



Legislative Hearings  
Appropriation Committees

Budget Request  
Fiscal Year 2022-2023

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# SECTION

# I

# PA Insurance Department Mission Statement

## Vision Statement:

“To provide a healthy regulatory environment that promotes a vibrant insurance marketplace to serve all consumers.”

## PID Mission Statement

We will:

- Promote a competitive and robust marketplace for consumers;
- Educate consumers to make informed decisions, and ensure that they are treated fairly;
- Regulate insurance companies' financial solvency in order to ensure fair and expedient payment of consumers' claims;
- Administer legislatively-enacted programs to maximize benefits to consumers;
- Assure that insurance policies meet standards of high quality, are understandable and are appropriately priced;
- Advance consumer protection by administering licensing programs that promote professionalism and competency in the marketplace;
- Protect claimants by maximizing assets of insolvent insurance companies and distributing them fairly and efficiently;
- Innovate to meet the needs of a dynamic and rapidly changing financial services and health care marketplace.

## **Department Statement**

### **Pennsylvania Insurance Department**

#### **Overall approach to the budget**

The Pennsylvania Insurance Department (PID or department) is committed to providing effective and efficient regulation of the insurance industry and services to consumers. This includes careful management of its complement, associated personnel expenses, as well as the monitoring and controlling of operating costs, while balancing the need for sufficient departmental resources.

#### **Challenges:**

As the regulatory agency overseeing the fifth largest insurance market in the country, the department is committed to maintaining its position as a world-class regulator. In fulfilling this role, the department is currently lauded for its experienced and dedicated staff members, who are respected both within the commonwealth and across the country for their knowledge and engagement on insurance regulatory issues. However, with a high percentage of these same staff nearing retirement, the department will be focusing on succession planning, recruitment of new employees and retention of existing employees to ensure staffing changes do not negatively impact the department's core functions and reputation.

During fiscal year 2021-22, the department continues to make progress filling vacant positions in the Insurance Regulation & Oversight Fund (IROF) with plans to fill the approved IROF complement of 209 by June 30, 2022. This reflects an increase in the IROF complement by seven (7) positions over prior year.

Additionally, the department continues to seek and maintain adequate staffing levels in areas where extended turnover has led to understaffing, particularly in the financial analysis area, as well as in areas that have experienced significant industry growth without a corresponding growth in department resources. Financial analysis and solvency monitoring of insurance companies to ensure they are able to pay claims is the strongest consumer protection the department provides residents of the commonwealth. The financial analysis division has been significantly under-resourced in recent years and continues to struggle to recruit the necessary staff. Over the past few years, the department has expended significant effort to recruit new financial analysts and reduce support from vendors. In the coming year, the department will continue to focus in this area to ensure that the financial analysis division is sustainable and providing optimal service. This will be accomplished by hiring additional staff and contracting services only as necessary to ensure accreditation standards are met each year.

Federal activity can significantly impact insurance markets and department regulation. The department will continue to monitor any federal statutory or regulatory changes closely and will aim to respond as needed being cognizant of the best interest of Pennsylvania's consumers and the insurance market.

The department continues to be a good financial steward of public dollars entrusted to it and has been a leader among state agencies in formulating projects to save dollars by means of Go-Time initiatives and Lean projects. The department has sought more efficient electronic processes, particularly related to invoicing and fee receipts, to enable a remote workforce.

## **Priorities**

### **A. A competitive insurance market**

The department continues its efforts to foster a competitive insurance environment in Pennsylvania by ensuring the availability of products that are appropriately priced and monitored. The department protects consumers through a three-pronged approach relying upon product regulation, market regulation and a financial solvency program. First, product regulation ensures that policy forms and rates comply with Pennsylvania law. Second, market regulation serves as a resource to educate the public, license insurance professionals, and investigate allegations of wrongdoing in the insurance industry. Third, corporate and financial regulation monitors and promotes a competitive insurance marketplace by assuring that insurance companies remain financially stable and solvent. This approach ensures the department meets specific statutory requirements.

The Office of Insurance Product Regulation (OIPR), through its review of over 13,000 insurance contracts, forms and rates filings, protects the commonwealth's insurance consumers by ensuring compliance with insurance laws and fairness/equity in rating. In its efforts to promote a competitive insurance marketplace, efficiencies in this review process are crucial because they allow innovative, consumer-friendly products to come to market more quickly. For example, the department utilizes the System for Electronic Rate and Form Filings (SERFF), which allows insurance companies to efficiently submit voluminous product information through electronic means, providing the department with an entirely paperless mechanism to review, approve, track, and report on product filings. The department also provides public access to more than five years of approved insurance rates and forms via the department's website.

The department is also a founding member of the Interstate Insurance Product Regulation Commission (IIPRC), an interstate compact that allows annuity, life, disability and long-term care insurance companies to submit rate and form filings for approval with one centralized entity utilizing a single set of uniform product standards. Approval by the IIPRC allows the product to be sold in any of the 47 member jurisdictions.

The department is the commonwealth agency primarily responsible for the implementation of the reinsurance mechanism created by Act 42 of 2019. The department will work collaboratively in fiscal year 2022-2023 with the Pennsylvania Health Insurance Exchange Authority (PHIEA) and the U.S. Department of Health and Human Services to administer a reinsurance program that will reimburse carriers for high-cost claims. The program is designed to reduce individual health insurance market premium rates from where they would otherwise be and is funded through the PHIEA fee on insurance companies participating in the exchange as well as through “pass through” savings from the federal government.

## **B. Enforcement of insurance laws to protect consumers**

The department is the primary commonwealth agency entrusted with enforcing Pennsylvania’s insurance laws and protecting insurance consumers. The department’s Office of Market Regulation (OMR) serves consumers by investigating complaints, educating consumers on insurance issues with outreach events, and providing aid during critical events such as natural disasters. OMR also operates a licensing process, which provides a delivery system for the industry to reach consumers by licensing individuals to market products to consumers. In addition, OMR deals with issues involving violations of law and works to ensure fair treatment for all consumers through enforcement activities. OMR’s activities are critical to effectively monitoring Pennsylvania’s insurance markets and ensuring protection for Pennsylvania consumers. During calendar year 2021, OMR’s activities resulted in almost \$20 million being returned to approximately 41,000 Pennsylvania consumers through restitution payments. Additionally, the office collected over \$280 thousand dollars in fines and penalties from licensees due to investigations and examinations, which revealed violations of Pennsylvania’s insurance laws and regulations.

OMR also focuses on monitoring insurance industry trends and patterns attempting to prevent situations from developing that would be harmful to both consumers and the industry. Potential violations of Pennsylvania insurance statutes, regulations, and/or policy conditions are identified through market studies and reviews, data calls and analysis. Periodically, based on various sources of data, including complaints and data from the industry provided through data calls, OMR uses tools such as market conduct examinations, letters, informational interviews, and meetings to work with the insurance industry to ensure that licensees of the department have properly implemented procedures and policies to comply with newly enacted or changed laws. In doing so, Pennsylvania consumers are provided all the protection they deserve under the law, while ensuring insurance companies can operate in a fair marketplace.

OMR is currently engaged in comprehensive market conduct examinations of all of Pennsylvania's major health insurers. These exams will ensure these companies are complying with the new requirements that have taken effect since the passage of the ACA and will prioritize critical areas for the commonwealth, such as compliance with laws that ensure access to treatment for mental health services especially for consumers and persons with substance use disorders.

In addition, the OMR will be focused on monitoring and enforcing efforts toward priority initiatives of the department. One of the largest projects undertaken by the OMR over the past few years has been the investigations of life insurance companies relative to the failure to identify and pay life insurance proceeds to beneficiaries. These examinations have already resulted in the payment of \$790 million of benefits to more than 34,000 Pennsylvanians. At the same time, the OMR has implemented a life insurance policy locator process to contact insurance companies on behalf of potential beneficiaries to see if a policy exists after the loss of a loved one.

### **C. Financially stable insurance companies**

The department monitors financial compliance of the industry, working to ensure insurance companies can meet their obligations to policyholders when claims arise. The Office of Corporate and Financial Regulation (OCFR) continues to protect insurance consumers by closely monitoring the financial stability of Pennsylvania insurance companies.

The department meets the challenge of maintaining a proactive approach to solvency monitoring in several ways. The department last year supported legislation to reform our credit for reinsurance statutes to comply with federal law and avoid preemption by the U.S. Department of the Treasury and also legislation to modernize treatment of long-term care insurance company insolvencies through the guaranty fund process.

In the review of initial license applications, the department will continue to require insurance companies that want to organize or transact business in Pennsylvania to be adequately capitalized with sound, long-term business plans. Proposed corporate or financial transactions, including mergers and acquisitions, are evaluated to ensure that the changes will not have an adverse impact on the financial stability of the affected insurance companies, the interests of policyholders or the stability and competitiveness of Pennsylvania's insurance market.

The department's continued accredited status is essential for the commonwealth and our domestic insurance industry. Accreditation requirements, and the deference of other states to Pennsylvania's financial regulation of our domestic companies, require the department to maintain sufficient staff in terms of complement and qualifications. The department is evaluating additional staff needs to help ease the heavy company-analyst ratio that exists today and build the department's analytical resources and capacity, decreasing the department's dependence on higher cost outside vendors.

In rare cases where a company is unable to remain solvent, the Bureau of Liquidation and Rehabilitation Administration (BLRA) may be required to intervene. If a financially troubled company cannot be rehabilitated, it must be liquidated. BLRA enforces Article V of the Insurance Department Act of 1921. This act establishes a statutory arrangement for distribution of assets in a liquidation proceeding, resulting in a fair and equitable allotment of the limited assets in an estate. The bureau protects consumers when insurance companies become insolvent and are placed into liquidation or rehabilitation by marshaling assets and maximizing amounts available for policyholder claims. Under the jurisdiction of the Pennsylvania Commonwealth Court, the bureau is a national leader in insurance company receiverships seeking to protect assets available for policyholder distribution.

#### **D. Informed consumers**

The department has several avenues to reach insurance consumers and provide assistance, including educational events, website materials, and help lines. Additionally, the department follows up on consumer concerns by utilizing investigative staff to investigate complaints of alleged regulatory violations. In addition to these existing mechanisms, the department has been committed to transparency and consumer education. Through consumer alerts, new and enhanced website content, and increased proactive engagement, the department hopes to help consumers better understand their insurance coverage so that they can be empowered to make better coverage decisions and understand how to effectively use the coverage they have.

To enhance consumer education, the department operates a website with improved content and organization to ensure consumers can access the information they need. The department continues to add and refine web content to ensure that basic information is provided on all categories of insurance issues, answers to commonly asked questions are available, and that mechanisms for consumers to access services provided by the department are prominently displayed.

The department has a consumer liaison to increase the department's engagement with communities across the commonwealth. The consumer liaison leads outreach and education efforts on behalf of the department and is an important resource for Pennsylvania consumers and stakeholders.

Over the past five years, the department, FEMA, PEMA and multiple other state agencies have placed additional focus on flooding and flood mitigation. The department has worked with local, state and federal partners to discuss the importance of prevention, protection, mitigation and recovery. We have discussed with Pennsylvanians, municipalities and producers the importance of understanding that the private sector has entered the market, as well as the differences between private flood insurance and the National Flood Insurance Program (NFIP). The department will continue to build relationships locally and on the national level with stakeholders including universities, realtors and banks.

## **Program Analysis**

As discussed above, in its daily operations the department performs the essential functions of regulating and monitoring the solvency of Pennsylvania's insurance companies, as well as consumer education and protection.

The department protects the commonwealth's insurance consumers through the technical review of insurance contracts and forms to ensure compliance with Pennsylvania's insurance laws and regulations and to prevent the commission of unfair insurance practices. In addition, the department assesses the rates charged for certain insurance products that are subject to rate review to ensure that the proposed rates are justified. While balancing these important consumer protection functions, the department also seeks to promote a competitive insurance marketplace by fostering efficiencies in the rate and form approval process that allow new and innovative insurance products to be made available to consumers as quickly as possible. Pennsylvania has been awarded "The State Flexibility to Stabilize the Market Grant Program Cycle II to support Guaranteed Availability of Coverage, Guaranteed Renewability of Coverage, and Non-discrimination under Comprehensive Health Insurance Coverage (Essential Health Benefits Package).

