

# Department of Consumer and Business Services

*Oregon's largest business regulatory and  
consumer protection agency*

**Written Narrative**  
**Ways and Means Subcommittee on**  
**Transportation and Economic Development**  
**April 7 and 12, 2021**

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## Department of Consumer and Business Services

The Department of Consumer and Business Services is Oregon's largest consumer protection and business regulatory agency. We are a resource to consumers and businesses in areas involving:

- Building safety
- Workplace health and safety
- Financial services (insurance, investments, Oregon-chartered banks and credit unions, consumer finance companies, mortgage lenders, pawnbrokers, payday lenders)
- Health care enrollment

## DCBS mission

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

## What we do

All Oregonians are affected by the work we do at the Department of Consumer and Business Services.

From safe workplaces, to safe and fair banking, investments, and insurance, to safe building practices, to support for injured workers, and working to increase insurance coverage for all Oregonians, we wear a number of different hats at DCBS.

We regulate and oversee financial services, both from a consumer protection standpoint and one of safety and soundness of those financial institutions, including banks, credit unions, insurance companies, nondepository programs, and securities.

We oversee the worker protection system. This includes Oregon OSHA, as well as the Workers' Compensation Division, and our Ombudsman programs for small businesses and injured workers. We provide services and support to the Workers' Compensation Board, which provides timely dispute resolution.

We set state construction standards, and license building trades workers and building code inspectors.

The Oregon Health Insurance Marketplace is Oregon's health insurance exchange that helps Oregonians who do not qualify for the Oregon Health Plan or do not receive insurance through their employer find insurance through the open marketplace, often with subsidies, as we work to increase access to health care for all Oregonians.

## DCBS supports consumers and businesses

We support a positive business climate and help the business community while also protecting consumers. These are not mutually exclusive. There is a strong symbiotic relationship between a safe and robust business environment and consumer protection. Some examples include:

- Oregon's Reinsurance Program allows for lower insurance rates for consumers and greater security for insurance companies.
- Our workers' compensation system has some of the lowest rates in the country, which is great for employers, while providing robust benefits to those who are injured on the job. Also, the Ombudsman for Injured Workers and the Small Business Ombudsman provide Oregon's workers with help and resources when they are injured and help small businesses make sure they have workers' compensation insurance, respectively.

- Oregon OSHA's consultation services helps employers find ways to improve workplace safety, which can save businesses money and keep employees safe and save lives.
- The Division of Financial Regulation's innovation hub and innovation liaison help insurance, financial, and technology companies bring innovative products, services, and tools to Oregonians.

## Engaging and empowering diverse communities in Oregon

The Department of Consumer and Business Services is committed to providing Oregonians with equal access to its programs and services and fair and equal employment opportunities.

We are dedicated to making our programs available to all Oregonians and that means finding different ways to connect and communicate with Oregonians.

In response to the wildfires in fall 2020, team members from the Division of Financial Regulation and our Multicultural Communications Program who speak Spanish

went to Medford as guests of the Mexican consulate and spoke with hundreds of families to answer questions about homeowners and renters insurance claims, as well as how to obtain paperwork that might have been lost in the fires for manufactured home insurance claims.



Each month, we publish information about the services provided by the division in different languages in community newspapers, and we participate in radio and television programming in Spanish, and outreach via social media platforms in five different languages. We collaborate with community organizations and partners, including the Consulate of Mexico, and we have partnerships with tribes in Oregon.

Oregon OSHA hosted the states' first Spanish-language workers' safety conference in 2019, which had excellent turnout, including attendees who traveled from Washington and California to attend this event.



Targeted toward workers, all of the presentations were in Spanish and focused on helping workers understand their rights and know that there is recourse if their employer is not complying with workplace safety standards.

We offer financial literacy resources for Oregonians and advocate for fair treatment and equity in banking, lending, and insurance practices.

We are members of the Governor's Racial Justice Council and we have a strong Diversity, Equity,

and Inclusion Council at DCBS that provides learning and growth opportunities for our team, as well as guidance for our department.

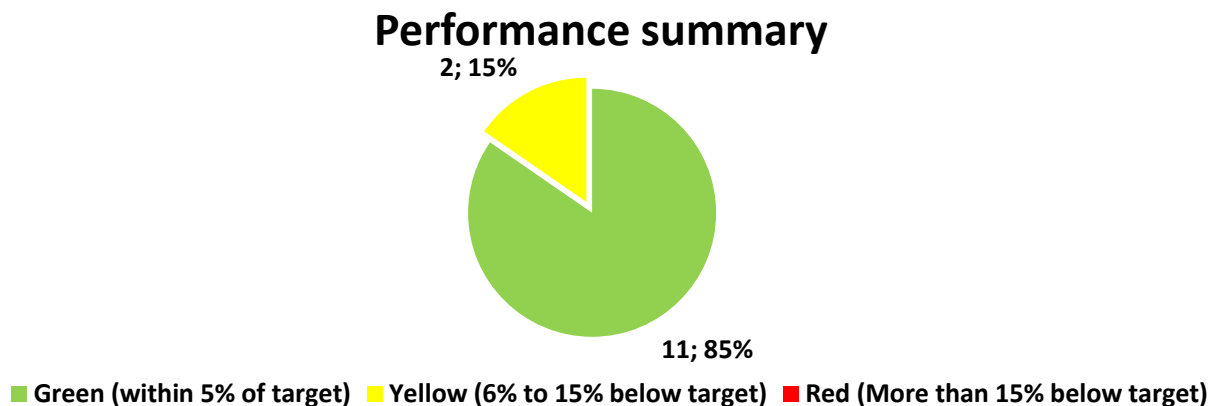
# Key performance measures and outcomes

## Performance summary

DCBS uses key performance measures to set goals and assess progress toward those goals. With the help of DCBS staff, stakeholders, and interested people, we have developed 13 key performance measures that were adopted by the legislature. These measures help us gauge our progress in key areas toward meeting our mission and goals, as well as to help us develop strategies for improvement.

We have many internal measures of performance, but we have identified these 13 measures as key measures because they represent significant activities we perform to accomplish our goals. The measures reflect the activities and operations of all divisions within DCBS. Note: In a previous review of these measures, measure No. 7 was removed and measure No. 14 was added. It is more effective to remove a number and add a new one to keep the record and number for existing measures consistent.

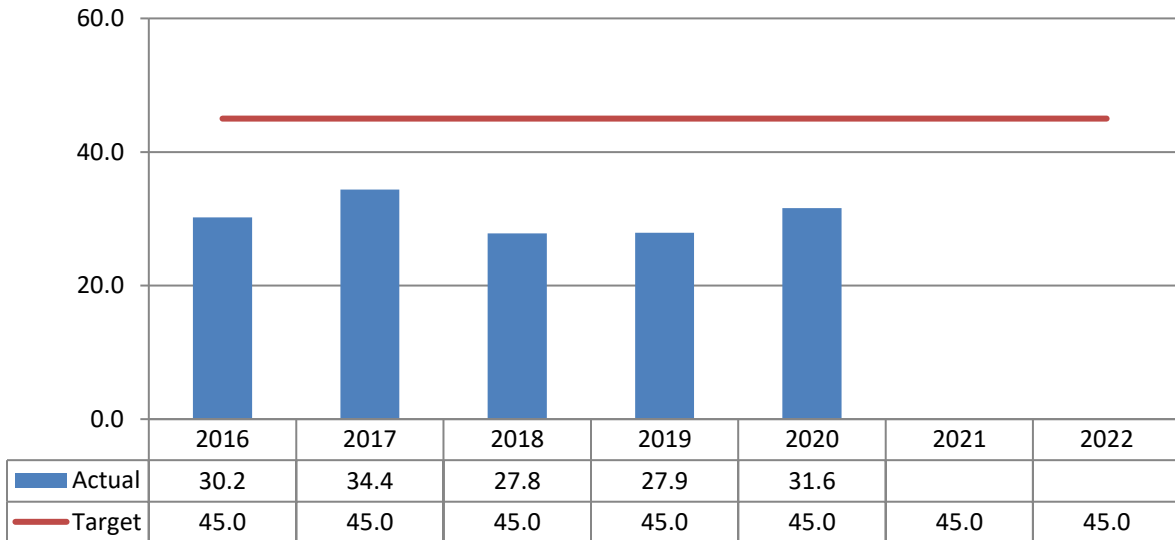
Most of the key performance measures for DCBS are within 5 percent of target. There are two that fall in the 6 percent to 15 percent of target range. An explanation of those measures is detailed below. There are no key performance measures that fall into the 15 percent or greater range outside of their target.



## Key performance measure 1 – Average customer response time (days)

This measure demonstrates the ability for the Division of Financial Regulation to communicate with external customers in a timely manner. The goal is a number less than the target.

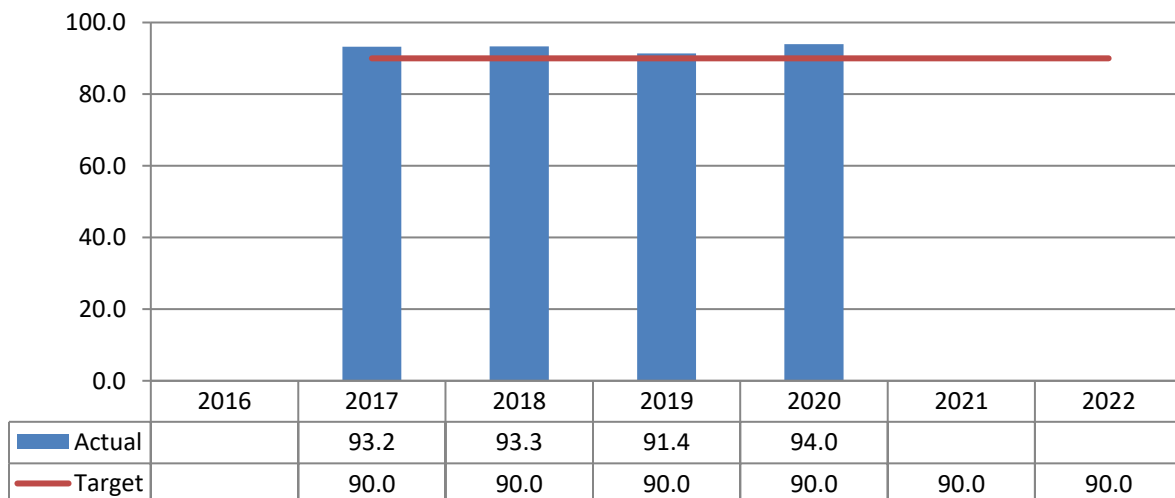
**KPM#1 - Average customer response time (days)**



## Key performance measure 2 – Percent of licensees receiving satisfactory exam score

This measure gauges licensees receiving a satisfactory examination score from the Division of Financial Regulation. The goal is a number higher than the target.

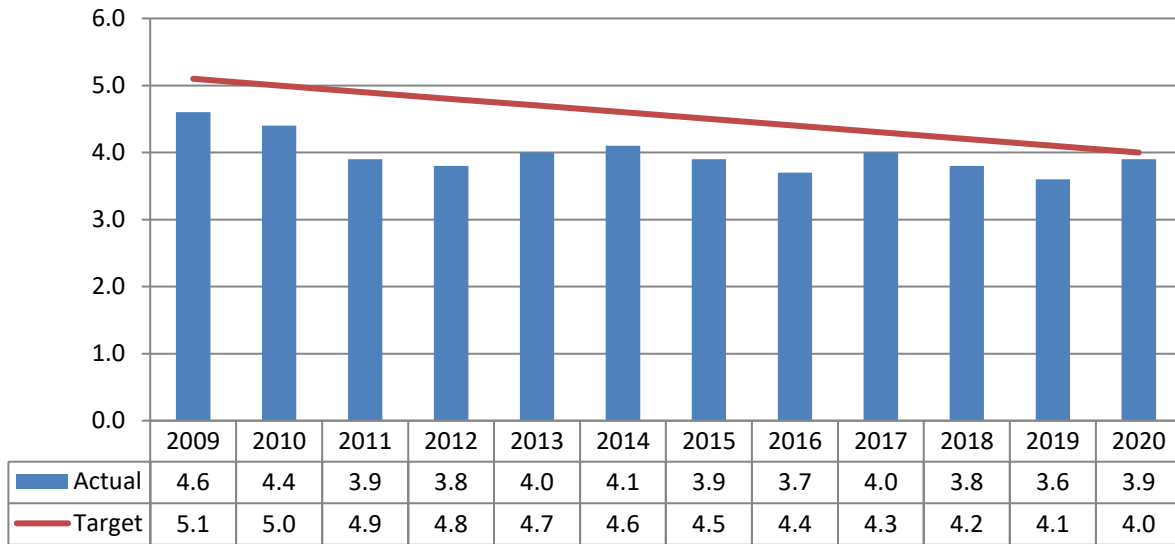
**KPM#2 - Percent of licensees receiving satisfactory exam score**



### Key performance measure 3 – Number of occupational injury and illness cases per 100 full-time workers

This measure gauges the number of injuries and illnesses cases (that resulted in one or more days away from work) per 100 full-time workers. The goal is a number less than the target.

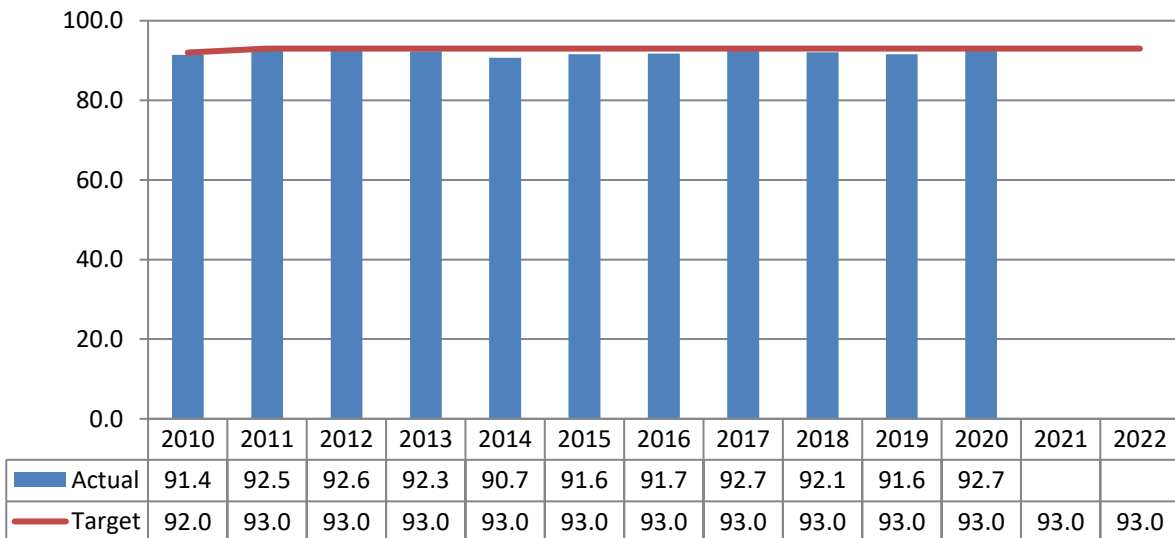
**KPM#3 - Number of occupational injury and illness cases per 100 full-time workers**



### Key performance measure 4 – Percent of injured workers who receive timely benefits from insurers

This measure tracks the timeliness of benefit payments by insurers to injured workers, using the number of applicable timely payments of benefits by insurers to injured workers. The measurement includes timely payments of time loss, permanent disability, death benefits, and worker reimbursements. The goal is a number higher than the target.

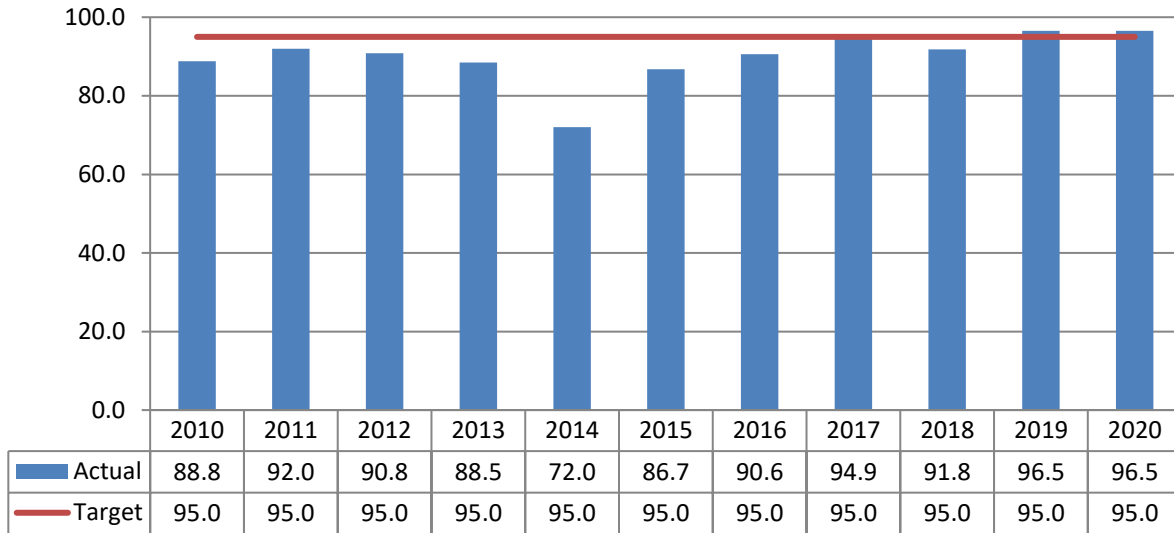
**KPM#4 - Percent of injured workers who receive timely benefits from insurers**



## Key performance measure 5 – Percent of injured workers who receive accurate benefits from insurers

This measure tracks the number of applicable accurate payments of benefits by insurers to injured workers. The measurement includes accurate payments of: time loss, permanent disability, death benefits, and worker reimbursements. The goal is a number higher than the target.

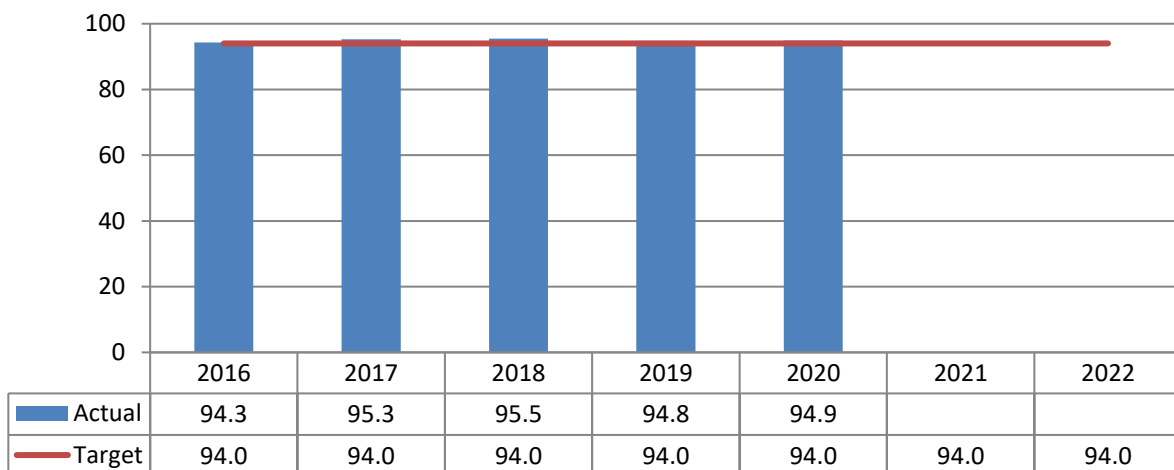
**KPM#5 - Percent of injured workers who receive accurate benefits from insurers**



## Key performance measure 6 – Percent of re-employment from workers with disabling injuries from those without disabling injuries

This measure gauges injured worker re-employment by tracking the difference in percentage from workers with disabling injuries from those without disabling injuries. The goal is a number higher than the target.

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

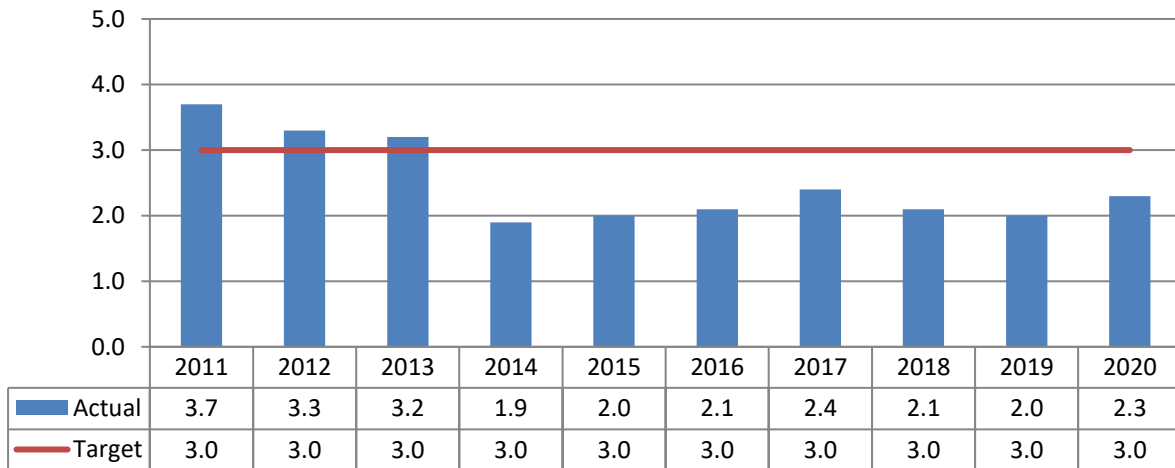




## Key performance measure 8 – Number of claims against employers without workers’ compensation coverage per 1,000 claims

This measure gauges the results of Workers’ Compensation Division regulation aimed at reducing employer noncompliance. The measure is a proxy measure that helps DCBS evaluate the proportion of employers who carry coverage. The goal is a number less than the target.

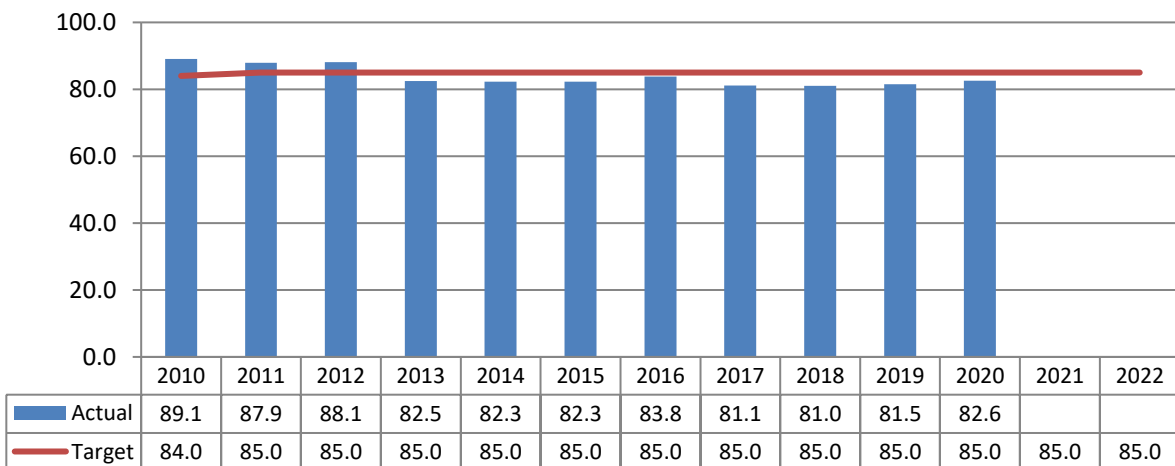
**KPM#8 - Number of claims against employers without WC coverage per 1,000 claims**



## Key performance measure 9 – Percent of workers’ compensation insurers meeting standards for benefit delivery and reporting

This measure gauges the percentage of regulated entities operating in compliance with the governing laws and regulations of Oregon. The goal is a number higher than the target.

