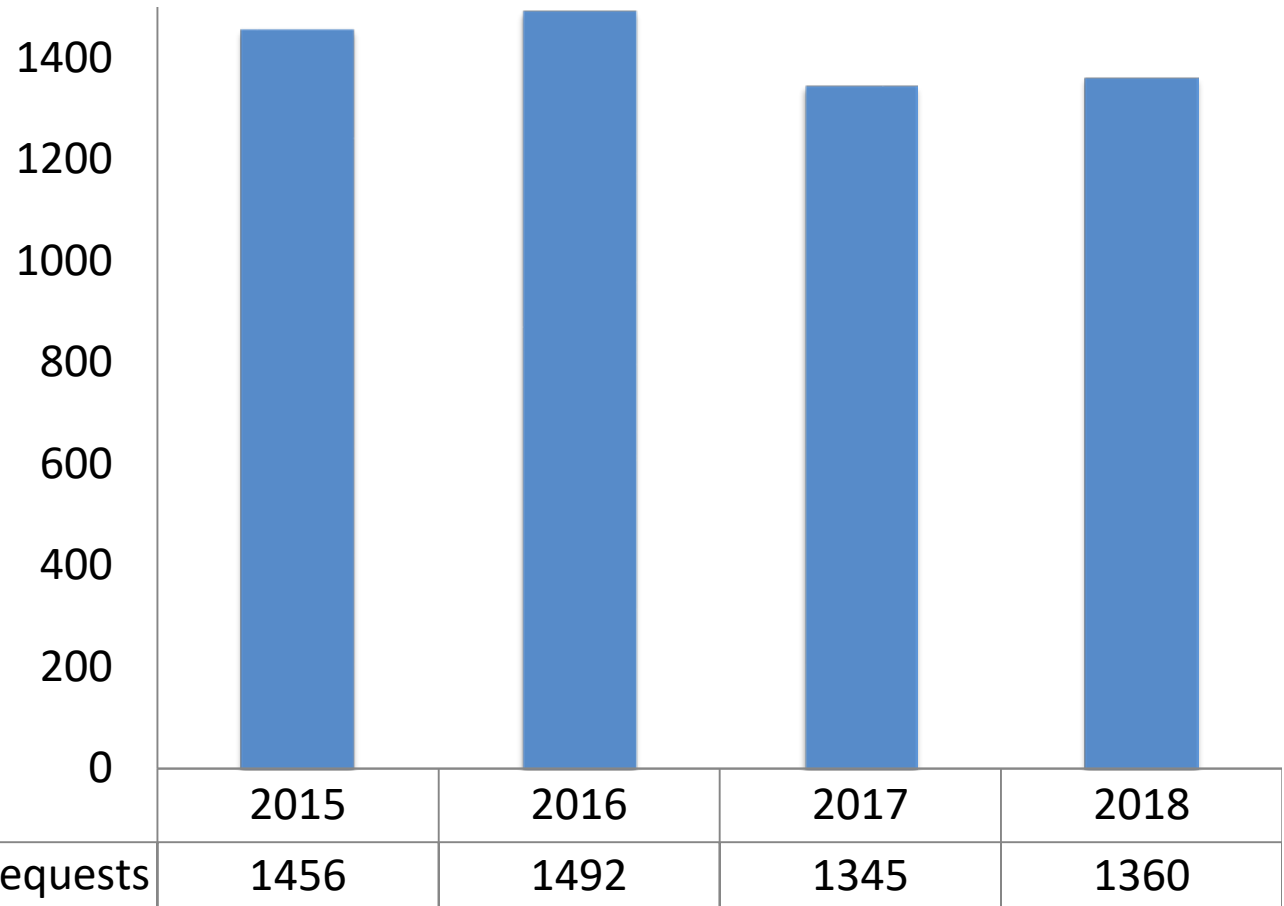
Appeal decided in 4 months