The department regulates the insurance market to ensure that insurance companies are operating in accordance with Pennsylvania's laws and facilitates a level playing field on which companies may compete. The department addresses alleged violations of the insurance laws by licensees and assists consumers with submitting complaints against insurance companies and producers. The department also identifies and combats insurance fraud and uses various methodologies to monitor compliance with laws by insurance companies.

In addition to these activities and priorities, other areas of focus are: providing financial reimbursement for environmental cleanups relating to releases covered under the Underground Storage Tank Indemnification Fund (USTIF), handling claims for catastrophic medical benefit payments from the Catastrophic Loss Benefits Continuation Fund (CAT), handling claims and payments for the Workers' Compensation Security Fund (WCSF), and operating the Medical Care Availability and Reduction of Error Fund (Mcare). The CAT, WCSF, USTIF and Mcare funds, collectively referred to as the department's special funds, continue to operate efficiently.

During fiscal year 2016-17 the WCSF transferred \$165 million to the General Fund to assist with the payment of Medical Assistance provider obligations. The loan was scheduled to be repaid during fiscal year 2018-2019. Senate Bill 712, section 2.1 extended the repayment date to July 1, 2024. In addition, \$185 million was transferred to the General Fund in December 2020 pursuant to Section 1726-M(D) of Act 114 of 2020. Section 1737A.1 of the Act requires repayment of the transfer by July 1, 2028.

Also, to be noted, is the passage of Act 2020-114 Section 1735.1-A.1 (D) on November 30, 2020, that initiated a permanent transfer of \$30 million to the General Fund.

Mcare is a special fund within the Pennsylvania State Treasury that is administered by the department. Mcare provides the catastrophic layer of professional liability insurance to more than 40,000 healthcare providers in the commonwealth. Mcare is funded by assessments on healthcare providers who are required to pay the assessments or face licensure action from licensing authorities. Act 13 of 2002 provides for the eventual phase out of Mcare, dependent on there being enough capacity in the private insurance market to provide the necessary additional coverage.

### **Revenue Analysis**

Performance of these core functions by the department generates significant revenues to the commonwealth. Act 46 of 2013 established the Insurance Regulation and Oversight Fund (IROF) which provides a methodology to distribute department generated revenue between the General Fund and IROF. IROF annually receives fifty percent of all license and fees collected and 100 percent of reimbursements made to the department by regulated entities related to financial and market regulation activities for which the companies are responsible. In fiscal year 2022-2023, PID is expected to contribute over \$83 million in revenues to the commonwealth. This will provide \$39 million to the General Fund and deposit into the IROF fund \$44 million for the department's regulation, management and oversight of the insurance industry. The department has not faced a budget crisis since implementation of the IROF legislation.

The Act provides for at the end of each fiscal year that IROF will retain an amount equal to no more than 100 percent of the total expenditures and commitments made by the department during the immediately preceding fiscal year. When the IROF fund balance exceeds the retention amount, the excess is transferred to the General Fund by the end of July. At the end of July 2021, the fund transferred \$13.5 million to the General Fund.

In the following fiscal years funds were transferred to the General Fund as excess retention or as legislated early transfers:

Fiscal Year	Amount (in thousands)	Act/Year	Section	Comment
2014-2015	\$ 6,448	Act 46, 2013	5	Excess over retention balance July 30, 2014
2015-2016	\$ 8,870	Act 46, 2013	5	Excess over retention balance July 30, 2015
2015-2016	\$ 13,000	Act 10A, 2015	2113 (7)	Legislated early transfer House Bill 1460; Regular Session FY2015-2016
2016-2017	\$ -	Act 46, 2013	5	No excess over retention balance July 30, 2016, due to early transfer in FY2015-16
2017-2018	\$ 1,919	Act 46, 2013	5	Excess over retention balance July 30, 2017
2017-2018	\$ 11,752	Act 44, 2017	1726-G	Legislated transfer
2018-2019	\$ -	Act 46, 2013	5	No excess over retention balance July 30, 2018, due to early transfer in FY2017-18
2019-2020	\$ 7,102	Act 20, 2019	1726-K (g)	Transfer to environmental programs (includes \$3,107 excess over retention balance)
2020-2021	\$ 10,000	Act 114, 2020	1726-M (d) (8)	Legislated transfer (includes \$4,475 FY2020-21 excess over retention balance)
2021-2022	\$ 13,545	Act 46, 2013	5	Excess over retention balance July 30, 2021
Total	\$ 72,636			Returned funds from IROF (to date)

*Note: Since the inception of IROF, three of the seven fiscal years had legislation enacted requiring the department to return funds prematurely to the General Fund. This early transfer of revenue disrupts future fiscal year balances and creates peaks and valleys in the revenue returned to the General Fund.*

**SECTION**

**II**

# PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
  
Pp. xi, B7, E29-2, E29-6, H3, H54

**Insurance Regulation and Oversight Fund**  
  
11061

**I. SUMMARY FINANCIAL DATA**  
(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted
Federal Funds Total	\$83	\$0	\$0
SOR-MH SUD Parity Rights Outreach (80993)	\$83	\$0	\$0
Other Funds Total	\$30,871	\$31,649	\$34,202
Insurance Regulation & Oversight Fund (11061)	\$30,871	\$31,649	\$34,202
<b>Total</b>	<b>\$30,954</b>	<b>\$31,649</b>	<b>\$34,202</b>

**II. DETAIL BY MAJOR OBJECT**  
(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
IROF (11061)	\$24,809	\$25,123	\$27,040	\$1,917	7.63%
Total Personnel	\$24,809	\$25,123	\$27,040	\$1,917	7.63%
<b>OPERATING</b>					
<i>Federal Funds</i>					
SOR-MH (80993)	\$83	\$0	\$0	\$0	0%
<i>Other Funds</i>					
IROF (11061)	\$5,812	\$6,276	\$6,912	\$636	10.13%
Total Operating	\$5,895	\$6,276	\$6,912	\$636	10.13%
<b>FIXED ASSETS</b>					
<i>Other Funds</i>					
IROF (11061)	\$250	\$250	\$250	\$0	0%
Total Fixed Assets	\$250	\$250	\$250	\$0	0%
<b>TOTAL FUNDS</b>					
<i>Other Funds</i>	\$30,871	\$31,649	\$34,202	\$2,553	8.07%
Total Funds	\$30,954	\$31,649	\$34,202	\$2,553	8.07%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Insurance Regulation and Oversight Fund 11061		
	2020-2021	2021-2022	2022-2023 Estimated
<i>Other Funds Total</i>	\$8	\$0	\$0
IROF (11061)	\$8	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2022	2022-2023 Budgeted
	Benefit Factor	62.95%	61.98%
Other Funded			
<i>Authorized</i>	202	209	209
<i>Filled</i>	195	187	N/A

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA			
Derivation of Request:			
(A) Personnel Expense			
Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of the Insurance Departments General Operating fund (IROF) continuing operation.			
(B) Operating Expense			
Operating Funds were developed from historical data and provides for maintenance of the Insurance Department's General Operating fund (IROF) continuing operation.			
<u>Additional Information</u>			
(1) 2020-21 Obligations rolled forward to 2021-22:			
(\$ Amounts in Thousands)			
Other Funds		\$174	
Total		\$174	
(2) 2021-22 Supplemental appropriation needs: N/A			
(3) Prior FY appropriations waived pursuant to Act 146 of 1980, is approved to support the 2021-22 appropriation for expenses related to maintaining NAIC accreditation.			
(\$ Amounts in Thousands)			
Other Funds	BY 2019	\$1,779	
	BY 2020	\$2,962	
Total		\$4,741	

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS /  
DISBURSEMENT CRITERIA (Cont.)**

**Insurance Regulation and Oversight Fund**  
11061

Legislative Citations:

The Insurance Department was established under the Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, as amended, No. 285, and has responsibility for enforcing the Commonwealth's extensive and multi-faceted insurance laws.

The General Assembly Act of Jul. 2, 2013, P.L. 255, No. 46, Cl. 39 passed The Insurance Regulation and Oversight Fund.

Disbursement Criteria:

This appropriation funds the general administrative operations of the Insurance Department. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating expenses for the operation of the program.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
1. Net increase for contractual pay raises/MC personnel/vacancies	\$0	\$0	\$1,500	\$1,500
2. Increase to support new positions	\$0	\$0	\$417	\$417
Subtotal Personnel	\$0	\$0	\$1,917	\$1,917
<b>OPERATING</b>				
1. Increase to support rising shared service costs	\$0	\$0	\$390	\$390
2. Increase to continue current programs	\$0	\$0	\$246	\$246
Subtotal Operating	\$0	\$0	\$636	\$636
<b>FIXED ASSETS</b>				
Increase for fiber-optic cabling	\$0	\$0	\$0	\$0
Subtotal Fixed Assets	\$0	\$0	\$0	\$0
<b>GRANT &amp; SUBSIDY</b>				
Subtotal Grant & Subsidy	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,553</b>	<b>\$2,553</b>

# PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:

Pp. ix, E29-4, E29-5

**General Operations**

10824, 70790, 71077

### I. SUMMARY FINANCIAL DATA

(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted
State Funds Total	\$86,479	\$0	\$0
State Sources Itemized			
USTIF Loan Repayment (10824)	\$86,479	\$0	\$0
Federal Funds Total	\$5,000	\$5,000	\$5,000
Federal Sources Itemized			
Insurance Market Reform (71077)	\$5,000	\$5,000	\$5,000
<b>Total</b>	<b>\$91,479</b>	<b>\$5,000</b>	<b>\$5,000</b>

### II. DETAIL BY MAJOR OBJECT

(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Change Budgeted vs. Available	Percent Change
<b>OPERATING</b>					
<i>Federal Funds</i>					
Ins Market Reform(71077)	\$214	\$5,000	\$5,000	\$0	0.00%
Total Operating	\$214	\$5,000	\$5,000	\$0	0.00%

II. DETAIL BY MAJOR OBJECT (Cont.) (\$ Amount in Thousands)	General Operations 10824, 70790, 71077				
	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Change Budgeted vs. Available	Percent Change
<b>OTHER</b>					
<i>State Funds</i>					
USTIF Loan Repay (10824)	\$86,479	\$0	\$0	\$0	0.00%
Total Other Funds	\$86,479	\$0	\$0	\$0	0.00%
<b>BUDGETARY RESERVE</b>					
<i>Federal Funds</i>					
Ins Market Reform(71077)	\$4,786	\$5,000	\$5,000	\$0	0.00%
Total Budgetary Reserve	\$4,786	\$5,000	\$5,000	\$0	0.00%
<b>TOTAL FUNDS</b>					
<i>State Funds</i>					
	\$86,479	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>					
	\$5,000	\$0	\$0	\$0	100.00%
<i>Other Funds</i>					
	\$0	\$5,000	\$5,000	\$0	0.00%
Total Funds	\$91,479	\$5,000	\$5,000	\$0	0.00%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	2020-2021	2021-2022	2022-2023 Estimated
Other Funds Total	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2021	2022-2023 Budgeted
Benefit Factor	N/A	N/A	N/A
Other Funded			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS /  
DISBURSEMENT CRITERIA**

**General Operations**  
10824, 70790, 71077

Derivation of Request:

(A) Personnel Expense

Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of the Insurance Department's continuing operation. Actual hours are tracked and costs are moved the applicable program.

(B) Operating Expense

Operating funds were developed from historical data and provides for maintenance of the Insurance Department's continuing operation.

Additional Information

(1) 2020-21 Obligations rolled forward to 2021-22:

(\$ Amounts in Thousands)

Other Funds	\$0
Total	\$0

(2) 2021-22 Supplemental appropriation needs:

N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2021-22 appropriation

(\$ Amounts in Thousands)

Other Funds	\$0
Total	\$0

Legislative Citations:

The Insurance Department was established under the Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, as amended, No. 285, and has responsibility for enforcing the Commonwealth's extensive and multi-faceted insurance laws.

Disbursement Criteria:

These appropriations fund the administrative operations of the Insurance Department. Disbursements are made based on approved positions and established employee benefits, and through invoices submitted for operating expenses.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

**General Operations**  
10S03, 70790, 71077

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
OPERATING	\$0	\$0	\$0	\$0
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
BUDGETARY RESERVE	\$0	\$0	\$0	\$0
Subtotal Budgetary Reserve	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OTHER	\$0	\$0	\$0	\$0
Subtotal Other	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GRAND TOTAL	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

## **INSURANCE REGULATION AND OVERSIGHT FUND PROGRAM STATEMENT**

### **The Executive Office**

**The Insurance Commissioner** is responsible for establishing policy related to insurance regulation, insurer solvency, consumer protection and is charged with overseeing the administration of the department's general operations fund, special funds and federal fund programs. In addition to the Insurance Commissioner, the Executive Office includes the following offices: Policy Office, Legislative Office, Special Projects Office, Communications Office, Office of Chief Counsel, and Administrative Hearings Office.