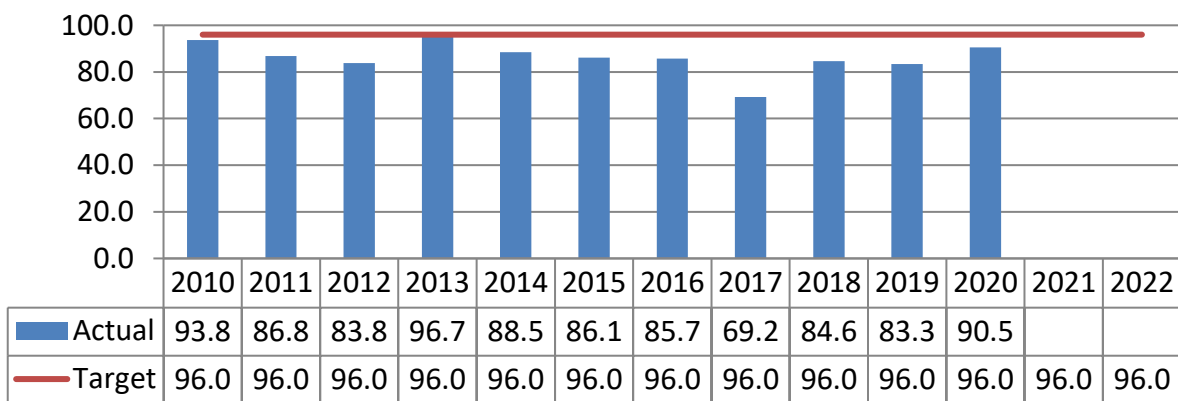
**KPM#9 - Percent of WC insurers meeting standards for benefit delivery and reporting**



## Key performance measure 10 – Percent of Workers’ Compensation Board decisions affirmed on appeal to the judiciary

The performance of this measure is higher than it has been in the past six years. Depending on the number of board decisions that are appealed and then affirmed on appeal to the judiciary, a few overturned cases can significantly skew this measure. Unlike other measures where it may be possible to continually move toward higher levels of achievement, a certain amount of flux is to be expected because of the nature of the board and the judicial system. Appeals are built into this system to provide fair process and redress. The purpose of this KPM is to track the percentage of decisions made by the board that are affirmed on appeal by the judiciary and to monitor for significant discordance between the decisions of the board and the judiciary. The goal is a number higher than the target.

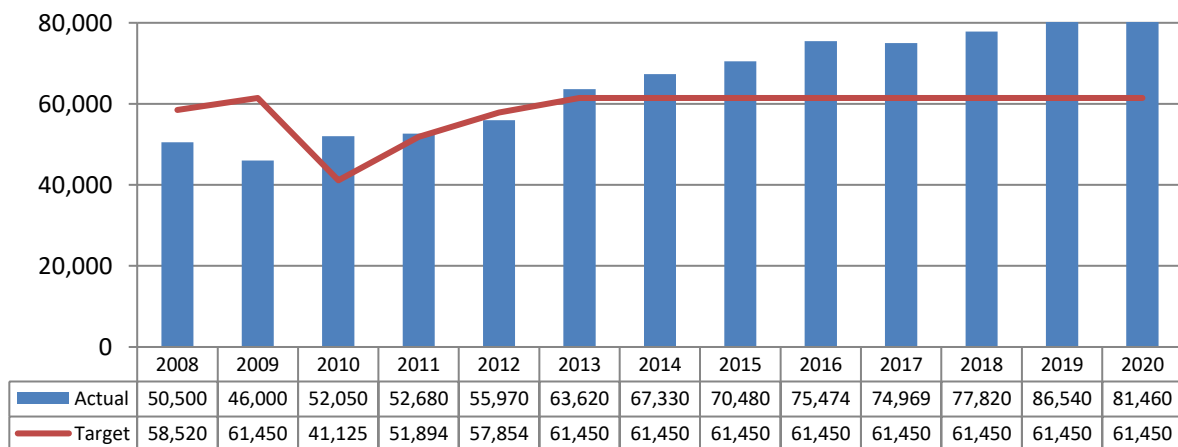
**KPM#10 - Percent of Workers' Compensation Board decisions affirmed on appeal to the Judiciary**



## Key performance measure 11 – Number of building permits sold that can be used by contractors in multiple jurisdictions for minor construction work

This measure demonstrates progress towards the Building Codes Division’s goal of providing contractors with a quicker, cheaper and more simple process for permit applications on minor construction activity that is consistent statewide. The goal is a number higher than the target.

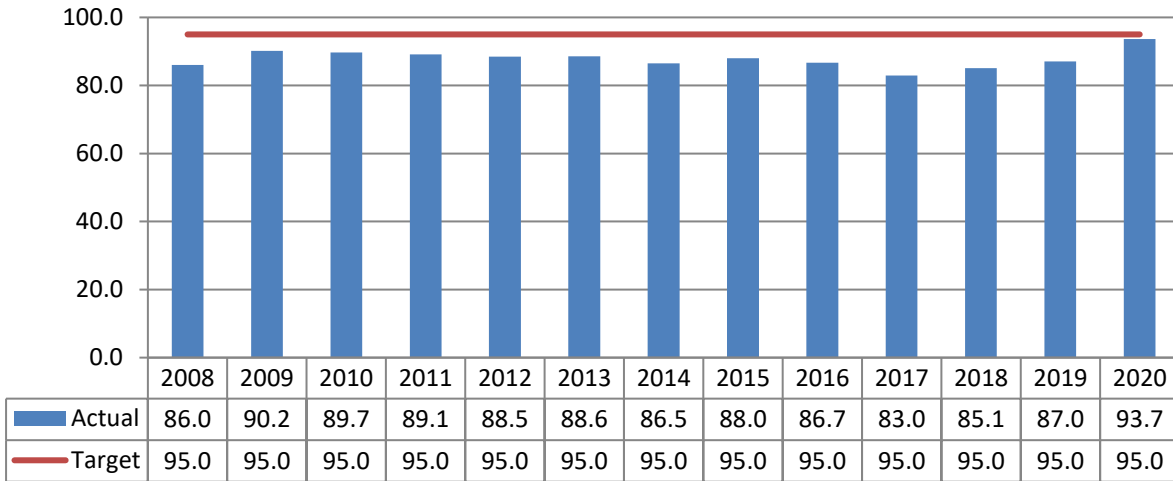
**KPM#11 - Number of building permits sold that can be used by contractors in multiple jurisdictions for minor construction work**



## Key performance measure 12 – Percent of timelines for key department activities that are met

This measure demonstrates DCBS' commitment to timely and efficient service to customers as reflected in responsiveness of staff as they carry out key department activities. The goal is a number higher than the target.

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



## Key performance measure 13 – Percent of customer transactions completed electronically

This is an unweighted average across all DCBS divisions. Some divisions are better positioned to accept electronic transactions, while others are not. The goal is a number higher than the target.

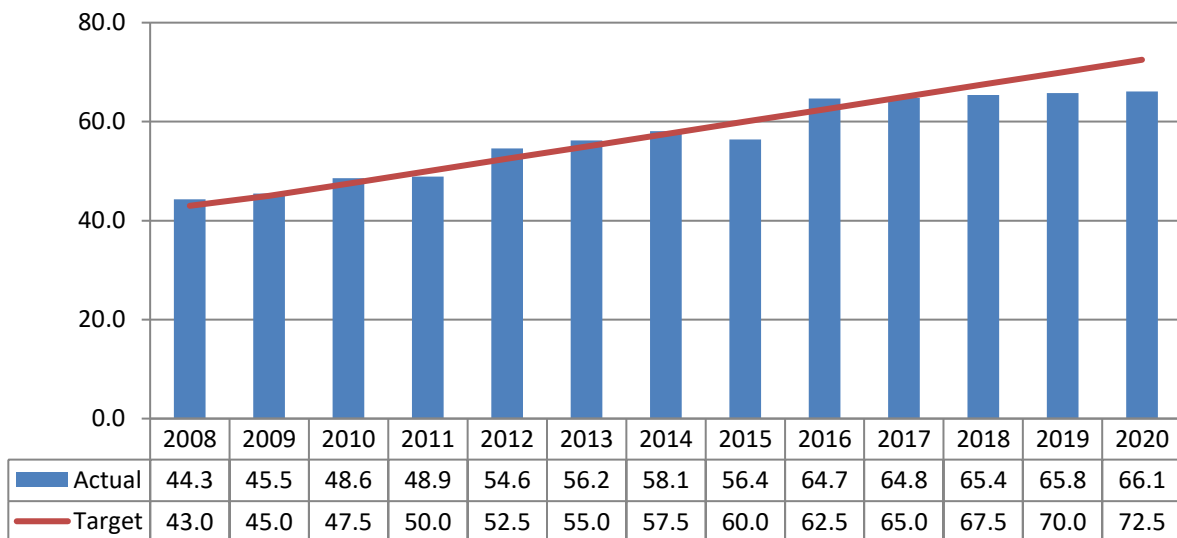
There are more than 100 data systems counted in this measure with more added each year. New systems that come online are likely to be oriented to accepting electronic transactions, but our many legacy systems cannot easily make the transition. The target goes up by 2.5 percentage points a year. With the legacy systems in place, this increase makes it increasingly difficult to achieve compliance with this measure's target. Changes to these legacy systems require significant amounts of time and money and in some cases barriers to conversion are statute based.

The plateau in numbers is caused by these legacy systems, not new systems. When the measure was created, there was a different mentality about accepting electronic transactions. Now, all new systems are designed by default to accept them.

Legacy systems that rely heavily on physical transactions include:

- Premium assessment reporting in the Central Services Division
- Manufactured structures in the Building Codes Division
- Request for hearings at the Workers' Compensation Board
- Workers' compensation claims in the Workers' Compensation Division

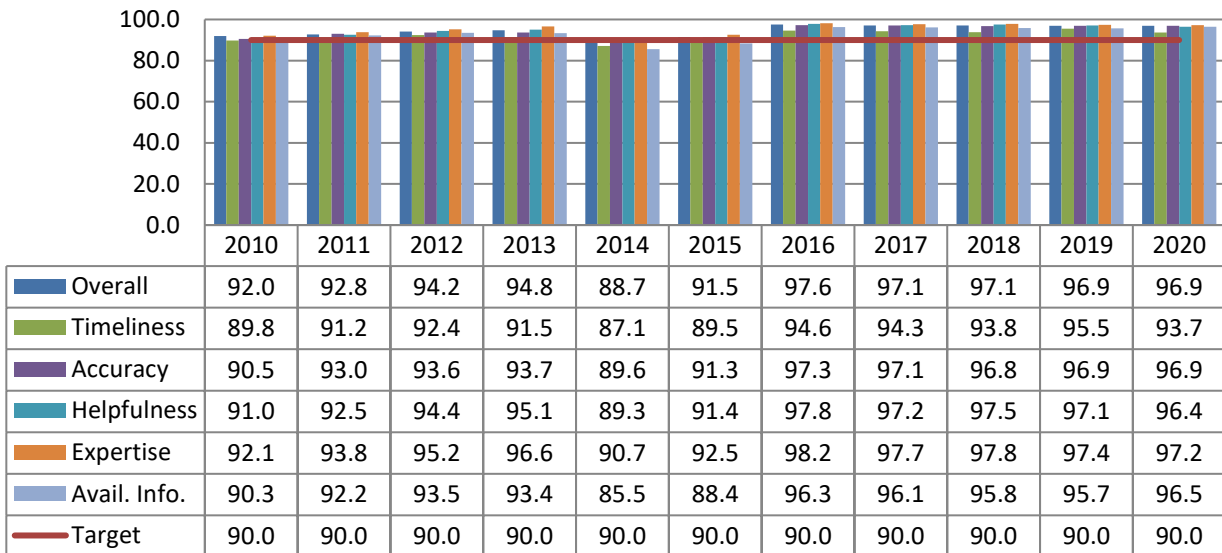
**KPM#13 - Percent of customer transactions completed electronically**



## Key performance measure 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

This measure demonstrates the DCBS commitment to timely and efficient service to customers as reflected in responsiveness of staff as they carry out key department activities. The goal is a number higher than the target.

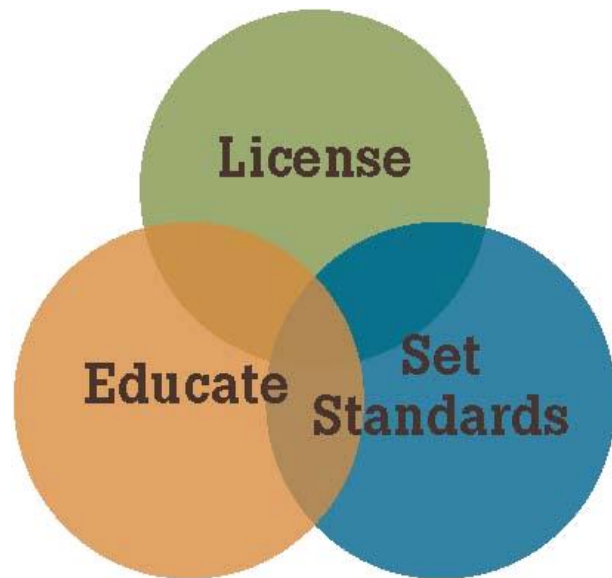
**KPM#14 - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information**



## License, charter, and examine

DCBS provides licenses and charters, and conducts examinations in a number of different fields, including:

- 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 and pharmacy benefit managers
- Self-insured employers in workers' compensation



In August 2020, the Building Codes Division and the Electrical and Elevator Board created a reciprocal agreement between Oregon and Washington allowing general journey-level electricians who have obtained a license in one state to apply for a license in the other state without having to take an examination for the reciprocal license under certain conditions.

With more than 400 miles of shared border between the two states, this is a win-win for people who live in border regions and will now have greater access to licensed journey-level electricians. It also simplified the path to licensure for these electricians who had already completed similar certificates and apprenticeship hours in one state without having to duplicate those efforts in another state.

## Set and enforce standards

DCBS sets standards and enforces those standards that affect consumers and businesses in many fields, including:

- 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 and advocate

Providing information, education, and advocacy is how we actively work to keep Oregonians safe, to help them thrive, avoid harm, and connect with health insurance or Medicare counseling.

Examples include:

- Workplace safety workshops and virtual training opportunities
- Outreach for investors and 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 worker advocacy
- Education and outreach about various types of insurance and other financial services
- Public education on building code, licensing, and permitting standards; inspector training



## Using social media for education and advocacy

**Oregon Department of Consumer and Business Services** • Published by Sara Keck 191 · September 16

Then, you might be eligible for the COVID-19 Temporary Paid Leave Program. If you are required to quarantine because of potential exposure to COVID-19, but do not receive paid sick leave through your employer or your employer is exempted from the Families First Coronavirus Response Act's emergency paid sick leave requirement, you may be eligible to receive up to \$1,200 for the time that you are required to quarantine, but are unable to work. Go to [oregon.gov/covidpaidleave](https://oregon.gov/covidpaidleave) for details about this program.

**Have you been exposed to COVID-19 and need to quarantine, but your employer doesn't provide paid sick leave?**

[Oregon.gov/covidpaidleave](https://oregon.gov/covidpaidleave) DCBS Consumer and Business Services

COVID-19 Temporary Paid Leave Program social media post Sept. 16 – 20,068 people reached.

Oregon Health Insurance Marketplace – Open Enrollment campaign in English and Spanish

**Oregon Health Insurance Marketplace** • Published by Sara Keck 191 · November 23, 2020

¿Va a comprar su propio seguro médico? Puede ser elegible para recibir ayuda financiera. Aprenda cómo la cobertura del Mercado ayuda a Maribel, una emprendedora. Descubra qué cobertura y ahorros puede obtener: [CuidadoDeSalud.gov](https://CuidadoDeSalud.gov)

See Translation

[CuidadoDeSalud.gov](https://CuidadoDeSalud.gov)

[WWW.CUIDADODESALUD.GOV](https://www.cuidadodesalud.gov)  
La historia del seguro médico de Maribel

Learn More

**Oregon Department of Consumer and Business Services**  
Published by Sara Keck · March 13

SCAM ALERT: If you receive an email, call, or text message from someone pretending to with the International Finance Cooperation for Needy Families Supports (IFCNFS) do not respond. It is a scam.

Follow these tips to avoid financial scams:

- Do not give out personal information by phone, email, or text message.
- Be careful opening emails, clicking on links, or downloading files regardless of the sender... See More



13,897 People Reached    2,086 Engagements    [Boost Again](#)

Umatilla County – Floods – Scam Alert 13,897 people reached and 2,086 engagements reached.

**Oregon OSHA**  
Published by Bodie Crist · July 17

We've heard there is misinformation about businesses and the mask mandate and statements that were attributed to our office. We want to share the facts with you. Face coverings are required in outdoor public spaces when physical distancing is not possible. Masks, face shields and face coverings are currently required statewide for indoor public spaces. People with a disability or medical condition may request accommodation from the business if they cannot wear a mask, face sh... See More

<p><b>Oregon OSHA Q&amp;A</b> Business owner requirements</p> <p>Q: Will you visit a business owner or that their owner if a person gives you their business without a mask?</p> <p>A: No. Business owners need to show they are trying to comply. If we get a complaint, we are required to respond to it. Usually, if an employer, the business owner knows what they should be doing, and the business owner is trying to comply with what steps they have taken to enforce the requirement.</p>	<p><b>Oregon OSHA Q&amp;A</b> Business owner requirements</p> <p>Q: Do business owners have to wear a mask if they are not wearing a mask?</p> <p>A: Business owners should not be wearing face coverings. We want to see you comply with your own business with respect to the mask mandate. We are not required to wear a mask if we are not wearing a mask. We are not required to wear a mask if we are not wearing a mask. We are not required to wear a mask if we are not wearing a mask.</p>	<p><b>Oregon OSHA Q&amp;A</b> Business owner requirements</p> <p>Q: Do business owners need to be vaccinated and follow the mask mandate?</p> <p>A: Business owners should not be vaccinated. We are not required to be vaccinated. We are not required to be vaccinated. We are not required to be vaccinated. We are not required to be vaccinated. We are not required to be vaccinated.</p>
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114,948 People Reached    25,023 Engagements    [Boost Post](#)

250    876 Comments 675 Shares

Oregon OSHA responses to misinformation about mask use 114,948 people reached, and 25,023 engagements reached.



# Division of Financial Regulation

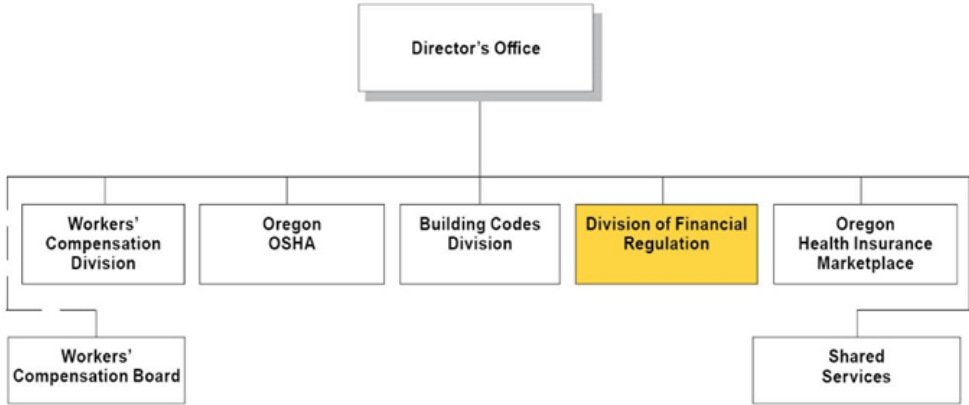
The Division of Financial Regulation recovered more than \$3.6 million for consumers, and received 13,684 phone calls and inquiries in 2020. The division anticipates \$146 million in transfers to the General Fund for 2021-23.

### 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



### DCBS organization chart



## About the Division of Financial Regulation

The Division of Financial Regulation protects consumers by monitoring the financial soundness of institutions and insurance companies. We also provide statewide consumer education and assistance focusing on financial literacy, home ownership, disaster preparedness, and scam prevention.

These are areas that can affect the financial future of all Oregonians, and these are also important issues of equity. There is a disparity in generational wealth, home ownership, adequate insurance coverage, and use of banking and saving products for underrepresented communities in Oregon including Native American, tribal members, Black, African American, Latino, Latina, Latinx, Asian, Pacific Islander, linguistically diverse populations, and those with disabilities. Our consumer education and assistance efforts acknowledge the need to address these disparities through conscientious and appropriate outreach to underrepresented communities. We also evaluate the processes used by those we regulate looking for ways to bring greater equity into banking, lending, investment, and insurance processes.

The division also works on regulatory streamlining to simplify licensing and examinations processes in the state. Through the Oregon Reinsurance Program, the division has continued to help the health insurance industry keep individual health plan premium rates lower than if program did not exist. The division has also continued implementation of the Prescription Drug Price Transparency Program by reviewing reports on prescription drug price increases. Another way that we support Oregonians is by deterrence of financial abuse toward Oregonians through strong enforcement efforts.

## COVID-19 response

The Division of Financial Regulation issued an emergency order to the entire insurance market to provide relief in response to COVID-19. In addition, the division issued emergency orders to protect consumers who might not be able to pay insurance premiums due to lost income. The division also worked with health insurance companies to create telehealth agreements to provide expanded telehealth options at the same provider reimbursement rate as in-person health care services.

The COVID-19 emergency orders provided short-term relief to Oregonians in the early stages of the pandemic. The emergency orders required health insurance, life and disability insurance, property/casualty, and long-term care insurance to provide at least a one-time grace period for consumers to pay past-due premiums, and required insurers to pay claims for losses that occur during the grace period and before terminating coverage. The orders also extended all deadlines for reporting claims and other communications and provided members with communication options that meet physical distancing standards.

Throughout the pandemic the division has provided regulatory guidance to protect consumers and inform licensees. Guidance for consumers has been provided in both English and Spanish on the division's website. The division has also fielded consumer questions and done additional outreach to consumers during the pandemic to provide resources and information.

## Wildfires response

In response to wildfires the Division of Financial Regulation issued emergency orders to protect consumers and requiring insurance to provide relief to those affected. The division also reached a two-year rebuild agreement with insurers.

Outreach team members from the division were in the field within days to answer consumer questions at wildfire evacuation sites. In the months following the wildfires, DFR held virtual townhall meetings about the claims process, rebuilding process, insurance scams, and the importance of flood

insurance after a wildfire. The Building Codes Division and DFR partnered to create materials to help people access manufactured home ownership documents. DFR continues to provide ongoing support for consumer questions and complaints.

**Insurance Stabilization – Policy Option Package No. 105, 1.00 FTE, \$209,994,168 Total Fund (\$105,582,585 Other Fund and \$104,411,583 Federal Fund)**

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 plan years 2018-2021, the program kept rates from increasing by 6 percent each year.

**Serving consumers**

A breakdown for 2018 and 2019 of the services provided by the Division of Financial Regulation.

Calendar year	Consumer complaints resolved	Amount of recovered benefits	Phone calls and inquiries	Investigations	Enforcement actions
2018	3,876	\$4,217,290	12,440	309	111
2019	3,952	\$2,505,891	12,527	207	120

## Charters, licensees and registrants

An overview of the charters, licenses and registrations, and exams issued by the Division of Financial Regulation in 2019.

	Total as of 12/31/19	Complaints CY 2019	Exams CY 2019
Insurance companies	1,402	3,125	12
Insurance producers (salespersons)	140,367		
Banks and trusts	13	81	12
Credit unions	21	68	19
Mortgage lenders	830	339	136
Loan originators	10,341		
Mortgage servicers	178		
Securities investment advisors/broker dealers	3,245	53	57
Securities sales representatives	166,807		
Other programs (including payday/title, pawnbrokers, collection agencies)	2,024	170	89

# Oregon Health Insurance Marketplace

The Oregon Health Insurance Marketplace Helps Oregonians enroll in health insurance that best fits their needs. In 2021, more than 141,000 Oregonians have signed up to receive coverage via HealthCare.gov, and in 2020 more than 145,000 received coverage.

