

# Department of Business Regulation

Staff Presentation to  
House Finance Subcommittee on General Government  
FY 2026 Revised, FY 2027 Recommended & Capital Budgets  
April 7, 2026

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# Department of Business Regulation

- Assist, educate, and protect the public through regulation and licensing enforcement
- License businesses, professions, occupations, and other activities
- Foster sound business environment

# Previous Hearings

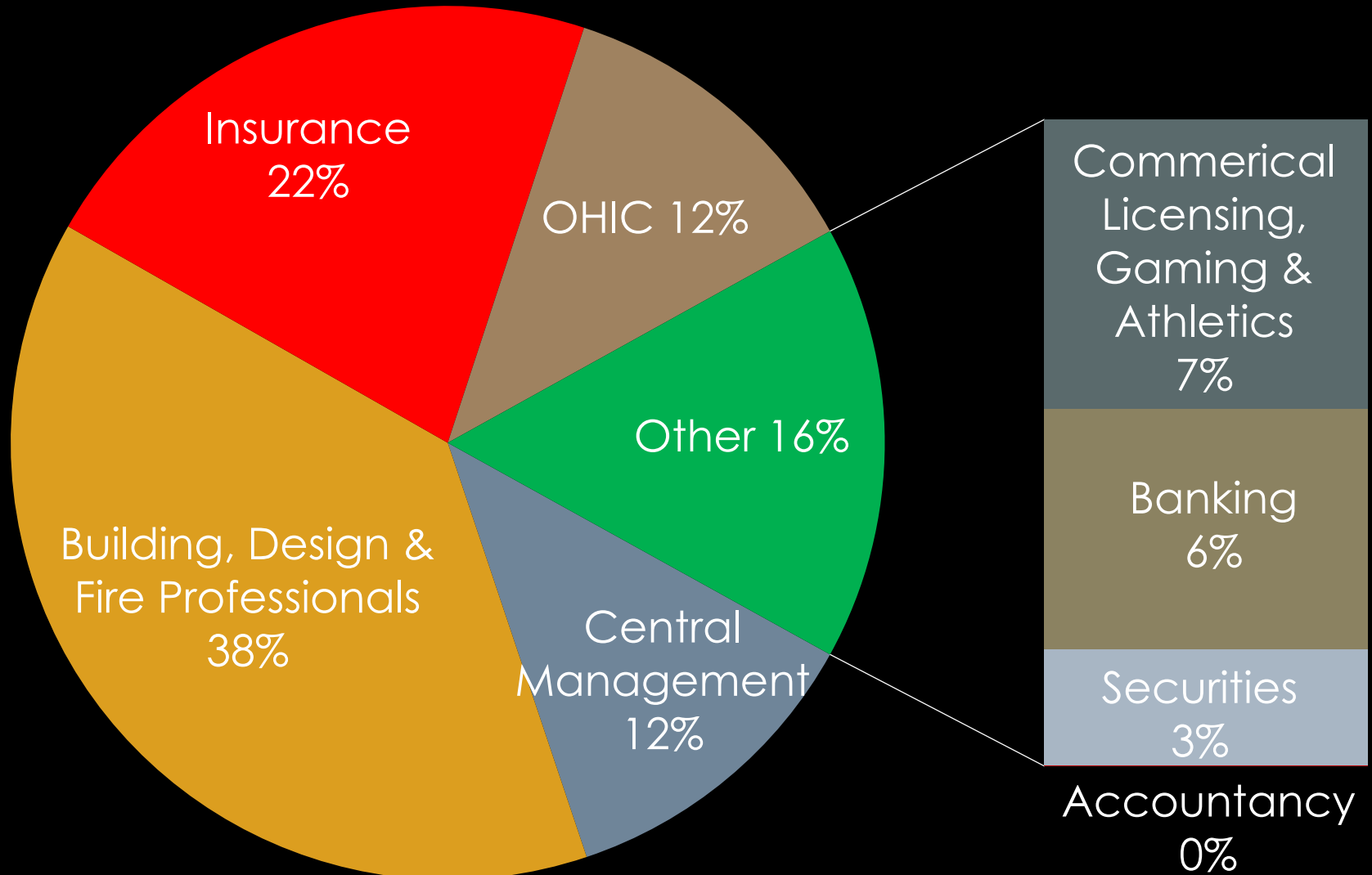
- HFC 3/5
  - Article 3, Sec. 3: Green Buildings
- HFC 3/6
  - Article 11, Sec. 1: Pharmacy Benefit Managers
  - Article 11, Secs. 12 & 13: Health Spending Accountability & Transparency Program