**The Chief of Staff** provides direct oversight of the Bureau of Administration and works across deputates and agencies, serving as a liaison to industry leaders, other states insurance departments, and consumer advocates.

**The Policy Office** conducts research to gather data and identifies trends to develop policy recommendations consistent with the goals of the Governor's Administration and the needs of insurance consumers and the insurance industry.

**The Legislative Office** serves as liaison between the Legislature and the department. The office monitors and analyzes legislation affecting insurance consumers as well as the industry.

**The Special Projects Office** provides strategic initiative support to the Insurance Commissioner and includes a Consumer Liaison position. The Consumer Liaison develops consumer information that is posted on the department's website for consumers and spearheads the department's outreach efforts.

**The Communications Office** directs and manages the department's public information programs through proactive and reactive media relations, consumer education and awareness efforts, development of consumer publications, and maintenance of the department's web site.

**The Office of Chief Counsel** provides legal advice and assistance to the Insurance Commissioner and represents the department before state and federal courts in litigation matters. The Office provides the department with crucial support functions, including interpretation of and compliance with management directives.

**The Administrative Hearings Office** conducts hearings and prepares proposed adjudications of formal administrative cases.

**The Bureau of Administration**, in conjunction with the Office of Administration, provides consultation and operational support to the department with respect to information technology and human resources and equal employment opportunity operations. The bureau is also responsible for the department's budget and fiscal management, internal controls implementation, contract and procurement management, office services and continuity of operations planning.

## **The Office of Insurance Product Regulation**

The Office of Insurance Product Regulation is comprised of the Bureaus of Life, Accident and Health; Property and Casualty; and as of January 2021, the Bureau of Managed Care.

**The Bureaus of Life, Accident and Health and Property and Casualty Insurance** are responsible for reviewing and regulating insurance rates charged and policy forms sold in Pennsylvania in their respective lines of business. Over 13,000 insurance contract, rate, and form filings are reviewed each year to ensure they are in compliance with federal and state law. Rate filings are reviewed to ensure that rates are not excessive, inadequate or unfairly discriminatory to fulfill the department's statutory obligations to protect the commonwealth's insurance consumers.

PID has recently been granted funding under "The State Flexibility to Stabilize the Market Grant Program Cycle II - Grants to Support States in Providing Added Flexibility to Strengthen the Private Health Insurance Market-Cycle II". The funding will be used to fund activities related to implementing the following provisions of Part A of title XXVII of the Public Health Services Act to include Section 2702 – Guaranteed Availability of Coverage, Section 2703 – Guaranteed Renewability of Coverage, and Section 2707 – Non-discrimination under Comprehensive Health Insurance Coverage (Essential Health Benefits Package).

**The Bureau of Managed Care** reviews, approves, licenses and monitors the quality of care provided to consumers by health maintenance organizations (HMOs) and other managed care systems, including by reviewing provider networks. The bureau also administers a consumer grievance program and ensures that each licensed HMO has an approved process in place to handle member complaints and grievances.

## **The Office of Corporate and Financial Regulation**

The Office of Corporate and Financial Regulation licenses and monitors the corporate and financial activities of approximately 1,700 insurance companies and hundreds of other regulated entities operating in Pennsylvania. This office is comprised of the Bureau of Financial Examinations and the Bureau of Company Licensing and Financial Analysis.

**The Bureau of Financial Examinations** performs examinations of the financial condition and operations of approximately 230 domestic insurance companies and 236 continuing care providers licensed in Pennsylvania to determine their financial solvency and compliance with laws and regulations.

**The Bureau of Company Licensing and Financial Analysis** oversees the corporate licensing of insurance companies and other regulated entities. The Financial Analysis Division reviews and analyzes domestic insurance company financial statements and material corporate transactions to promote the financial stability, regulatory compliance and competitiveness of Pennsylvania's insurance market.

## **The Office of Market Regulation**

The Office of Market Regulation is comprised of the Bureaus of Consumer Services, Licensing and Enforcement, and Market Actions.

**The Bureau of Consumer Services** investigates consumer complaints and provides educational and general assistance to Pennsylvania's insurance consumers and licensees. The bureau interacts with approximately 40,000 consumers annually by responding to consumer complaints and inquiries, participating in consumer education outreach, and providing on-site assistance to consumers during disaster recovery operations. The bureau also works with insurance companies to minimize the impact of product and company withdrawals on consumers.

**The Bureau of Licensing and Enforcement** is at the forefront of consumer protection through its responsibility for the administration of licensing and education programs for approximately 341,000 professionals doing business in Pennsylvania. This bureau also administers a program to enforce insurance laws and regulations and to investigate alleged violations of the laws.

**The Bureau of Market Actions** serves an integral compliance monitoring function, as it works to ensure that consumers are treated fairly through various compliance audits of insurers and analysis of marketplace data. The Market Analysis Division is tasked with monitoring Pennsylvania's entire insurance market to identify carriers that are struggling with compliance with consumer protection measures. The Market Conduct Division conducts studies of the insurance industry as well as in-house compliance reviews and audits, which include on-site examinations of insurance companies or other market-focused reviews of underwriting, rate application, policy terminations and claims practices to verify compliance with Pennsylvania insurance statutes and regulations.

## **The Office of Liquidations, Rehabilitations, and Special Funds**

The Office of Liquidations, Rehabilitations and Special Funds manages the liquidation of insolvent insurance companies and the rehabilitation of financially troubled insurance companies, pursuant to court order. The office also administers the activities of four special fund programs; The Catastrophic Loss Benefits Continuation Fund (CAT), The Underground Storage Tank Indemnification Fund (USTIF), The Medical Care Availability and Reduction of Error Fund (Mcare) and The Workers' Compensation Security Fund (WCSF).

## **PROGRAM PERFORMANCE**

### **Agency Metrics**

The department measures its progress against the following quantitative criteria:

- Reducing Pennsylvania's uninsured population.
- Increasing the department's outreach efforts to improve consumer education regarding insurance products and services, aiding in protecting consumers from financial loss.

- Supporting the insurance industry's need of speed to market for new property, casualty, life, accident, and health programs and policy changes.

### **Selected Accomplishments**

The following ongoing accomplishments are measures of the effectiveness of the department's allocation of its funds to meet statutory and consumer protection goals.

#### **The Office of Insurance Product Regulation**

- The Bureaus of Life, Accident and Health and Property and Casualty Insurance examined policy language and rates to promote fairness in insurance contracts and ensure compliance with all applicable laws.
- The Bureau of Life, Accident and Health insurance reviewed rate filings to ensure that rates are not excessive, inadequate or unfairly discriminatory in the following ways:
  - Publicly posting all rate changes requested by companies selling health insurance in the individual marketplace, providing consumer-friendly summaries of each rate filing on our website for plans that comply with the Affordable Care Act to promote transparency.
- On July 2nd, 2019, Act 42 was signed creating an opportunity for Pennsylvania to create a State reinsurance program to help moderate premiums in the Commonwealth's individual health insurance market and maintain and protect coverage gains in the Commonwealth. Pennsylvania's reinsurance program was created under a Federal Section 1332 State Relief and Empowerment Waiver.
  - The goal of Pennsylvania's reinsurance program is to favorably impact premium rates beginning in 2021 and beyond for Pennsylvanians purchasing health insurance coverage in the individual market.
- The Bureau of Property and Casualty Insurance is consistently working with insurers to review premium filings assessing claims experience during the pandemic and new user-based insurance products enabling consumers to quickly benefit from reduced driving.
- The Bureau of Managed Care continually adjusts and modernizes its internal processes. In addition to electronic filings that have created opportunities to modernize processes and gain the efficiencies, the bureau has created a new network adequacy data template to review and ensure health insurance networks are adequate. The transition of the bureau to the Insurance Department creates a single point of entry for stakeholders and enabled a reorganization of workload resulting in better oversight and cross-agency coordination of the complaint and grievance processes.

## **The Office of Corporate and Financial Regulation**

- The department continues to meet the requirements of the National Association of Insurance Commissioners (NAIC) Financial Regulation Standards and Accreditation Program in the following ways, which will allow Pennsylvania to remain accredited by the NAIC through its next review in 2024:
  - Completing financial analyses and financial examinations within NAIC required timeframes, Pennsylvania statutory requirements, and in compliance with accreditation standards designed to assure an effective and consistent state-based financial regulation system.
  - Continuing efforts to implement organizational, hiring, recruitment and retention initiatives developed to ensure that the department has sufficient and qualified staff to monitor Pennsylvania's large, diverse and complex insurance industry.
  - Developing and advancing statutory and regulatory initiatives based on NAIC model law, including amendments to the CPA audit regulations requiring large insurers to have internal audit functions, updates to annuity reserving tables reflecting current mortality data, requiring the use of principal-based reserving for life insurance products and adopting the requirement for all insurers to file a corporate governance annual disclosure statement.
- The department serves as the lead state regulator for 35 insurance groups and the group-wide supervisor of two large internationally active insurance groups.
- The department was responsible for the review of 17 Own Risk Solvency Assessment ("ORSA") filings.

## **The Office of Market Regulation**

- Aggregately, the department collected close to three quarters of a million dollars in fines and penalties, and ordered approximately \$20 million in consumer restitution for over 41,000 Pennsylvanians in 2021 , broken down as follows:
  - The Bureau of Consumer Services, through complaint investigations, recovered a little over \$10 million in premium refunds, claims payments, and policy restoration for over 10 thousand Pennsylvania consumers.
  - The Bureau of Licensing and Enforcement handled approximately 576 cases of suspected violations of Pennsylvania insurance laws through enforcement investigations, resulting in over \$280 thousand in restitution to 111 Pennsylvania consumers and over \$500 thousand in penalties.

- The Bureau of Market Actions resolved 26 market conduct examinations of insurance companies violating Pennsylvania insurance laws, resulting in corrective action and the assessment of approximately \$5 million in restitution for more than 40,000 thousand Pennsylvania consumers.
- The Bureau of Consumer Services engaged with approximately 40,000 consumers, including interactions at consumer events, calls to the toll-free consumer hotline, internet contacts, written complaints, telephone calls and walk-ins. The department also assisted thousands of consumers affected by health insurance company terminations, product withdrawals and transitions in the marketplace.
- The Bureau of Licensing and Enforcement licensed approximately 344,000 individuals and entities in Pennsylvania to engage in the business of insurance with the public, more than 325,000 of which were insurance producers and more than 67,000 of which were new applicants. According to the most recent data this generated approximately \$64 million in licensing-related fees paid to the department during calendar year 2021.

### **The Office of Liquidations, Rehabilitations & Special Funds**

- During calendar year 2021, the department experienced the following developments with respect to companies in liquidation:
  - On August 24, 2021 the Pennsylvania Commonwealth Court approved the Plan of Rehabilitation for Senior Health Insurance Company.
  - The Liquidator sought and the Commonwealth Court granted a August 6, 2021 Claims Bar Date in the Healthcare Providers Insurance Exchange liquidation of August 6, 2021.
  - On May 19, 2021 the Liquidator filed for discharge of Rockwood insurance Company from liquidation.
  - The Commonwealth Court placed Bedivere Insurance Company into liquidation on March 11, 2021.
  - The Liquidator has secured federal releases from the Department of Justice for American Network Insurance Company, Reliance Insurance Company and Senior American Insurance Company.

### **PROGRAM GOALS**

The department will use its fiscal year 2022-2023 funding to support its accomplishment of the following goals:

- To assist consumers and ensure that they are treated fairly and in compliance with Pennsylvania laws by:
  - Providing expert insurance consumer protections service by thorough investigation of written consumer complaints and timely responses to consumer inquiries.
  - Continually evaluating and streamlining complaint processing procedures.