## About the Oregon Health Insurance Marketplace:

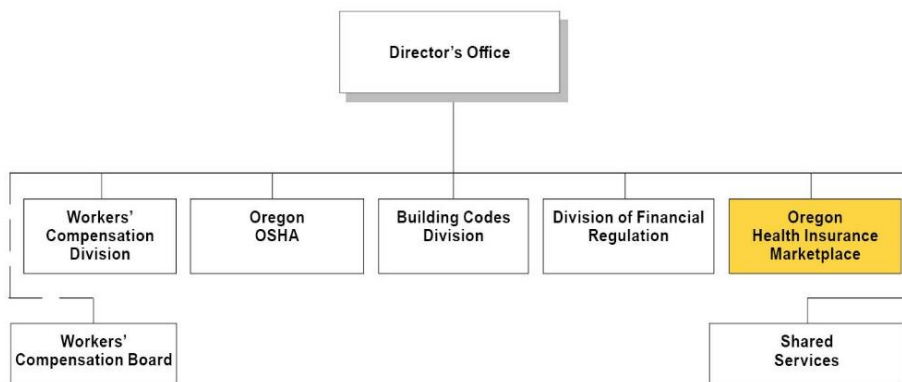
- Ensures health insurance plans comply with current federal and state consumer protections
- Supports a network of free and local community partners and agents to help Oregonians enroll
- Raises awareness among Oregonians on their health insurance options
- Provides seamless enrollment support to Oregonians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

## Enrollment

*More than 141,000 for 2021 coverage via HealthCare.gov*

(2020: More than 145,000)

## DCBS organization chart



## Helping Oregonians find insurance through OregonHealthCare.org

The Oregon Health Insurance Marketplace (OHIM) drives enrollment in the individual market by retaining enrollees and targeting uninsured and those eligible for financial assistance, as well as training local community partners and Senior Health Insurance Benefits Assistance (SHIBA) volunteers to educate Oregonians and connect them with local help for enrolling in private health insurance and Medicare.

The division ensures that the marketplace remains financially self-sufficient and works closely with consumer advocacy organizations and other stakeholders on policy and operations. The Oregon Health Insurance Marketplace also monitors federal activity to anticipate customer needs.

## Senior Health Insurance Benefits Assistance (SHIBA)

Senior Health Insurance Benefits Assistance (SHIBA) provides specialized Medicare counseling and advocacy by certified counselors and works with community partners to establish and maintain local county counseling sites that deploy more than 200 volunteer counselors.

SHIBA provides assistance to more than 22,000 Oregonians per year on Medicare-related issues.



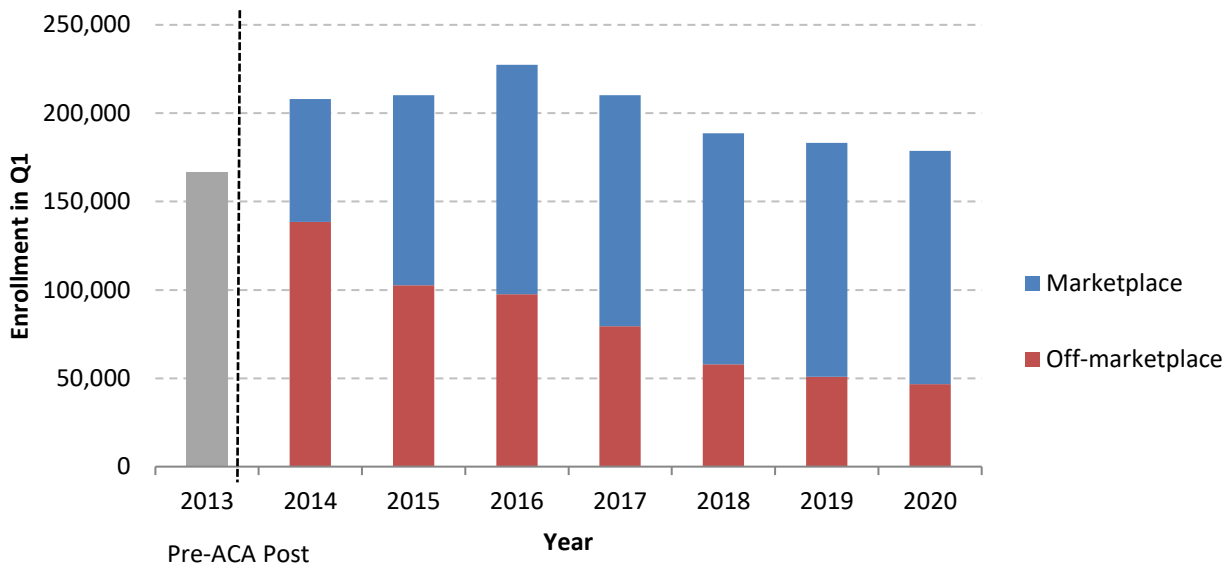
## COFA Premium Assistance Program

Until December 2020, citizens of the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia living in the U.S. under the Compact of Free Association (COFA) were not eligible for Medicaid. The legislature established the COFA Premium Assistance Program in 2015 to increase health equity. The COFA Program ensures low-income COFA islanders in Oregon can buy and use a Marketplace-qualified health plan with the help of financial assistance, including payments for premiums and approved in-network out-of-pocket costs.

## Most people buying insurance go through the Marketplace

For Oregonians who do not have insurance through their workplace and are not eligible for coverage through the Oregon Health Plan or Medicare, the HealthCare.gov has become the primary choice for purchasing insurance.

### Individual market enrollment

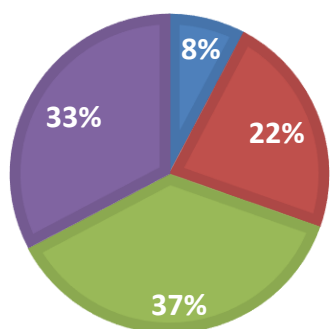


## Demographic information of Oregonians who receive financial assistance

A breakdown of enrollment by age and by ethnicity for Oregonians who receive financial assistance when obtaining health insurance through the Oregon Health Insurance Marketplace.

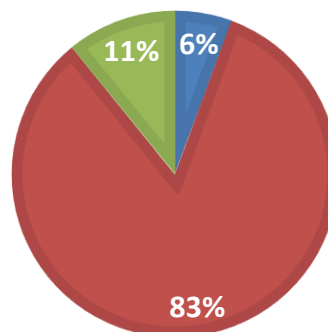
### 2021 enrollment by age\*

■ < 18 ■ 18 - 34 ■ 35 - 54 ■ 55+



### 2021 enrollment by ethnicity\*

■ Hispanic/Latino ■ Not Hispanic/Latino ■ Unknown



## Enrollment by race for Oregon Health Insurance Marketplace plans

### 2021 enrollment by race\*



### Marketplace transfer to Oregon Health Authority – Policy Option Package No. 103, House Bill 2041, Senate Bill 65, -18.00 FTE, -\$14,870,281 other fund

- Marketplace resources transfer to OHA
- No gap in services to Marketplace stakeholders



# Building Codes Division

## About the Building Codes Division

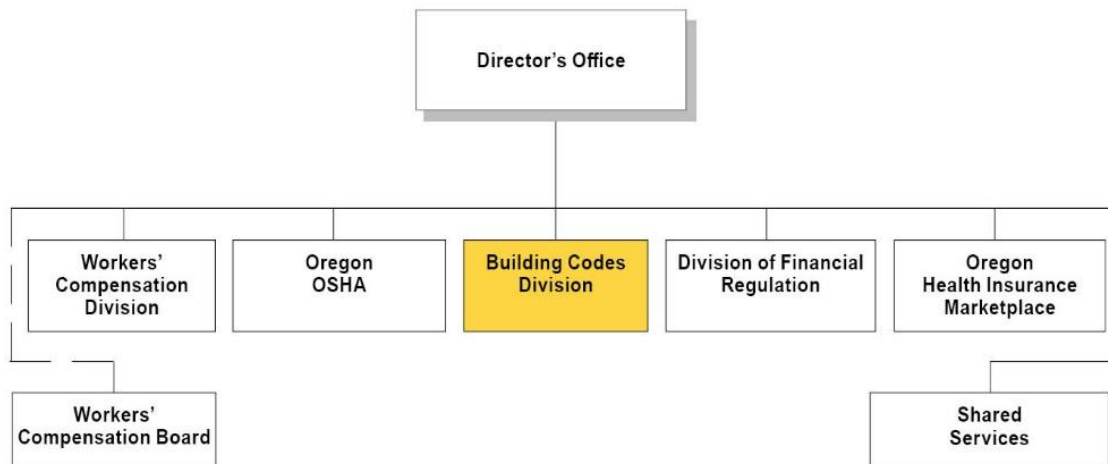
The Building Codes Division adopts and enforces uniform building codes for Oregon, and resolves code disputes.

The division provides local government assistance, licensure for building trades workers, as well as training and certifying inspectors.

For local entities that do not have a building department, the Building Codes Division provides those services.

*Working with Oregonians to ensure safe building construction while supporting a positive business climate*

## DCBS organization chart



## Who we serve

- 124 local building departments
- 22,909 licensed individuals (plumbing, electrical, boiler)
- Provide full or partial inspection services in 10 counties
- Provide full ePermitting services in more than 70 jurisdictions
- Work with 54 board members across 7 boards

## Government partnerships

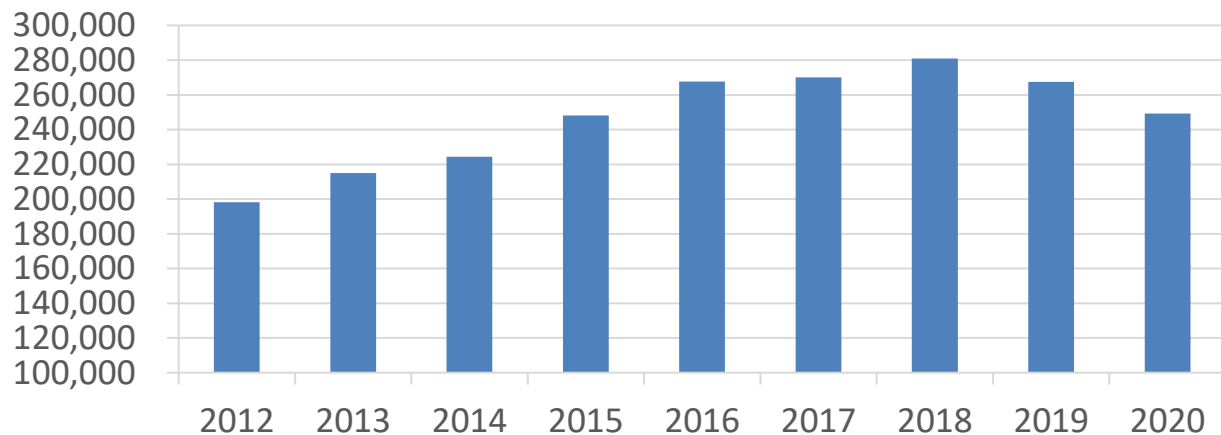
The division partners with local governments on local code administration and enforcement. It also collaborates with several state agencies, including work on energy efficiency initiatives with the Oregon Department of Energy, licensing and enforcement coordination with the Construction Contractor's Board, and coordination on fire life safety issues with the Office of the State Fire Marshal.

- City and county building departments
  - Local code administration, seats on multiple boards
- Oregon Department of Energy
  - Energy code adoption, Executive Order 17-20 and 20-04 implementation, seat on Construction Industry Energy Board
- Construction Contractor's Board
  - Joint enforcement efforts, contractor licensing
- Office of the State Fire Marshal
  - Fire Code and Building Code coordination, fire official representation on Building Codes Structures Board

## Statewide building permits issued per fiscal year

Source: Local government surcharge reports as reported to the state by local jurisdictions. Note: FY 2020 reflects incomplete data for eight jurisdictions.

### Statewide building permits issued per fiscal year



## Using innovation, technology, and flexibility to serve Oregonians

### BCD ePermitting program

The Building Codes Division has continued to implement the ePermitting program. The Oregon ePermitting program allows licensed contractors to apply for building permits online. Participation by cities or counties is voluntary and each participating city or county determines which permits are available via the ePermitting program.



### Virtual inspections

The Building Codes Division also piloted a virtual inspection process and other flexible tools to expand options for contractors and building departments. These processes have provided greater flexibility and contract-free options during the COVID-19 pandemic

### Responsive to emergencies

The division has adapted to a rapidly changing construction landscape during times of natural disasters and a pandemic by finding innovative solutions.

### Supporting diversity

The division has collaborated with partners to develop a diverse talent pipeline of inspectors and building officials.

### Creating expanded training opportunities

The division has worked to expand training opportunities for building officials, inspectors, and plans examiners.




# Ombudsman programs

Both the Small Business Ombudsman and the Ombudsman for Injured Workers are part of the Director's Office at the Department of Consumer and Business Services.

The Ombudsman for Injured Workers is the state office that serves as an independent advocate for injured workers by helping them understand their rights and responsibilities, investigating complaints, and acting to resolve those complaints.

The Office of the Small Business Ombudsman for Workers' Compensation serves as an independent advocate for small businesses, entrepreneurs, and the professional advisers who serve them



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

## Small Business Ombudsman

The Small Business Ombudsman answers questions about shopping for workers' compensation insurance, as well as premiums and audits. The Small Business Ombudsman contacted 798 businesses from July 2019 to June 2020, with 40 percent of those calls related to buying workers' compensation insurance and 25 percent related to coverage requirements.

The Small Business Ombudsman has a 100 percent on-time response rate based on calls returned within 24 hours.

## Ombudsman for Injured Workers

The Ombudsman for Injured Workers answers questions about worker rights and responsibilities, benefits and returning to work. From July 2019 to June 2020, the Ombudsman for Injured workers responded to 8,151 inquiries.

The monthly average for the Ombudsman for injured workers is 650 inquires and 1,160 contacts to resolve inquiries. The office is able to resolve 77 percent of inquiries on the same day, and 85 percent are resolved in two days. The Ombudsman for Injured Workers includes team members who speak Spanish. On average, 22 percent of inquiries each month are from non-English speakers, of those 99 percent are from Spanish speakers.

# Workers' Compensation Division

The workers' compensation 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, and a sole and exclusive remedy.

The Workers' Compensation Division has two primary customers, subject employers and subject workers. In 2019, the division supported 126,100 subject employers and 1,972,500 subject workers.

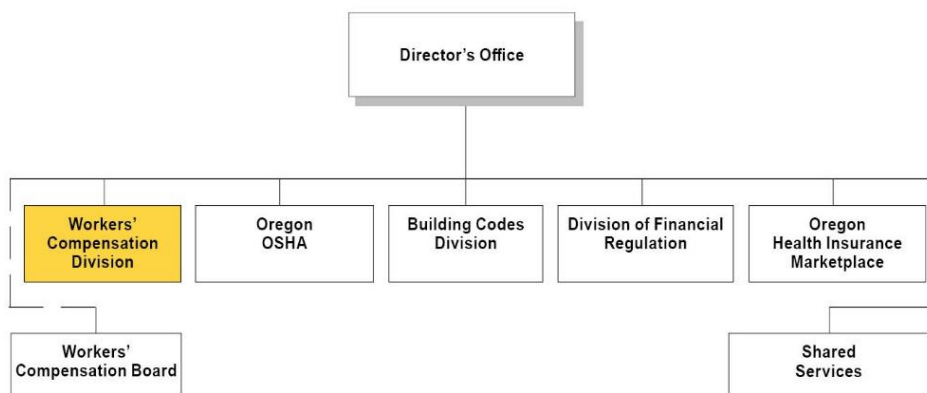
The division also works with insurers, self-insured employers, service companies, medical providers, vocational providers, and attorneys.

To better serve Oregonians, the division has made progress toward modernizing the division's information systems and continued implementing electronic records management to allow more electronic transmission of information where possible.

The division has also expanded outreach to preferred workers, collaborated with employers on return-to-work programs for injured workers, and adjusted stakeholder outreach to adapt to COVID-19 situations.

**To advance a leading workers' compensation system that represents integrity and fairness for Oregonians**

## DCBS organization chart



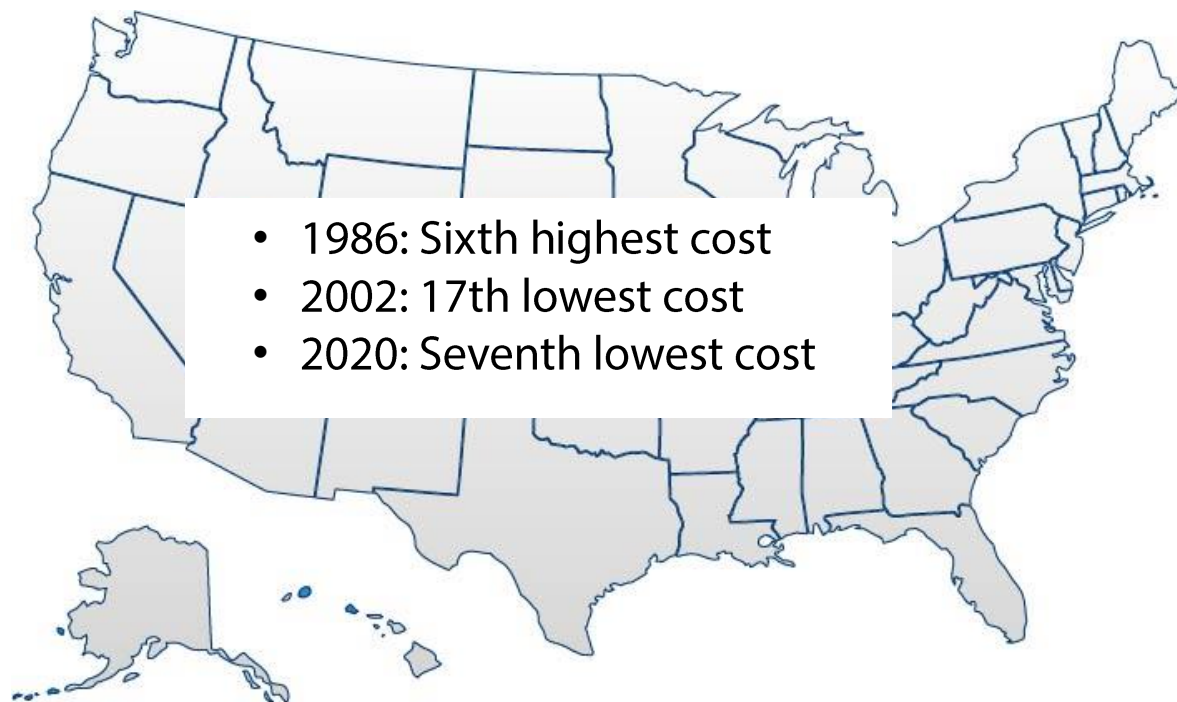
## Reform success

More than 30 years ago, Oregon reformed the workers' compensation system, leading to lower claims rates, streamlined medical processes, greater affordability for employers, and good benefits and outcomes for workers. The Oregon model has been so successful that it has been studied and emulated by other states.

The reforms to the Oregon workers' compensation system resulted in lower claim rates, streamlined medical processes, greater affordability for employers, and good benefits and outcomes for workers.

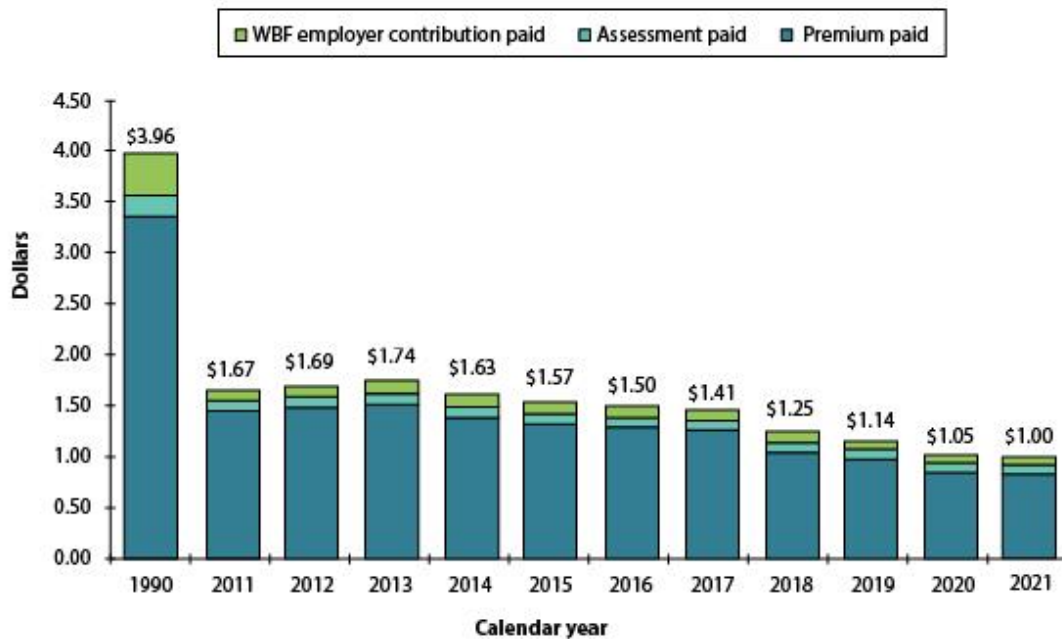
## Workers' compensation system - nationwide rate ranking

The results of the workers' compensation reforms more than 30 years ago can be seen when comparing Oregon's rate rankings from 1986 to now. Oregon went from having the sixth highest cost in 1986 to the seventh lowest cost in 2020.



## Workers' compensation system employer costs

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



*Total employer costs per \$100 payroll for loaded pure premium, premium assessment, and Workers' Benefit Fund cents-per-hour assessment. Loaded pure premium includes insurer costs, known as expense loading factors. Historic figures are adjusted to reflect the 2020 mix of employment and payroll.*

## Worker benefits

Oregon's workers' compensation benefits are strong and 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

Oregon's return to work programs help workers who have been injured on the job with resources including assistive devices and training to return to their job post-injury or find a path to a new career.

Workers who use these programs have a higher post-injury employment rate and better wage recovery than those who don't.

In 2019, return-to-work programs helped more than 8,600 workers. Employers benefit by retaining a valuable workforce and reducing claim costs.

## Management-Labor Advisory Committee

Created in early 1990s as part of state workers' compensation system reforms, the Management-Labor Advisory Committee (MLAC) is an effective forum for employees, employers to explore and resolve issues.

The committee shares a commitment to common set of values, including balance and fairness, adequacy of benefits, affordability, efficiency, stability, and flexibility.

## Workers' Compensation Division modernization program

### Policy Option Package No. 101, 1.88 FTE \$481,565 other fund

- Enhance information technology support for existing programs
- Implement process improvement projects recommended by modernization consultant
- Prepare processes and systems for large technology projects when fiscal conditions improve



The Preferred Worker Program helped Josh Allison start a new career at an Astoria brewery following an on-the-job injury.



# Oregon Occupational Safety and Health Division

## About Oregon OSHA

Oregon OSHA inspect workplaces, helps employers identify and eliminate hazards, and investigates workplace fatalities and injuries.

## Focus areas

Oregon OSHA's enforcement focus has been on COVID-19 complaints and high-hazard industries and occupations while balancing regularly scheduled activities with several emphasis programs to address key risks and pandemic response.

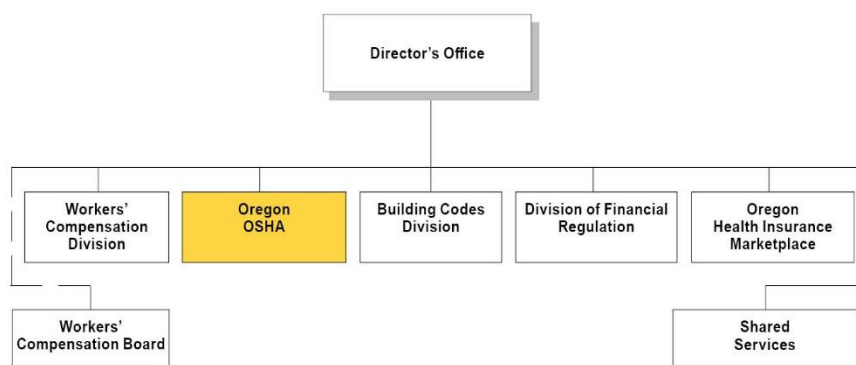
The division has been focusing on education for small employers and outreach to vulnerable and hard-to-reach workers. Oregon OSHA uses a variety of communication channels to highlight and address significant workplace hazards and lessons learned these include social media, press releases, and free training materials. The division continues to move more safety and health training online to allow better employer/worker access, including adding Spanish-language versions.

Oregon OSHA is working to achieve the highest employer inspection penetration in the country and to make safety and health standards easier to understand by providing technical assistance, publications, and outreach materials.