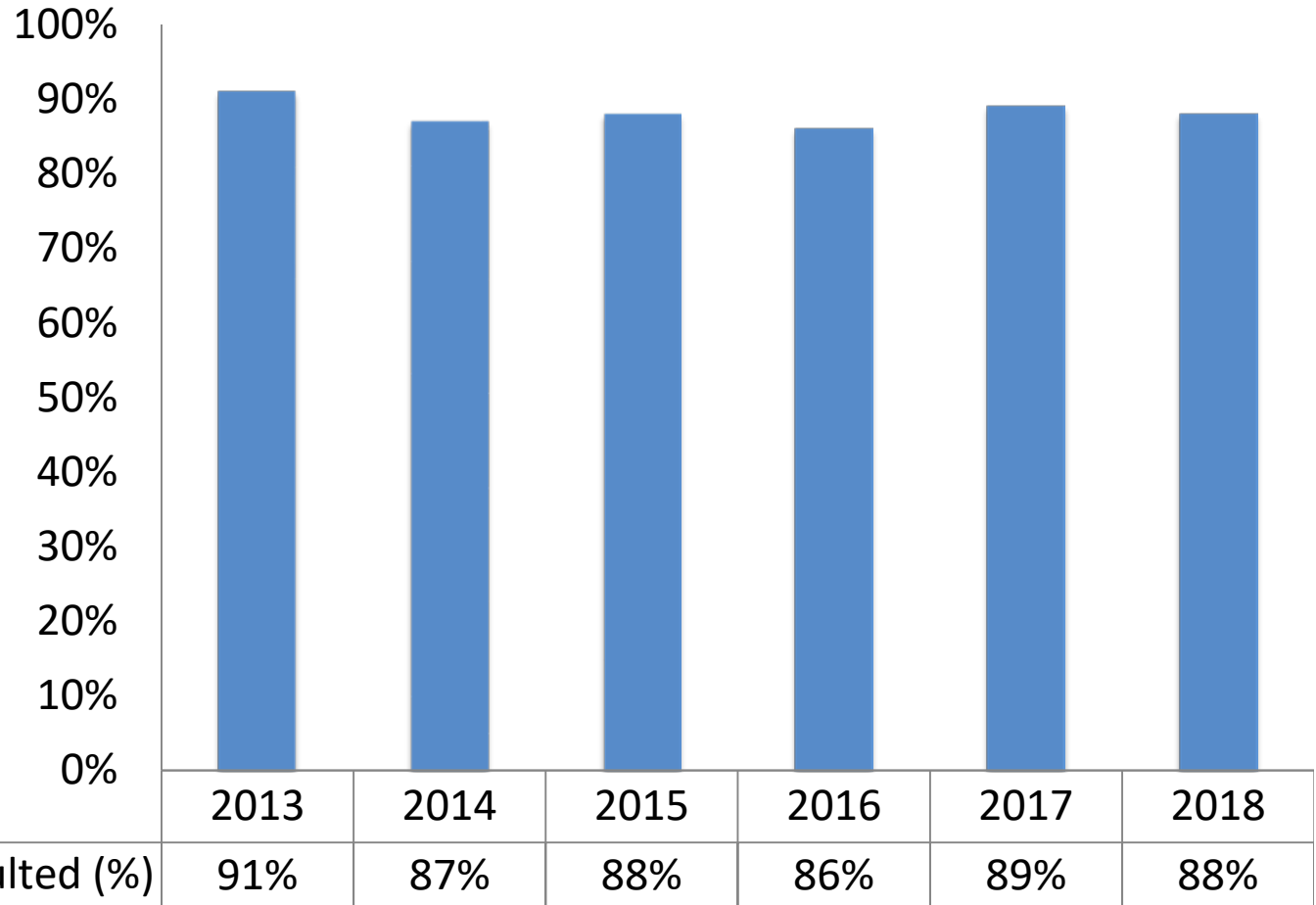
Hearing Locations