# Summary

Source	FY 2026 Enacted	FY 2026 Revised	FY 2027 Governor	Chg. to Enacted
General Revenues	\$25.8	\$25.6	\$26.4	\$0.6
Federal Funds	0.8	0.9	0.9	0.1
Restricted Receipts	5.5	7.2	7.6	2.1
Other Funds	7.1	7.9	1.0	(6.0)
<b>Total</b>	<b>\$39.1</b>	<b>\$41.6</b>	<b>\$35.9</b>	<b>\$(3.2)</b>
Salaries & Benefits	\$22.6	\$23.4	\$24.4	\$1.7
<b>FTE</b>	<b>155.0</b>	<b>155.0</b>	<b>157.0</b>	<b>-</b>

\$ in millions

# FY 2027 by Program



# Office of the Health Insurance Commissioner

- Created by 2004 Assembly within the Department of Business Regulation
- Established as a distinct administrative entity in FY 2012
- Gov: \$4.3 million for FY 2027
  - \$0.1 million more than enacted

# Dental Insurance Loss Ratio Report

- 2024 Assembly required one-time report on dental plans
  - Including recommended minimum percent of premiums to be spent on patient care
  - Funded from temporary  $\leq$ \$150,000 annual levy on insurers
  - Due October 1, 2026
- Governor: \$150,000 for FY 2026 only
  - Office indicates funding is sufficient
  - Adjusted for GBA 4

# Primary Care Rate Review

- 2025 Assembly required one-time report on primary care reimbursement rates
  - Medicaid, Medicare, commercial & alternative contracted payments
  - Due September 1, 2026
- Governor: \$400,000 for FY 2026 & \$55,000 for FY 2027
  - Half from each general revenues & Medicaid funds

# Human Service Programs Rates and Benefit Analysis

- 2022 Assembly required comprehensive review of all contracted & licensed social & human service providers
  - Assessment of programs & rates
  - Results included in budget submissions as part of request process
  - Several one-time reports for FY 2023
    - Eligibility & accountability standards, waitlists, governance, private & national comparisons, etc.

# Human Service Programs Rates and Benefit Analysis

- OHIC leads in consultation w/EOHHS
  - Review affects 4 agencies: DCYF, BHDDH, DHS, & DOH
  - 2025 report excluded DCYF programs
- Two year cycle every September 1
  - Corresponds with odd-numbered years
  - 2025 report addressed in FY 2027 agency requests & recommendation
    - Covered in HFC 3/6
  - Next report due September 2027

# Human Service Programs Rates and Benefit Analysis

- Governor includes \$0.9 million for FY 2027
  - Some work receives Medicaid reimbursement
  - Off year work includes rate adjustment reviews, planning & public meetings

Source	2023 Report		2025 Report		2026 Report
	FY 2023	FY 2024*	FY 2025	FY 2026 Rev.*	FY 2027 Gov.
General Revenues	\$1.1	\$0.3	\$0.4	\$0.4	\$0.6
Federal Funds	-	0.6	0.1	0.2	0.4
<b>Total</b>	<b>\$1.1</b>	<b>\$0.9</b>	<b>\$0.5</b>	<b>\$0.6</b>	<b>\$1.0</b>

\$ in millions; \*includes carryover from preceding year

# Office of the Health Insurance Commissioner

- Consumer Call Center - \$0.6M
  - Operated by RI Parent Information Network
  - Primarily general revenues
    - Includes \$140,000 of Medicaid matching funds
- Health Care Utilization Review - \$0.6M
  - Oversight and compliance
  - Assessments on insurers support 3.0 FTE
  - Gov: \$9,000 more for current service adjustments

# Article 11, Section 1

- Pharmacy Benefit Managers (PBM) shall provide OHIC with data for publication
  - Value of manufacturer rebates
    - Share retained vs. passed on to clients
    - Rates for each client
  - Administrative fees charged
  - Business practices
  - Spread pricing
  - Utilization rules
- Annually beginning March 1, 2027

# Article 11, Section 1

- Transparency report on each PBM on OHIC website within 60 days
  - Exemption for trade secrets
- One-time report due Oct 1, 2027
  - Role & cost impact of PBMs
  - Recommendations & state comparisons
  - Up to \$175,000 in contractor costs may be passed on to health insurers
    - Expense does not appear in state budget as insurers would be billed directly by contractors

