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Oregon

Kate Brown, Governor

Department of Consumer and Business Services Oregon Health Insurance Marketplace

350 Winter St. NE
P.O. Box 14480
Salem, OR 97309-0405
855-268-3767
Fax: 503-373-9422
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January 25, 2018

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled "Oregon Health Insurance Marketplace: Fiscal Year 2017 Compliance Audit".

The Department of Consumer and Business Services (DCBS) appreciates the opportunity to respond to the Secretary of State's audit of DCBS' Oregon Health Insurance Marketplace program. We appreciate the professionalism and responsiveness of the Secretary of State's team. DCBS generally agrees with the report's recommendations. Please see below for specific recommendations and our discussion of the corrective action.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1		
We recommend the Marketplace continue to follow the procedures they established when DCBS took over management, and ensure care is taken when distinguishing between partner agencies and individuals listed on the website as federally certified.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	Complete. Please see narrative below.	Michael Morter 503-428-4418

Narrative for Recommendation 1

Agency agrees. Name was removed from listing as soon as the Oregon Health Insurance Marketplace team was informed. The named person is an "agency owner" and not a licensee. She had multiple licensed agents working for her at the time.

Aside from this erroneous listing, the division has re-verified that all the insurance agents are current licensees in good standing. The division will continue to monitor the list on a regular basis and will make sure to only include the licensees listed in the Federal data set provided and not the owners who enlist licensees' services.

Please contact Michael Morter at (503) 428-4418 with any questions.

Sincerely,



Chiqui Flowers
Administrator
Oregon Health Insurance Marketplace
Department of Consumer and Business Services

cc: Cameron Smith, Acting Director
Nancy Boysen, Deputy Director
Jason Robinson, Internal Auditor
Michael Morter, OHIM Agent and Small Business Liaison
Micheil Wallace, OHIM Agent and Small Business Liaison



January 24, 2018

Kip Memmott, Director
 Secretary of State, Audits Division
 255 Capitol St. NE, Suite 500
 Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division’s final draft audit report titled “Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.”

The Department of Consumer and Business Services (DCBS) appreciates the opportunity to respond to the Secretary of State’s audit of DCBS’ Oregon Health Insurance Marketplace, Financial Statements. We appreciate the professionalism and responsiveness of the Secretary of State’s team. DCBS generally agrees with the report’s recommendations. Please see below for specific recommendations and our discussion of the corrective action.

RECOMMENDATION 1		
<p>We recommend department management develop written procedures or checklists to assist in preparing the Marketplace financial statements. Procedures should include the preparation of a working trial balance to better assist in identifying and documenting year-end adjustments and assist in a more effective review of the financial statements and related disclosures. Management should also consider whether continued training is needed to ensure adequate knowledge, skills, and abilities exist within the department to prepare and review financial statements that comply with GAAP.</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	June 30, 2018	Lane Foulger (503) 947-7906

Narrative for Recommendation 1

DCBS agrees with the recommendation and appreciates the Secretary of State's advice. DCBS is working on and will complete the following:

1. Developing a written year-end closing procedure. The procedure will include, but is not limited to:
 - a. Disclosure and financial statement check-list
 - b. Creation of a trial balance
 - c. Year-end adjustments, including the calculation of accruals
 - d. Process for periodic review of the procedure
2. Connecting with other agency partners to collaborate and incorporate best practices.

DCBS will continue to identify and engage in other available trainings for Accounting staff members involved in financial statement preparation.