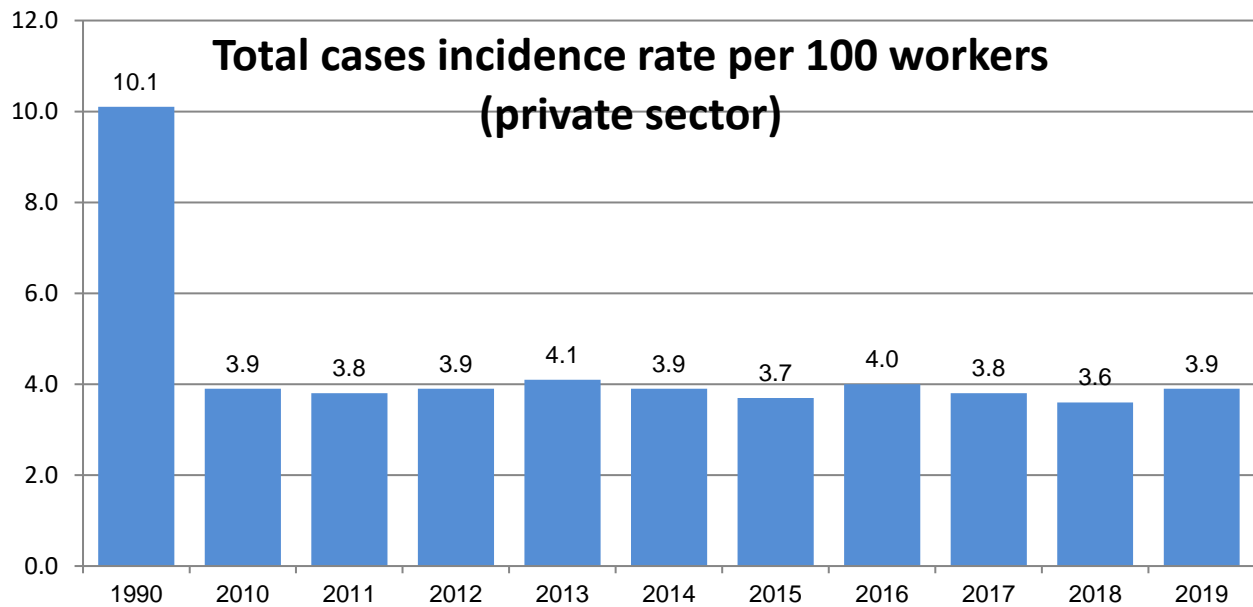
Oregon OSHA maintains stakeholder relationships through involvement in rulemaking, policy development, and ongoing advisory groups.



## DCBS organization chart

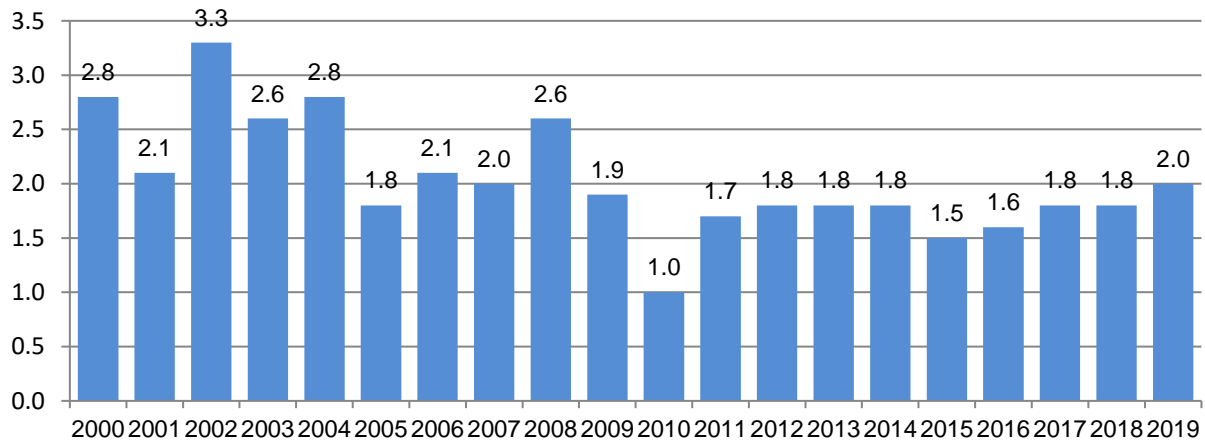


## Occupational injury and illness incidence rates



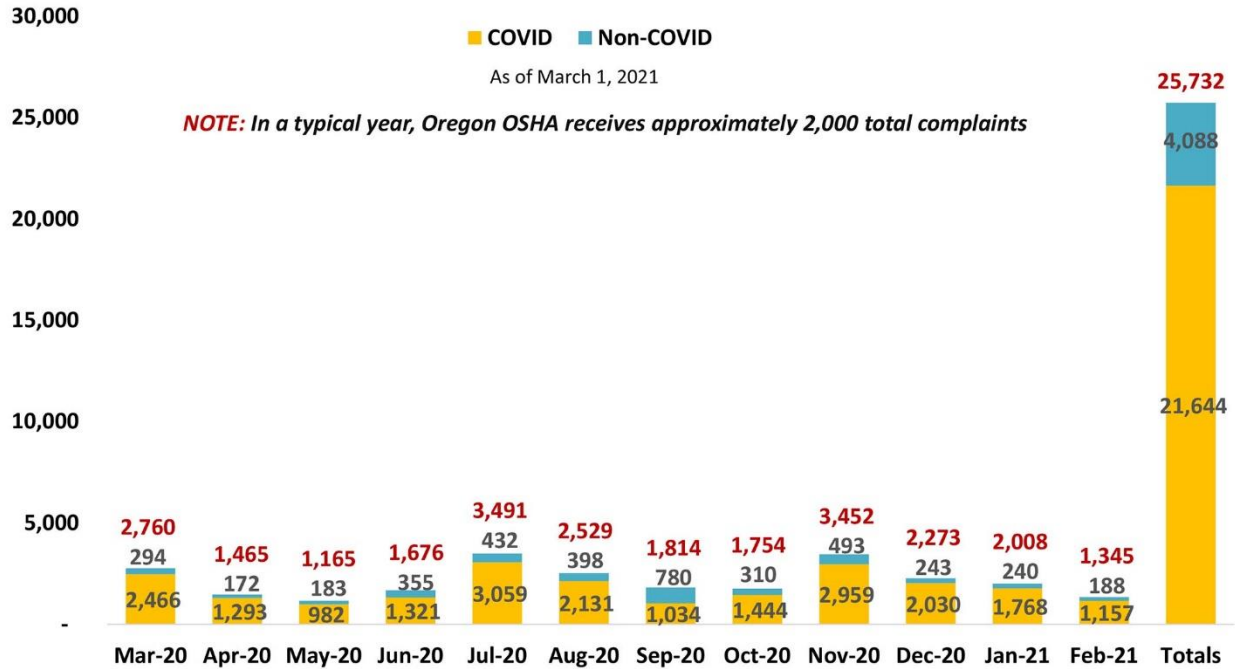
## Fatality rates

**Compensable fatality rates per 100,000 workers,  
2000-2019**



## Complaints – COVID-19: March 1, 2020, to Feb. 28, 2021

# Complaints – COVID-19



## Oregon OSHA workplace safety and health

### Policy Option Package No. 102, 2.50 FTE, \$599,118 other fund

- 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

## About the Workers' Compensation Board

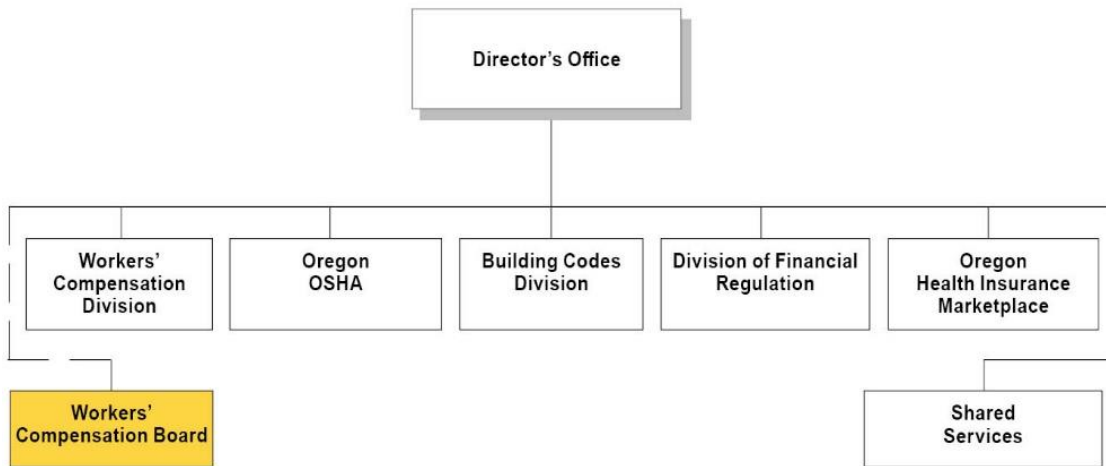
The Workers' Compensation Board is an independent agency created by the Oregon Legislature to provide timely and impartial resolution of disputes arising under the Oregon workers' compensation law and the Oregon Safe Employment Act.

When a workers' compensation claim is disputed in Oregon, it comes to the Workers' Compensation Board. Through a hearing, appeal or a mediation, we help to resolve these disputes.

The board is committed to providing an impartial, accessible, fair, and timely process for all.



## DCBS organization chart



## How we are supporting Oregonians

- 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
- Ensure access to justice for all users of our forum
- Mediate complex disputes to achieve settlements without litigation
- Broaden electronic access to Workers' Compensation Board services by expanding services offered through the electronic portal and website

## Administrative law judges and board members

The administrative law judges at the Workers' Compensation Board hold due process hearings of workers' compensation and Oregon OSHA disputes, and also provide mediation services. The board members provide appellate review of administrative law judges decisions, approve claim disposition agreements, and exercise their own motion jurisdiction.

## Timely resolution of disputes

The board emphasizes timely rulings and robust mediations to provide solutions and answers for Oregonians. In order to provide timely resolution, the board works to ensure that Oregonians get to a hearing quickly. A hearing date is set within 90 days of the request on 98 percent of all cases.

Following the hearing, the board's administrative law judges will issue a decision within 30 days (also at a 98 percent rate). The board's voluntary mediation program results in a settlement 99 percent of the time. Many of the mediations include other issues, such as employment disputes and civil actions, which are settled in a comprehensive manner. Mediations provide significant savings for all parties involved by reducing litigation. For cases on appeal to the board, 81 percent of the board's decisions issue within 120 days.

## Access to justice for all Oregonians

### **Interpreters provided at no cost for hearings and mediations**

The Workers' Compensation Board provides equitable access to justice by providing interpreters and disability accommodations at no cost to the parties. At a hearing or mediation, all parties need to understand their rights and responsibilities, and have a fair opportunity to participate in the presentation of their case.

The board's interpreter program has more than 30 languages available, plus special dialects. Interpreter usage continues to increase, with more than 1,500 requests in 2020. Special accommodations are also provided to ensure complete access to WCB services. The administrative law judges, board members and staff participate in ongoing training on diversity and inclusion.

## Hearing locations

Another way the board provides access to all Oregonians is by doing in-person hearings and mediations set in the location of the injured worker. The board has hearing locations in Klamath Falls, Medford, Roseburg, Coos Bay, Eugene, Bend, Ontario, Newport, Salem, Portland, Astoria, The Dalles, and Pendleton.

Holding in-person hearings changed in response to COVID-19. The board pivoted to telephonic and video conferencing for hearings and mediations. Workers' compensation can be a complex subject, but the board works to remove barriers to justice for all parties, whether it be language, location, or safety during a pandemic.



## Response to COVID-19 pandemic

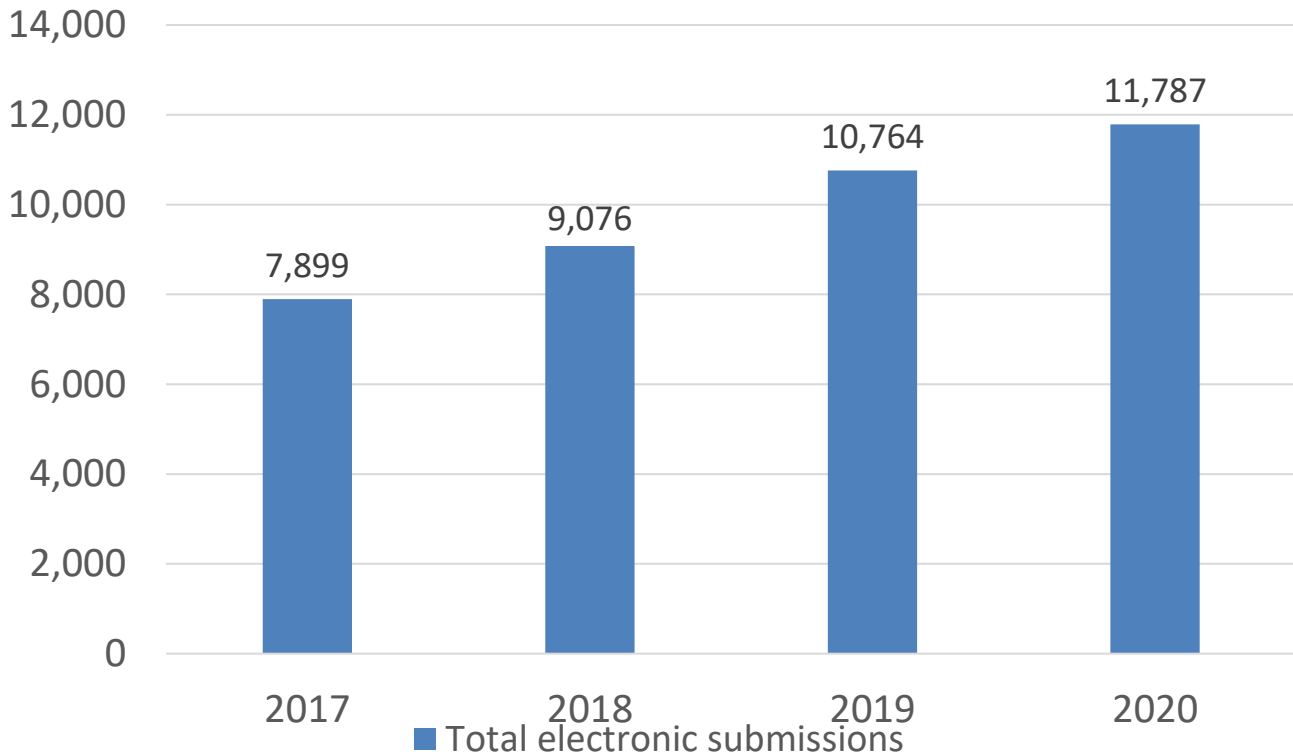
- Suspended in-person hearings in March 2020
- Began telephonic hearings and mediations in April 2020
- Implemented electronic submission of hearing exhibits in April 2020 to reduce paper handling
- Enabled videoconference hearings and mediations in September 2020

### Developed process for resumption of in-person hearings at WCB locations:

- Installation of plexiglass barriers, portable HEPA air filters
- Social distancing, PPE, and sanitation procedures

### Workers' Compensation Board portal activity – 2017 to 2020

The board's online web portal streamlines the process for accessing WCB's programs, including requests for hearing and review, submission of settlements, legal pleadings, and provides 24-hour access to case information. The use of the portal continues to increase every year:



## DCBS leadership



**Andrew Stolfi, Director and  
Oregon Insurance Commissioner**



**Mary Moller  
Deputy Director**

## Consumer protection and safety



**TK Keen, Administrator,  
Division of Financial  
Regulation**



**Chiqui Flowers,  
Administrator, Health  
Insurance Marketplace**



**Alana Cox,  
Administrator,  
Building Codes Division**

## Worker protection system



**Sally Coen, Administrator,  
Workers' Compensation Division**



**Michael Wood, Administrator,  
Oregon OSHA**



**Connie Wold, Chairperson,  
Workers' Compensation Board**

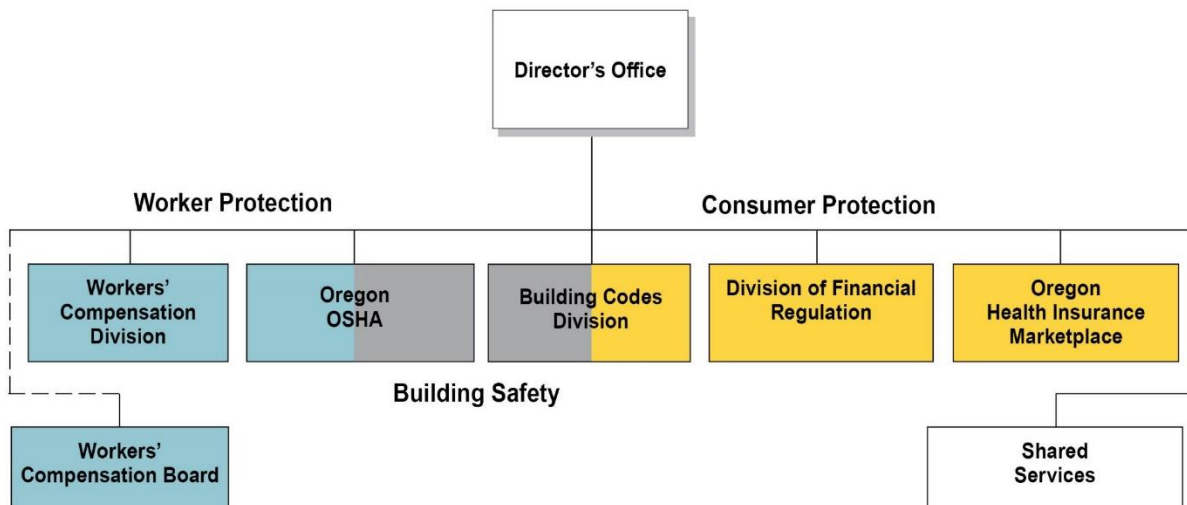


## DCBS organization chart

Within DCBS, it is helpful to think of three areas of consumer and business protection.

- **Worker protection**, including the Workers' Compensation Division, Oregon OSHA, and the Workers' Compensation Board.
- **Consumer protection**, including the Building Codes Division, the Division of Financial Regulation, and the Oregon Health Insurance Marketplace.
- **Building safety**, including the Building Codes Division and Oregon OSHA

The organizational chart below details our divisions and their connection to the three work areas.



# Financial overview

## Budget drivers, risks, environmental factors

Factors the agency takes into consideration when evaluating our budget drivers and risk include:

- **The economy** is a key factor that must be considered when evaluating budget drivers and risk. The department's revenues are directly tied to changes in the economy. For example, Workers' Benefit Fund revenues are based on hours worked, which decline with job losses. Although not a direct driver, measures such as new home sales can speak to the general health of the industry as housing construction and financing drive Building Codes Division and Division of Financial Regulation revenues by impacting license and permit revenues, as well as revenues for the Mortgage Lending, Banking, and Credit Union programs. Another factor to consider is the effect of certain industries on workload, such as the construction industry.
- **COVID-19 and natural disasters**, including wildfires, floods, and an ice storm should also be taken into consideration. These types of events can carry unexpected expenses or a need to temporarily reassign staff to meet emerging needs.
- **Changes in federal health care**, including extensions or reductions in the length of the open enrollment period, opening of special enrollment periods such as the new COVID-19 special enrollment period, and expansion of advanced premium tax credits to up to 400 percent of the federal poverty line. All of these require additional outreach, education, training, and communication to help Oregonians navigate these changes.
- **Oregon's health insurance transformation** should also be considered. If a public option became available through the Marketplace, there would be operational expenses depending on how it is designed, along with additional outreach, education, training, and marketing needs.

## Secretary of state audits

There have been six audits in the 2019-21 biennium. The audits, including the management response, are included in the appendix.

## Review of certain debts

While complying with Senate Bill 1067 (2017) and transferring eligible debt to the Department of Revenue (DOR) for collection, DCBS began to identify accounts with conflicting data between its physical file and electronic record. As explained below, this eventually resulted in DCBS pausing collection activities on approximately \$70 million in debt until it could be reviewed and re-entered into the collection system. As of January 2021, DCBS has returned approximately 86 percent of this debt to our active accounts receivable portfolio. We expect to conclude the review of the remaining 14 percent by summer 2021.

In 2018, DCBS was monitoring liquidated and delinquent debt in two different data systems. Noncomplying Employer (NCE) debt from the Workers' Compensation Division was monitored through one program, while debt from the other divisions was monitored through an off-the-shelf accounts receivable system. Following discussions, DCBS determined that a single system would be more reliable and consistent across the department and began to move in this direction to track all liquidated and delinquent debt. During our planning phase, we discovered that in order to consolidate NCE debt into the new system, we would need to resubmit it to the Department of Revenue.

At the same time, as a result of discussions with Revenue and debtors, DCBS realized that there was an issue with our NCE data, so we initiated a review process to ensure debtors were being charged for valid debt. This review process required us to suspend collection activity on the debt that was under review. As a portion of the questionable debt was already at Revenue, DCBS took the additional step of retrieving those debts from Revenue for review, which would also give us the opportunity to resubmit them under the new system.

At the time of we initiated our review process, DCBS had transferred a total of \$67 million in debt to the Department of Revenue. Approximately \$35 million of this was temporality retrieved for the review described above. In addition to the \$35 million in debt retrieved from Revenue, DCBS identified another approximately \$35 million in debt for review, meaning DCBS temporarily stopped recognizing approximately \$70 million in debt from our active accounts receivable portfolio and effectively “returned it” to the program for review. Most of this debt is the debt that was recorded in the NCE system and is a combination of penalties related to NCE debt, employers who are not complying with the Oregon law requiring employers to carry workers’ compensation insurance, claims against noncomplying employers, and accrued interest. As the debt is confirmed and reconciled, it is being returned to our active accounts receivable portfolio, as applicable. DCBS now uses single reporting system.

DCBS has been providing quarterly reports to the Ways and Means co-chairpersons on its progress reviewing these debts, and will continue doing so until all of the debt has been reviewed. As of January 2021, we have returned approximately 86 percent of this debt to our active accounts receivable portfolio. Specifically, \$56 million has been returned to active collections, \$4.7 million has been permanently reversed (e.g., because the review found it was canceled due to bankruptcy or as a result of a settlement), and \$0.4 million has been paid, leaving less than \$10 million remaining to be reviewed. DCBS is performing an internal audit to look for ways to streamline and improve processes.

## Additional major changes within the last 6 years

### 2015-17 biennium

In July 2015, the **Oregon Health Insurance Marketplace** joined the Department of Consumer and Business Services.

The **Compact of Free Association (COFA) Premium Assistance Program** was established by the legislature in 2015, and implemented in 2016 to increase health equity for citizens of the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia living in the U.S. who are not eligible for Medicaid or Medicare. The COFA Program ensures low-income COFA islanders in Oregon can buy and use a Marketplace-qualified health plan with the help of financial assistance, including payments for premiums and approved in-network out-of-pocket costs. This program is administered by the Oregon Health Insurance Marketplace.

In 2016, the **Division of Financial Regulation** was formed by combining the Insurance Division and the Division of Finance and Corporate Securities.

### 2017-19 biennium

The **Prescription Drug Price Transparency Program**: The Prescription Drug Price Transparency Act (ORS 646A.689) created in 2019 directs the Oregon Department of Consumer and Business Services to establish a transparency program to accept reports and disclose certain information from prescription drug manufacturers, health insurance carriers, and consumers on drug prices.

The drug price transparency program has collected data for two years from the insurance industry in Oregon, from pharmaceutical companies and from consumers, and the data is helping to tell a story about the most expensive and most used drugs. Oregonians have also told us heartbreaking stories about splitting doses of medicine to make ends meet, or not being able to retire in what should be their retirement years because the cost of their prescription drugs are more than they can afford without insurance.

The goal of the program is to provide accountability for prescription drug pricing through the notice and disclosure of specific drug costs and price information from pharmaceutical manufacturers, health insurers, and consumers.

The **Oregon Reinsurance Program**, created in 2017, and extended through plan year 2026, helps keep health insurance premiums 6 percent lower than they would be without the program. HB 2010 extended the Oregon Reinsurance Program through plan year 2026 and increased the assessment paid by insurers and the Oregon Public Employee Benefits Board to 2 percent.