# Health Spending Accountability & Transparency

2012 – Massachusetts Enacts Health Care Cost Growth Benchmark



2018 – 2022 Peterson Foundation Grant  
OHIC receives \$1.3M through Brown University



2019 – Executive Order 19-03  
3.2% annual cost growth target      No enforcement mechanism



2022 – Assembly Provides Operating Funding  
Scope of work unchanged



2026-H 7127 Article 11, Sections 12 & 13  
Proposes authority similar to Massachusetts

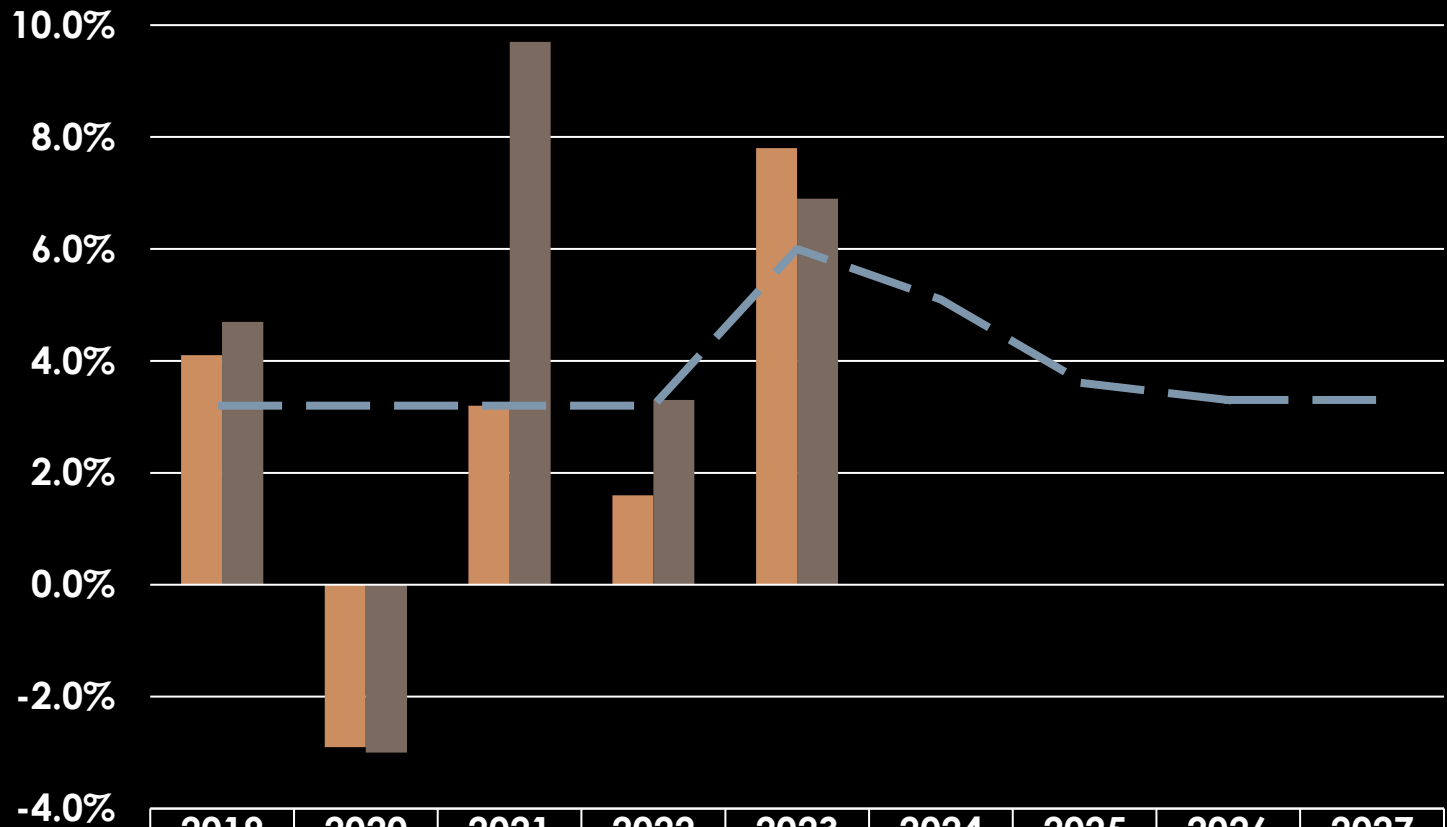
# Health Spending Accountability & Transparency