- Measuring and evaluating the number of consumers assisted by phone, in writing, in person, through the department web page, and through business partners.
- Updating consumer brochures and other consumer materials providing information on various insurance products across lines of business, including life, health, automobile, homeowners, flood, and others.
- Leveraging new platforms such as social media and working to increase the department's visibility by attending stakeholder and community events.
- To promote a competitive marketplace in terms of products and pricing by:
  - Continuing to evaluate the health insurance marketplace to identify ways to improve affordability of health insurance and legislative changes that would preserve market competition and protect consumers.
  - Identifying and implementing changes to the department's rate and form review process to ensure that products are brought to market quickly.
  - Completing the review of approximately 10,000 filings annually.
  - Participating in the Product Standard Committee for the Interstate Insurance Product Regulation Commission to develop and implement life, annuity, and disability/long-term care national product standards.
- To enhance financial solvency regulation of domestic insurance companies by:
  - Improving efficiencies through focusing examination efforts on areas in which an insurance company exhibits the most significant risk.
  - Minimizing the number and impact of insolvencies of domestic insurance companies through early detection and proactive regulatory efforts.
  - Maintaining Pennsylvania's accredited status with the NAIC until the department's next on-site review, scheduled for 2024.
- To promote and ensure industry-wide compliance by:
  - Working with the NAIC to improve monitoring of industry compliance and protection of consumers through development of enhanced market analysis tools, multi-state coordination and market conduct uniformity.
  - Participating in the Market Conduct Annual Statement initiative, using analysis of specific insurance company data to promote early detection of general market issues to eliminate or mitigate harm to consumers.
  - Developing a series of webinars for market analysis initiatives to help inform and educate insurance company compliance officials.
  - By increasing staffing where appropriate and ensuring budget neutrality is achieved.
- To leverage technology to enhance efficiencies and improve customer service by:
  - Promoting the use of e-government transactions, giving companies and non-resident licensees the ability to process appointments and terminations in real time.
  - Continuing to enhance the usefulness of the department's website for all types of consumers and stakeholders.
  - Providing online complaint reconciliation for carriers and online complaint status updates for consumers.
  - Further investigating and implementing, where practical, procedures for online applications and renewals of licenses.

- Advancing an innovation program launched in 2021 to encourage the insurance industry to deliver innovative new insurance solutions and products. Keystone Smart Launch helps speed up the regulatory process so Pennsylvania can offer cutting-edge services to its consumers and industry professionals.
- To utilize federal grant money effectively and responsibly by:
  - Contracting with consultants for services related to evaluating equity in and accessibility to comprehensive Health Insurance Coverage.
  - Updating and enhancing the department's implementation and enforcement of health insurance consumer protections.
  - Developing tools to improve transparency ensure access to comprehensive health insurance coverage and empower consumers to make informed health insurance purchasing decisions.
- To pursue enactment or adoption of legislative and regulatory initiatives.
- To promote cost savings and encourage efficiencies with Lean and Go-Time initiatives.
- To protect claimants to estates in liquidation by:
  - Maximizing assets and administering receiverships. Filing discharge petitions for liquidated estates, thereby reducing the administrative expenses of the estates and distributing the assets of the estates to the claimants and guaranty associations.

# PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. x, D39, E 26-5, E 29-2, E 29-5, H3, H19

**Catastrophic Loss Benefits Continuation  
(CAT) Fund  
20192, 20193**

### I. SUMMARY FINANCIAL DATA

(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted
Other Funds Total	\$8,035	\$7,935	\$8,208
Other Sources Itemized			
CAT Admin (20192)	\$1,985	\$1,885	\$2,158
CAT Claims (20193)	\$6,050	\$6,050	\$6,050
<b>Total</b>	<b>\$8,035</b>	<b>\$7,935</b>	<b>\$8,208</b>

### II. DETAIL BY MAJOR OBJECT

(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
CAT Admin (20192)	\$109	\$104	\$140	\$36	34.62%
Total Personnel	\$109	\$104	\$140	\$36	34.62%
<b>OPERATING</b>					
<i>Other Funds</i>					
CAT Admin (20192)	\$1,863	\$1,768	\$2,005	\$237	13.40%
Total Operating	\$1,863	\$1,768	\$2,005	\$237	13.40%
<b>FIXED ASSETS</b>					
<i>Other Funds</i>					
Cat Admin (20192)	\$13	\$13	\$13	\$0	0.00%
Total Fixed Assets	\$0	\$0	\$13	\$0	0%
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds</i>					
CAT Claims (20193)	\$6,050	\$6,050	\$6,050	\$0	0.00%
Total Grant & Subsidy	\$6,050	\$6,050	\$6,050	\$0	0.00%
<b>TOTAL FUNDS</b>					
<i>Other Funds</i>	\$8,035	\$7,935	\$8,208	\$273	3.44%
<b>Total Funds</b>	<b>\$8,035</b>	<b>\$7,935</b>	<b>\$8,208</b>	<b>\$273</b>	<b>3.44%</b>

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Catastrophic Loss Benefits Continuation (CAT) Fund 20192, 20193		
	2020-2021	2021-2022	2022-2023 Estimated
Other Funds Total	\$3,048		
CAT Admin (20192)	\$110	\$0	\$0
CAT Claims (20193)	\$2,938	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2021	2022-2023 Budgeted
	Benefit Factor	72.97%	73.23%
Other Funded			
<i>Authorized</i>	1	1	1
<i>Filled</i>	1	1	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

Derivation of Request:

(A) Personnel Expense  
All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of CAT's continuing operation.

(B) Operating Expense  
Operating Funds were developed from historical data and provides for maintenance of CAT's continuing operation.

(C) Grants & Subsidy Expense  
Claim payments are based on open claims and their actuarial statistics.

Additional Information

(1) 2020-21 Obligations rolled forward to 2021-22:  
(\$ Amounts in Thousands)

Other Funds	
CAT Admin (20192)	\$5
Total	\$5

(2) 2021-22 Supplemental appropriation needs: N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS**  
**DISBURSEMENT CRITERIA**

**Catastrophic Loss Benefits Continuation  
(CAT) Fund  
20192, 20193**

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2021-22 appropriation

(\$ Amounts in Thousands)

Other Funds	\$0
Total	<u>\$0</u>

Legislative Citations:

The Catastrophic Loss Benefits Continuation Fund (CAT Fund), established by Act 24 of 1989, provides benefits to Pennsylvanians who were catastrophically injured in motor vehicle accidents between October 1, 1984, and December 31, 1989, inclusive, and who were eligible for benefits under the Catastrophic Loss Trust Fund, 75 Pa. C.S. §§ 1761-1769, which was repealed by Act 144 of 1988.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the CAT fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible recipients of CAT liability actions in excess of basic insurance coverage.

**VI.**

**EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>PERSONNEL</b>				
1. Increase for contractual pay raises and benefits	\$0	\$0	\$36	\$36
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$36</u>	<u>\$36</u>
<b>OPERATING</b>				
1. Increase in cost of new TPA contract	\$0	\$0	\$200	\$200
2. Increase in cost of shared services / specialized services	\$0	\$0	\$37	\$37
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>\$237</u>	<u>\$237</u>
<b>FIXED ASSETS</b>				
Subtotal Fixed Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>GRANT &amp; SUBSIDY</b>				
	\$0	\$0	\$0	\$0

*Continued from page B2.3*

Subtotal Grant & Subsidy	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GRAND TOTAL	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$273</u></u>	<u><u>\$273</u></u>

## **PROGRAM STATEMENT**

The Catastrophic Loss Benefits Continuation Fund (CAT Fund) established by Act 24 of 1989 (75 Pa. C.S. §1798.2 *et seq.*), provides claims payment benefits, in excess of \$100,000, for reasonable and medically necessary accident-related medical and rehabilitation expenses resulting from qualifying motor vehicle accidents that occurred between October 1, 1984 and July 1, 1989. CAT benefits are restricted by statute to \$50,000 annually after the first eighteen months of eligibility and a one-million-dollar lifetime aggregate. A contracted third-party administrator (TPA) provides claims administration and rehabilitation management services for CAT. The CAT Fund balance as of June 30, 2021 was \$105,738,954 with 369 claimants and a benefit payment and administration budget for fiscal year 2020-2021 of \$7.9 million.

An outside actuarial study of the CAT Fund must be completed annually, and a report on the status of the fund and its outstanding liabilities must be submitted to the General Assembly each January. Recent actuarial reports have indicated that the fund has sufficient money to sustain itself in the upcoming years without incurring a deficit and therefore is currently deemed fully funded.

Beginning in 1989, CAT Fund revenue was generated from a surcharge on motor vehicle moving violations. Act 13 of 2002 provided for the transfer of revenue from the CAT Fund to the Mcare Fund. Pursuant to the fiscal year 2010-2011 budget, as enacted, the CAT Fund surcharge money has instead been redirected into the General Fund for each fiscal year since 2009-2010.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments of the CAT Fund from the prior year:

- The Fund continues to ensure its fiduciary responsibility by proactively reviewing all medical bills over \$5,000 to ascertain that all payments are accident related, medically necessary and reasonable. Despite CAT Fund's ineligibility for mandatory Act 6 reductions, the CAT Fund utilizes ACT 6 repricing measures to negotiate payments for medical treatment and rehabilitative services. If a provider does not accept Act 6 repricing, the CAT Fund attempts to secure an acceptable reduced payment amount with the provider. In addition, various processing edits are used to monitor pharmacy costs and encourage providers to consider using alternative medications and/or generic medications resulting in substantial savings for the claimant. By using these negotiated savings processes, the CAT Fund experienced a total savings of \$948,404 in claimant benefits for the FY2020-2021.

## **PROGRAM GOALS**

The CAT Fund will use its FY 2022-2023 funding to support its accomplishment of the following goals:

- To continue programs to negotiate savings with health care providers and pharmacies.
- To monitor outstanding liabilities to maximize available funding for payment of lifetime benefits of claimants.
- To continue prompt review and processing of claims by monitoring performance of the TPA.
- To continue to monitor opioid use amongst claimants by utilizing the Prescription Drug Monitoring Program (PDMP) as well as provider outreach letters

# PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. xii, e18-6, E18-11, E29-2, E29-5, H3, H118, H127

**Underground Storage Tank Indemnification  
(USTIF) Fund  
20195, 20196**

<b>I. SUMMARY FINANCIAL DATA</b> (\$ Amount in Thousands)			
	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted
Other Funds Total	\$58,711	\$56,711	\$56,873
Other Sources Itemized			
USTIF Admin (20195)	\$16,711	\$16,711	\$16,873
USTIF Claims (20196)	\$42,000	\$40,000	\$40,000
<b>Total</b>	<b>\$58,711</b>	<b>\$56,711</b>	<b>\$56,873</b>

<b>II. DETAIL BY MAJOR OBJECT</b> (\$ Amount in Thousands)					
	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds (20195)</i>	\$899	\$936	\$1,098	\$162	17.31%
Total Personnel	\$899	\$936	\$1,098	\$162	17.31%
<b>OPERATING</b>					
<i>Other Funds (20195)</i>	\$8,707	\$8,670	\$8,670	\$0	0.00%
Total Operating	\$8,707	\$8,670	\$8,670	\$0	0.00%
<b>FIXED ASSETS</b>					
<i>Other Funds (20195)</i>	\$105	\$105	\$105	\$0	0.00%
Total Fixed Assets	\$105	\$105	\$105	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds (20196)</i>	\$42,000	\$40,000	\$40,000	\$0	0.00%
Total Grant & Subsidy	\$42,000	\$40,000	\$40,000	\$0	0.00%
<b>NONEXPENSE</b>					
<i>Other Funds (20195)</i>	\$7,000	\$7,000	\$7,000	\$0	0.00%
Total Nonexpense	\$7,000	\$7,000	\$7,000	\$0	0.00%
<b>BUDGETARY RESERVE</b>					
<i>Other Funds (20195)</i>	\$0	\$0	\$0	\$0	0.00%
Total Budgetary Reserve	\$0	\$0	\$0	\$0	0.00%
<b>Total Funds</b>	<b>\$58,711</b>	<b>\$56,711</b>	<b>\$56,873</b>	<b>\$162</b>	<b>0.29%</b>

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Underground Storage Tank Indemnification (USTIF) Fund 20195, 20196		
	2020-2021	2021-2022	2022-2023 Estimated
Other Funds Total	\$13,674	\$0	\$0
USTIF Admin (20195)	\$3,684	\$0	\$0
USTIF Claims (20196)	\$9,990	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2021	2022-2023 Budgeted
	Benefit Factor	67.61%	67.68%
Other Funded			
<i>Authorized</i>	8	8	8
<i>Filled</i>	8	8	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS /  
DISBURSEMENT CRITERIA**

**Underground Storage Tank Indemnification  
(USTIF) Fund**

20195, 20196

Derivation of Request:

(A) Personnel Expense

Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of USTIF's continuing operation.