### 2019-21 biennium

**COVID-19 response:** The affects of COVID-19 brought significant changes to DCBS in 2020. We have continued the agency's work, while transition our workforce to teleworking. The department held public meetings and hearings virtually and increased outreach about workers' compensation, health, and other types of insurance

The Emergency Board established the COVID-19 Temporary Paid Leave Program on July 14, 2020, to serve employees who have to quarantine or isolate, but don't have COVID-19-related sick leave or access to COVID-19-related paid time off. DCBS, in collaboration with the Department of Revenue, set up and now run the program which began accepting applications in September. The program has distributed \$17,004,360, to 17,206 Oregonians as of March 6, 2021.

The COVID-19 Temporary Paid Leave Program is expected to continue to offer this benefit through mid-May 2021, at which time, DCBS expects to exhaust funds received through the Coronavirus Relief Fund. DCBS has submitted a request to the Joint Committee on Ways and Means to extend the program through June 30, 2021. The forecasted expense from mid-May through June 30, 2021, is approximately \$7.6 million General Fund requested. The Legislative Fiscal Office has since updated this request to \$5 million.

The Division of Financial Regulation issued emergency orders in response to COVID-19 to protect consumers who might not be able to pay insurance premiums due to lost income. The division also worked with health insurance companies to create telehealth agreements to provide expanded telehealth options at the same rate as in-person health care services.

The COVID-19 emergency orders provided short-term relief to Oregonians in the early stages of the pandemic. The emergency orders required health insurance, life and disability insurance, property/casualty, and long-term care insurance to provide at least a one-time grace period for consumers to pay past-due premiums, and required insurers to pay claims for losses that occur during the grace period and before terminating coverage. The orders also extended all deadlines for reporting claims and other communications and provided members with communication options that meet physical distancing standards.

The Oregon Health Insurance Marketplace helped Oregonians who lost insurance due to pandemic-related job loss connect with insurance through the health insurance marketplace, as well as, sharing information with Oregonians about a 60-day Federal Emergency Management Agency (FEMA) special enrollment period initiated in September 2020 due to the Oregon wildfires. The Oregon Health Insurance Marketplace also shared information with Oregonians who were eligible for special enrollment periods due to changes in situation such as losing health care coverage, getting married, and having a baby.

Oregon OSHA created a temporary rule in response to COVID-19 and has responded to unprecedented numbers of complaints: 21,644 COVID-19-related complaints and 4,088 non-COVID-19 complaints as of March 1, 2021. Oregon OSHA provided virtual consultations and resources to employers on best practices in response to COVID-19.

**Natural disaster response:** In response to wildfires, the Division of Financial Regulation issued emergency orders to protect consumers and reached a two-year rebuild agreement with insurers. Team members provided in-person outreach at wildfire evacuation sites to answer questions about the insurance claims process. DFR held virtual townhall meetings about the claims process, rebuilding process, insurance scams, and the importance of flood insurance after a wildfire.

The Building Codes Division and DFR partnered to create materials to help people access manufactured home ownership documents. The Building Codes Division also did focused licensing enforcement efforts to protect consumers and provided flexibility to local governments to address local conditions and workforce shortages.

## **Administrative efficiencies**

There are a number of ways that DCBS has worked to create administrative efficiencies. This includes sharing hearing facilities for use by other agencies, and lease agreements with public entities and community partners. The Workers' Compensation Board, Oregon OSHA, and the Building Codes Division share facilities.

The division has collaborated with other agencies to share workload. This includes a partnership with the Department of Revenue for the COVID-19 Temporary Paid Leave Program and collaboration with the Oregon Health Authority.

During the COVID-19 pandemic, DCBS was able to redeploy staff to help with areas of increased workload such as Oregon OSHA, the COVID-19 Temporary Paid Leave Program, the Oregon Health Authority vaccination program, and contributing staffing to the Office of Emergency Management and the Joint Incident Command Center. Oregon OSHA, the Oregon Health Insurance Marketplace, the Workers' Compensation Division, the Building Codes Division, and the agency's central services team have all redeployed during the pandemic.

DCBS is reviewing performance measures and processes to find redundancy and efficiency as part of an ongoing performance management process to improve administrative efficiencies. The department is also planning a strategic plan update. The updated strategic plan will incorporate opportunities to find and embrace administrative efficiencies.

## 2021-23 Governor's Recommended Budget

### 2021-23 expenditure summary

A high level summary of DCBS' budget is shown in the chart below. DCBS' 2021-23 Governor's Recommended Budget remains relatively unchanged from the 2019-21 legislatively approved budget, with a modest increase for inflation and cost-of-living adjustments at rates approved by the Department of Administrative Services.

#### The most significant differences between the budgets are:

- The 2019-21 budget includes a \$30 million other fund limitation increase to provide benefits to Oregonians through the COVID-19 Temporary Paid Leave Program. This program is not included in our 2021-23 budget.
- The 2019-21 budget includes limitation of \$19 million for the Health Insurance Marketplace and Compact of Free Association Premium Assistance Program. The DCBS 2021-23 budget includes a policy option package (No. 103) to transfer the Health Insurance Marketplace to the Oregon Health Authority.
- The 2021-23 budget includes the removal of \$40 million in excess non-limited limitation within the Workers' Benefit Fund programs. This adjustment does not have an impact on actual benefits paid and only removes authority above our forecasted need.
- Other changes included in the 2021-23 budget include net reductions related to services we pay to other agencies for services provided (rent and payroll services).

2019-21 Legislatively Approved Budget	723,762,123
2021-23 Governor's Budget (CSL)	480,138,220
Percentage Change from 19-21 LAB to 21-23 GRB, CSL	-33.7%
Program - Policy Option Packages Operational	(11,986,079)
Program - Policy Option Packages Pass-Through Payments	208,477,309
Analyst Adjustments - Policy Option Packages	(13,719,797)
Total Budget	\$ 662,909,653
Percentage Change from 19-21 LAB to 21-23 GRB	-8.4%

Included in the summary above is \$281.9 million in operational costs. For more detailed information, the DCBS 2021-23 Governor's Recommended Budget document may be found online at <https://www.oregon.gov/dcbs/Documents/budget/2021-23-gb.pdf>

## The 2021-2023 Governor's Recommended Budget includes four policy option packages:

### **Workers' Compensation Division modernization program**

#### **Policy option package No. 101, 1.88 FTE, \$481,565 other fund**

- Enhance information technology support for existing programs
- Implement process improvement projects recommended by modernization consultant
- Prepare processes and systems for large technology projects when fiscal conditions improve

### **Oregon OSHA workplace safety and health**

#### **Policy option package No. 102, 2.50 FTE, \$599,118 other fund**

- Federal funds versus other funds (Premium Assessment Operating Account) limitation adjustment
- 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

### **Marketplace transfer to Oregon Health Authority**

#### **Policy option package No. 103, House Bill 2041, Senate Bill 65, -18.00 FTE, -\$14,870,281 other fund**

- Marketplace resources transfer to OHA
- No gap in services to Marketplace stakeholders

### **Insurance stabilization**

#### **Policy option package No. 105, 1.00 FTE, \$209,994,168 total fund (\$105,582,585 other fund and \$104,411,583 federal fund)**

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.

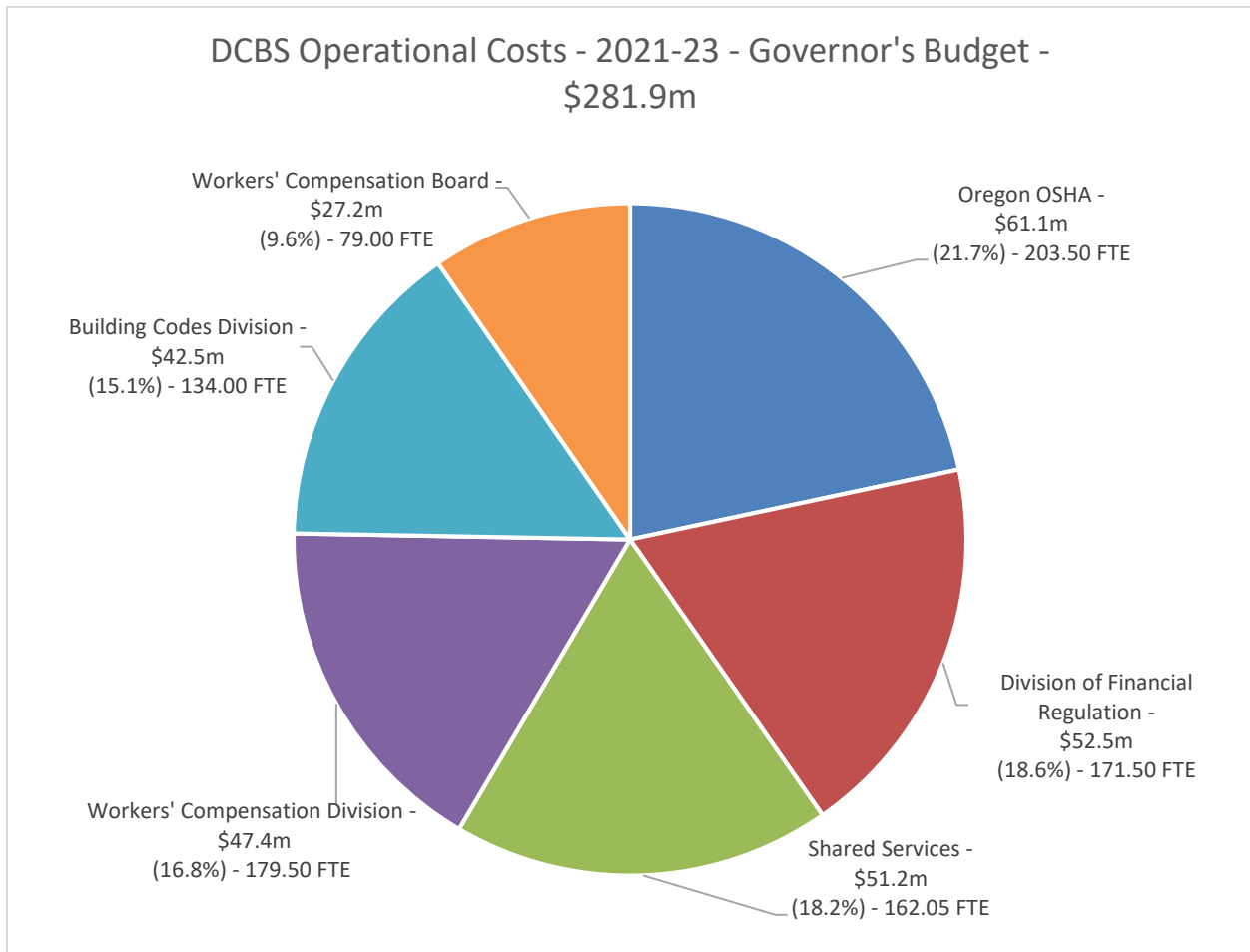
## **Funding**

The Department of Consumer and Business Services is funded by those we regulate and their customers. DBCS collects more than 30 dedicated funds and 496 dedicated fees, as well as assessments and charges. The department does receive some revenue from federal funds and general funds. DCBS expects to collect approximately \$158 million for the General Fund for this coming biennium.



## DCBS operational costs – 2021-23 Governor's Budget: \$281.9 million

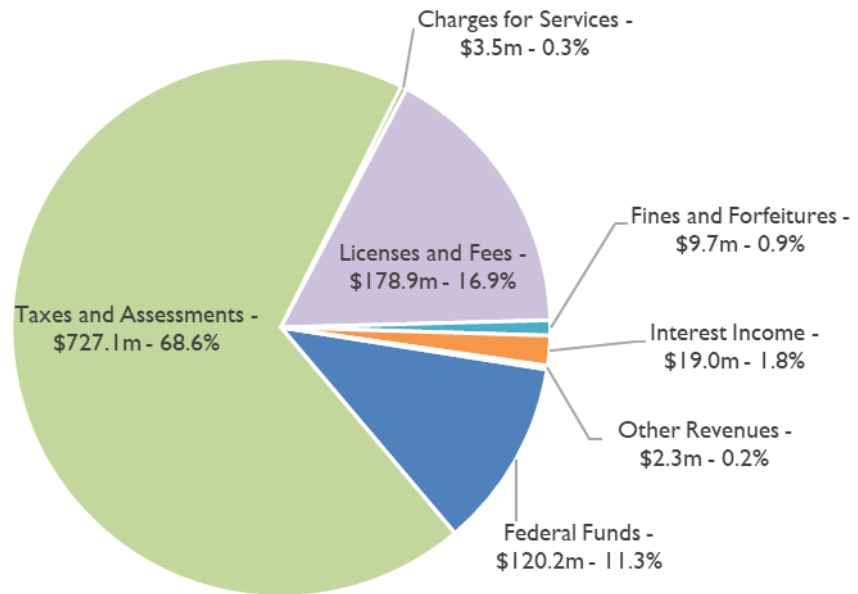
The following chart details DCBS' operational costs by division, detailing the total full-time equivalent (positions) and the percentage of total operational costs.



## DCBS revenue sources – 2021-23 Governor's Budget

DCBS is funded by those we regulate. DCBS anticipates collecting \$1,060.7 million through the following sources.

DCBS Revenue Sources - 2021 - 23 - Governor's Budget - \$1,060.7m

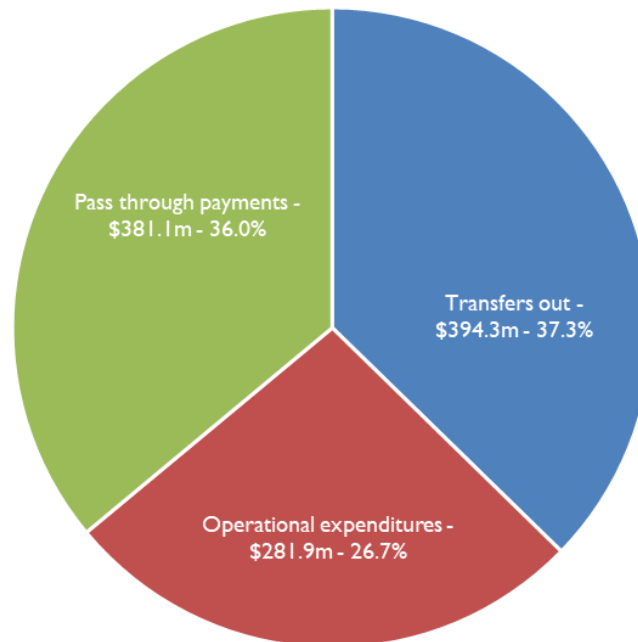


## DCBS Uses of Revenues – 2021-23 - Governor's Budget

DCBS anticipates using \$1,057.3 million of 2021-2023 revenue including in the Governor's Recommended Budget for 3 main categories:

- **Transfers out** – For example, revenues transfers required through statute such as the \$157.7 transfer to the general fund or to other agencies per an interagency agreement.
- **Pass through payments** – For example, benefit payments, Oregon Reinsurance Program payments to insurers, and amounts to community partners.
- **Operational expenditures** – For example, revenue used within DCBS to fund personal services, and services and supplies.

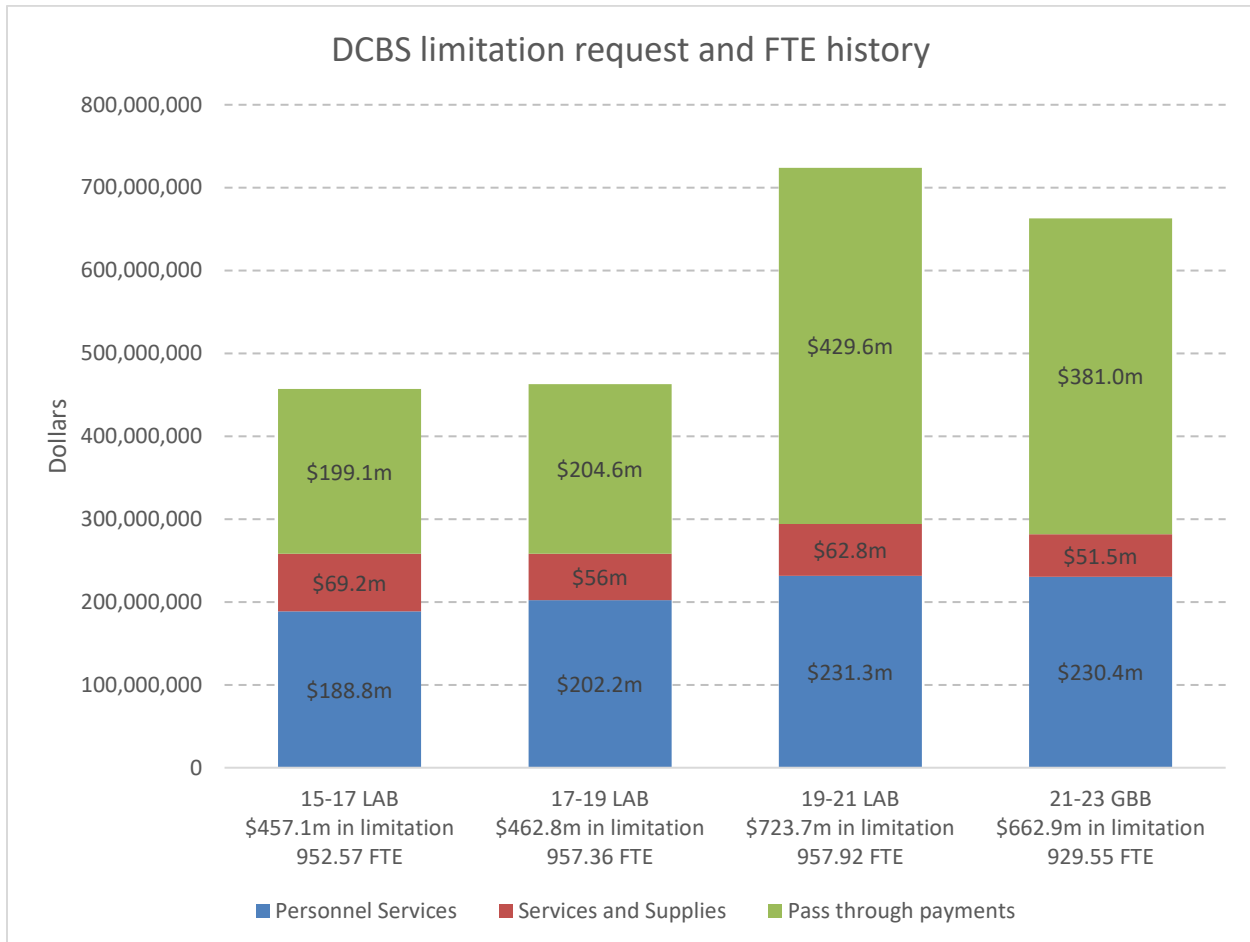
DCBS Uses of Revenues - 2021 - 23 - Governor's Budget - \$1,057.3m



## DCBS limitation request and FTE history

A history of DCBS' approved limitation and current request is detailed in the chart below.

The greatest area of growth in limitation is in the area of pass through payments. The jump in the 2019-21 biennium is due to the introduction of the Oregon Reinsurance Program. The decrease in 2021-23 Governor's Budget is related to the reduction of \$40 million in excess non-limited limitation within the Workers' Benefit Fund programs discussed earlier in this document.



# Legislative update

## 2021 department-sponsored bills

- **HB 2043** – Prohibits insurance rating based on a variety of factors unrelated to safe driving. Specifies information that can be used by an insurer to determine rates for motor vehicle liability insurance, including safe driving history, miles driven, and driving experience. Restricts insurers from determining eligibility, premiums, or rates for motor vehicle liability insurance based on credit history, sex or gender, marital status, education, occupation, employment status, criminal history, and residential status ([HB 2043](#)). The bill had a public hearing in House Business and Labor on Feb. 24. There is no budgetary impact.
- **HB 2042** – Extends and strengthens consumer protections against out-of-network medical bills. Prohibits surprise billing for emergency services provided at an out-of-network facility ([HB 2042](#)). The bill is not moving forward at the Division of Financial Regulation’s request. The bill was made unnecessary by the passage of the federal No Surprises Act.
- **HB 2044** – Updates to Oregon’s drug price transparency program. Prevents disclosure of personally identifiable information about consumers who report price increases for prescription drugs. Requires pharmaceutical manufacturers to report patient assistance programs offered to consumers for certain new prescription drugs. Requires all insurers offering health benefit plans to annually report data about prescription drugs covered by plans ([HB 2044](#)). The bill had two public hearings in House Health Care on March 2 and March 9. There is no budgetary impact.
- **SB 45** – Disallows exclusions in life insurance policies for loss of life due to terrorism ([SB 45](#)). The bill was voted out of Senate Judiciary on March 11. There is no budgetary impact.
- **SB 46** – Aligns Oregon law to existing federal protections for policyholders with disability insurance ([SB 46](#)). The bill passed out of Senate Labor and Business on March 9. There is no budgetary impact.
- **SB 44** – Updates consumer protections in Oregon’s long-term care insurance ([SB 44](#)). This bill is not moving forward at the Division of Financial Regulation’s request.
- **HB 2041** – Transfers the Oregon Health Insurance Marketplace and COFA Premium Assistance Program from the Department of Consumer and Business Services to the Oregon Health Authority on June 30, 2021. As of Jan. 19, 2021, the bill has been referred to House Committee on Health Care. The budgetary impact to DCBS is a reduction of \$14,870,281 Other Funds expenditure authority and a reduction of 18.00 FTE ([HB 2041](#)).
- **HB 2045** – Aligns the Insurance Code with National Association of Insurance Commissioners Accreditation Standards and Uniform Provisions ([HB 2045](#)). The bill had a public hearing in House Business and Labor on March 10. There is no budgetary impact.
- **HB 2039** – Implements regulatory streamlining provisions for workers’ compensation coverage and claims processing requirements ([HB 2039](#)). The bill passed out of House Business and Labor Committee on March 10. There is no budgetary impact.
- **HB 2040** – Updates methods for reporting workers’ compensation claims information ([HB 2040](#)). The bill passed out of House Business and Labor Committee on March 10. There is no budgetary impact.

## Changes from DCBS continuing service level to the Governor's Recommended Budget

The following adjustments were made during the Governor's Recommended Budget process:

- Adjustments
  - State Government Service Charges, reduction of \$1,494,045
  - Department of Administrative Services charges related to State Data Center and Enterprise Goods and Services, reduction of \$461,215
  - Enterprise Administrative Services, reduction of \$549,530
  - Microsoft 365, reduction of \$679,300
  - Reduction of attorney general rates by 5.91 percent \$284,692
  - Position reduction: Eliminates long-term vacant positions.
  - Workers' Compensation Board, Pos. No. 2100.030 – 1 Permanent Full-time Administrative Law Judge
  - Workers' Compensation Division, Pos. No. 3000.638 – 1 Permanent Full-time Administrative Specialist 1
  - Workers' Compensation Division, Pos. No. 4000.069 – 1 Permanent Full-time Executive Support Specialist
  - Department of Financial Regulation, Pos. No. 0003.082 – 1 Permanent Full-time Operations & Policy Analyst 3
  - Department of Financial Regulation, Pos. No. 0003.643 – 1 Permanent Full-time Administrative Specialist 1
  - Department of Financial Regulation, Pos. No. 0001.019 – 1 Permanent Full-time Financial Examiner 2
- Revenue base reduction to beginning balances in the amount of \$21,399,463. DCBS revenues in ARB were as of April 2020. This adjustment is a result of a routine analysis of revenues to reflect the most current forecast.
- Expenditure base reduction to special payments with the Workers' Benefit Fund of \$40 million. This amount is excess non-limited limitation. This adjustment does not have an impact on actual benefits paid and removes authority only above our forecasted need.

## Ten percent reduction requirements

As required by statute, DCBS has provided a list of reduction in 5 percent increments, which is included in the appendix. The DCBS approach to the reductions is to prioritize DCBS programs by program impact, estimate cost of programs, and then set two 5 percent reductions levels beginning from the bottom of the list for a total of 10 percent.

## Agency vacancies

As of Feb. 26, 2021, DCBS has 87 vacant positions in the Workday system. The current status of these positions are as follows:

- 10 positions have been abolished through August 2020 special session or the Governor's Budget process
- 13 positions show vacant for one year or more; of these positions:
  - 5 positions are being recruited
  - 4 positions are filled through a limited duration or job rotation
  - 3 positions are being held for budget savings until we understand the impact of COVID-19 on the DCBS Premium Assessment Operating Account (PAOA)
  - 1 position is being held to finance a portion of a reclassification of a job series

# Appendix

Note: The DCBS 2021-23 Governor's Recommended Budget document is available at <https://www.oregon.gov/dCBS/Documents/budget/2021-23-gb.pdf>.