- RI Health Care Cost Trend Project
  - Initially supported by \$1.3M grant
  - Collect healthcare cost increase data
    - Inform voluntary cost growth benchmark
    - Design plans for businesses to lower costs/prices
  - RI Cost Trend Steering Committee
    - Provides recommendations and **sets targets**
    - Comprises OHIC, EOHHS, nonprofit groups, & healthcare industry representatives

# Health Spending Accountability & Transparency

- FY 2021 Governor – FY 2023 Request
  - Proposed codifying authority & program
  - State support after the grant was exhausted
    - Annual \$1/enrollee assessment on insurers
- 2022 Assembly – FY 2023 budget
  - Provided \$0.5M from general revenues
    - No associated legislation
- 2025 Assembly – FY 2026 budget
  - Set funding at \$0.3M after completion of one-time reports

# RI Annual Health Care Cost Growth



	2019	2020	2021	2022	2023	2024	2025	2026	2027
Statewide	4.1%	-2.9%	3.2%	1.6%	7.8%				
Commercial Only	4.7%	-3.0%	9.7%	3.3%	6.9%				
OHIC Target	3.2%	3.2%	3.2%	3.2%	6.0%	5.1%	3.6%	3.3%	3.3%

# Health Spending Accountability & Transparency

Component	Current System	Prior Proposals	Article 11, Secs. 12 & 13
Authority	Exec. Order	Statutory	Statutory
Data Sharing	Voluntary	Voluntary	Required
Health Care Target	Voluntary	Voluntary	Mandatory
Enforcement Authority	-	-	Testimony, PIP & Fines
Primary Care Invest. Target	-	-	Mandatory; No Fines
Report	Voluntary	Annual	Annual
Advis. Committee	De Facto	-	Statutory
Funding	Gen. Rev.	Assessment	Gen. Rev.

# Article 11, Sections 12 & 13

- OHIC to publish annual targets
  - Health Care Cost Growth (HCCG) & All-Payer Primary Care Investment (PCI)
  - Insurers required to provide relevant data
  - **Targets set every five years by OHIC**
    - Report due July 1, 2027, for 2028-2032 period
    - Existing HCCG targets for 2026 and 2027 remain effective & become mandatory
  - Annual public hearing & report on health care spending, quality, & compliance

# Article 11, Sections 12 & 13

- Compliance Requirements
  - Insurers required to provide relevant data
  - Failure to meet targets results in penalties
- Performance Improvement Plans (PIP)
  - Fail to meet HCCG target 2 times within 3 years
  - Cost of additional oversight borne by the insurer
  - Failure to comply results in financial penalties
    - Value set by OHIC regulation

Target Exceeded	Year 1	Year 2	Year 2+
Health Care Cost Growth	Public Testimony	PIP	Fines
All-Payer Primary Care Investment		n/a	n/a

# Article 11, Sections 12 & 13

- Effective upon passage
  - 2026 anticipated to be first performance year
- Governor: \$350,000 for FY 2027
  - Data analysis & tech. assistance contracts
  - \$50,000 more than enacted
    - Supports additional monitoring, analysis, & stakeholder engagement

# Rural Health Transformation Program

- RI awarded \$156.2 million federal Rural Health Transformation Program grant
- Gov. requested amendment on 4/2
  - Adds related funding & positions in several agencies
    - Includes a role for OHIC in overseeing aspects of implementation
  - Subject to future hearing scheduled 4/15

# Division of Building, Design & Fire Professionals

- 2018 Assembly consolidated several entities within the DBR
  - Fire Marshal
  - State Building Office
    - Various professional licensing boards
- Governor - \$13.8 million for FY 2027
  - \$4.5 million less than enacted
    - Fire Academy Expansion Project progressing

# Division of Building, Design & Fire Professionals

- 2025 Assembly: Residential Construction & Structural Remodeling License
  - For residential buildings with 1 to 4 units
  - Separate from existing contractor license
  - Effective January 2027
- Governor: \$0.2M for 2.0 new positions
  - 1.0 licensing aide & 1.0 admin. position
  - Supported by restricted receipts from new license fee

# Division of Building, Design & Fire Professionals

- E-Permitting
  - Online, standardized permitting
    - Construction, land use, zoning & fire safety
    - Required for municipalities & fire districts
  - State maintains system
    - 1.0 associated FTE, equipment & licenses
    - Technical & financial support to municipalities
  - Statute allocates portion of permit fees
    - No dedicated restricted receipt account
    - Value of collections unclear

