



Ohio Senate General Government Budget Committee

Ohio Department of Insurance

Director Judith L. French

Budget Proposal for FY 22-23

Wednesday, April 21, 2021

Chairman Schaffer, Ranking member Craig, and members of the Senate General Government Budget Committee, thank you for the opportunity to join you today to discuss the Ohio Department of Insurance’s budget request for FY 2022 and 2023. The department is the regulator of insurance in Ohio and as such, carries out a number of core functions. We license insurance agents, agencies, and insurers; we review insurance products sold in Ohio; we oversee the financial solvency of insurers; and we enforce insurance laws. By carrying out these duties, the department is one of the largest consumer protection agencies in the state.

DEPARTMENT OVERVIEW

The department is one of the largest insurance regulatory agencies in the world because of the size of Ohio’s insurance market. Nearly 1,700 companies hold licenses to do business in Ohio, and nearly 260 have headquarters here. These insurers write \$102 billion in insurance premium annually and employ more than 100,000 Ohioans. This makes Ohio the seventh largest insurance market in the United States and the 17th largest in the world.

The department also licenses and monitors the conduct of nearly 300,000 insurance agents and more than 20,000 insurance agencies that do business with Ohio consumers. The licensing and examination fees relating to these agents and agencies fund the department. We are not a general revenue agency.

2020 was a very different year for every American, and the department was not immune to the challenges we faced. But our core mission of providing strong consumer protection for Ohioans did not change. Last year, the department received 15,000 inquiries and handled more than 5,000 complaints. All told, our team helped consumers save or recover \$37 million.

The department's Ohio Senior Health Insurance Information Program (OSHIIP) conducted 403 virtual counseling sessions and 280 virtual events for Ohioans with Medicare. The department's licensing division helped agents earn or maintain their licenses when testing facilities and continuing education centers closed. Moving forward, we will take what we learned and continue to streamline our efforts for consumers and the industry.

PRIORITIES FOR THE BIENNIUM

2020 was challenging for the department and all insurance regulators across the country. Insurers faced unprecedented challenges as they sent staff to teleworking while trying to meet the needs of policyholders who may have lost their jobs or were underemployed. Many of the department's consumer protection programs were designed for face-to-face counseling, but we were forced into a fully remote environment. That change to virtual counseling created challenges for many

elderly consumers or those without broadband access. But our staff worked to do everything possible to meet consumers' needs with as little inconvenience as possible.

Looking to the future, the department will continue to embrace innovative solutions that better serve Ohioans. We will build on our significant mental health and substance use disorder benefit initiatives in order to offer consumers as many resources and answers as possible. Workforce challenges will also be a focus for the agency as experienced staff continue to retire taking with them years of insurance knowledge. These challenges and the opportunities they create make up our Fiscal Year 2022-2023 budget request, and I'll address them in more detail now.

Mental Health and Substance Use Disorder Initiatives

Over the last two years, the department has committed significant resources toward improving outreach and education surrounding mental health and substance disorder benefits. We now have staff fully dedicated to these efforts and have worked with RecoveryOhio, the Ohio Department of Mental Health and Addiction Services, and a variety of stakeholder groups including advocates, the legislature, and the insurance industry to help streamline processes and improve our educational resources.

We have conducted several trainings for stakeholders and the industry to help them better understand how the department can assist Ohioans in need. We continue to strengthen compliance to ensure health insurance companies are following all applicable laws in these areas. In late 2020, the department launched a Public Service Announcement (or PSA) campaign to

help Ohioans understand their mental health and substance use disorder benefits. We just finished running another statewide PSA with messaging designed to help consumers utilize our services.

In the upcoming budget, the department will look for new ways to interact with consumers, stakeholders, providers, and the industry to continue to build on current educational and outreach efforts to consumer groups, advocacy organizations, and other stakeholders. In addition, the department will continue both earned and paid media opportunities to further increase awareness when it comes to navigating a consumer's coverage in these treatment areas. To support these efforts, the department is requesting continued funding of \$1,000,000 in Fiscal Year 22 and \$1,000,000 in Fiscal Year 23.

Implementing Surprise Billing Legislation

At the end of 2020, the Ohio Legislature passed important and impactful health insurance consumer protections that will address surprise billing. Surprise bills usually occur in one of two ways. In some cases, a consumer needs emergency services and is unable to verify that all providers are in their network leaving them vulnerable to large out-of-network charges (a surprise bill). In other cases, a consumer may call ahead to ensure that a provider is in network, but then when the procedure occurs, one of the participating physicians is out of network, leaving the consumer subject to a surprise bill through no fault of their own.

These situations are often completely out of the consumer's control and can lead to expensive and surprise bills. In order to address this issue, the department worked with the legislature to create a solution. House Bill 388 requires the department to set up an arbitration system in cases of surprise bills in order to ensure a fair and equitable payment from the insurer to the provider. Not only will the process protect consumers, but it requires nothing from them. Negotiations between the insurer and provider will happen behind the scenes and will only move to arbitration if the two parties cannot agree.

The department is working to implement this new program. Once operational, Ohio's surprise billing program will be one of the strongest in the country. It will become effective in 2022 and will result in lower out-of-pocket costs for Ohio consumers as well as price stability and transparency in the market.

Technology and Innovation Driving Disruption in Ohio's Insurance Market

Technology and innovation continue to impact all sectors of the economy, and insurance is no different. Especially in the last year, our reliance on technology has only accelerated. As consumer behavior evolves, it becomes essential for insurers to tailor their products to the individual and not simply to offer one-size-fits-all solutions. To respond to this changing economy, the department created an Emerging Products Initiative in 2019. The initiative will allow the department to keep up with insurers who are moving quickly to develop new products. With new resources, we can ensure regulatory compliance and protect our consumers without hindering innovation.

Industry response to the initiative has been very positive and nationally, Ohio is a leading innovator in this space. Our continued focus on this initiative will be a priority moving forward as we increase outreach and conversations with the industry to better understand what they need as they develop new products.

Meeting Staffing Needs to Continue Serving Consumers and Regulating Industry

Regulating one of the largest insurance industries in the country requires a knowledgeable staff constantly working to ensure the financial health of our insurers, while also making sure that consumers receive the coverage they're entitled to. The department operates multiple business units specifically designated to serve and assist consumers. In recent years, the department has been losing very experienced staff to retirements. In the past year, 11 department employees have retired or started the process and three others transferred to other agencies to support the administration's COVID response efforts. Collectively, that represents about six percent of our workforce.

Identifying qualified and experienced staff is critical to maintaining our operations in regulating the industry and serving Ohio consumers. It is also important for the department to maintain sufficient staff in order to meet National Association of Insurance Commissioners (NAIC) accreditation standards. If Ohio were to lose accreditation through NAIC, regulators in other states would take over important regulatory functions. While the department has made succession planning a priority in recent years, filling critical regulatory positions will remain high profile with even more retirements on the horizon.

BUDGET REQUEST

In summary, the department is requesting \$43.5 million for Fiscal Year 2022 (a 4.2 percent increase over Fiscal Year 2021) and \$43.5 million for Fiscal Year 2023 (a 0.0 percent increase over Fiscal Year 2022).

Mr. Chairman and members of the committee, thank you for the opportunity to present the department's budget proposal. At this time, I would be happy to answer any questions.

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