## Office of the Secretary of State

Bev Clarno  
Secretary of State

Jeff Morgan  
Interim Deputy Secretary of State



## Audits Division

Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

503-986-2255

February 10, 2020

Lou Savage, Interim Director  
Department of Consumer and Business Services  
350 Winter Street NE  
Salem, Oregon 97309

Dear Mr. Savage:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2019. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. However, we identified the following deficiency in internal control that we consider to be a significant deficiency.

### Significant Deficiency

#### Inadequate Documentation Over Removed Receivables

Transactions and other significant events should be clearly documented and the documentation



should be readily available for examination. During fiscal year 2019, department management reviewed the collectability of long term receivables to remove any receivables with insufficient evidence to support collection efforts. This process resulted in reducing net long term receivables by \$56.5 million, a decrease of about 92% of the balances.

The department was not able to provide sufficient documentation necessary to support the change in the department's accounts receivable balance. As result, we were unable to validate the appropriateness and accuracy of the receivables removed from the financial records.

**We recommend** department management ensure that accounts receivables are sufficiently supported to facilitate collection efforts, and any adjustments to receivables accounts and balances are supported by adequate documentation.

The above significant deficiency, along with your response for each finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2019. Please prepare a response to the finding and include the following information as part of your corrective action plan:

- 1) Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
- 2) The corrective action planned.
- 3) The anticipated completion date.
- 4) The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Amy Dale February 14, 2020 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Amy Dale, Audit Manager or Sarah Anderson, Principal Auditor at (503) 986-2255.

Sincerely,

*Office of the Secretary of State, Audits Division*

cc: Nancy Boysen, Deputy Director  
Carolina Marquette, Financial Services Manager  
Katy Coba, Director, Department of Administrative Services  
Robert Hamilton, SARS Manager, Department of Administrative Services



# Oregon

Kate Brown, Governor

Department of Consumer and Business Services

Central Services Division

350 Winter St. NE, Room 300

P.O. Box 14480

Salem, OR 97309-0405

503-378-8254 Fax: 503-947-2333

[www.oregon.gov/DCBS](http://www.oregon.gov/DCBS)

February 14, 2020

To: Sarah Anderson (Secretary of State)

From: Lane Foulger, DCBS Accounting Manager

Subject: Management Response to SOS Recommendations, Rpt. #2020-02-01

## **Inadequate Documentation Over Removed Receivables**

Transactions and other significant events should be clearly documented and the documentation should be readily available for examination. During fiscal year 2019, department management reviewed the collectability of long term receivables to remove any receivables with insufficient evidence to support collection efforts. This process resulted in reducing net long term receivables by \$56.5 million, a decrease of about 92% of the balances.

The department was not able to provide sufficient documentation necessary to support the change in the department's accounts receivable balance. As result, we were unable to validate the appropriateness and accuracy of the receivables removed from the financial records.

**We recommend** department management ensure that accounts receivables are sufficiently supported to facilitate collection efforts, and any adjustments to receivables accounts and balances are supported by adequate documentation.

## **DCBS Response:**

DCBS agrees with the recommendation.

DCBS did not download data from our accounts receivable liquidated and delinquent debt systems at the level of detail required for this review. As our reports are generated from tracking systems that are dynamic and updated with live data several times a day, DCBS was unable to recreate reports needed for review. DCBS has moved to a single system for accounts receivable liquidated and delinquent debt tracking that will allow us to produce needed reports. By the end of this reporting period, DCBS will develop a new report process to capture a "snapshot" of DCBS debt.

cc: Amy Dale, SOS  
Carolina Marquette, CFO, DCBS  
Thomas Poon, Senior Accountant, DCBS  
Chiqui Flowers, OHIM Administrator, DCBS  
Nancy Boysen, Deputy Director, DCBS

**Office of the Secretary of State**

Shemia Fagan  
Secretary of State

Cheryl Myers  
Deputy Secretary of State



**Audits Division**

Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

503-986-2255

February 12, 2021

Andrew Stolfi, Director  
Department of Consumer and Business Services  
350 Winter Street NE  
Salem, Oregon 97309

Dear Mr. Stolfi:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2020. This audit work was not a comprehensive financial audit of the department but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

**Material Weakness**

***Strengthen controls to ensure complete implementation of new accounting standards***

Department management was responsible for implementing Governmental Accounting Standards Board (GASB) pronouncement 84, accounting for fiduciary activities, in fiscal year 2020. This required reclassification of certain fiduciary assets and liabilities into a new reporting framework.

It also required activity associated with the fiduciary assets and liabilities to be captured and reported on a new financial statement titled *Statement of Changes in Fiduciary Net Position* which had previously never been reported under prior GASB requirements. For the department, this fiduciary activity represents securities held on deposit for insurance providers in Oregon. As insurance providers maintain required balances, the corresponding activity is now required to be reported under GASB 84.

We found that the department did not correctly implement GASB 84 due to an incomplete understanding of the new accounting standard. The Department of Administrative Services (DAS) oversees the statewide reporting function and provides guidance to agencies, and it is the responsibility of each agency to understand and implement reporting standards properly. DAS provided a listing of the new GASB 84 transactions to the department, but the department did not record all the transactions because of a misinterpretation of the new standard and DAS's guidance. Not recording the securities activity resulted in a material financial reporting error of over \$400 million. Although these activities previously existed, this is the first year the department was required to report them.

**We recommend** department management allocate adequate resources to implement significant financial reporting changes and ensure complete reporting of fiduciary asset activity in future years.

### Other Issue

During the course of our audit, we became aware of the following matter that is considered an opportunity for strengthening internal controls. This matter does not require a written response from management.

#### ***Lack of documentation***

A strong system of internal controls is comprised of many elements. One element is readily accessible and complete documentation to support financial transactions and account balances. Without strong controls the risk of error or manipulation is elevated. The Oregon Accounting Manual requires all financial transactions to be supported by appropriate documentation that is readily available for examination. Although the accounting department ultimately records the transactions, the need to maintain adequate supporting documentation extends to other divisions of the department.

During the audit, we noted the following instances where adequate documentation either was not readily available or did not exist:

- For accounts receivable, documentation maintained with the accounting transaction included a summary sheet with little detail about the underlying accounts. The individual account detail is contained in other subsidiary systems. For specific accounts selected for review, we were unable to obtain information regarding the origin of the receivable because there are only a few staff with access to the subsidiary system and they were not available to provide the required information.
- For the allowance for uncollectible receivables, some receivables are largely uncollectible for various reasons. When we inquired about how the uncollectible percentage was determined, we were informed it was based on the professional judgment of the overseeing

manager. Although professional judgment is common to determine an uncollectible percentage, there was no documentation of the factors, methodology, or considerations that comprised the professional judgment. After discussions with the manager, we agree with the assessment that the accounts were largely uncollectible. However, maintaining documentation regarding the assessment is important to ensure consistency and continuity within financial transactions.

**We recommend** department management ensure that adequate documentation or access to documentation exists to readily support financial transactions across the department and all its divisions.

The above material weakness, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2020. Please prepare a response to the finding and include the following information as part of your corrective action plan:

- 1) Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
- 2) The corrective action planned.
- 3) The anticipated completion date.
- 4) The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Amy Dale by March 1, 2021 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Amy Dale, Audit Manager or Sarah Anderson, Principal Auditor at (503) 986-2255.

Sincerely,

*Office of the Secretary of State, Audits Division*

cc: Mary Moller, Deputy Director  
Blake Johnson, Central Services Division Administrator  
Carolina Marquette, Financial Services Manager  
Michael Campbell, Chief Internal Auditor  
Katy Coba, Director, Department of Administrative Services  
Robert Hamilton, SARS Manager, Department of Administrative Services



February 26, 2021

Amy Dale, Audit Manager  
Secretary of State, Audits Division  
255 Capitol St. NE, Suite 500  
Salem, OR 97310

Dear Amy Dale,

This letter provides a written response to the Audits Division's final audit management letter for DCBS FY2020.

**Audit Finding:**

**Material Weakness**

***Strengthen controls to ensure complete implementation of new accounting standards***

Department management was responsible for implementing Governmental Accounting Standards Board (GASB) pronouncement 84, accounting for fiduciary activities, in fiscal year 2020. This required reclassification of certain fiduciary assets and liabilities into a new reporting framework.

It also required activity associated with the fiduciary assets and liabilities to be captured and reported on a new financial statement titled *Statement of Changes in Fiduciary Net Position* which had previously never been reported under prior GASB requirements. For the department, this fiduciary activity represents securities held on deposit for insurance providers in Oregon. As insurance providers maintain required balances, the corresponding activity is now required to be reported under GASB 84.

We found that the department did not correctly implement GASB 84 due to an incomplete understanding of the new accounting standard. The Department of Administrative Services (DAS) oversees the statewide reporting function and provides guidance to agencies, and it is the responsibility of each agency to understand and implement reporting standards properly. DAS provided a listing of the new GASB 84 transactions to the department, but the department did not record all the transactions because of a misinterpretation of the new standard and DAS's guidance. Not recording the securities activity resulted in a material financial reporting error of over \$400 million. Although these activities previously existed, this is the first year the department was required to report them.

**We recommend** department management allocate adequate resources to implement significant financial reporting changes and ensure complete reporting of fiduciary asset activity in future years.

**DCBS Response:**

DCBS is committed to the standards set forth in the Oregon Accounting Manual (OAM) and by the Governmental Accounting Standards Board (GASB). Our responsibility to properly record all financial transactions is a top priority.

Under state law, insurers operating in Oregon are required to hold securities on deposit at US Bank. These securities are required in order to guarantee the insurer's ability to continue to provide services to Oregonians. The insurers are responsible for all bank fees, and directly receive any interest earned.

In order for DCBS to access these securities, it must receive a court order; these securities are not "cash on hand" at DCBS. The new GASB 84 standard requires DCBS to record activity as insurers enter and exit the Oregon market. The identified financial reporting error is a result of not properly recording the activity of insurers entering or exiting the market, not a loss of funds by DCBS.

DCBS agrees with the recommendation. To this end, the following corrections are being made within Financial Services to improve our implementation of GASB 84:

- The DCBS senior accountant will create a procedure for recording the activities within the securities held in trust, specifically, the financial inflows and outflows in the securities held in trust. The procedure will be drafted, tested, and implemented by March 2021.
- All securities held in trust activities will be recorded quarterly. This will be implemented during the FY 2021 financial reporting period, and completed by fiscal year-end closing.

Please contact Lane Foulger at 503-302-1287 with questions.

Sincerely,

A handwritten signature in blue ink that reads "Carolina Marquette". The signature is written in a cursive style and is positioned above the typed name.

Carolina Marquette, CFO, DCBS

cc: Andrew Stolfi, Director  
Mary Moller, Deputy Director  
Rob Hamilton, SARS Manager, DAS



# Secretary of State **Oregon Audits Division**



Department of Consumer and Business Services  
**Oregon Health Insurance Marketplace  
Fiscal Year 2019 Compliance**

February 2020  
**2020-04**



# Introduction

## Background

In March 2015, Senate Bill 1 designated the Department of Consumer and Business Services to operate Oregon's health insurance exchange — an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage.

The Oregon Health Insurance Marketplace (OHIM) is one of only six<sup>1</sup> state-based exchanges that uses the federal marketplace platform for eligibility and enrollment (referred to as a SBE-FP). Complying with the Code of Federal Regulations (CFR) is important to ensure state health exchanges are functioning to allow eligible citizens to enroll in qualified health plans. Under the terms of the SBE-FP agreement, OHIM is responsible for educating consumers, working with agents and community partners providing consumer assistance, certifying qualified health plans, and maintaining the integrity of data and the security of personal information.

## Audit Objectives, Scope, and Methodology

### Objectives

The objectives of this audit were to conduct the following for the fiscal year ended June 30, 2019:

- Verify OHIM's compliance with programmatic requirements set forth by 45 CFR part 155;
- Report on compliance as directed by the Centers for Medicare & Medicaid Services (CMS); and
- Fulfill the requirements of a performance audit as directed in Oregon Revised Statute 741.220.

### Scope

We performed this audit of the state fiscal year ended June 30, 2019, in accordance with the requirements of 45 CFR part 155 as directed by CMS and clarified by the SBE-FP agreement. Because Oregon utilizes the federal platform for enrollment and eligibility, our scope was limited to verifying compliance with those sections of 45 CFR part 155 applicable to the structure of OHIM as a SBE-FP as follows:

#### Subpart C — General Functions of an Exchange

.205 Consumer assistance tools and programs of an Exchange

.210 Navigator program standards

.220 Ability of States to permit agents and brokers to assist qualified individuals, qualified employers, or qualified employees enrolling in Qualified Health Plans (QHPs)

.225 Certified application counselors

.260 Privacy and security of personally identifiable information

#### Subpart K — Exchange Functions: Certification of QHPs

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<sup>1</sup> As of November 1, 2019, per CMS.gov

- .1000 Certification standards for QHPs
- .1010 Certification process for QHPs
- .1020 QHP issuer rate and benefit information
- .1030 QHP certification standards related to advance payments of the premium tax credit and cost-sharing reductions
- .1040 Transparency in coverage
- .1045 Accreditation timeline
- .1050 Establishment of Exchange network adequacy standards
- .1055 Service area of a QHP
- .1065 Stand-alone dental plans
- .1075 Recertification of QHPs
- .1080 Decertification of QHPs

### ***Methodology***

We performed our audit of OHIM's performance by comparing actual operations, practices, and results against the stated requirements of 45 CFR part 155, subparts C and K, and the federal platform agreement with CMS, identifying the specific exchange functions for which Oregon is responsible. We interviewed OHIM personnel and reviewed customer and community partner resources on OHIM's website. We performed a review and analysis of OHIM documentation including contracts, agreements, and policies and procedures applicable to the compliance objectives.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Auditors from our office, not involved with the audit, reviewed our report for accuracy, checking facts and conclusions against our supporting evidence.

# Audit Results

## General Functions of an Exchange (Subpart C)

### **Consumer Assistance Programs**

**Criteria:** OHIM is required, under 45 CFR part 155.205, to establish a toll-free telephone hotline, an up-to-date website, accessibility for individuals with disabilities and those with limited English proficiency, consumer assistance performed by trained assisters, and outreach and education.

**Methodology:** We reviewed information posted on OHIM's website, the operation of the toll-free telephone hotline, accessibility, training of assisters, and outreach and educational activities.

### **Navigator Program**

**Criteria:** OHIM is required, under 45 CFR part 155.210(a), to establish a navigator program through which it awards grants to eligible entities or individuals. OHIM has established community partner and agent partner programs that provide grants to nonprofit and community organizations and insurance agencies to provide education, outreach, enrollment, and marketing activities. As a SBE-FP, OHIM must ensure that navigators and partners complete required training and comply with rules of conduct and applicable statutory and regulatory requirements, including consumer assistance, outreach and education, and privacy and security requirements.

**Methodology:** We reviewed grant agreements and partner contracts to ensure they included required training for key personnel and required privacy and security of personally identifiable and health information. Grantees and partners provide metric reports to OHIM on the outcome of outreach, education, and enrollment activities. We reviewed a selection of these metric reports to ensure they verified participation in these activities.

### **Agents and Brokers**

**Criteria:** Agents and brokers who assist with enrollment in QHPs must obtain training and register with the federal exchange in advance of providing assistance with enrollment. In accordance with 45 CFR part 155.220, OHIM must limit information provided on its website to include only licensed agents and brokers who have completed training and are registered with CMS.

**Methodology:** We reviewed a sample of 30 agents and brokers listed on OHIM's "Find Local Help" website for compliance with training and registration requirements.

### **Certified Application Counselor Program**

**Criteria:** OHIM must have a certified application counselor (CAC) program that complies with 45 CFR part 155.225, and may designate an organization to ensure staff members and volunteers are certified to act as CACs. OHIM has designated the Oregon Department of Human Services (DHS) to assist with administering the community partner program and overseeing CACs.

Under this program, volunteers and staff at local nonprofits or other organizations provide assistance with enrollment. These individuals must complete the required training and certification to perform this function.

**Methodology:** We reviewed the contract executed between OHIM and DHS for inclusion of federal requirements to train and certify the volunteers and staff of community partners as CACs before providing assistance with QHP applications.

### ***Privacy and Security Safeguards***

**Criteria:** OHIM must establish and implement privacy and security standards and safeguards for personally identifiable information (PII) that are consistent with the principles listed in 45 CFR part 155.260.

**Methodology:** We reviewed the types of PII OHIM receives, reviewed OHIM policies and procedures, data sharing agreements with partner agencies and CMS, contract agreements, and agency-wide security measures put in place to safeguard unauthorized access to PII.

### ***Conclusion***

Based on our review of operations during fiscal year ended June 30, 2019, OHIM complied with requirements applicable to state-based marketplaces using a federal platform under 45 CFR part 155, subsection C.

## **Exchange Functions: Certification of Qualified Health Plans (Subpart K)**

### ***Certification, Recertification, and Decertification of Qualified Health Plans***

**Criteria:** OHIM must establish procedures to certify, recertify, and decertify QHPs consistent with 45 CFR part 155.1000-.1080. OHIM must certify the plans prior to the beginning of open enrollment. If a carrier is no longer in compliance with exchange participation requirements, OHIM may decertify a carrier's plans.

**Methodology:** We reviewed OHIM's procedures for certifying, recertifying, and decertifying QHPs and insurance carriers. We reviewed the filings of the five carriers offering plans in OHIM for plan year 2019 to verify the carrier's plans were certified prior to open enrollment, and the carrier was licensed to sell insurance in Oregon. No plans were decertified for plan year 2019.

### ***QHP Issuer Justification for Rate Increases***

**Criteria:** OHIM must ensure that QHP issuers submit justification for rate increases in accordance with 45 CFR part 155.1020 prior to increasing rates. OHIM must review and approve the rate increase and provide access to the justification on its website.

**Methodology:** We reviewed rate increase justifications submitted by the five QHP carriers in OHIM to ensure OHIM reviewed the increases and made the justifications available on their website as required.

### ***Conclusion***

Based on our review of operations during fiscal year ended June 30, 2019, OHIM complied with requirements applicable to state-based marketplaces using a federal platform under 45 CFR part 155, subsection K.



## **Audit Team**

Mary Wenger, CPA, Deputy Director

Amy Dale, CPA, Audit Manager

Sarah Anderson, CPA, Principal Auditor

## **About the Secretary of State Audits Division**

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

This report is intended to promote the best possible management of public resources.  
Copies may be obtained from:

### **Oregon Audits Division**

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[sos.oregon.gov/audits](https://sos.oregon.gov/audits)

# **Oregon Health Insurance Marketplace**

FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019



Department of Consumer and Business Services  
350 Winter St. NE  
Salem, OR 97309

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## Independent Auditor's Report

The Honorable Kate Brown, Governor of Oregon  
Lou Savage, Interim Director, Oregon Department of Consumer and Business Services

### Report on the Financial Statements

We have audited the accompanying financial statements of the Oregon Health Insurance Marketplace, a program of the Department of Consumer and Business Services, State of Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oregon Health Insurance Marketplace, a program of the Department of Consumer and Business Services, State of Oregon, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Oregon Health Insurance Marketplace, a program of the Department of Consumer and Business Services, State of Oregon, are intended to present the financial position and the changes in financial position of only that portion of the Department of Consumer and Business Services that is attributable to the transactions of the Oregon Health Insurance Marketplace. They do not purport to, and do not, present fairly the financial position of the State of Oregon or the Department of Consumer and Business Services as of June 30, 2019, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, on our consideration of the Oregon Health Insurance Marketplace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon Health Insurance Marketplace's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon Health Insurance Marketplace's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
February 10, 2020

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Balance Sheet  
Governmental Fund  
June 30, 2019

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ASSETS	<u>2019</u>
Cash and Cash Equivalents	\$ 8,621,819
Accounts Receivable	375,565
Other Receivables, Net	<u>16,605</u>
<b>Total Assets</b>	<b>\$ <u><u>9,013,989</u></u></b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
<b>Liabilities:</b>	
Accounts Payable	\$ 3,044
Due to Other Funds	181,811
Other Current Liabilities	<u>385,738</u>
<b>Total Liabilities</b>	<u>570,593</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	<u>16,605</u>
<b>Total Deferred Inflows of Resources</b>	<u>16,605</u>
<b>Fund Balance:</b>	
Restricted for Health Insurance Marketplace	<u>8,426,791</u>
<b>Total Fund Balance</b>	<u>8,426,791</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ <u><u>9,013,989</u></u></b>

The notes to the financial statements are an integral part of this statement.

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund

For the Year Ended June 30, 2019

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<b>Revenues:</b>		<u>2019</u>
Assessments	\$	9,220,796
Interest and Investments		192,311
Other Revenue		<u>188</u>
<b>Total Revenues</b>		<u>9,413,295</u>
<b>Expenditures:</b>		
Current:		
Salaries and Wages		2,255,655
Services and Supplies		3,915,098
Special Payments		874,510
Capital Outlay		<u>3,765</u>
<b>Total Expenditures</b>		<u>7,049,028</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>2,364,267</u>
Net Change in Fund Balance		<u>2,364,267</u>
Fund Balances - Beginning		6,075,202
Prior Period Adjustment (Note 7)		<u>(12,678)</u>
Fund Balances - Beginning - Adjusted		<u>6,062,524</u>
<b>Fund Balances - Ending</b>	<b>\$</b>	<u><u>8,426,791</u></u>

The notes to the financial statements are an integral part of this statement.

# THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

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### Note 1 – Summary of Significant Accounting Policies

#### A – Purpose of Organization

The Patient Protection and Affordable Care Act (ACA) of 2010 required each state to establish a health insurance marketplace, an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage. States were permitted to implement their own marketplaces (referred to as state-based marketplaces or SBMs), choose to have a hybrid marketplace (referred to as state-based marketplaces using the federal platform or SBM-FPs), or states could elect to participate in the federal marketplace (referred to as the federally facilitated marketplace or FFM). Oregon first elected to implement a state-based marketplace to meet the unique needs of Oregonians and its insurance market. In late 2014, Oregon transitioned into a SBM-FP.

In 2011, Senate Bill 99 established the Oregon Health Insurance Exchange Corporation (Cover Oregon) as a public corporation to be governed by a board of directors. Upon implementation, Cover Oregon was fully dependent on federal grant funding for its operational expenditures through Dec. 31, 2014, and partially thereafter.

In 2015, SB 1 abolished Cover Oregon and its board of directors, and transferred its duties, functions, and powers to the Department of Consumer and Business Services (DCBS), an existing state agency. The SBM-FP, within DCBS – Oregon Health Insurance Marketplace (OHIM) – currently is fully self-funded, using per-member-per-month (PMPM) assessments for operations. These financial statements are representative of OHIM only, a program within DCBS.

SB 1 also established the Health Insurance Exchange Fund, also known as the Marketplace Fund. Oregon Revised Statute 741 restricts the use of these funds to the operation of OHIM. The Marketplace Fund is a special revenue fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The activities of this fund are rolled up into the Consumer Protection special revenue fund for the statewide financial reporting purposes.

#### B – Basis of Accounting

The accompanying financial statements of the Oregon Health Insurance Marketplace are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America for governmental funds.

Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal year. Expenditures

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

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generally are recognized when a liability is incurred, as under accrual accounting. Revenues for OHIM come from PMPM assessments from insurance carriers that participate in the OHIM program.

Accordingly, revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of when cash was received or paid.

#### **C – Deposits and Investments**

Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents consist of cash and investments held by the office of the State Treasurer in the Oregon Short Term Fund (OSTF). Additional information about the OSTF can be found in the OSTF financial statements at

<https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

#### **D – Receivables & Payables**

Receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectable accounts. Payables consist of amounts owed to vendors for operational expenditures and other state agencies for services received.

#### **E – Use of Estimates**

OHIM used estimates and assumptions in preparing financial statements in accordance with GAAP. The preparation of the financial statements required management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from the estimates included in the accompanying financial statements.