(B) Operating Expense

Operating funds were developed from historical data and provides for maintenance of USTIF's continuing operation.

(C) Grant & Subsidy Expense

Additional Information

(1) 2020-21 Obligations rolled forward to 2021-22:

(\$ Amounts in Thousands)

Other Funds

USTIF Admin (20195)

\$162

Total

\$162

(2) 2021-22 Supplemental appropriation needs: N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2021-22 appropriation

(\$ Amounts in Thousands)

Other Funds

\$0

Total

\$0

Legislative Citations:

The Storage Tank and Spill Prevention Act (Act 32 of 1989), as amended, authorized the creation of the Underground Storage Tank Indemnification Fund (USTIF) to provide claim payments to eligible owners, operators, and certified installers of underground storage tanks, who incur liability for taking corrective action, or for bodily injury or property damage caused by a sudden or non-sudden release from underground storage tanks. USTIF became operational on February 1, 1994. Act 61 of 2017 increases the reimbursement to the Storage Tank fund from the \$3 million to \$7 million annually and extended authority for the Underground Storage Tank Environmental Cleanup Program and the Underground Storage Tank Pollution Prevention Program until June 30, 2022.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the USTIF Fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible owners and operators of Underground Storage Tanks.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

**Underground Storage Tank Indemnification****(USTIF) Fund**

20195, 20196

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
PERSONNEL				
1. Increase cost for contractual pay raises and Legislative Office chargebacks	<u>\$0</u>	<u>\$0</u>	<u>\$162</u>	<u>\$162</u>
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$162</u>	<u>\$162</u>
OPERATING				
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FIXED ASSETS				
Subtotal Fixed Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GRANT & SUBSIDY				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GRAND TOTAL	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$162</u></u>	<u><u>\$162</u></u>

## **PROGRAM STATEMENT**

The Underground Storage Tank Indemnification Fund (USTIF) was established by Act 32 of 1989 (35 P.S. §6021.101 *et seq.*). It began operation in February of 1994 to provide claims payments of reasonable and necessary expenses to eligible underground storage tank owners and operators who incur expenses in the cleanup of leaking tanks. The fund also administers the Tank Installers' Indemnification Program, which indemnifies certified companies in the event of a release due to a faulty tank or system installation. In addition, the fund provides grants to the Department of Environmental Protection (DEP), which administers the Pollution Prevention and Environmental Cleanup programs. USTIF is funded by the payment of capacity and throughput fees on regulated substances by tank owners, operators, and fuel distributors.

Amendments to Act 32, passed in 2001, increased fund coverage from \$1 million to \$1.5 million, per tank per occurrence, for cleanup and third-party actions relating to leaking underground storage tanks, exclusive of defense costs for third party liability. There is a \$1.5 million annual aggregate coverage limit for owners and operators of 100 or fewer tanks, and \$3.0 million annual coverage limit for operators of 101 or more tanks.

USTIF has two primary sources of funds: fees and investment income. Fee revenue is comprised of: 1) an annual capacity fee of \$.0825 per gallon for tanks containing heating oil, diesel fuel, kerosene and used motor oil; and 2) a throughput fee of \$0.011 per gallon of product delivered into the gasoline, new motor oil, hazardous substances, gasohol, aviation fuel, and farm diesel category of tanks. The estimated revenue from fees for fiscal year 2022-2023 is \$54.0 million, and the estimated investment income for fiscal year 2022-2023 is \$10.0 million.

A contracted third-party administrator (TPA) provides claims administration and related services, and an outside actuarial study of USTIF is completed on an annual basis.

Act 13 of 1998 created four new programs for USTIF: The Upgrade Loan Program, the Tank Installers Indemnification Program, the Pollution Prevention Program, and the Environmental Cleanup Program. The pollution and environmental cleanup programs are funded by allocation categories made by the USTIF Board to DEP. Since its inception, USTIF has provided grants in excess of \$159.0 million to DEP for various environmental projects under all the allocation categories.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments of USTIF from the prior year:

- Conducted annual actuarial analyses, that determined the estimated total outstanding liability has steadily decreased from \$344.9 million as of June 30, 2020 to \$ 313.6 million as of June 30, 2021 and that as of December 31, 2021, assets exceeded liabilities by \$95.4 million.

- Continued to expand the application of competitive bidding for remediation projects. As of December 31, 2021, 87 sites are under some form of fixed price contract valued in the aggregate of \$ 27.3 million, or 32 % of all open claim reserves.
- Closed 157 contaminated sites through payment of remediation expenses and provided continued funding of ongoing remediation at 884 sites as of December 31, 2021.
- Paid more than \$ 30.7 million in total remediation expenses.
- On July 1, 2017, after several years of conceptual design work and planning, the new Fee Billing System was brought online. The new system now allows real time online access to over 5000 USTIF program participant's invoicing and payment histories and allows for online electronic payment processing via credit card and e-check. The system currently has over 4000 users that utilize the site including USTIF and DEP staff.

## **PROGRAM GOALS**

USTIF will use its fiscal year 2022-2023 funding to support its accomplishment of the following goals:

- To continue to use competitive bidding for remediation of appropriate sites, with the expected results of better site characterization; faster, lower cost and more efficient clean-ups; and a streamlined claims handling process to benefit the tank owner as well as the fund.
- To continue to interact closely with DEP to ensure problem sites are identified and remediated in a faster and more cost-effective manner.
- To develop cost containment policies that encourage faster remediation at a lower cost per site.
- To continue the implementation and enhancement of the new replacement fee billing and payment system in addition to a dedicated website designed for interaction with tank owners, fuel distributors and other fund stakeholders including DEP compliance personnel.

# PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. xi, E29-2, E29-5, H3, H19, H63, H76

**Medical Care Availability and Reduction of Error  
(Mcare) Fund**  
20306, 20307

### I. SUMMARY FINANCIAL DATA

(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted
Other Funds Total	\$209,931	\$209,931	\$190,469
Other Sources Itemized			
Mcare Admin (20306)	\$14,911	\$14,911	\$15,449
Mcare Claims (20307)	\$195,020	\$195,020	\$175,020
<b>Total</b>	<b>\$209,931</b>	<b>\$209,931</b>	<b>\$190,469</b>

### II. DETAIL BY MAJOR OBJECT

(\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
Mcare Admin (20306)	\$4,707	\$4,686	\$5,224	\$538	11.48%
Total Personnel	\$4,707	\$4,686	\$5,224	\$538	11.48%
<b>OPERATING</b>					
<i>Other Funds</i>					
Mcare Admin (20306)	\$9,639	\$9,660	\$9,660	\$0	0.00%
Mcare Claims (20307)	\$20	\$20	\$20	\$0	0.00%
Total Operating	\$9,659	\$9,680	\$9,680	\$0	0.00%
<b>FIXED ASSETS</b>					
Mcare Admin (20306)	\$565	\$565	\$565	\$0	0.00%
Total Fixed Assets	\$565	\$565	\$565	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
Mcare Claims (20307)	\$195,000	\$195,000	\$175,000	(\$20,000)	-10.26%
Total Grant & Subsidy	\$195,000	\$195,000	\$175,000	(\$20,000)	-10.26%
<b>TOTAL FUNDS</b>					
Mcare Admin(20306)	\$14,911	\$14,911	\$15,449	\$538	3.61%
Mcare Claims(20307)	\$195,020	\$195,020	\$175,020	(\$20,000)	-10.26%
Total Funds	\$209,931	\$209,931	\$190,469	(\$19,462)	-9.27%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Medical Care Availability and Reduction of Error (Mcare) Fund 20306, 20307		
	2020-2021	2021-2022	2022-2023 Estimated
Other Funds Total	\$34,368	\$0	\$0
Mcare Admin (20306)	\$8,124	\$0	\$0
Mcare Claims (20307)	\$26,244	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2021	2022-2023 Budgeted
	Benefit Factor	65.49%	66.13%
Other Funded			
<i>Authorized</i>	44	45	45
<i>Filled</i>	38	40	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

Derivation of Request:

(A) Personnel Expense  
Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of Mcare's continuing operation.

(B) Operating Expense  
Operating funds were developed from historical data and provides for maintenance of Mcare's continuing operation.

(C) Grants & Subsidy Expense  
Claim payments are paid for participating health care providers for damages awarded in medical professional liability actions in excess of basic insurance coverage required by the act.

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA	Medical Care Availability and Reduction of Error (Mcare) Fund 20306, 20307
<u>Additional Information</u>	
(1) 2020-21 Obligations rolled forward to 2021-22: (\$ Amounts in Thousands)	
Other Funds	

Continued from page B 4.2

MCARE Admin (20306)	<u>\$207</u>
Total	\$207

(2) 2021-22 Supplemental appropriation needs: N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2021-22 appropriation

(\$ Amounts in Thousands)

Other Funds	<u>\$0</u>
Total	\$0

Legislative Citations:

Act 13 of 2002, the Medical Care Availability and Reduction of Error (Mcare) Act, in part, established the Mcare Fund as a special fund in the State Treasury. This fund is a continuation of the Medical Professional Liability Catastrophe Loss (MedCat) Fund existing under the Health Care Services Malpractice Act, Act 111 of 1975 and Act 135 of 1996, as amended. The assets and liabilities of the MedCat Fund were transferred to, and assumed by, the Mcare Fund, which was placed under the administration of the Insurance Department as of October 2002.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the Mcare fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible recipients of medical liability actions in excess of basic insurance coverage.

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	Medical Care Availability and Reduction of Error (Mcare) Fund 20306, 20307			
	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
1. Increase for contractual raises and benefits	\$0	\$0	\$342	\$342
2. Increase for additional position an Legislative Office chargebacks	\$0	\$0	\$196	\$196
Subtotal Personnel	\$0	\$0	\$538	\$538
<b>OPERATING</b>				
1. Increase for CAB Building relocation	\$0	\$0	\$0	\$0
Subtotal Operating	\$0	\$0	\$0	\$0
<b>FIXED ASSETS</b>				
1. Increase for CAB Building fiber-optic cabling	\$0	\$0	\$0	\$0
Subtotal Fixed Assets	\$0	\$0	\$0	\$0
<b>GRANT &amp; SUBSIDY</b>				
1. Decrease in claim costs	\$0	\$0	(\$20,000)	(\$20,000)
Subtotal Grant & Subsidy	\$0	\$0	(\$20,000)	(\$20,000)
<b>GRAND TOTAL</b>	<u>\$0</u>	<u>\$0</u>	<u>(\$19,462)</u>	<u>(\$19,462)</u>

## **PROGRAM STATEMENT**

The Medical Care Availability and Reduction of Error Fund ("Mcare") established by Act 13 of 2002 (40 P.S. §§ 1303.101, *et seq.*) is the successor to the Medical Professional Liability Catastrophe Loss Fund, which originally was established by Act 111 of 1975 (40 P.S. §§ 1301.101, *et seq.*) and began to accept coverage and accrue unreserved liabilities starting in 1976.

The purpose of Mcare is to provide reasonable compensation above basic insurance coverage limits for persons injured due to medical negligence who bring medical professional liability actions against Mcare-participating physicians, hospitals, podiatrists, nurse midwives, nursing homes, birth centers and primary health centers ("health care providers"). Mcare also enforces the mandatory provisions of Act 13 of 2002, as amended (Act 13), and its applicable regulations.

Act 13 mandates that each health care provider rendering 50 percent or more of their professional medical services within the commonwealth ("participating health care provider") obtain basic professional liability insurance ("primary coverage") with an insurance company or a self-insurance plan licensed or approved by the Pennsylvania Insurance Department. In addition, each participating health care provider must obtain excess professional liability coverage by paying a certain percentage of the occurrence premium that would be charged by the Pennsylvania Joint Underwriting Association (JUA) to Mcare. The appropriate percentage ("assessment") varies each year and is based upon the Mcare expenses and claims payments made by Mcare in the previous year.