# Division of Building, Design & Fire Professionals

- Scope expanded several times
  - Most localities have implemented successfully
    - Charlestown planning implementation delayed
    - Barrington noncompliant with planning & zoning
  - Some use compliant but non-standard systems
- Gov: \$1.0 million from general revenues
  - Consistent with enacted budget

2021 Assembly	2024 Assembly	2025 Assembly
Residential Permitting	Zoning; Land Use; Low & Moderate Income Housing	Some DOT, DEM & CRMC Licenses
By July 2024	By Oct. 2025	By Oct. 2026

# Division of Building, Design & Fire Professionals

- Fire Academy Instructors
  - Teach courses at academy in Exeter
    - Demonstrating techniques often involves live fires
    - ~60 individual contractors
  - Paid using course fee restricted receipts
- Governor recommends \$0.3 million
  - \$50,000 more than enacted
    - Converts instructors into seasonal employees
    - Provides workers' compensation coverage
  - Adjusted to reflect GBAs 1 & 2

# Building, Design & Fire Professionals – RICAP

- State Fire Academy Expansion
  - Auditorium, four classrooms, training simulators & equipment storage
- Fire Evidence Repository
  - Repurpose structure for secure evidence storage
- Gov: RICAP consistent with approved plan
  - \$0.8M unspent FY 2025 funds shifted to FY 2026

Capital Project	Prior Years	FY 2026	FY 2027		FY 2031	Total
Fire Academy	\$2.2	\$7.8	\$1.0		\$ -	\$11.0
Evidence Repository	\$ -	\$ -	\$ -		\$2.5	\$2.5

\$ in millions

# Green Buildings Act - 2009

- Requires major public facilities projects to meet green energy standards
  - Construction or renovation >10,000 ft<sup>2</sup>
  - State, municipal, & public school buildings
  - SITES, LEED, LEED for Neighborhood Development, or equivalent standards
- Overseen by Dept. of Administration
  - Supported by Green Building Advisory Committee

# Article 3, Section 3

- Transfers Committee and authority to State Building Office within DBR
  - Effective July 1, 2026
- Requires a cost benefit analysis report
  - Compare merits of LEED certification against equivalent standards
    - Rhode Island specific
  - Assigned to Dept. of Administration
    - Gov: \$50,000 from general revenue within DBR
    - **GBA 4: Shifts funding to DOA**