RECOMMENDATION 2		
We recommend department management document and implement effective review procedures designed to ensure appropriate and accurate payments are charged to the Marketplace. Management should also ensure staff are adequately trained and adhere to documentation requirements and review procedures.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	June 30, 2018	Lane Foulger (503) 947-7906

Narrative for Recommendation 2

DCBS agrees with the recommendation. DCBS is committed to the standards set forth in the Oregon Accounting Manual and our responsibility for designing and implementing effective internal controls while delivering excellent customer service. To this end, during the period represented in this audit, DCBS made changes within Financial Services to improve the effectiveness of our review process:

- In April 2017, an accountant from another unit within Financial Services was permanently assigned, trained, and dedicated to reviewing all accounts payable batches. Since fall 2017, this position has also been assigned to support the chargeback process to ensure the separation of duties between the individuals creating and releasing the transaction.
- In addition, DCBS has expanded the Oregon Health Insurance Marketplace pre-authorization process to mirror the process authorizations of other DCBS programs. This change streamlined the process, increasing communication with the program and allowing Accounts Payable staff to clearly document approval of planned and fixed expenses for the Marketplace.

In late fall 2017, additional measures were taken to ensure that Financial Services staff members understand Accounting's roles and responsibilities for implementing effective internal controls and providing an in-depth discussion of the standards and principals behind best practices within Accounting. These measures included:

- Developing of a series of trainings for Accounting, Budget, and Policy staff members. Our first training was held Jan. 12, 2018, and focused on the importance of internal controls, separation of duties, standard procedures, and the value of peer review.
- Developing a formalized training plan for Accounts Payable staff to ensure the completeness of staff training in conjunction with formal check-ins with the Accounting manager to confirm their understanding.

DCBS is currently working to implement the following:

1. Developing individual desk manuals that incorporate concepts covered during trainings, including procedures for auditing an invoice for payment.
2. Six-Step Problem Solving events with formal facilitators trained in the process to create an agency wide process map for paying an invoice. This process includes identifying the current state, defining our desired future state, and developing a plan to achieve the desired outcome.
3. Continuing to evaluate training and knowledge gaps within Accounting and developing procedures and training to mitigate associated risks.

DCBS acknowledges the \$4,500 overcharge to the Marketplace for shared services costs that would have been distributed to other DCBS programs. This amount represents less than 1 percent of the overall cost for shared services and less than a tenth of 1 percent (0.1%) of the total Marketplace costs.

Please contact Lane Foulger at (503) 947-7906 with any questions.

Sincerely,



Carolina Marquette
Chief Financial Officer

cc: Cameron Smith, Acting Director
Nancy Boysen, Deputy Director
Chiqui Flowers, Marketplace Administrator
Brian Light, Shared Services Administrator
Jason Robinson, Internal Auditor
Lane Foulger, Accounting Manager

FY18 Finding

Knowledge, Skills and Abilities Necessary to Prepare Financial Statements that are Compliant with GAAP Require Improvement

During the audits for fiscal years 2016 and 2017, auditors noted concerns about the department's ability to interpret applicable accounting standards and prepare financial statements of OHIM that comply with generally accepted government accounting standards as required. We recommended department management develop written procedures or checklists for financial statement preparation, and to seek training to ensure adequate knowledge, skills, and abilities exist within the department to prepare proper financial statements.

During fiscal year 2018, the department continued to improve in this area. A working trial balance and auditable financial statement drafts were prepared by the department. They also consulted with agency partners and developed a written year-end closing procedure and financial statement checklist.

While progress has been made, the initial financial statement draft was missing a material disclosure and required adjustments and reclassifications to ensure the financial report was accurate and presented in accordance with Generally Accepted Accounting Principles. This may be partially due to the working trial balance not including financial statement adjustments made and ending balances not agreeing with the financial statements.

We recommend department management continue using and refining the year-end procedures and checklist to ensure they aid in complying with generally accepted accounting principles when preparing OHIM's financial statements. The working trial balance should document year-end adjustments made to assist in the preparation and effective review of the financial statements and related disclosures.

Agency Response and Planned Corrective Action

DCBS agrees with the recommendation. DCBS has been working on and will continue refining the year-end procedures and checklist, and the working trial balance. DCBS will also seek to improve and continue to refine the review process for these statements.

In November 2018, the accounting manager and senior accountant will attend a governmental accounting training at Willamette university. DCBS will continue to identify and engage in other available trainings for accounting staff involved in preparing financial statements. Finally, DCBS will connect with those in other state agencies involved in financial statement preparation and seek their input and feedback on our process.