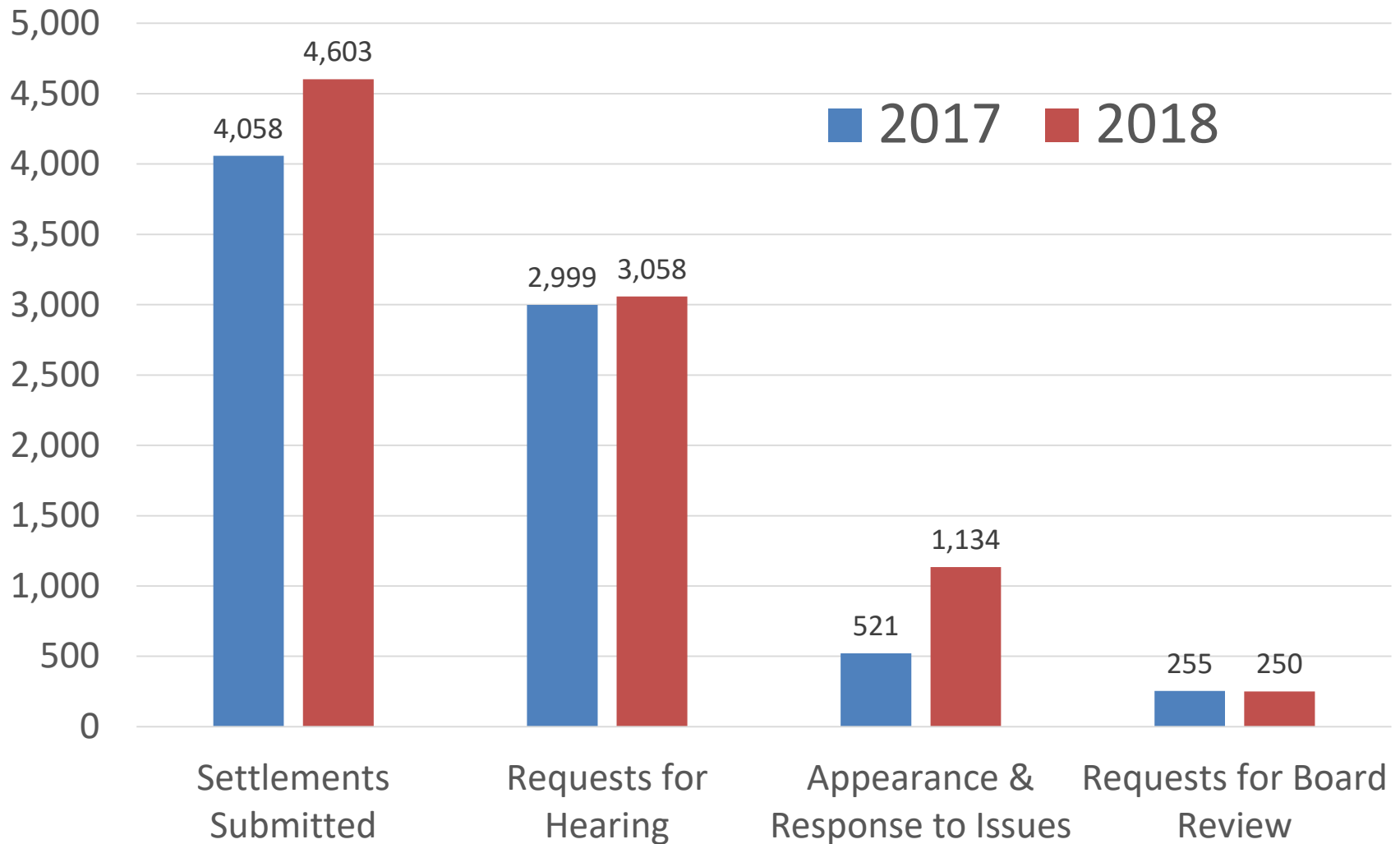
Access to Justice – Interpreters provided