# FY 2027 Other Divisions

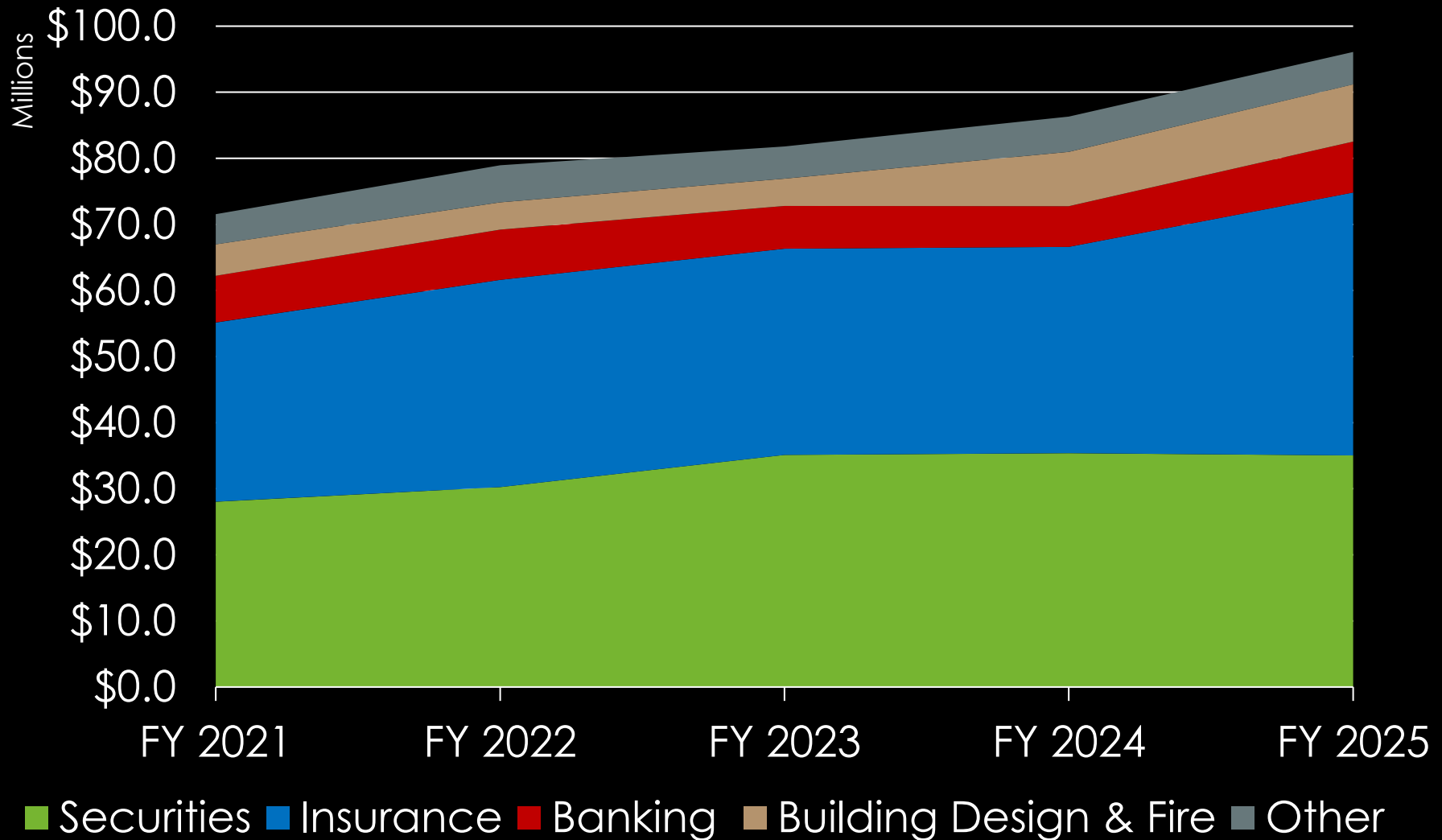
<b>Division</b>	<b>FY 2026 Enacted</b>	<b>FY 2027 Governor</b>	<b>Change</b>
Central Management	\$4.4	\$4.2	\$(0.2)
Banking Regulation	2.2	2.1	(0.0)
Securities Regulation	1.0	1.0	0.0
Insurance Regulation	6.7	7.8	1.1
Commercial Licensing	2.3	2.6	0.3
Board of Accountancy	0.0	0.0	-
<b>Total</b>	<b>\$16.6</b>	<b>\$17.8</b>	<b>\$1.2</b>

\$ in millions

# Other Divisions

- Commercial Licensing Renovation
  - \$0.1 million for each FY 2026 & FY 2027
    - Other three floors renovated 2022-2025
    - Unsuccessfully requested last year
  - Office equipment & electrical systems
- Insurance Division Actuaries
  - \$2.3 million from restricted receipts for FY 2027
    - \$0.8 million more than enacted
  - Insurers pay for cost of actuaries to perform rate studies & review filings

# Business Regulation – Fee Collections



# Business Regulation – Fee Collections

- Variety of fees
  - Fees for service
    - Examinations, filings, Fire Academy courses
  - Annual & recurring licenses
    - For professionals & businesses
  - Out-of-State compliance certificates
  - Activity-based
  - Penalties
- Most deposited in General Fund

# Business Regulation – Fee Collections

Fee Account	Last Statutory Revision	FY 2025 Receipts
Securities Licensing	2021	\$19.5
Insurance Agent Licenses	2024	16.0
Claim Adjuster Licenses	2018	14.3
Securities Registration	2018	13.8
Building Permits	2024	5.8
Banking Licensing	2023	5.4
Insurance Examinations	2024	4.5
Out-of-State Insurance Compliance	1993	2.0
Out-of-State Alcohol Compliance	2004	1.3
Bedding & Upholstery	2022	1.0
Real Estate Licenses	2023	0.5

\$ in millions

# Business Regulation – Fee Collections

- Claims adjusters' license fees
  - Public, company, or independent adjusters
    - Renewal every two years
  - History of fee changes
    - Prior to 2007 - \$50 & application fee
    - 2007: non-statutory set by DBR
    - 2009: \$120 & application fee set by DBR
    - 2014: \$150 & no application fee
    - 2018: \$250 – similar to MA & CT rates
  - FY 2025 collections of \$14.3 million

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