Oregon

Kate Brown, Governor

Department of Consumer and Business Services Oregon Health Insurance Marketplace

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oregonhealthcare.gov

November 13, 2018

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled "Oregon Health Insurance Marketplace: Fiscal Year 2018 Compliance Audit".

The Department of Consumer and Business Services (DCBS) appreciates the opportunity to respond to the Secretary of State's audit of DCBS' Oregon Health Insurance Marketplace program. We appreciate the professionalism and responsiveness of the Secretary of State's team. DCBS generally agrees with the report's recommendations. Please see below for specific recommendations and our discussion of the corrective action.

Below is our detailed response to each recommendation in the audit.


RECOMMENDATION 1		
We recommend the Marketplace continue to follow the procedures they established when DCBS took over management, and ensure care is taken when distinguishing between partner agencies and individuals listed on the website as federally certified.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	Complete. Please see narrative below.	Micheil Wallace 503-315-9112

Narrative for Recommendation 1

Agency agrees and will revise established procedures to reflect more frequent updates to the "Find Local Help" portion of the website. Name was removed from listing as soon as the Oregon Health Insurance Marketplace (OHIM) team was informed.

Aside from this erroneous listing, the division has re-verified that all the insurance agents are current licensees in good standing. The division will continue to monitor the list on a regular basis and will make sure to only include current licensees listed in the Federal data set provided.

Sincerely,



Chiqui Flowers
Administrator
Oregon Health Insurance Marketplace
Department of Consumer and Business Services

cc: Cameron Smith, Acting Director
Nancy Boysen, Deputy Director
Jason Robinson, Internal Auditor
Micheil Wallace, OHIM Agent and Small Business Liaison
Michael Morter, OHIM Agent and Small Business Liaison



PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, the Department of Consumer and Business Services presents this report to the Joint Ways and Means Committee regarding the agency's Proposed Maximum Supervisory Ratio for the 2019-2021 biennium.

Supervisory Ratio for the last quarter of 2017-2019 biennium

The agency actual supervisory ratio as of 12/1/17 is 1: 11
 (Date) (Enter ratio from last Published DAS CHRO Supervisory Ratio)

The Agency actual supervisory ratio is calculated using the following calculation;

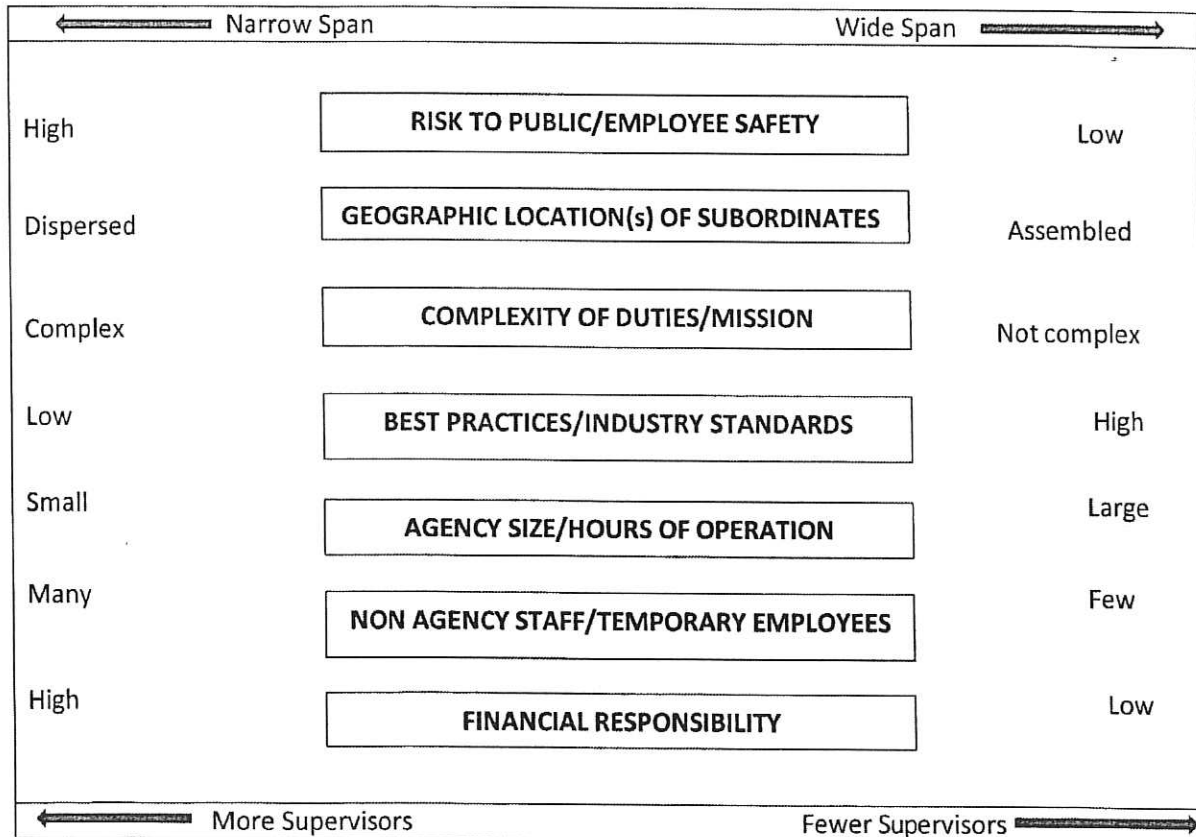
<u>78</u>	=	<u>76</u>	+	<u>3</u>	-	<u>(1)</u>
(Total supervisors)		(Employee in a supervisory role)		(Vacancies that if filled would perform a supervisory role)		(Agency head)