As a result of a settlement agreement, an initial \$30 million Reserve Fund is held separately by Mcare and only used to pay claims or other Mcare expenses when other Mcare revenues are insufficient and in lieu of borrowing. For calendar year 2018, \$15,120,452 was used to pay claims in lieu of borrowing. For calendar year 2019 an additional \$1,476,907 was used. As of December 31, 2021, the Reserve Fund balance was \$13,912,297. Mcare realizes interest income from its invested assessment revenue. Interest income on the Reserve Fund is accounted for separately and is used to replenish the Reserve Fund. In 2021, the Reserve Fund earned \$10,905 in interest. In the event Mcare has a cash flow shortfall, money may be borrowed from other commonwealth funds to satisfy its obligations. In that event, repayment is made with interest. Act 13 also permits the department to purchase insurance or reinsurance on behalf of Mcare.

Participation in Mcare is mandatory for health care providers. Professional corporations, associations or partnerships owned entirely by health care providers may elect to insure their basic liability; if they so choose to insure, then their participation in Mcare is mandatory. Health care providers who conduct less than 50 percent of their health care business within the Commonwealth, as measured by patient encounters, may elect to participate in Mcare. To the extent health care providers' practice activities are provided as employees of the federal government,

the Commonwealth or the City of Philadelphia, they are exempt from the requirement to participate in Mcare.

Since 2003, the total required limit of medical professional liability coverage, excluding hospitals, is \$1 million per occurrence and \$3 million per annual policy year aggregate. For hospitals, the required total limits are \$1 million per occurrence and \$4 million per annual policy year aggregate. This breaks down as follows:

- Primary Limits – Participating health care providers other than hospitals maintain primary coverage in the amount of \$500,000 per occurrence with a total primary aggregate of \$1.5 million per policy year. Hospitals must obtain primary coverage in the amount of \$500,000 per occurrence with a total aggregate of \$2.5 million per policy year.
- Mcare Limits – Mcare provides participating health care providers, including hospitals, coverage of \$500,000 per occurrence with a \$1.5 million per annual aggregate in excess of the primary coverage.

Act 13 provided that the primary limits would increase to \$750,000 per occurrence and Mcare's layer of coverage would decrease to \$250,000 per occurrence in 2006 unless the PA Insurance Commissioner found that additional primary insurance coverage was not available in the medical malpractice marketplace. From 2006 to the present, PA Insurance Commissioners have not found that the primary limits should increase and thus, the primary per occurrence limit remains at \$500,000. The capacity study completed in 2021 was consistent with prior studies, and the commissioner determined that there would not be an increase in the primary limits in 2022 or 2023. The next study will take place in 2023 for a potential increase in limits effective in 2024.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments achieved by Mcare during the prior year:

- Effectively transitioned to telework agreements wherein the majority of the Mcare employees report to the office on a hybrid schedule
- Collected and processed coverage-related transactions totaling more than \$190 million in assessments
- Continued to strengthen Mcare's compliance efforts to enforce health care providers' statutory coverage obligations
- Settled 236 cases involving 316 claims in the total amount of \$141 million in the twelve months ending August 31, 2021
- Participated in 132 Alternative Dispute Resolution processes to achieve efficient resolution of claims
- Calculated the 2022 Mcare assessment percentage of 12 percent without the use of contractors for an estimated savings of \$23,000 per year
- Calculated the 2022 hospital experience modification factors internally for an estimated savings of \$40,000
- Developed all required reports, including the unfunded liability, financial statements, assessment manual and annual report
- Provided educational presentations to interested parties

## **PROGRAM GOALS**

Mcare is funded entirely by its assessment on health care providers and the interest earned therefrom. It is not funded by a General Fund appropriation. The assessment allows Mcare to support the following goals for fiscal year 2022-2023:

- To continue to enhance telework environment and remote functionality of all program areas
- To collect, analyze and process the 2022 assessments owed
- To use compliance efforts to monitor and enforce health care providers' statutory coverage obligations
- To effectively manage the litigation and settlement of approximately 400 medical professional liability claims
- To timely and properly handle an annual average of 3,000 claim reports received from insurers and self-insured health care providers and a pending total of 5,300 open claims
- To provide a proven, tested and neutral Alternative Dispute Resolution program to resolve claims through arbitration and mediation processes
- To further refine automated assessment and hospital experience modification calculations
- To evaluate internal programs for service, efficiency and cost savings
- To develop all required reports, including the unfunded liability, financial statements, assessment manual and annual report
- To provide educational presentations to interested parties
- To finalize the move to the CAB building anticipated to occur in the fiscal year 2021-2022. The move will improve employee engagement, day to day operations and oversight for the entire deputation when all three bureaus are located together. There will be benefits from a reduction in IT infrastructure costs, lease space costs and the consolidation of IT services. The estimated cost of the move is \$1.3 million dollars
- To finalize the modernization of Mcare's IT operating system in fiscal year 2022-2023. The estimated cost of the modernization project is \$3.4 million dollars

# PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST

## (\$ Amounts in Thousands)

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 Pp. xii, C1-31, C1-44, D78, E3-3, E3-7, E3-8, E11-15, E29-2, E29-5, E31-1 - 5, E31-9 -10, H131, H137, H139

**Workers Compensation Security Fund  
(WCSF)**  
 50063(ended 2018), 20466, 20467

**I. SUMMARY FINANCIAL DATA**  
 (\$ Amount in Thousands)

	<u>2020-2021 Actual</u>	<u>2021-2022 Available</u>	<u>2022-2023 Budgeted</u>
Other Funds Total	\$32,763	\$34,758	\$34,899
Other Sources Itemized			
Workers Comp Security Fund Admin (20466)*	\$5,763	\$5,758	\$5,899
Workers Comp Security Fund Claims (20467)*	<u>\$27,000</u>	<u>\$29,000</u>	<u>\$29,000</u>
<b>Total</b>	<b>\$32,763</b>	<b>\$34,758</b>	<b>\$34,899</b>

\*Prior to 2019-2020 fund was 50063

**II. DETAIL BY MAJOR OBJECT**  
 (\$ Amount in Thousands)

	<u>2020-2021 Actual</u>	<u>2021-2022 Available</u>	<u>2022-2023 Budgeted</u>	<u>Change Budgeted vs. Available</u>	<u>Percent Change</u>
<b>PERSONNEL</b>					
<i>Other Funds</i>					
WCSF (20466)	\$517	\$342	\$483	\$141	41.23%
<b>Total Personnel</b>	<u>\$517</u>	<u>\$342</u>	<u>\$483</u>	<u>\$141</u>	<u>41.23%</u>
<b>OPERATING</b>					
<i>Other Funds</i>					
WCSF (20466)	\$5,194	\$5,364	\$5,364	\$0	0.00%
<b>Total Operating</b>	<u>\$5,194</u>	<u>\$5,364</u>	<u>\$5,364</u>	<u>\$0</u>	<u>0.00%</u>
<b>FIXED ASSETS</b>					
<i>Other Funds</i>					
WCSF (20466)	\$52	\$52	\$52	\$0	0%
<b>Total Fixed Assets</b>	<u>\$52</u>	<u>\$52</u>	<u>\$52</u>	<u>\$0</u>	<u>0%</u>
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds</i>					
WCSF (20467)	\$27,000	\$29,000	\$29,000	\$0	0.00%
<b>Total Grant &amp; Subsidy</b>	<u>\$27,000</u>	<u>\$29,000</u>	<u>\$29,000</u>	<u>\$0</u>	<u>0.00%</u>
<b>Total Funds</b>	<b>\$32,763</b>	<b>\$34,758</b>	<b>\$34,899</b>	<b>\$141</b>	<b>0.41%</b>

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Workers Compensation Security Fund (WCSF) 50063(ended 2018), 20466, 20467		
	2020-2021	2021-2022	2022-2023 Estimated
Other Funds Total	\$11,508	\$0	\$0
WCSF Administration (20466)	\$784	\$0	\$0
WCSF Claims (20467)	\$10,724	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2021	2022-2023 Budgeted
	Benefit Factor	67.18%	66.88%
Other Funded			
<i>Authorized</i>	3	3	3
<i>Filled</i>	3	3	N/A
<i>Three positions are currently on IROF complement</i>			

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA	
Derivation of Request:	
(A) Personnel Expense	All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of WCSF's continuing operation.
(B) Operating Expense	Operating Funds were developed from historical data and provides for maintenance of WCSF's continuing operation.
(C) Grants & Subsidy Expense	Claim payments are based on open claims and their actuarial statistics.
<u>Additional Information</u>	
(1) 2020-21 Obligations rolled forward to 2021-22:	
(\$ Amounts in Thousands)	
Other Funds	
WCSF (20466)	\$73
Total	\$73
(2) 2021-22 Supplemental appropriation needs:	N/A

**DERIVATION OF REQUEST / LEGISLATIVE CITATIONS  
DISBURSEMENT CRITERIA**

**Workers Compensation Security Fund  
(WCSF)**

50063(ended 2018), 20466, 20467

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2021-22 appropriation

(\$ Amounts in Thousands)

Other Funds	<u>\$0</u>
Total	\$0

**Legislative Citations:**

The Workers Compensation Security Fund (WCSF), was initially created on July 1, 1937 by the Workers' Compensation Security Fund Act, 77 P.S. §§ 1051-1066, as a guaranty fund to provide claim payments for those workers entitled to workers' compensation benefits and Long Shore and Harbor Workers' compensation benefits in certain circumstances when the insurance company originally providing coverage is placed into liquidation by a court in their state of domicile. The original act was subsequently amended on July 29, 1941, July 2, 1953, October 18, 1975, April 13, 1988 and June 22, 2000. The most recent legislation, Act 49 of 2000, removed the statutory annual assessment procedures in conjunction with giving prudent person investment authority jointly to the Insurance Commissioner and the State Treasurer for the investment of moneys in the WCSF. The act requires the Insurance Department to manage the WCSF to maintain its actuarial soundness.

**Disbursement Criteria:**

The Administrative portion funds Personnel and Operating costs of the WCSF. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation fund approved payments for eligible recipients of WCSF liability actions.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>PERSONNEL</b>				
1. Increase for contractual pay raises and benefits	<u>\$0</u>	<u>\$0</u>	<u>\$141</u>	<u>\$141</u>
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$141</u>	<u>\$141</u>
<b>OPERATING</b>				
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FIXED ASSETS</b>				
Subtotal Fixed Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>GRANT &amp; SUBSIDY</b>				
Subtotal Grant & Subsidy	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>GRAND TOTAL</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$141</u></u>	<u><u>\$141</u></u>

## **PROGRAM STATEMENT**

The Pennsylvania Workers' Compensation Security Fund (WCSF) was created by an Act of the Pennsylvania legislature on July 11, 1937, known as Act 470 (the Act). The purpose of the Act at that time was to "establish funds to provide security for the payment of benefits in the event of the insolvency of an insurance carrier authorized to write workers' compensation insurance in this Commonwealth; and to provide for the administration thereof." The Act was amended on April 13, 1988; becoming Act 48; to include certain "insurers under the Federal Longshore and Harbor Workers' Compensation Act."

The WCSF serves as a guaranty fund which provides claims payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation law (statutory benefits). These benefits would have been paid by insurance companies licensed in Pennsylvania except that such companies have been placed in liquidation by a court in their state of domicile. The responsibility of the WCSF is limited to those benefits payable in accordance with the requirements of the WCSF Act, the Pennsylvania Workers' Compensation Act (WC Act) or Longshore and Harbor Workers' Compensation Act, as applicable. Since its inception, the WCSF has effectively managed the liquidation of 52 estates and their associated claims resulting in benefits paid to date of \$1.06 billion.

The WCSF generates income from its investments and receives distributions from the estates of liquidated insurers. In addition, funds are generated from an assessment on workers' compensation written premiums of insurance companies currently providing workers' compensation coverage in the state of Pennsylvania. If, due to the payment of liabilities, the WCSF balance is reduced below \$500 million as of December 31st of any year, an assessment is issued. The most recent assessment was issued in 2009 based on the December 31, 2008 fund balance.

A contracted third-party administrator (TPA), provides claims administration services to the WCSF including managed care services, auditing provider invoices and coordination with WCSF outside counsel on matters of litigation. During the fiscal year dated 2020-2021, the Fund was responsible for oversight of 769 claims in which medical and lost wage payments were made in the amount of \$16,381,658.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments of the WCSF from the prior year:

- The Workers' Compensation Act includes a fee schedule which establishes maximum amounts to be paid to healthcare providers. The contracted TPA reprices all eligible WCSF invoices to fee schedule. In addition, the TPA has special arrangements with a network of healthcare providers to receive

payment less than the fee schedule which are applied to WCSF invoices. As a result of these arrangements, the WCSF realized additional savings below fee schedule of \$447,160 for 2020-2021.