Successful dispute resolution program



WCB Portal Activity – 2017 and 2018





**CONSUMER
PROTECTION
AND SAFETY**



Division of Financial Regulation

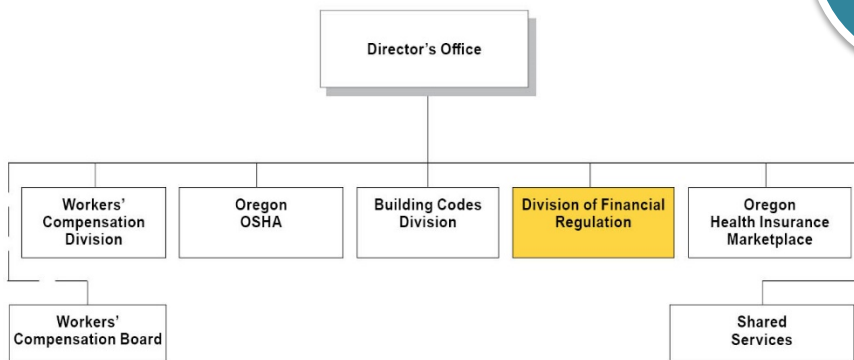
Financial Regulation

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

Phone calls from consumers through third quarter 2018: 9,451

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



- Money recovered for consumers (2017): \$3.7 million
- Anticipated transfers to General Fund (2019-21): \$178 million

Division of Financial Regulation

Accomplishing the mission

- Enhance compliance and enforcement programs through stronger market intelligence
- Through the Oregon Reinsurance Program, continue to help the health insurance industry keep individual health plan premium rates lower than if program did not exist

Division of Financial Regulation

Accomplishing the mission

- Protect consumers by monitoring safety and soundness of financial institutions
- Strengthen consumer protections by:
 - Requiring mortgage loan servicers to obtain and renew license and ensure compliance with the law
 - Requiring debt buyers to register with the division and actively respond to consumer complaints

Division of Financial Regulation

Accomplishing the mission

- Increase investigations of financial elder abuse following implementation of SB 95 (2017)
- Increase and diversify partnerships with and visits to community advocates and senior centers around the state
- Strengthen consumer protection through statewide education and outreach in partnership with public and private entities, especially around protecting seniors and others from becoming victims of financial fraud

Charters/Licensees/Registrants

	Total as of 12/31/18	Complaints CY 2018	Exams CY 2018
Insurance companies	1,637	3,232	7
Insurance producers (salespersons)	89,694		
Banks and trusts	17	38	16
Credit unions	21	99	16
Mortgage lenders	782	204	124
Loan originators	9,917		
Mortgage servicers	175		
Securities investment advisors/broker dealers	3,604	43	58
Securities sales representatives	152,158		
Other programs (including payday/title, pawnbrokers, collection agencies)	1,874	173	106

Division of Financial Regulation

Insurance Stabilization

Policy Option Package No. 102

- The Oregon Reinsurance Program was established in 2017 to stabilize rates and premiums for individual health benefit plans and provide greater financial certainty to health insurance consumers in Oregon
 - For 2018 and 2019 plan years, the program kept rates from increasing by 6%



Health Insurance Marketplace

Health Insurance Marketplace

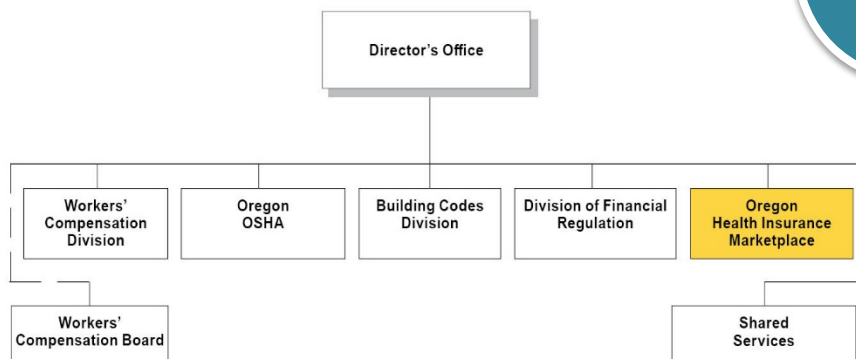
Help Oregonians enroll in health insurance that best fits their needs