<u>900</u>	=	<u>788</u>	+	<u>112</u>
(Total non-supervisors)		(Employee in a non-supervisory role)		(Vacancies that if filled would perform a non-supervisory role)

The agency has a current actual supervisory ratio of-

1: <u>11.53</u>	=	<u>900</u>	/	<u>78</u>
(Actual span of control)		(Total non - Supervisors)		(Total Supervisors)

When determining an agency maximum supervisory ratio all agencies shall begin of a baseline supervisory ratio of 1:11, and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.



Ratio Adjustment Factors

Is safety of the public or of State employees a factor to be considered in determining the agency maximum supervisory ratio?

Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Oregon OSHA has four major program areas which serve the need to ensure public safety. 1) Statewide Health Enforcement 2) Consultation and Public Education 3) Statewide Safety Enforcement 4) Policy and Standards and Appeals.

The Health and Safety Enforcement programs insure that Oregon's occupational safety and health rules are carried out in Oregon's workplaces. Enforcement activities include unannounced work site safety and health inspections as part of Oregon OSHA's inspection program as well as responses to complaints or referrals from other the public and other agencies. Both public and private sector employers are scheduled for inspections based on Oregon's statutes and administrative rules. Enforcement staff also conduct fatal and non-fatal accident investigations. Oregon OSHA's safety enforcement program is directed towards injury prevention for workers. The health enforcement program has the primary focus of preventing occupational diseases and illnesses that can result from exposure to chemical substances or physical agents in the workplace. As part of its enforcement program, Oregon OSHA also operates a nationally certified Occupational Health Laboratory and has field offices throughout the state.

Because of the critical health and safety role Oregon OSHA plays they were granted an exemption from the 1:11 ratio in past years. At this time the ratio can be managed with a 1:11 ratio and no exception is needed.

Is geographical location of the agency's employees a factor to be considered in determining the agency maximum supervisory ratio?

ratio?

Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Is the complexity of the agency's duties a factor to be considered in determining the agency maximum supervisory ratio? Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Are there industry best practices and standards that should be a factor when determining the agency maximum supervisory ratio? Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Is size and hours of operation of the agency a factor to be considered in determining the agency maximum supervisory ratio?
Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Are there unique personnel needs of the agency, including the agency's use of volunteers or seasonal or temporary employees, or exercise of supervisory authority by agency supervisory employees over personnel who are not agency employees a factor to be considered in determining the agency maximum supervisory ratio? Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Is the financial scope and responsibility of the agency a factor to be considered in determining the agency maximum supervisory ratio? Y/N

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Based upon the described factors above the agency proposes a Maximum Supervisory Ratio of 1: 11.