#### **F –Fund Balance**

The difference between assets and liabilities, plus deferred inflows of resources, is labeled “Fund Balance” on the financial statements. The Health Insurance Exchange Fund balance is restricted. Restricted fund balances are the result of constraints imposed by the law through constitutional provisions or enabling legislation or by parties outside state government, such as creditors, grantors, contributions, or laws or regulations of other governments.

# THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

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### Note 2 – Deposits and Investments

#### OHIM Participation in the Oregon Short Term Fund Held at Treasury

The Oregon State Treasury maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by the Marketplace Fund. Because the pool operates as a demand deposit account, the Marketplace Fund portion of the OSTF is classified on the financial statements as cash and cash equivalents.

#### Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, OHIM will not be able to recover deposits that are in the possession of an outside party. OHIM does not hold any deposits or investments outside of the Oregon State Treasury. Deposits held by the Oregon State Treasury are either insured or collateralized under the Public Funds Collateralization Program. For more information, refer to the Oregon State Treasury financial statements at <https://www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx>. Banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

The OHIM bank balance at the Oregon State Treasury was \$8,106,473 as of June 30, 2019.

#### Investments

OHIM has investments only in OSTF held by the Oregon State Treasury.

### Note 3 – Receivables and Payables

#### Receivables

The following table disaggregates receivable balances reported in the financial statements as accounts and other receivables at June 30, 2019.

Receivables		Accounts Receivable	Other Receivable	Total
Governmental Activities				
Insurer assessment receivable	\$	368,565	166,046	534,611
Allowance for doubtful accounts			(149,441)	(149,441)
McGuireWoods Reimbursement		7,000		7,000
Total Receivable, net	\$	375,565	16,605	392,170

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

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#### *Payables*

The following table disaggregates payable balances reported in the financial statements as accounts payable and other current liabilities at June 30, 2019.

Payables		Accounts Payable	Other Current Liabilities	Total
Governmental Activities				
General Operation	\$	3,044	182,113	185,157
Special Payment		-	203,625	203,625
Total Payable	\$	3,044	385,738	388,782

#### **Note 4 – Risk Management**

The OHIM is subject to the risk of loss from various events, including, but not limited to, natural disasters, destruction of assets, errors, omission, and injuries to employees. To mitigate the risk of loss from various events, OHIM participates in and is covered under the State of Oregon's self-insurance and commercial insurance program as administered by the Department of Administration Services (DAS) Enterprise Goods and Services Division, Risk Management Section. As such, OHIM is responsible to provide updated property, equipment, and fixture values to DAS Risk Management.

#### **Note 5 – Assessment Revenue**

Each year by March 31, the per-member-per-month medical and dental assessment rates need to be set for qualified health plans sold through the federal exchange. The rates are set to cover OHIM's planned expenditures for that plan year. There is a risk to assessment revenues from federal or legal actions that may reduce enrollment in qualified health plans. In calendar year 2016, the medical and dental rates were \$9.66 and 97 cents, respectively. In calendar year 2017, the medical and dental rates were reduced to \$6.00 and 57 cents, respectively, due to reductions in expenditures. For calendar years 2018 and 2019, the rates remained the same at \$6.00 and 57 cents. For calendar year 2020, the rates will be reduced to \$5.50 for medical and 36 cents for dental.

#### **Note 6 – Insurance Providers Rebate**

Oregon Revised Statute (ORS) 741.105(3)(b) limits OHIM's fund balance to six months of expenditures. Anything beyond six months of expenditures will be credited to insurers in a manner described in Oregon Administrative Rule (OAR) 945-030-0020. The distribution of the credit is based on the billing date and billed amounts during the 2017-19 biennium for firms that were offering plans through the end of the biennium. The monthly credit is the total rebate, per insurer, divided over 12 months. The 2019-21 biennium total credit for insurance providers is \$4,163,014.75.

# THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

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### Note 7 – Chargeback – Prior Period Adjustment

OHIM did not have budget limitation to complete an accrual for fourth (4<sup>th</sup>) Quarter fiscal year 2018 chargeback expenditures. OHIM received additional chargeback limitation for the 17 – 19 biennium, per 2019 House Bill 5011. Because no accrual was recorded for fourth (4<sup>th</sup>) Quarter fiscal year 2018 chargeback expenditures, they were considered prior period adjustments for fiscal year 2019.

Expenditure adjustments were made as part of the OHIM chargeback in fiscal year 2019. Some of the adjustments were for fiscal year 2018 chargeback expenditures—these were considered prior period adjustments for fiscal year 2019.

Chargeback Correction	216,096
FY18 Chargeback recorded in FY19	(228,774)
Total Prior Period Adj for Chargeback	(12,678)





**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Honorable Kate Brown, Governor of Oregon  
Lou Savage, Interim Director, Oregon Department of Consumer and Business Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon Health Insurance Marketplace (OHIM), a program of the Department of Consumer and Business Services (the department), State of Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OHIM's basic financial statements, and have issued our report thereon dated February 10, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting (internal control) for OHIM to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiency in internal control that we consider to be a significant deficiency.

## **Inaccurate Financial Reporting**

The OHIM Fund is a special revenue fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for OHIM. During the year, the Oregon Health Authority (OHA) contracted with OHIM to leverage OHIM's preexisting outreach marketing campaign to reach as many Oregonians as possible during the health insurance open enrollment period.

OHIM incorrectly included OHA transactions related to the marketing campaign in the OHIM program financial statements, resulting in overstatements of \$852,000 in expenditures and payables.

**We recommend** department management ensure financial reporting processes and controls are sufficiently designed and implemented to report only OHIM related transactions in the program's year-end financial statements.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the OHIM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Secretary of State, Audits Division*

State of Oregon  
February 10, 2020



# Oregon

Kate Brown, Governor

## Department of Consumer and Business Services

Central Services Division  
350 Winter St. NE, Room 300  
P.O. Box 14480  
Salem, OR 97309-0405  
503-378-8254 Fax: 503-947-2333  
[www.oregon.gov/DCBS](http://www.oregon.gov/DCBS)

February 14, 2020

To: Sarah Anderson (Secretary of State)

From: Lane Foulger, DCBS Accounting Manager

Subject: Oregon HIM Management Response Financial audit rpt. #2020-06

### **Audit Finding:**

#### **Inaccurate Financial Reporting**

The OHIM Fund is a special revenue fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for OHIM. During the year, the Oregon Health Authority (OHA) contracted with OHIM to leverage OHIM's preexisting outreach marketing campaign to reach as many Oregonians as possible during the health insurance open enrollment period.

OHIM incorrectly included OHA transactions related to the marketing campaign in the OHIM program financial statements, resulting in overstatements of \$852,000 in expenditures and payables.

**We recommend** department management ensure financial reporting processes and controls are sufficiently designed and implemented to report only OHIM related transactions in the program's year end's financial statements.

### **DCBS Response:**

DCBS agrees with the recommendation. DCBS will complete the following, prior to reporting for this current period:

1. Revise the current version of the Annual Accrual Memorandum sent to DCBS programs. Revisions will include: providing an in depth explanation of the purpose of the request, a description of what programs are required to submit, and an example tying the concepts together to most accurately complete the annual accrual.
2. Develop criteria and a process for reviewing accrual information submitted by program.
3. Accounting Services Manager and staff will meet annually with the DCBS program staff who collect and report annual accrual information to train program staff about the process and review materials described in item 1 above and answer any questions program staff may have.

cc: Amy Dale, SOS  
Carolina Marquette, CFO, DCBS  
Thomas Poon, Senior Accountant, DCBS

Chiqui Flowers, OHIM Administrator, DCBS  
Nancy Boysen, Deputy Director, DCBS



# Secretary of State **Oregon Audits Division**



## Department of Consumer and Business Services **Oregon Health Insurance Marketplace Fiscal Year 2020 Compliance**

February 2021  
**Report 2021-03**

Secretary of State Shemia Fagan  
Audits Division Director Kip Memmott

# Introduction

## Background

In March 2015, Senate Bill 1 designated the Department of Consumer and Business Services to operate Oregon’s health insurance exchange — an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage.

The Oregon Health Insurance Marketplace (OHIM) is one of only six<sup>1</sup> state-based exchanges that use the federal marketplace platform for eligibility and enrollment (referred to as a SBE-FP).

Complying with the Code of Federal Regulations (CFR) is important to ensure state health exchanges are functioning to allow eligible citizens to enroll in qualified health plans.

Under the terms of the SBE-FP agreement, OHIM is responsible for educating consumers, working with agents and community partners providing consumer assistance, certifying qualified health plans, and maintaining the integrity of data and the security of personal information.

## Audit Objectives, Scope, and Methodology

### Objectives

The objectives of this audit were to conduct the following for the fiscal year ended June 30, 2020:

- Verify OHIM’s compliance with programmatic requirements set forth by 45 CFR part 155;
- Report on compliance as directed by the Centers for Medicare & Medicaid Services (CMS); and
- Fulfill the requirements of a performance audit as directed in Oregon Revised Statute 741.220.

### Scope

We performed this audit of the state fiscal year ended June 30, 2020, in accordance with the requirements of 45 CFR part 155 as directed by CMS and clarified by the SBE-FP agreement. Because Oregon utilizes the federal platform for enrollment and eligibility, our scope was limited to verifying compliance with those sections of 45 CFR part 155 applicable to the structure of OHIM as a SBE-FP as follows:

#### Subpart C — General Functions of an Exchange

- .205 Consumer assistance tools and programs of an Exchange
- .210 Navigator program standards
- .220 Ability of States to permit agents and brokers to assist qualified individuals, qualified employers, or qualified employees enrolling in Qualified Health Plans (QHPs)
- .225 Certified application counselors
- .260 Privacy and security of personally identifiable information

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<sup>1</sup> As of November 1, 2019, per CMS.gov

## Subpart K — Exchange Functions: Certification of QHPs

- .1000 Certification standards for QHPs
- .1010 Certification process for QHPs
- .1020 QHP issuer rate and benefit information
- .1030 QHP certification standards related to advance payments of the premium tax credit and cost-sharing reductions
- .1040 Transparency in coverage
- .1045 Accreditation timeline
- .1050 Establishment of Exchange network adequacy standards
- .1055 Service area of a QHP
- .1065 Stand-alone dental plans
- .1075 Recertification of QHPs
- .1080 Decertification of QHPs

### ***Methodology***

We performed our audit of OHIM’s performance by comparing actual operations, practices, and results against the stated requirements of 45 CFR part 155, subparts C and K, and the federal platform agreement with CMS, identifying the specific exchange functions for which Oregon is responsible. We interviewed OHIM personnel and reviewed customer and community partner resources on OHIM’s website. We performed a review and analysis of OHIM documentation including contracts, agreements, and policies and procedures applicable to the compliance objectives.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Auditors from our office, not involved with the audit, reviewed our report for accuracy, checking facts and conclusions against our supporting evidence.

# Audit Results

## General Functions of an Exchange (Subpart C)

### ***Consumer Assistance Programs***

**Criteria:** OHIM is required, under 45 CFR part 155.205, to establish a toll-free telephone hotline, an up-to-date website, accessibility for individuals with disabilities and those with limited English proficiency, consumer assistance performed by trained assisters, and outreach and education.

**Methodology:** We reviewed information posted on OHIM's website, the operation of the toll-free telephone hotline, accessibility, training of assisters, and outreach and educational activities.

### ***Navigator Program***

**Criteria:** OHIM is required, under 45 CFR part 155.210(a), to establish a navigator program through which it awards grants to eligible entities or individuals. OHIM program awards grants to community and agent partners and insurance agencies. This partner program provides education, outreach, enrollment, and marketing activities. As a SBE-FP, OHIM must ensure that navigators and partners complete required training and comply with rules of conduct and applicable statutory and regulatory requirements, including consumer assistance, outreach and education, and privacy and security requirements.

**Methodology:** We reviewed grant agreements and partner contracts to ensure they included required training for key personnel and required privacy and security of personally identifiable and health information. Grantees and partners provide metric reports to OHIM on the outcome of outreach, education, and enrollment activities. We reviewed a selection of these metric reports to ensure they verified participation in these activities.

### ***Agents and Brokers***

**Criteria:** Agents and brokers who assist with enrollment in QHPs must obtain training and register with the federal exchange in advance of providing assistance with enrollment. In accordance with 45 CFR part 155.220, OHIM must limit information provided on its website to include only licensed agents and brokers who have completed training and are registered with CMS.

**Methodology:** We reviewed a sample of 25 agents and brokers listed on OHIM's "Find Local Help" website for compliance with training and registration requirements.

### ***Certified Application Counselor Program***

**Criteria:** OHIM must have a certified application counselor (CAC) program that complies with 45 CFR part 155.225, and may designate an organization to ensure staff members and volunteers are certified to act as CACs. OHIM has designated the Oregon Department of Human Services (DHS) to assist with administering the community partner program and overseeing CACs.

Under this program, volunteers and staff at local nonprofits or other organizations provide assistance with enrollment. These individuals must complete the required training and certification to perform this function.

**Methodology:** We reviewed the contract executed between OHIM and DHS for inclusion of federal requirements to train and certify the volunteers and staff of community partners as CACs before providing assistance with QHP applications.

### ***Privacy and Security Safeguards***

**Criteria:** OHIM must establish and implement privacy and security standards and safeguards for personally identifiable information (PII) that are consistent with the principles listed in 45 CFR part 155.260.

**Methodology:** We reviewed the types of PII OHIM receives, reviewed OHIM policies and procedures, data sharing agreements with partner agencies and CMS, contract agreements, and agency-wide security measures put in place to safeguard unauthorized access to PII.

### ***Conclusion***

Based on our review of operations during fiscal year ended June 30, 2020, OHIM complied with requirements applicable to state-based marketplaces using a federal platform under 45 CFR part 155, subpart C.

## **Exchange Functions: Certification of Qualified Health Plans (Subpart K)**

### ***Certification, Recertification, and Decertification of Qualified Health Plans***

**Criteria:** OHIM must establish procedures to certify, recertify, and decertify QHPs consistent with 45 CFR part 155.1000-.1080. OHIM must certify the plans prior to the beginning of open enrollment. If a carrier is no longer in compliance with exchange participation requirements, OHIM may decertify a carrier's plans.

**Methodology:** We reviewed OHIM's procedures for certifying, recertifying, and decertifying QHPs and insurance carriers. We reviewed the filings of the five carriers offering plans in OHIM for plan year 2020 to verify the carrier's plans were certified prior to open enrollment, and the carrier was licensed to sell insurance in Oregon. No plans were decertified for plan year 2020.

### ***QHP Issuer Justification for Rate Increases***

**Criteria:** OHIM must ensure that QHP issuers submit justification for rate increases in accordance with 45 CFR part 155.1020 prior to increasing rates. OHIM must review and approve the rate increase and provide access to the justification on its website.

**Methodology:** We reviewed rate increase justifications submitted by the five QHP carriers in OHIM to ensure OHIM reviewed the increases and made the justifications available on their website as required.

### ***Conclusion***

Based on our review of operations during fiscal year ended June 30, 2020, OHIM complied with requirements applicable to state-based marketplaces using a federal platform under 45 CFR part 155, subpart K.





## **Audit Team**

Mary Wenger, CPA, Deputy Director

Amy Dale, CPA, Audit Manager

Sarah Anderson, CPA, Principal Auditor

## **About the Secretary of State Audits Division**

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

This report is intended to promote the best possible management of public resources.  
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### **Oregon Audits Division**

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[sos.oregon.gov/audits](https://sos.oregon.gov/audits)

# **Oregon Health Insurance Marketplace**

FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2020



Department of Consumer and Business Services  
350 Winter St. NE  
Salem, OR 97309

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Shemia Fagan  
Secretary of State

Cheryl Myers  
Deputy Secretary of State



Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

503-986-2255

## **Independent Auditor's Report**

The Honorable Kate Brown, Governor of Oregon  
Andrew Stolfi, Director, Oregon Department of Consumer and Business Services

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oregon Health Insurance Marketplace, a program of the Department of Consumer and Business Services, State of Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oregon Health Insurance Marketplace, a program of the Department of Consumer and Business Services, State of Oregon, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Oregon Health Insurance Marketplace, a program of the Department of Consumer and Business Services, State of Oregon, are intended to present the financial position and the changes in financial position of only that portion of the Department of Consumer and Business Services that is attributable to the transactions of the Oregon Health Insurance Marketplace. They do not purport to, and do not, present fairly the financial position of the State of Oregon or the Department of Consumer and Business Services as of June 30, 2020, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of the Oregon Health Insurance Marketplace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon Health Insurance Marketplace's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon Health Insurance Marketplace's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
January 15, 2021

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

**Balance Sheet**  
**Governmental Fund**  
June 30, 2020

---

ASSETS	<u>2020</u>
Cash and Cash Equivalents	\$ 8,469,938
Accounts Receivable	<u>266,682</u>
<b>Total Assets</b>	<b>\$ <u>8,736,620</u></b>
LIABILITIES AND FUND BALANCE	
<b>Liabilities:</b>	
Accounts Payable	\$ 1,383
Due to Other Funds	162,386
Other Current Liabilities	<u>92,652</u>
<b>Total Liabilities</b>	<b><u>256,421</u></b>
<b>Fund Balance:</b>	
Restricted for Health Insurance Marketplace	<u>8,480,199</u>
<b>Total Fund Balance</b>	<b><u>8,480,199</u></b>
<b>Total Liabilities, and Fund Balance</b>	<b>\$ <u>8,736,620</u></b>

The notes to the financial statements are an integral part of this statement.

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Statement of Revenues, Expenditures and Changes in Fund Balance

#### Governmental Fund

For the Year Ended June 30, 2020

---

<b>Revenues:</b>	<u>2020</u>
Assessments	\$ 6,686,233
Interest and Investments	204,946
Other Revenue	<u>185</u>
<b>Total Revenues</b>	<u>6,891,364</u>
<b>Expenditures:</b>	
Current:	
Salaries and Wages	2,471,121
Services and Supplies	3,715,461
Special Payments	626,628
Capital Outlay	<u>24,746</u>
<b>Total Expenditures</b>	<u>6,837,956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>53,408</u>
Net Change in Fund Balance	<u>53,408</u>
Fund Balances - Beginning	8,426,791
<b>Fund Balances - Ending</b>	<u>\$ 8,480,199</u>

The notes to the financial statements are an integral part of this statement.

# THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2020

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### Note 1 – Summary of Significant Accounting Policies

#### A – Purpose of Organization

The Patient Protection and Affordable Care Act (ACA) of 2010 required each state to establish a health insurance marketplace, an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage. States were permitted to implement their own marketplaces (referred to as state-based marketplaces or SBMs), choose to have a hybrid marketplace (referred to as state-based marketplaces using the federal platform or SBM-FPs), or states could elect to participate in the federal marketplace (referred to as the federally facilitated marketplace or FFM). Oregon first elected to implement a state-based marketplace to meet the unique needs of Oregonians and its insurance market. In late 2014, Oregon transitioned into a SBM-FP.

In 2011, Senate Bill 99 established the Oregon Health Insurance Exchange Corporation (Cover Oregon) as a public corporation to be governed by a board of directors. Upon implementation, Cover Oregon was fully dependent on federal grant funding for its operational expenditures through Dec. 31, 2014, and partially thereafter.

In 2015, SB 1 abolished Cover Oregon and its board of directors, and transferred its duties, functions, and powers to the Department of Consumer and Business Services (DCBS), an existing state agency. The SBM-FP, within DCBS – Oregon Health Insurance Marketplace (OHIM) – currently is fully self-funded, using per-member-per-month (PMPM) assessments for operations. These financial statements are representative of OHIM only, a program within DCBS.

SB 1 also established the Health Insurance Exchange Fund, also known as the Marketplace Fund. Oregon Revised Statute 741 restricts the use of these funds to the operation of OHIM. The Marketplace Fund is a special revenue fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The activities of this fund are rolled up into the Consumer Protection special revenue fund for the statewide financial reporting purposes.

#### B – Basis of Accounting

The accompanying financial statements of the Oregon Health Insurance Marketplace are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America for governmental funds.

Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal year. Expenditures



## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2020

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generally are recognized when a liability is incurred, as under accrual accounting. Revenues for OHIM come from PMPM assessments from insurance carriers that participate in the OHIM program.

Accordingly, revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of when cash was received or paid.

#### **C – Deposits and Investments**

Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents consist of cash and investments held by the office of the State Treasurer in the Oregon Short Term Fund (OSTF). Additional information about the OSTF can be found in the OSTF financial statements at

<https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

#### **D – Receivables & Payables**

Receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectable accounts. Payables consist of amounts owed to vendors for operational expenditures and other state agencies for services received.

#### **E – Use of Estimates**

OHIM used estimates and assumptions in preparing financial statements in accordance with GAAP. The preparation of the financial statements required management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from the estimates included in the accompanying financial statements.

#### **F –Fund Balance**

The difference between assets and liabilities, plus deferred inflows of resources, is labeled “Fund Balance” on the financial statements. The Health Insurance Exchange Fund balance is restricted. Restricted fund balances are the result of constraints imposed by the law through constitutional provisions or enabling legislation or by parties outside state government, such as creditors, grantors, contributions, or laws or regulations of other governments.

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2020

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## Note 2 – Deposits and Investments

### OHIM Participation in the Oregon Short Term Fund Held at Treasury

The Oregon State Treasury maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by the Marketplace Fund. Because the pool operates as a demand deposit account, the Marketplace Fund portion of the OSTF is classified on the financial statements as cash and cash equivalents.

### Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, OHIM will not be able to recover deposits that are in the possession of an outside party. OHIM does not hold any deposits or investments outside of the Oregon State Treasury. Deposits held by the Oregon State Treasury are either insured or collateralized under the Public Funds Collateralization Program. For more information, refer to the Oregon State Treasury financial statements at <https://www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx> Banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

The OHIM bank balance at the Oregon State Treasury was \$8,145,781 as of June 30, 2020.

### Investments

OHIM has investments only in OSTF held by the Oregon State Treasury.

## Note 3 – Receivables and Payables

### Receivables

The following table disaggregates receivable balances reported in the financial statements as accounts and other receivables at June 30, 2020.

Receivables		Accounts Receivable	Other Receivable	Total
Governmental Activities				
Insurer assessment receivable	\$	254,682	166,046	420,728
Allowance for doubtful accounts			(166,046)	(166,046)
McGuireWoods Reimbursement		12,000		12,000
Total Receivable, net	\$	266,682	-	266,682

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2020

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#### *Payables*

The following table disaggregates payable balances reported in the financial statements as accounts payable and other current liabilities at June 30, 2020.

Payables		Accounts Payable	Other Current Liabilities	Total
Governmental Activities				
General Operation	\$	1,383	38,346	39,729
Special Payment		-	54,306	54,306
Total Payable	\$	1,383	92,652	94,035

#### **Note 4 – Risk Management**

OHIM is subject to the risk of loss from various events, including, but not limited to, natural disasters, destruction of assets, errors, omission, and injuries to employees. To mitigate the risk of loss from various events, OHIM participates in and is covered under the State of Oregon's self-insurance and commercial insurance program as administered by the Department of Administration Services (DAS) Enterprise Goods and Services Division, Risk Management Section. As such, OHIM is responsible to provide updated property, equipment, and fixture values to DAS Risk Management.

#### **Note 5 – Assessment Revenue**

Each year by March 31, the per-member-per-month medical and dental assessment rates need to be set for qualified health plans sold through the federal exchange. The rates are set to cover OHIM's planned expenditures for that plan year. There is a risk to assessment revenues from federal or legal actions that may reduce enrollment in qualified health plans. In calendar year 2016, the medical and dental rates were \$9.66 and 97 cents, respectively. In calendar year 2017, the medical and dental rates were reduced to \$6.00 and 57 cents, respectively, due to reductions in expenditures. For calendar years 2018 and 2019, the rates remained the same at \$6.00 and 57 cents. For calendar year 2020, the rates will be reduced to \$5.50 for medical and 36 cents for dental. For calendar year 2021, the rates will remain at \$5.50 for medical and 36 cents for dental.

#### **Note 6 – Insurance Providers Rebate**

Oregon Revised Statute (ORS) 741.105(3)(b) limits OHIM's fund balance to six months of expenditures. Anything beyond six months of expenditures will be credited to insurers in a manner described in Oregon Administrative Rule (OAR) 945-030-0020. The distribution of the credit is based on the billing date and billed amounts during the 2017-19 biennium for firms that were offering plans through the end of the biennium. The monthly credit is the total rebate, per insurer, divided over 12 months. The 2019-21 biennium total rebate for insurance providers is \$4,163,014.75. Of the total 2019-21 biennium rebate, \$2,081,514.00 was for January through June of FY2020.

## THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2020

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#### **Note 7 – Fund Sweep**

In 2019, the Oregon Legislature passed House Bill 2377. Section 5 of the bill requires the OHIM to transfer \$3,800,000.00 to the State of Oregon General Fund on May 31, 2021.

#### **Note 8 – Proposed Transfer of OHIM program to the Oregon Health Authority (OHA)**

DCBS has submitted its 2021-23 Agency Request Budget (ARB), which includes policy package No. 103 *HIM transfer to OHA*. Policy package No. 103 recommends the transfer of the OHIM program and its resources and liabilities to OHA. If approved by the 2021 Legislature, a project manager from each agency will be appointed to develop a project plan, including timeline for planning and implementation. There are no changes in services to the public if the transfer is complete. This policy proposal has not yet been adopted by the legislature at the time of issuing these financial statements.

Shemia Fagan  
Secretary of State

Cheryl Myers  
Deputy Secretary of State



Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Kate Brown, Governor of Oregon  
Andrew Stolfi, Director, Oregon Department of Consumer and Business Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon Health Insurance Marketplace (OHIM), a program of the Department of Consumer and Business Services (the department), State of Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise OHIM's basic financial statements, and have issued our report thereon dated January 15, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting for OHIM to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the OHIM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Secretary of State, Audits Division*

State of Oregon  
January 15, 2021

## Agency Span of Control as of December 31, 2020 @ 12:00 PM

Agency	Agency Max Supervisory ratio	Total # EEs *	Total # Non-supervisory EEs	÷	Total # Supervisory EEs	Total # EEs not assigned a Representation **	1	:	Adjusted Actual Ratio	Actual ratio
Bureau of Labor and Industries	(1:8)	118	104	÷	14	0	1	:	7	7.43
Department of Administrative Services	(1:10)	1043	949	÷	94	0	1	:	10	10.10
Department of Agriculture	(1:8)	801	750	÷	51	0	1	:	15	14.71
Department of Consumer and Business Services	(1:11)	994	911	÷	83	0	1	:	11	10.98
Department of Corrections	(1:10)	5274	4819	÷	454	1	1	:	11	10.61
Department of Environmental Quality	(1:10.25)	820	751	÷	69	0	1	:	11	10.88
Department of Fish and Wildlife	(1:6)	1399	1213	÷	186	0	1	:	7	6.52
Department of Human Services	(1:8.39)	10800	9810	÷	981	9	1	:	10	10.00
Department of Justice	(1:11.88)	1602	1478	÷	122	2	1	:	12	12.11
Department of Public Safety Standards and Training	(1:27)	418	400	÷	15	3	1	:	27	26.67
Department of Revenue	(1:11)	1117	1026	÷	91	0	1	:	11	11.27
Department of State Lands	(1:8)	140	129	÷	10	1	1	:	13	12.90
Department of Transportation	(1:11)	5596	5166	÷	430	0	1	:	12	12.01
Employment Department	(1:11)	2624	2432	÷	192	0	1	:	13	12.67
Forestry Department	(1:7)	1901	1726	÷	174	1	1	:	10	9.92
Higher Education Coordinating Commission	(1:7)	157	138	÷	19	0	1	:	7	7.26
Oregon Business Development Department	(1:9)	151	137	÷	14	0	1	:	10	9.79
Oregon Department of Education	(1:9)	975	884	÷	88	3	1	:	10	10.05
Oregon Health Authority	(1:8.6)	5281	4829	÷	452	0	1	:	11	10.68
Oregon Housing and Community Services	(1:9)	242	216	÷	26	0	1	:	8	8.31
Oregon Liquor Control Commission	(1:11)	421	391	÷	30	0	1	:	13	13.03
Oregon State Department of Police	1:12	1507	1373	÷	131	3	1	:	10	10.48
Oregon Youth Authority	(1:9)	1069	969	÷	100	0	1	:	10	9.69
Parks and Recreation Department	(1:8)	913	828	÷	85	0	1	:	10	9.74
Public Employees Retirement System	(1:10)	420	385	÷	35	0	1	:	11	11.00
Public Utility Commission of Oregon	(1:5)	132	112	÷	20	0	1	:	6	5.60
State of Oregon Military Department	(1:10)	597	544	÷	53	0	1	:	10	10.26
Water Resources Department	(1:8)	185	168	÷	17	0	1	:	10	9.88
Veteran Affairs		105	89	÷	16	0	1	:	6	5.56

\* This total number includes positions which were flagged by Workday as NOT having a Repr code assigned. Each position was reviewed and assigned to a supervisory or non supervisory category.

\*\* These numbers are showing up in Workday as not having a Repr code assigned. They were reallocated to a supervisory or non-supervisory category and folded into the Total on column C.

# Summary of Proposed Technology and Capital Constructions

## Workers' Compensation Modernization Program

### Program Overview

DCBS is investing in a workers' compensation modernization program to transform business processes and technology solutions to meet the evolving needs of customers and partners in innovative ways. The Modernization Program goal is to improve delivery of core services and provide personalized and updated services that are flexible and adaptable to changing needs and requirements.

To achieve its goals, the Modernization Program will:

- Re-engineer and transform business processes
- Modernize technology with a centralized application for WCD employees
- Enhance internal and external stakeholder experiences
- Reduce regulatory burdens
- Expand usability for customers
- Improve reporting and data transparency
- Make business decisions on actual, not estimated data
- Support the Governor's vision of state government

### Status

The department started initial planning toward modernization during the 2017-19 biennium. On Dec. 10, 2019, the program received Stage Gate 1 endorsement from Enterprise Information Services (the Office of the State Chief Information Officer) and program planning efforts are continuing through the 2019-21 biennium.

In 2019, the legislature authorized us to hire a program manager and contract for services to identify a roadmap of potential technology projects. The final consultant recommendations gave us a long-term modernization roadmap for the next decade.

For the upcoming budget we planned to request funding for a large modernization project. Given the current economic situation, we scaled back our budget request.

DCBS asked for two information technology positions to focus on short term, process improvement efforts that will improve current processes for external customers. This work will help the division be ready to start bigger projects when fiscal conditions improve. Specifically, the positions will:

- Enhance information technology support for existing programs
- Implement process improvement projects recommended by modernization consultant
- Prepare processes and systems for large technology projects when fiscal conditions improve

These positions will be funded by premium assessments. The cost of this budget request was included in the workers' compensation insurance premium assessment rate for 2021.



**Department of Consumer and Business Services**

2021 - 2023 Biennium

**Detail of Reductions to 2021-23 Current Service Level Budget**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description		GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes
Dept	Prgm/ Div														
0	0	DCBS	WCD	Oregon Institute of Occupational Health Sciences (formerly CROET)	-	-	-	4,062,034	-	-	\$ 4,062,034	0	0.00		Fewer research findings and less pertinent data on issues related to the worker protection system.
0	0	DCBS	CSD	Shared administrative functions	-	-	45,293,121	1,944,104	-	-	\$ 47,237,225	161	160.17		
0	0	DCBS	IT&R	CSD - BLS Grant	-	-	-	-	356,604	-	\$ 356,604	0	0.00		
0	0	DCBS	WC NL	WC NL	-	-	-	800,000	-	-	\$ 800,000	0	0.00		
0	0	DCBS	WBF	WBF	-	-	-	164,512,434	-	-	\$ 164,512,434	0	0.00		
1	1	DCBS	OR-OSHA	Oregon OSHA Enforcement	-	-	31,501,093	-	8,622,355	-	\$ 40,123,448	136	135.50		Impact ability to administer Oregon Safe Employment Act (OSEA) via a comprehensive enforcement program that through inspections and accident/fatality investigations ensure occupational safety and health rules are carried out in workplaces. In addition, the state's ability to retain federal OSHA funding and state jurisdiction over worker health and safety would be impacted (State Plan).
2	1	DCBS	WCD	Workers' Compensation Division - WC Coverage/Compliance Non-complying Employer	-	-	13,248,310	-	-	-	\$ 13,248,310	42	48.80		Lack of enforcement actions will create more uninsured employers and lead to unfair competitive advantages for complying Oregon employers and delays in provision of benefits to eligible workers. Complying employers may have to pay more assessments to ensure that injured workers of noncomplying employers receive benefits to which they are entitled.
3	1	DCBS	BCD	Building Codes Division (BCD) Statewide Policy Development	-	-	8,988,925	-	-	-	\$ 8,988,925	24	24.00		This reduction would result in the elimination of Oregon's predictable regulatory environment for businesses, as well as the equal consumer protection provided by Oregon's statewide building code. It would also eliminate the division's dispute resolution efforts that field approximately 800 calls per month from contractors and local governments with issues or questions about application of the code. The programs/activities have a statutory requirement under ORS 455. This reduction option eliminates 33 positions.
4	1	DCBS	DFR	Financial Institutions	-	-	14,220,133	-	-	-	\$ 14,220,133	48	48.00		The division would not be capable of meeting its statutory requirements for periodic examinations of insurance companies, banks, trust companies and credit unions. Our ability to provide guidance to companies would be limited.
5	1	DCBS	Marketplac	Program and policy (includes COFA)	-	-	9,376,967	-	-	-	\$ 9,376,967	13	13.00		Non-compliance with federal requirements. Debilitating loss of state flexibility in implementing health care policy initiatives. Increase in the number of uninsured Oregonians.
6	2	DCBS	WCD	Workers' Compensation Division - Benefits	-	-	10,372,342	-	-	-	\$ 10,372,342	64	38.10		Workers may not receive timely and accurate benefits to which they are entitled.
7	2	DCBS	OR-OSHA	Oregon OSHA Voluntary Services	-	-	18,739,885	-	5,129,407	-	\$ 23,869,292	69	68.00		Impact ability to provide consultative services, voluntary programs (SHARP,VPP), outreach, technical assistance, conferences, and training to help employers identify hazards and work practices that could lead to injuries or illness and provide recommendations for correcting hazards and improving programs.
8	1	DCBS	WCB	Workers' Compensation Board	-	-	28,454,168	-	-	-	\$ 28,454,168	80	80.00		Elimination of positions/office closures would cause delays in case processing at both the Hearings Division and Board Review levels; i.e., increased hearing sets among ALJs, the timely issuance of O&Os, reduced availability for mediations, the issuance and review of Board Review orders, not meeting statutory requirements causing a reduction in service to users of our forum.

**Department of Consumer and Business Services**

2021 - 2023 Biennium

**Detail of Reductions to 2021-23 Current Service Level Budget**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description		GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes
Dept	Prgm/ Div														
9	3	DCBS	WCD	Ombudsman for Injured Workers	-	-	1,698,390	-	-	-	\$ 1,698,390	6	6.00		Workers, particularly unrepresented workers, may not be aware of or receive benefits to which they are entitled.
10	2	DCBS	DFR	Product Regulation	-	-	13,261,472	-	707,423	-	\$ 13,968,895	43	43.00		The division would not be able to meet time and quality requirements in reviewing insurance policy documents for compliance with statutes. We would not be able to meet our obligations in setting health insurance rates for the individual and small group markets.
11	3	DCBS	DFR	Securities Regulation	-	-	3,195,536	-	-	-	\$ 3,195,536	11	11.00		
12	4	DCBS	DFR	Consumer Advocacy and Education	-	-	6,337,812	-	-	-	\$ 6,337,812	23	22.50		We would not be able to meet our statutory responsibilities to provide assistance to Oregonian that have problems with a regulated entity. This would include not being able to provide educational information to help seniors identify financial scams.
13	5	DCBS	DFR	Licensing / Registration and Non-depository Programs	-	-	6,178,035	694,911	-	-	\$ 6,872,946	26	26.00		This office will not be able to issue licensing to insurance agents, mortgage loan officer and companies and many others in a timely manner. The office also would not be able to register other businesses such as money transmitters, check cashers, consumer loan companies and other timely.
14	6	DCBS	DFR	Enforcement and Investigations	-	-	6,018,259	-	-	-	\$ 6,018,259	19	19.00		Investigating fraud and non-compliance would take much longer. We would not be able to issue orders to bring companies into compliance with state laws.
15	2	DCBS	BCD	BCD Licensing & Enforcement	-	-	6,007,233	-	-	-	\$ 6,007,233	19	19.00		This reduction would result in the elimination BCD's license and enforcement programs for electricians, plumbers, boiler and pressure vessel installers, as well as building code inspectors. License issuance and enforcement responsibilities, if retained as requirements, would revert to the appropriate advisory boards which would need to be provided with administrative capabilities and staff to carry out the issuance of licenses and enforcement functions. The programs/activities have a statutory requirement under ORS 455, 479, 480 and 693. This reduction option eliminates 18 positions.
16	3	DCBS	BCD	BCD ePermitting	-	-	6,051,081	-	-	-	\$ 6,051,081	15	15.00		This reduction would result in the elimination of the statewide electronic permitting system administered by BCD that serves approximately 60 communities and processed more than 142,000 transactions for contractors and construction businesses throughout the state in 2018. The electronic system would be decommissioned, leaving the served communities to develop their own electronic system, contract for the service, or revert to non-electronic. The programs/activities have a statutory requirement under ORS 455.095 and 455.097. This reduction option eliminates 15 positions.
17	2	DCBS	Marketplace	Outreach and Education(includes SHIBA)	-	-	6,489,305	-	1,813,619	-	\$ 8,302,924	9	9.00		Non-compliance with federal requirements. Significant loss in the state's ability to provide meaningful in-state outreach, education, and enrollment assistance services for more than one million Oregonians seeking coverage through private health insurance, Medicare, and some Medicaid.
18		DCBS	WCD	Workers' Compensation Division - Dispute Resolution - part 2	-	-	4,049,441	-	-	-	\$ 4,049,441				Administrative dispute resolution processes will not be available to workers and other parties, leading to increased litigation and costs to the system. There may be and delays in workers receiving benefits and medical treatment to which they are entitled.

**Department of Consumer and Business Services**

2021 - 2023 Biennium

**Detail of Reductions to 2021-23 Current Service Level Budget**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description		GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes
Dept	Prgm/ Div														
19	4	DCBS	WCD	Workers' Compensation Division - Dispute Resolution - part 1	-	-	9,906,074	-	-	-	\$ 9,906,074	49	51.40		Administrative dispute resolution processes will not be available to workers and other parties, leading to increased litigation and costs to the system. There may be and delays in workers receiving benefits and medical treatment to which they are entitled.
20	5	DCBS	WCD	Workers' Benefit Fund- Reemployment Assistance	-	-	2,923,115	-	-	-	\$ 2,923,115	8	10.80		Fewer injured workers will be able to return to work and those who do will have less opportunity for full wage recovery. Employers' claims costs will increase for wage replacement benefits because fewer workers will be able to return to work quickly.
21	7	DCBS	DFR	Division-Wide Activities	-	-	4,047,678	-	-	-	\$ 4,047,678	0	0.00		Policy work would go to each program area, greatly reducing our ability to respond to legislative request, update rules, request legislative fixes and reduce our ability to have positive interactions with stakeholders.
22	6	DCBS	WCD	Workers' Benefit Fund - Retroactive and Other Benefits	-	-	5,280,465	-	-	-	\$ 5,280,465	7	19.40		There will be reduced accountability for the expenditure of public funds and increased potential for fraudulent and inaccurate payments.
23	2	DCBS	Shared Ser	5% Shared Services	-	-	2,516,285	-	-	-	\$ 2,516,285	0	0.00		
24	4	DCBS	BCD	BCD Training and Outreach - Part 2	-	-	1,333,294	-	-	-	\$ 1,333,294	0	0.00		This reduction would result in the elimination of the consistent and uniform regulatory environment related to training and education requirements for building officials, inspectors and plan reviewers. It would remove the division's ability to establish statewide consistency through consistent training of building code professionals. It would also eliminate our ability to provide additional training options to local government through web-based continuing education program opportunities for inspectors, planners, designers, and contractors. The program/activity has a statutory requirement under ORS 446, 447, 455, 460, 479, 480, and 693. This reduction option eliminates 6 positions.
25	4	DCBS	BCD	BCD Training and Outreach - Part 1	-	-	1,999,186	-	-	-	\$ 1,999,186	9	9.00		This reduction would result in the elimination of the consistent and uniform regulatory environment related to training and education requirements for building officials, inspectors and plan reviewers. It would remove the division's ability to establish statewide consistency through consistent training of building code professionals. It would also eliminate our ability to provide additional training options to local government through web-based continuing education program opportunities for inspectors, planners, designers, and contractors. The program/activity has a statutory requirement under ORS 446, 447, 455, 460, 479, 480, and 693. This reduction option eliminates 6 positions.
26	7	DCBS	WCD	Small Business Ombudsman	-	-	626,329	-	-	-	\$ 626,329	2	2.00		More employers may become noncomplying because they will have no advocate to assist them with obtaining required coverage. Employers who have disputes with their insurer about premiums or coverage will not have a resource to answer questions, or advocate on their behalf
27	8	DCBS	WCD	Workers' Compensation - Performance Management Team	-	-	1,367,263	-	-	-	\$ 1,367,263	5	5.00		The division will have reduced and impaired ability to consistently improve processes and complete needed projects and initiatives that impact our stakeholders. Managers will be required to absorb duties at the expense of other responsibilities.
28	1	DCBS	Shared Ser	5% Shared Services	-	-	2,516,285	-	-	-	\$ 2,516,285	0	0.00		

**Department of Consumer and Business Services**

2021 - 2023 Biennium

**Detail of Reductions to 2021-23 Current Service Level Budget**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description		GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes
Dept	Prgm/ Div														
29	5	DCBS	BCD	BCD Site-Built Construction Inspections (Field Services)	-	-	11,619,830	-	-	-	\$ 11,619,830	34	34.00		This reduction would result in the elimination of field services such as electrical, plumbing, structural/mechanical and pre-fabrication inspections, plans examinations, and permit issuance specific to Salem, Pendleton and Coos Bay. The programs/activities protect property and building occupants, and have a statutory requirement under ORS 447, 455, 460, 479, and 480. This reduction option eliminates 16 positions.
30	7	DCBS	BCD	BCD Statewide Services	-	-	7,848,866	-	29,152	-	\$ 7,878,018	33	33.00		This reduction would result in elimination of the regulatory oversight of elevators and amusement rides; boilers and pressure vessels; manufactured home ownership and structures; recreational vehicles and parks; and structural/mechanical and plumbing inspections. The programs/activities have a statutory requirement under ORS 446, 447, 455, 460, 479, 480, and 693. This reduction option eliminates 31 positions.
					-	-	291,466,177	172,013,483	16,658,560	-	\$ 480,138,220	955	950.67		

CSL Target: \$ 480,138,220  
 Difference: \$ -

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2019-21 & 2021-23 BIENNIA

Agency:  
Contact Person (Name & Phone #):

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) (g) 2019-21 Ending Balance		(h) (i) 2021-23 Ending Balance		(j) Comments
					In LAB	Revised	In CSL	Revised	
Nonlimited	44000-005-00-00-00000	0450 / Workers' Compensation NL Accounts	Other -- Injured Worker Benefit Payments	Workers' Compensation NL Accounts; ORS 656.614	4,646,348	4,076,617	3,117,206	4,222,812	19-21 deviation: Change in balance from the 2019-21 LAB reflects slightly lower than anticipated revenue recoveries from defaulted self-insurers. It is also driven by a lower than anticipated ending balance at the end of the 2017-19 biennium. 21-23 deviation: Deviation is due to an understatement in CSL due to the impact of the COVID-19 recession.
Nonlimited	44000-006-00-00-00000	0696 / Workers' Benefit Fund	Other -- Injured Worker/Employer Benefit Payments	Workers' Benefit Fund; ORS 656.506	127,075,179	151,818,936	116,655,761	120,388,587	19-21 deviation: Revenues continue to outpace expenditures. The cents-per-hour assessment rate has been adjusted and will decrease from 2.4 cents to 2.2 cents effective January 1, 2020. The 2017-19 ending balance was higher than anticipated due to expenditures being lower than expected. 21-23 deviation: The revised ending fund balance is within 5 percent of the CSL 21-23 ending fund balance.
Limited	44000-011-00-00-00000	0450 / CBS Fund	Operational	Workers' Compensation System	53,286,485	67,776,009	47,377,807	59,524,937	Number of months of operations: At end of 19-21: 11 months of expenditures At end of 21-23: 9 months of expenditures  DCBS policy FIN-01 controls the determination of reserve amounts and needed cash flows.  19-21 deviation: Differences in the beginning balance from LAB to actual caused by lower than forecast expenditures during the 2017-19 biennium produced a higher than anticipated 19-21 beginning balance. Higher than anticipated revenues due to an increase of the assessment rate to 9.0 percent beginning 1/1/2021. 21-23 deviation: Higher than anticipated revenues due to an increase in the assessment rate from 8.4 percent to 9.0 percent on 1/1/2021. The revised 21-23 includes significant expenditure reductions from WCD, WCB, and OSHA to offset declining revenues stemming from the COVID-19 recession
Limited	44000-015-00-00-00000	1538 / Health Insurance Marketplace	Operational	Oregon Health Insurance Exchange, ORS 741.102	12,821,080	5,504,314	3,239,972	6,640,376	Number of months of operations: At end of 19-21: 11 months of operations At end of 21-23: 16 months of operations  DCBS policy FIN-01 controls the determination of reserve amounts and needed cash flows. FIN-01 is consistent with the statutory requirement that the Marketplace maintain no more than six months of expenditures.  19-21 deviation: Changes in balance from the 2019-21 LAB is due to lower than anticipated revenues stemming from rebated assessments. There was an unanticipated \$3.8 million transfer from the Marketplace to the General Fund in the biennium. 21-23 deviation: Deviation is due to an understatement in CSL driven by the impact of the COVID-19 recession.
Nonlimited	44000-016-00-00-00000	1039 / PreNeeds Funeral Trust	Trust Fund -- Restitution to Consumers	PreNeeds Funeral Trust; ORS 97.945	664,116	1,337,344	775,033	1,382,976	The 19-21 and 21-23 deviations are both driven by budgeted expenditures higher than planned expenditures. Given how this fund pays restitution, this deviation makes sense.

Limited	44000-017-00-00-00000	0450 / CBS Fund	Operational	Central Services	0	0	0	0	Number of months of operations: (c) The Central Services Division does not maintain a budgeted ending fund balance. DCBS policy FIN-01 controls the determination of reserve amounts and needed cash flows.
Limited	44000-018-00-00-00000	0450 / CBS Fund	Operational	Division of Financial Regulation	145,281,561	116,383,040	254,167,878	187,369,918	Number of months of operations: At end of 19-21: 45 months of expenditures At end of 21-23: 45 months of expenditures DCBS policy FIN-01 controls the determination of reserve amounts and the needed cash flows. Please note that the months of operations is heavily impacted by timing of transfers into and out of the Oregon Reinsurance Program. Deviations for 19-21 and 21-23 are driven by timing issues with transfers and payments into and out of the Oregon Reinsurance Program.
Limited	44000-019-00-00-00000	0450 / CBS Fund	Operational	Building Codes Division	38,245,633	52,849,526	45,148,955	44,503,980	Number of months of operations: At end of 19-21: 25 months of operations At end of 21-23: 19 months of operations DCBS policy FIN-01 controls the determination of reserve amounts and the needed cash flows. 19-21 deviation: Higher than anticipated revenues and lower expenditures during the 2017-19 biennium produced a higher-than-anticipated BCD beginning balance for the 2019-21 biennium. Revenues continued to come in higher than expected during the biennium and expenditures were lower than anticipated.

**Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2021-23 legislatively adopted budget.**

**Instructions:**

- Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.
  - Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2019-21 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).
  - Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).
  - Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.
  - Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.
  - Columns (f) and (h): Use the appropriate, audited amount from the 2019-21 Legislatively Approved Budget and the 2019-21 Current Service Level at the Agency Request Budget level.
  - Columns (g) and (i):  
Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have already been implemented as part of the 2019-21 General Fund approved budget or otherwise incorporated in the 2019-21 L. The revised column (i) can be used for the balances included in the Governor's budget if available at the time of submittal. Provide a description of revisions in Comments (Column (j)).
  - Column (j): **Please note any reasons for significant changes in balances previously reported during the 2019 session.**
- Additional Materials: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.