Enrollment

*More than 148,000
for 2019 coverage
via HealthCare.gov*

(2018: More than 156,000)

- Ensures health insurance plans comply with current federal and state consumer protections
- Supports a network of free and local community partners and agents to help Oregonians enroll
- Raises awareness among Oregonians on their health insurance options
- Provides seamless enrollment support to Oregonians in the commercial market and on Medicare



Health Insurance Marketplace

Accomplishing the mission

- Drive enrollment in the individual market by retaining enrollees and targeting uninsured and those eligible for financial assistance
- Train local community partners and Senior Health Insurance Benefits Assistance (SHIBA) volunteers
- Educate Oregonians and connect them with local help for enrolling in private health insurance and Medicare

Health Insurance Marketplace

Accomplishing the mission

- 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

Senior Health Insurance Benefits Assistance (SHIBA)

- Provides specialized Medicare counseling and advocacy by certified counselors
- Works with community partners to establish and maintain local county counseling sites that deploy more than 200 volunteer counselors
- Provides assistance to more than 22,000 Oregonians per year on Medicare-related issues



Health Insurance Marketplace

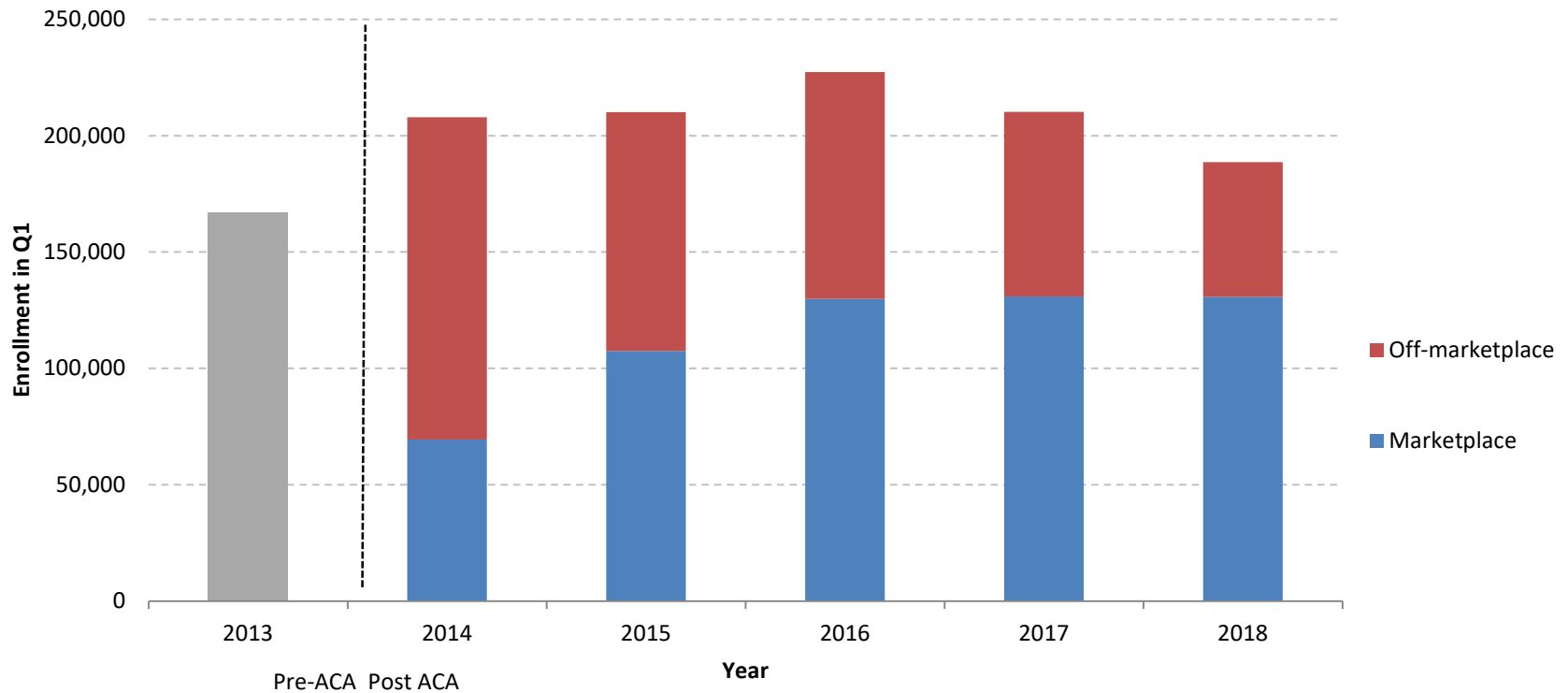
COFA Premium Assistance Program

- Citizens of Palau, Marshall Islands, and Federated States of Micronesia living in U.S. under the Compact of Free Association (COFA) are not eligible for Medicaid.
- Legislature established the COFA Premium Assistance Program in 2015
- Program ensures low-income COFA islanders in Oregon can buy and use a marketplace qualified health plan with the help of financial assistance (payments for premiums and in-network out-of-pocket costs)

Health Insurance Marketplace

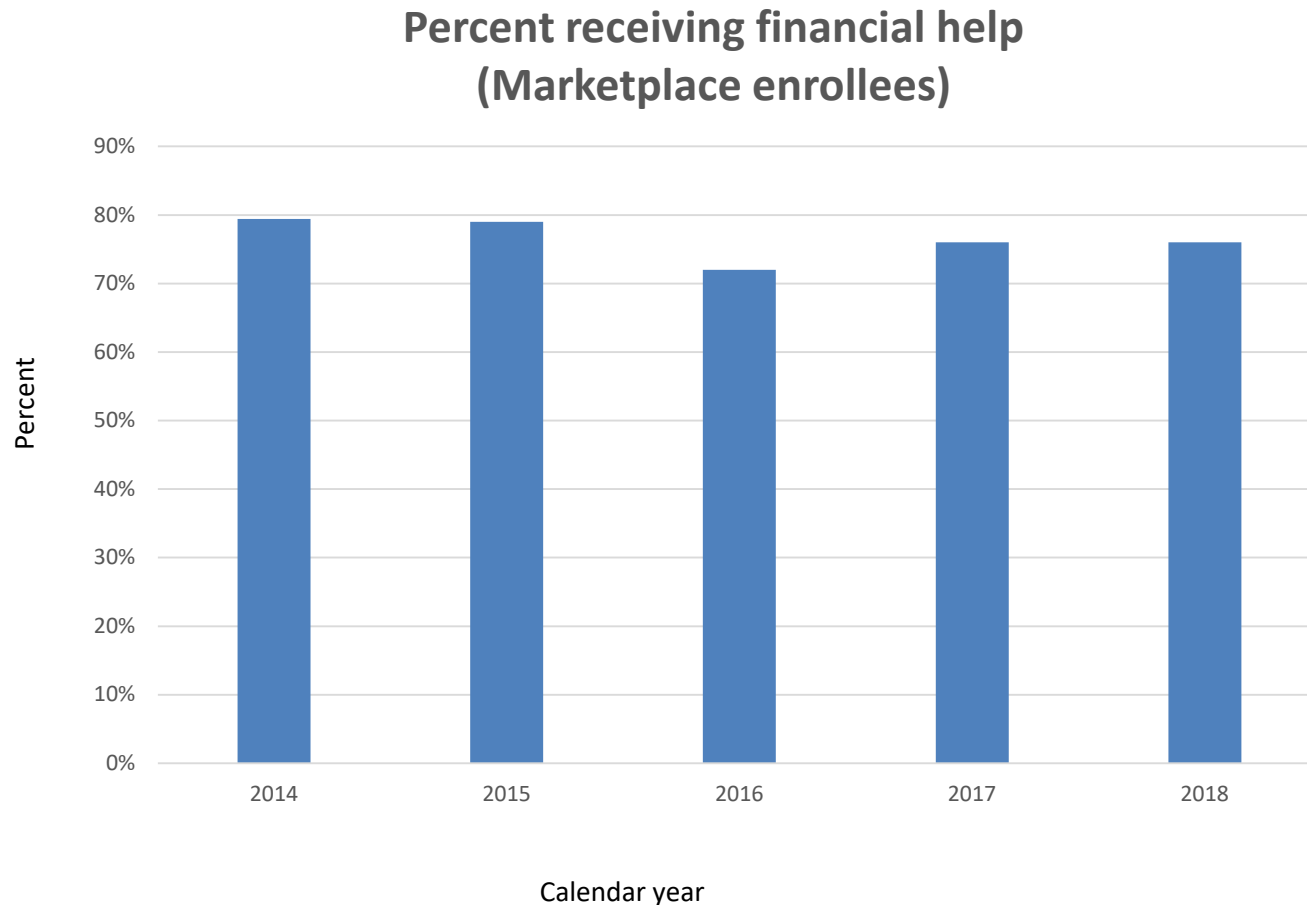
Most people buying insurance go through the marketplace