Unions Requiring Notification SEIU/AFSCME

Date unions notified 1-16-19

Submitted by: BRIAN LIGHT, HR Director Date: 1-16-19

Signature Line Nancy Boyer Deputy Director Date 1-16-19

Signature Line _____ Date _____

Signature Line _____ Date _____

Signature Line _____ Date _____



Business Case for *Workers' Compensation Division Modernization Program*



Department of Consumer and Business Services



Workers' Compensation Division

Date: 12/19/2018

Version: 2.0

Authors: Lou Savage and Sally Coen

Business Case – Authorizing Signatures

PROPOSAL NAME AND DOCUMENT VERSION #	Workers' Compensation Division Modernization Program Version 2.0		
AGENCY	Department of Consumer and Business Services	DATE	12/19/2018
DIVISION	Workers' Compensation Division	DAS CONTROL #	
AGENCY CONTACT	Lou Savage	PHONE NUMBER	(503) 947-7551

The person signing this section is attesting to reviewing and approving the business case as proposed.

Agency Head or Designee	
Cameron Smith	(Date)
Director	
<i>Signature</i> /s/ Cameron Smith	
Agency Executive Sponsor	
Lou Savage	(Date)
Workers' Compensation Division Administrator	
<i>Signature</i> /s/ Lou Savage	
Agency Chief Information Officer (CIO)	
Dane Wilson	(Date)
Chief Information Officer	
<i>Signature</i> /s/ Dane Wilson	
State Data Center Representative, if required by the State CIO	
(Name)	(Date)
<i>Signature</i>	

<i>This Section to be completed by the Office of the State Chief Information Officer (OSCIO)</i>	
OSCIO Analyst	
(Name)	(Date)
<i>Signature</i>	
State CIO	
(Name)	(Date)
<i>Signature</i>	

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Executive Summary

Agency overview

The Department of Consumer and Business Services (DCBS) is Oregon's largest business regulatory and consumer protection agency. The department's mission is to protect and serve Oregon's consumers and workers while supporting a positive business climate in the state. The department administers state laws and rules in the areas of workers' compensation; occupational safety and health; financial and insurance products, services, and institutions; and building safety.

DCBS staff are committed to carrying out the department's statutory responsibilities and fulfilling our mission and goals in a manner that serves the needs of the public and the businesses and professionals we regulate.

The Workers' Compensation Division administers, regulates, and enforces the laws and administrative rules governing the Oregon workers' compensation system. The system includes employers, injured workers, insurers, medical and vocational service providers, attorneys, service companies, and other participants affected by workers' compensation insurance and laws. The division's forward-thinking nature allows Oregon to remain a national leader in workers' compensation, keeping benefits sufficient for injured workers while also keeping costs low for employers and other stakeholders. The division is funded by workers' compensation insurance premium and payroll assessments, fees, and investment income.

The division has four sections: Administration, Operations, Performance, and Resolution. In each section are various units and teams that provide a variety of internal and external help, administer programs, and provide services. Workers' compensation policy and claim data is central to the division's regulatory functions. The division uses the data to track performance and trends; improve the efficiency and effectiveness of the workers' compensation system; monitor employer and insurer compliance; ensure appropriate benefit delivery; determine eligibility for return to work programs; and schedule Oregon OSHA inspections. To support these purposes, it is essential that the data is accurate and available in a timely manner.

Problem and opportunity

As the division looks to the future and assesses how to deliver core services, we must be able to meet customers' and partners' desires for personalized and updated services that are flexible and adaptable to changing needs and requirements. There are opportunities to improve how the division delivers and receives information from partners. However, improvements are constrained by current tools, technology, and processes.