## **PROGRAM GOALS**

The WCSF will use its fiscal year 2022-2023 funding to support its accomplishment of the following goals:

- To continue to provide a safety net for workers' compensation claimants, ensuring that medical and indemnity payments continue without interruption upon the liquidation of an insurance company.
- To continue programs to negotiate savings with health care providers and pharmacies.
- To monitor outstanding liabilities to maximize available funding for payment of lifetime benefits of claimants.
- To continue prompt review and processing of claims by monitoring performance of the TPA.

## **WCSF LOANS TO THE GENERAL FUND**

Section 2112 of the General Appropriation Act of 2016, the Act of July 12, 2016, directed the Secretary of the Budget to transfer \$165 million from the WCSF to the General Fund to assist with payment of Medial Assistance provider obligations. The loan was scheduled to be repaid during fiscal year 2018-2019 but was deferred at the request of GBO staff to be repaid by July 1, 2019. Thereafter, Section 2.1 of Senate Bill 712 extended the repayment date to July 1, 2024.

During December 2020, \$185.0 million was transferred from the Workers' Compensation Security Fund into the General Fund pursuant to Section 1726-M(D) of Act 114 of 2020. Section 1737A.1 of the Act requires repayment of this transfer by July 1, 2028.

**PA INSURANCE DEPARTMENT FY 2022-23 BUDGET REQUEST**  
**(\$ Amounts in Thousands)**

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**Reinsurance Fund**  
**(REIN)**  
 20492

**I. SUMMARY FINANCIAL DATA**  
 (\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted
Federal Funds Total	\$0	\$0	\$120,231
Federal Sources Itemized			
Reinsurance Pass Through(80V11)	\$0	\$0	\$120,231
Other Funds Total	\$250	\$275	\$20,300
Other Sources Itemized			
Reinsurance Administration(20492)	\$250	\$275	\$300
Reinsurance PTE(20V06)			\$20,000
<b>Total</b>	<b>\$250</b>	<b>\$275</b>	<b>\$140,531</b>

**II. DETAIL BY MAJOR OBJECT**  
 (\$ Amount in Thousands)

	2020-2021 Actual	2021-2022 Available	2022-2023 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
REIN (20492)	\$0	\$0	\$0	\$0	0.00%
Total Personnel	\$0	\$0	\$0	\$0	0%
<b>OPERATING</b>					
<i>Other Funds</i>					
REIN (20492)	\$250	\$275	\$300	\$25	9%
Total Operating	\$250	\$275	\$300	\$25	9.09%
<b>FIXED ASSETS</b>					
<i>Other Funds</i>					
REIN (20492)	\$0	\$0	\$0	\$0	0.00%
Total Fixed Assets	\$0	\$0	\$0	\$0	0%
<b>GRANT &amp; SUBSIDY</b>					
<i>Federal Funds</i>					
Reinsurance Pass Through(80V11)	\$0	\$0	\$120,231	\$120,231	N/A
<i>Other Funds</i>					
Reinsurance PTE(20V06)	\$0	\$0	\$20,000	\$20,000	N/A
Total Grant & Subsidy	\$0	\$0	\$20,000	\$140,231	N/A

Continued from page B 6.1

TOTAL FUNDS					
<i>Federal Fund</i>	\$0	\$0	\$120,231	\$120,231	N/A
<i>Other Funds</i>	\$250	\$275	\$20,300	\$20,025	N/A
Total Funds	\$250	\$275	\$140,531	\$140,256	N/A

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Reinsurance Fund (REIN) 20492		
	2020-2021	2021-2022	2022-2023 Estimated
Other Funds Total	\$119	\$0	\$0
REIN (20492)	\$119	\$0	\$0

IV. COMPLEMENT INFORMATION	6/30/2021	12/31/2021	2022-2023 Budgeted
	N/A	N/A	N/A
Benefit Factor	N/A	N/A	N/A
Other Funded			
<i>Authorized</i>	0	0	0
<i>Filled</i>	0	0	0
<i>Three positions are currently on IROF complement</i>			

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

Derivation of Request:

(A) Personnel Expense

All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of REIN's continuing operation.

(B) Operating Expense

Operating Funds were developed from historical data and provides for maintenance of REIN's continuing operation.

(C) Grants & Subsidy Expense

Claim payments are based on open claims and their actuarial statistics.

Additional Information

(1) 2020-21 Obligations rolled forward to 2021-22:

(\$ Amounts in Thousands)

Other Funds

REIN (20492)

\$0

Total

\$0

(2) 2021-22 Supplemental appropriation needs:

N/A

**DERIVATION OF REQUEST / LEGISLATIVE CITATIONS  
DISBURSEMENT CRITERIA**

**Reinsurance Fund  
(REIN)  
20492**

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2021-22 appropriation

(\$ Amounts in Thousands)

Other Funds

\$0

Total

\$0

Legislative Citations:

Act 42 of 2019 created the Reinsurance Program including the establishment of the Reinsurance Fund as a special fund within the State Treasury. The Reinsurance Fund will be administered by the Department of Insurance to fund the Reinsurance Program. Receipts into the Reinsurance are to be transferred from the PA Health Insurance Exchange Fund (PHIEA) calculated as net of user fee revenues less PHIEA expenses. Expenditures from the fund will be used to implement and operate the reinsurance program and make reinsurance payments to eligible insurers under the reinsurance program. In making expenditures from the Reinsurance Fund, available federal money must be expended first.

Disbursement Criteria:

Receipts into the Reinsurance are to be transferred from the PA Health Insurance Exchange Fund (PHIEA) calculated as net of user fee revenues less PHIEA expenses. Expenditures from the fund will be used to implement and operate the reinsurance program and make reinsurance payments to eligible insurers under the reinsurance program.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
PERSONNEL				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Personnel	\$0	\$0	\$0	\$0
OPERATING				
1. Increase for required 3rd party audit	<u>\$0</u>	<u>\$0</u>	<u>\$25</u>	<u>\$25</u>
Subtotal Operating	\$0	\$0	\$25	\$25
GRANT & SUBSIDY				
1. Increase from Federal pass through	\$0	\$120,231	\$0	\$120,231
2. Increase from Pennie pass through	<u>\$0</u>	<u>\$0</u>	<u>\$20,000</u>	<u>\$20,000</u>
Subtotal Grant & Subsidy	\$0	\$120,231	\$20,000	\$140,231
GRAND TOTAL	<u>\$0</u>	<u>\$120,231</u>	<u>\$20,025</u>	<u>\$140,256</u>

**SECTION**

**III**

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**COMMONWEALTH FUND OR ACCOUNT:**

**Catastrophic Loss Benefits Continuation Fund**

**NARRATIVE:**

This fund was established by Act 24 of 1989 to replace the Catastrophic Loss Trust Fund. The purpose of the Catastrophic Loss Benefits Continuation Fund (CAT fund) is to pay all medical claims owed by the Catastrophic Loss Trust Fund. Monies in the former Catastrophic Loss Trust Fund were transferred to this fund effective July 1, 1989.

Act 13 of 2002 established the Medical Care Availability and Reduction of Error (Mcare) Fund and mandated that all surcharges levied and collected under the CAT fund be remitted to the Mcare Fund beginning in January 2004. Act 50 of 2009 redirected the surcharge to the General Fund for 2009-10 and 2010-11. Act 26 of 2011 redirected the surcharge to the General Fund for 2011-12 and for each fiscal year thereafter.

This fund will continue to pay claimants from its balance and interest earnings until no further obligations exist. The most recent actuarial report estimates final expenditure in 2093.

No obligation or expense of, or claim against the fund constitutes a debt of the commonwealth or a charge against the General Fund or the Motor License Fund.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)						
	Actual 2020-21	Available 2021-22	Budget 2022-23	PY1 2023-24	PY2 2024-25	PY3 2025-26	PY4 2026-27
<b>Cash Balance, Beginning:</b>	\$ 77,768	\$ 76,436	\$ 70,855	\$ 64,849	\$ 58,843	\$ 52,837	\$ 46,831
<b>Receipts:</b>							
Repayment other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue	\$ 1,273	\$ 1,202	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Interest	\$ 2,359	\$ 1,161	\$ 1,202	\$ 1,202	\$ 1,202	\$ 1,202	\$ 1,202
<b>Total Receipts</b>	\$ 3,632	\$ 2,363	\$ 2,202	\$ 2,202	\$ 2,202	\$ 2,202	\$ 2,202
<b>Total Funds Available</b>	\$ 81,400	\$ 78,799	\$ 73,057	\$ 67,051	\$ 61,045	\$ 55,039	\$ 49,033
<b>Disbursements:</b>							
Insurance Department	\$ 4,964	\$ 7,944	\$ 8,208	\$ 8,208	\$ 8,208	\$ 8,208	\$ 8,208
<b>Total Disbursements</b>	\$ (4,964)	\$ (7,944)	\$ (8,208)	\$ (8,208)	\$ (8,208)	\$ (8,208)	\$ (8,208)
<b>Cash Balance, Ending</b>	\$ 76,436	\$ 70,855	\$ 64,849	\$ 58,843	\$ 52,837	\$ 46,831	\$ 40,825

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**COMMONWEALTH FUND OR ACCOUNT:**

**Insurance Regulation and Oversight Fund**

**NARRATIVE:**

This fund was established by Act 46 of 2013 to provide for the Insurance Department's regulation, management, development and oversight of the commonwealth's insurance industry.

The Insurance Regulation and Oversight Fund receives 50 percent of all licenses and fees collected by the Insurance Department and all augmentations and reimbursements made to the department by regulated entities. The surcharge on moving vehicle violations remains in the General Fund.

At the end of the fiscal year, the fund retains an amount equal to no more than 100 percent of the total expenditures and commitments by the department from the immediately preceding fiscal year. If the balance in the fund at the end of the fiscal year exceeds the retention amount, then that amount of excess funds is to be returned to the General Fund within 30 days of the end of the fiscal year.

Act 20 of 2019 authorized the Secretary of the Budget to transfer up to \$45 million of special fund balances to the General Fund for environmental programs. Act 114 of 2020 authorized transfers to the General Fund from various special fund balances.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)						
	Actual 2020-21	Available 2021-22	Budget 2022-23	PY1 2023-24	PY2 2024-25	PY3 2025-26	PY4 2026-27
<b>Cash Balance, Beginning:</b>	\$ 33,362	\$ 43,520	\$ 36,571	\$ 42,462	\$ 48,472	\$ 54,604	\$ 60,862
<b>Receipts:</b>							
Transfer from General Fund	\$ 39,688	\$ 38,725	\$ 38,975	\$ 39,949	\$ 40,948	\$ 41,972	\$ 43,021
Interest Earnings	\$ 55	\$ 16	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18
Reimbursements	\$ 6,757	\$ 5,700	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Other	\$ 861	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
Federal Receipts	\$ 10	\$ 65	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Return to General Fund	\$ 0	\$ (13,545)	\$ (5,700)	\$ (5,700)	\$ (5,700)	\$ (5,700)	\$ (5,700)
Total Receipts	\$ 47,371	\$ 31,761	\$ 40,093	\$ 41,067	\$ 42,066	\$ 43,090	\$ 44,139
<b>Total Funds Available</b>	<b>\$ 80,733</b>	<b>\$ 75,281</b>	<b>\$ 76,664</b>	<b>\$ 83,529</b>	<b>\$ 90,538</b>	<b>\$ 97,694</b>	<b>\$ 105,002</b>
<b>Disbursements:</b>							
Insurance Department	\$ 27,213	\$ 38,710	\$ 34,202	\$ 35,057	\$ 35,933	\$ 36,832	\$ 37,753
Transfer to General Fund	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ (37,213)	\$ (38,710)	\$ (34,202)	\$ (35,057)	\$ (35,933)	\$ (36,832)	\$ (37,753)
<b>Cash Balance, Ending</b>	<b>\$ 43,520</b>	<b>\$ 36,571</b>	<b>\$ 42,462</b>	<b>\$ 48,472</b>	<b>\$ 54,604</b>	<b>\$ 60,862</b>	<b>\$ 67,249</b>

Note: No funds were returned in FY 2016-17 due to an additional \$13 million returned in FY 2015-16.  
No funds were returned in FY 2018-19 due to two returns totaling \$11.7 million returned during FY 2017-18.