Individual market enrollment



Health Insurance Marketplace

Most people who use marketplace get financial assistance



Health Insurance Marketplace

COFA Premium Assistance Program Policy Option Package No. 103

- Continues to provide Medicaid-like benefits and funding for medical insurance premiums and out-of-pocket costs to COFA citizens in Oregon.
- In 2017, this first-in-the-nation program paid \$186,382 for premiums and out-of-pocket costs. Plans held by program enrollees paid \$1,768,758 in in-network medical claims.
- Requests for \$1,906,627 (General Fund) and continuous appropriation to provide benefits.



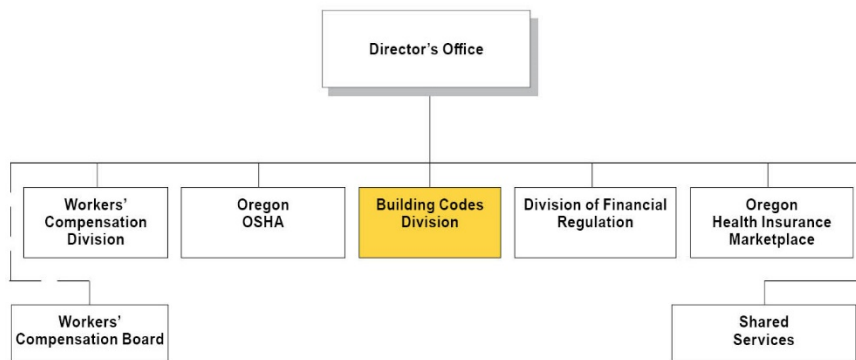
Building Codes Division

Building Codes Division

Set uniform standards

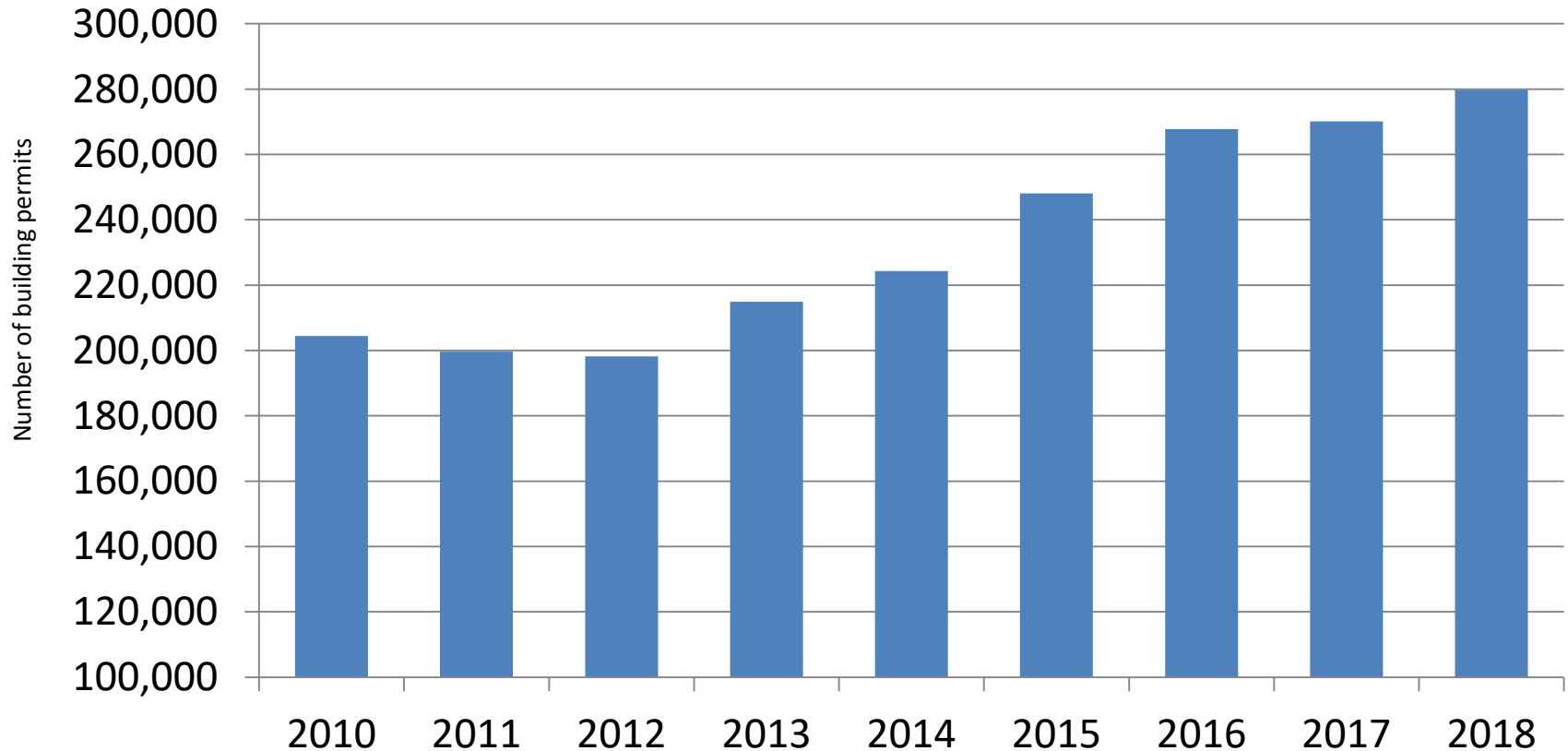
Oversee 130 city and county building departments

- 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

- Support economic growth by providing businesses with timely code interpretation, dispute resolution, and inspection services
- Continue implementation of ePermitting program, as well as the piloting of eVideo inspections to expand options for contractors
- Continue development of mobile applications (apps) to expand capacity for businesses to purchase permits and schedule inspections

Building Codes Division

Accomplishing the mission

- Continue to enforce the statewide code by ensuring building officials are applying the code in a consistent way
- Help develop a highly trained and efficient workforce by realigning inspector certification requirements and delivering inspector training in innovative ways
- Hire next group of trainees from local Career Technical Education Center
- Continue to provide Web-based continuing education program opportunities for inspectors, planners, designers, and contractors



QUESTIONS?