The division has computer systems that capture partial data about claims processed by insurers, self-insured employers, and service companies. Data about the most serious claims and denied claims is submitted primarily on paper forms or document images and then the division manually enters the information into the Claims Information System. This legacy system is over 30 years old and is inefficient, extensively bandaged, and full of workarounds in order to make the system work for the current business needs. Additionally, the division has many other manual and paper-based processes that are time consuming, error prone, and inefficient.

The division has worked with the Office of the State Chief Information Officer (OSCIO) to analyze how best to approach modernization of the workers' compensation business processes and technology solutions. The division's as-is analysis of the Claims Information System found it is connected to a multitude of separate stand-alone programs. The system connects to at least 11 different program areas inside the division and impacts six other parts of DCBS. Because of this broader reach, the division has continued its analysis by taking a wider look at the division's entire information systems and architecture.

Why does the division want to modernize?

There is a better, more efficient way of doing business. Current services and information delivery to injured workers and stakeholders are inflexible and constrained by existing business processes and technology. Re-engineering business processes and modernizing technology will allow more opportunities to enhance internal and external stakeholder experiences; support state, agency, and division goals; and implement flexible, adaptable systems.

For these reasons, the division wants to make a significant investment to replace these systems with more modern technology and transform business processes so that the division can better serve its customers. Additional drivers for modernization include:

- **Provide electronic claim data reporting.** Oregon is one of 11 states that do not allow electronic claim reporting. Electronic Data Interchange (EDI) is computer-to-computer communication that allows data to pass quickly, efficiently, and cost-effectively. EDI minimizes errors associated with a paper process and speeds up the transmission of information from claim processors to regulators. There is significant interest from both stakeholders and the division to move to electronic claim reporting, but the current system is so outmoded it cannot accommodate this change. Additionally, law changes will be required to implement electronic reporting of all claims.
- **Provide customers and partners with updated services.** The division's customers desire updated services, such as online self-service options and mobile technology. Partners want to report data and share documents electronically, have appropriately secure access to real-time claim information, and see data reporting statistics using modern and flexible technologies.
- **Constrained and inflexible systems.** There are many opportunities to improve efficiency in how the division delivers services. Current systems constrain the division's ability to change business processes, resolve challenges, and automate or remove manual work. These improvements will allow the division to be more efficient, reduce processing time, and improve accuracy of information.

Replacing the systems that support the division's programs will enhance Oregon's workers' compensation system for all stakeholders by increasing regulatory efficiency and reducing regulatory burdens. Modernization will provide the critical technology foundation necessary for the division to achieve its mission and realize its vision for the future.

Background - Modernization Program

The Workers' Compensation Division is investing in a modernization initiative to transform the division's technology systems and meet the evolving needs of customers and partners in innovative ways. The division will achieve its mission by establishing a Modernization Program that will:

- **Modernize technology.** Replace the division's aging and legacy computer systems that support all program areas, including connected programs in other DCBS divisions.

- **Enhance internal and external stakeholder experience.** Deliver improved services, such as electronic claim reporting, online self-service, appropriate secure access to real-time data, online forms submission, and integration with partners' systems.
- **Transform business processes.** Leverage modern system capabilities to provide improvements and efficiencies in business processes, provide new tools for employees, and support more efficient service delivery to stakeholders.

Postponing the modernization effort and continuing to use out of date information technology systems increases the severity of and exposure to risks that impact the division's ability to deliver key services to customers. Failing to act will prevent providing customers with personalized and updated services. Constrained and inflexible systems cannot adapt to changing business and legal requirements and the division will have difficulties managing access and sharing data securely with partners.

Budget

The division expects there will be multiple related projects needed to support the Modernization Program. A strategic plan and roadmap for replacement of systems supporting workers' compensation programs will be developed. To accomplish this, the division has submitted a 2019-2021 budget request to authorize the use of approximately \$1 million Other Funds to continue planning efforts. If approved, these funds will be used to hire a modernization program manager, a project manager, a system analyst, and two business analysts.