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**COMMONWEALTH FUND OR ACCOUNT:**

**Medical Care Availability and Reduction of Error Fund**

**NARRATIVE:**

Act 13 of 2002, the Medical Care Availability and Reduction of Error Fund (Mcare) Act, established the Medical Care Availability and Reduction of Error Fund and transferred to it the assets, liabilities, and rights and responsibilities of the Medical Professional Liability Catastrophe Loss Fund, effective October 15, 2002. The Mcare Fund is used to pay claims against participating healthcare providers for losses or damages awarded in medical professional liability actions against them in excess of the basic insurance coverage required by the Act. In addition to the transfer of assets from the Medical Professional Liability Catastrophe Loss Fund, revenue includes an assessment on healthcare providers.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)						
	Actual 2020-21	Available 2021-22	Budget 2022-23	PY1 2023-24	PY2 2024-25	PY3 2025-26	PY4 2026-27
<b>Cash Balance, Beginning:</b>	\$ 87,245	\$ 103,988	\$ 83,757	\$ 83,870	\$ 84,450	\$ 84,540	\$ 84,630
<b>Receipts:</b>							
Assessment to Healthcare Providers	\$ 191,906	\$ 190,480	\$ 190,480	\$ 190,480	\$ 190,000	\$ 190,000	\$ 190,000
Interest	\$ 217	\$ 102	\$ 102	\$ 100	\$ 90	\$ 90	\$ 90
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Receipts</b>	\$ 192,123	\$ 190,582	\$ 190,582	\$ 190,580	\$ 190,090	\$ 190,090	\$ 190,090
<b>Total Funds Available</b>	\$ 279,368	\$ 294,570	\$ 274,339	\$ 274,450	\$ 274,540	\$ 274,630	\$ 274,720
<b>Disbursements:</b>							
Insurance Department	\$ 175,380	\$ 210,813	\$ 190,469	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000
Assessment Relief Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Disbursements</b>	\$ (175,380)	\$ (210,813)	\$ (190,469)	\$ (190,000)	\$ (190,000)	\$ (190,000)	\$ (190,000)
<b>Cash Balance, Ending</b>	\$ 103,988	\$ 83,757	\$ 83,870	\$ 84,450	\$ 84,540	\$ 84,630	\$ 84,720

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**COMMONWEALTH FUND OR ACCOUNT:**

**Underground Storage Tank Indemnification Fund**

**NARRATIVE:**

The Storage Tank and Spill Prevention Act, Act 32 of 1989, as amended, established the Underground Storage Tank Indemnification Fund to administer a program to provide claim payments to owners and operators of underground storage tanks who incur liability for taking corrective action or for bodily injury or property damage caused by a release from underground storage tanks. Expenses for administration of the fund are also covered. The fund is administered by the Insurance Department in conjunction with a fourteen member Underground Storage Tank Indemnification Board.

Act 13 of 1998 established a new loan program to assist owners of regulated underground storage tanks to upgrade their underground storage tank systems to meet federal Environmental Protection Agency upgrade requirements or to remove them from service. Act 100 of 2000 expanded the upgrade loan program to include the removal of underground storage tanks. The act also established an environmental cleanup program and a pollution prevention program that are administered by the Department of Environmental Protection. A loan of \$100 million was made to the General Fund on October 15, 2002 in accordance with Act 91 of 2002. While Act 72 of 2013 changed the repayment of the \$100 million loan to the General Fund to before July 1, 2029. The \$67.5 million principal balance, as well as the accrued interest of \$19.0 million, was paid in full on June 30, 2021. Act 61 of 2017 increased the reimbursement to the Storage Tank Fund from \$3,000,000 to \$7,000,000, annually, and extended authority for the Underground Storage Tank Environmental Cleanup Program and the Underground Storage Tank Pollution Prevention Program until June 30, 2022.

Act 10 of 2020 authorized the Secretary of the Budget to transfer up to \$50 million of special fund balances to a General Fund restricted account for COVID Health Care System Assistance. Act 24 of 2020 returned the funds, and Act 114 of 2020 transferred the funds to the General Fund for appropriation by the General Assembly.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)						
	Actual 2020-21	Available 2021-22	Budget 2022-23	PY1 2023-24	PY2 2024-25	PY3 2025-26	PY4 2026-27
<b>Cash Balance, Beginning:</b>	\$ 287,023	\$ 417,248	\$ 405,893	\$ 397,813	\$ 389,733	\$ 381,653	\$ 373,573
<b>Receipts:</b>							
Gallon Fee	\$ 45,317	\$ 45,317	\$ 45,317	\$ 45,317	\$ 45,317	\$ 45,317	\$ 45,317
Tank Capacity Fee	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770
Act 24 of 2020 Return of COVID Transfer	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	\$ 19,216	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Investment Income	\$ 5,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Investment Adjustment	\$ 33,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Loan Repayment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Loan Repayment from General Fund	\$ 67,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue	\$ 337	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350
<b>Total Receipts</b>	\$ 207,023	\$ 51,452	\$ 51,452	\$ 51,452	\$ 51,452	\$ 51,452	\$ 51,452

<b>Total Funds Available</b>	\$ 494,046	\$ 468,700	\$ 457,345	\$ 449,265	\$ 441,185	\$ 433,105	\$ 425,025
<b>Disbursements:</b>							
Insurance Department	\$ 44,455	\$ 59,038	\$ 56,873	\$ 56,873	\$ 56,873	\$ 56,873	\$ 56,873
Environmental Protection	\$ 2,343	\$ 3,769	\$ 2,659	\$ 2,659	\$ 2,659	\$ 2,659	\$ 2,659
Transfer to COVID Health Care System assistance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfer to General Fund	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ (76,798)	\$ (62,807)	\$ (59,532)	\$ (59,532)	\$ (59,532)	\$ (59,532)	\$ (59,532)
<b>Cash Balance, Ending</b>	<b>\$ 417,248</b>	<b>\$ 405,893</b>	<b>\$ 397,813</b>	<b>\$ 389,733</b>	<b>\$ 381,653</b>	<b>\$ 373,573</b>	<b>\$ 365,493</b>

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**COMMONWEALTH FUND OR ACCOUNT:**

**Workers' Compensation Security Fund**

**NARRATIVE:**

The purpose of this fund is payment of valid claims for compensation provided by the Workers' Compensation Act to individuals who are insured by an insolvent stock company. Expenses for administration of the fund are also covered.

Through June 30, 2000, payments equal to one percent of the net written premiums received for workers' compensation insurance policies written in the commonwealth by stock companies, mutual carriers and reciprocal exchanges during the preceding annual reporting period were credited to the fund. Such payments were required only if the balance less known liabilities of the fund was determined to be less than five percent of the loss reserves of all such companies for payments of benefits under the Workers' Compensation Act.

Act 49 of 2000 removed the statutory annual assessment procedures in conjunction with giving prudent person investment authority to the Insurance Commissioner jointly with the State Treasurer for the investment of monies in the fund. This change was expected to generate increased earnings to the fund, thereby reducing the frequency of the assessment. The act requires the Insurance Department to manage the fund to maintain its actuarial soundness and a minimum balance of \$500 million as of December 31 of any given year. If the fund balance falls below \$500 million by calendar year end, the department will assess contributions to restore the balance in the fund in a timely manner.

Act 16A of 2016 authorized a transfer to the General Fund in the amount of \$165 million. Act 44 of 2017 delayed the repayment of this transfer until 2019-20. Act 20 of 2019 further extends this repayment until July 1, 2024.

Act 114 of 2020 authorized transfers to the General Fund from various special fund balances.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)						
	Actual 2020-21	Available 2021-22	Budget 2022-23	PY1 2023-24	PY2 2024-25	PY3 2025-26	PY4 2026-27
<b>Cash Balance, Beginning:</b>	\$ 853,014	\$ 824,438	\$ 837,687	\$ 850,932	\$ 864,153	\$ 877,374	\$ 1,055,595
<b>Receipts:</b>							
Assessments and Receipt	\$ 74,580	\$ 47,812	\$ 47,812	\$ 47,812	\$ 47,812	\$ 47,812	\$ 47,812
Net Investment Adjustment	\$ 102,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	\$ 67	\$ 28	\$ 28	\$ 0	\$ 0	\$ 0	\$ 0
Transfer from Other Funds	\$ 145,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,000	\$ 0
Other	\$ 419	\$ 304	\$ 304	\$ 304	\$ 304	\$ 304	\$ 304
Total Receipts	\$ 322,698	\$ 48,144	\$ 48,144	\$ 48,116	\$ 48,116	\$ 213,116	\$ 48,116
<b>Total Funds Available</b>	\$ 1,175,712	\$ 872,582	\$ 885,831	\$ 899,048	\$ 912,269	\$ 1,090,490	\$ 1,103,711
<b>Disbursements:</b>							
Insurance Department	\$ 21,274	\$ 34,895	\$ 34,899	\$ 34,895	\$ 34,895	\$ 34,895	\$ 34,895
Transfer to COVID Hospitality Recovery CBG Program	\$ 145,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfer to General Fund	\$ 185,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ (351,274)	\$ (34,895)	\$ (34,899)	\$ (34,895)	\$ (34,895)	\$ (34,895)	\$ (34,895)
<b>Cash Balance, Ending</b>	\$ 824,438	\$ 837,687	\$ 850,932	\$ 864,153	\$ 877,374	\$ 1,055,595	\$ 1,068,816

**A \$145 million transfer from Workers' Compensation Fund to the General Fund occurred in FY 2020-21 and repayment occurred in 2020-21.**

**A \$165 million transfer from Workers' Compensation Fund to the General Fund occurred in FY 2016-17 and repayment should occur in FY2024-25.**

**A \$185 million transfer from Workers' Compensation Fund to the General Fund occurred in FY 2016-17 and repayment should occur in FY2029-30.**

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**COMMONWEALTH FUND OR ACCOUNT:**

**Reinsurance Fund**

**NARRATIVE:**

Act 42 of 2019 created the Reinsurance Program including the establishment of the Reinsurance Fund as a special fund within the State Treasury. The Reinsurance Fund will be administered by the Department of Insurance to fund the Reinsurance Program. Receipts into the Reinsurance are to be transferred from the PA Health Insurance Exchange Fund (PHIEA) calculated as net of user fee revenues less PHIEA expenses. Expenditures from the fund will be used to implement and operate the reinsurance program and make reinsurance payments to eligible insurers under the reinsurance program. In making expenditures from the Reinsurance Fund, available federal money must be expended first.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)						
	Actual 2020-21	Available 2021-22	Budget 2022-23	PY1 2023-24	PY2 2024-25	PY3 2025-26	PY4 2026-27
<b>Cash Balance, Beginning:</b>	\$ 0	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36
<b>Receipts:</b>							
Transfer from PA Health Insurance Exchange Fund	\$ 167	\$ 275	\$ 20,300	\$ 20,300	\$ 20,300	\$ 20,300	\$ 20,300
Federal Pass Through	\$ 0	\$ 0	\$ 120,231	\$ 120,231	\$ 120,231	\$ 120,231	\$ 120,231
Interest	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Receipts	\$ 167	\$ 275	\$ 140,531	\$ 140,531	\$ 140,531	\$ 140,531	\$ 140,531
<b>Total Funds Available</b>	<b>\$ 167</b>	<b>\$ 311</b>	<b>\$ 140,567</b>	<b>\$ 140,567</b>	<b>\$ 140,567</b>	<b>\$ 140,567</b>	<b>\$ 140,567</b>
<b>Disbursements:</b>							
Insurance Department Administration	\$ 131	\$ 275	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
Payment to Insurers	\$ 131	\$ 275	\$ 140,231	\$ 140,231	\$ 140,231	\$ 140,231	\$ 140,231
Total Disbursements	\$ -131	\$ -275	\$ -140,531	\$ -140,531	\$ -140,531	\$ -140,531	\$ -140,531
<b>Cash Balance, Ending</b>	<b>\$ 36</b>	<b>\$ 36</b>	<b>\$ 36</b>	<b>\$ 36</b>	<b>\$ 36</b>	<b>\$ 36</b>	<b>\$ 36</b>

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