Much more information and planning are necessary; however, the division has preliminarily estimated the program potential budget may total \$15 million over the next five to ten years. The program will undertake several projects in phases and a thorough analysis and detailed budget will be prepared for each project. Ultimate total program costs will not be known until the planning process is complete and projects are identified and moved through the Stage Gate process.

These requested additional staff will initiate program management planning, complete future state identification, conduct gap analyses, ensure deadlines are met, and help formulate the budget request for future projects.

Planning

The planning effort will result in a well-defined information technology program. Ultimately, the Modernization Program is expected to improve data quality and integrity, expand program capacity through process efficiency and automation, improve user experience, and improve program and process documentation.

The division will adjust its approach based on continued communication and collaboration with the OSCIO, partners and stakeholders, and lessons learned from other states that have embarked on modernization efforts. The division will adhere to governance processes and oversight requirements that support accountability in how the program is managed and executed, including working with the OSCIO and Legislative Fiscal Office.

Purpose and Background

Purpose

The Workers' Compensation Division seeks to modernize its information technology systems that support the division's core programs, ensuring that the division can continue to fulfill its mission: "To advance a leading workers' compensation system that represents integrity and fairness to Oregonians." The modernization effort requires significant investment in technology and a shift in how the division serves and supports customers and partners. Modernizing systems and business processes will improve the division's ability to provide services and solve problems without technology impediments. Making this investment will demonstrate that the division is responsive, trustworthy, and solves problems in a sustainable way.

Current-state assessment

In November 2016, the division contracted with a business analyst to conduct a current-state assessment of its Claims Information System, the division's largest and most complex system. The main purpose of this assessment was to identify the current state of existing business functions and processes, stakeholders and users involved in business processes, current systems used by program areas, and the existing business context.

Key deliverables as part of the current-state assessment were:

- Background and existing function/process description
- As-is process flows and step-by-step activities for business processes
- Stakeholder and user roles and responsibilities
- Key points within business processes
- High level Claims Information System architecture diagram, showing system interconnectivity
- Master entity relationship diagram of the Claims Information System database
- Claims Information System data dictionary for each schema and data within the database, including:
 - ✓ Access groups and user roles
 - ✓ Batch jobs list
 - ✓ Templates and forms list
 - ✓ Reports list
 - ✓ Screens list

This assessment provided the division with a clearly documented current state that will be used to set decisions on scope and implementation approach, identify business processes to streamline, and assist with the sequencing of business and technology system replacements supporting the division's regulatory programs.

Engagement with the Office of the State Chief Information Officer (OSCIO)

In June 2017, the division began working with the OSCIO through their Enterprise Alignment Program. These discussions highlighted that the Claim Information System is connected to a multitude of separate stand-alone programs. The system connects to at least 11 different program areas inside the division and impacts six other parts of DCBS. Thus, the discussions took a broader look at the division's entire information architecture.

During this effort, the division produced additional current-state visualizations of customer experiences, also called business canvases, that documented current business practices and identified key stakeholders' and partners' experiences and needs.

- Current-state business canvas visualizations:
 - ✓ Audit
 - ✓ Claims
 - ✓ Contested case – lay representation
 - ✓ Dispute resolution
 - ✓ Employer coverage and noncomplying employers
 - ✓ Insurer registration
 - ✓ Provider certification and authorization
 - ✓ Reimbursements
 - ✓ Return to work
 - ✓ Sanctions and penalties
 - ✓ Self-insurance
 - ✓ Worker leasing
- Current-state customer journey map visualizations:
 - ✓ Injured worker
 - ✓ Employer
 - ✓ Insurer/self-insured employer

Data workgroup

In November 2017, the division and DCBS information technology management gathered and documented information about the division's current system data that is used within each division program area. At a high level, the division reviewed and identified existing data and systems and have completed:

- Current state system relationship diagram
- Current state data and program area relationship diagram
- Internal user and external customer pain points

Comprehensive system-wide analysis

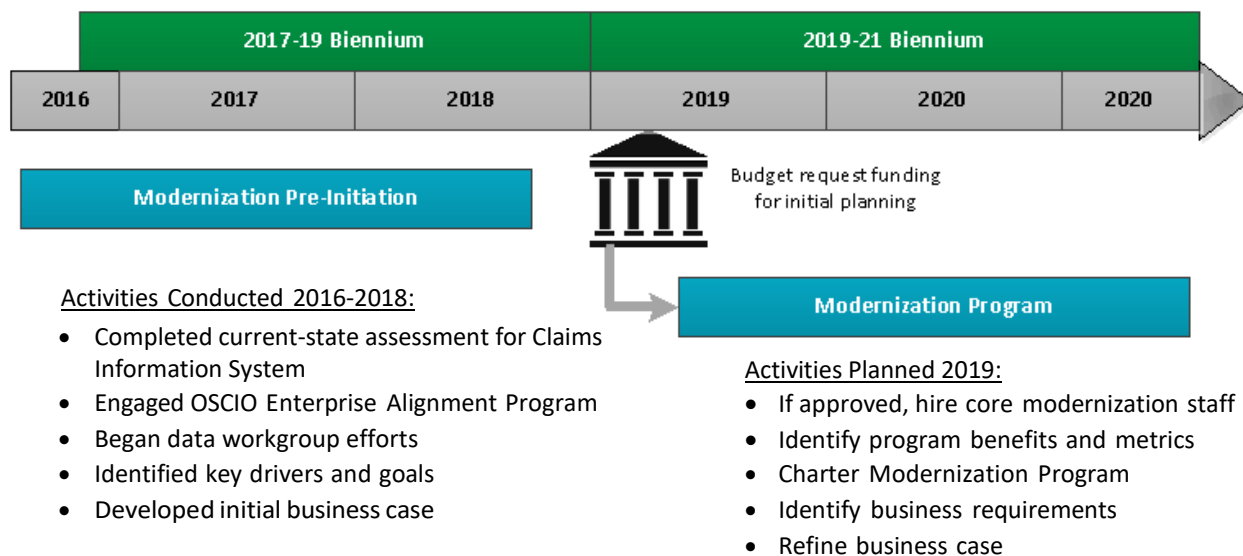
Because the initial effort with OSCIO focused only on the Claims Information System, the division started a comprehensive look at all systems and business processes that support Oregon's workers' compensation system. The division is currently in the process of documenting the current state of these systems. Specific deliverables for this effort are:

1. A comprehensive list of the systems, spreadsheets, and any other tools used by division staff
2. A comprehensive list of distinct business processes used by division staff
3. For each system and business process identified in #1:
 - a) Business process flow chart
 - b) Business process activity descriptions
 - c) Entity relationship diagram
 - d) Data dictionary
 - e) Batch job information
4. A list of any missing stakeholders and an updated stakeholder document
5. Requirements and business rules documentation

Modernization Program

The division expects there will be multiple related projects needed to support the Modernization Program. A strategic plan and roadmap for replacement of systems supporting workers' compensation programs will be developed. To accomplish this, the division has submitted a 2019-2021 budget request to authorize the use of approximately \$1 million Other Funds to continue planning efforts. If approved, these funds will be used to hire a modernization program manager, a project manager, a system analyst, and two business analysts. These requested additional staff will initiate program management planning, complete future state identification, conduct gap analyses, ensure deadlines are met, and help formulate the budget request for future projects.

Figure 1: Modernization Roadmap



Project cash flows

The planning efforts anticipated for 2019-2021 will involve an expenditure of approximately \$1 million, if approved by the legislature. The 2019-2021 budget request for planning can be funded with existing revenues. The division may also contract for information technology professional services to complete tasks such as the future-state analysis. These services will be paid for using existing Other Fund resources. Timing for future expenditures will depend upon the outcomes of the planning efforts.

Assumptions and methods of investment

Given the potential scope of the Modernization Program, it is essential that an initial investment be made in planning efforts. The implementation will take place in future stages. The division will develop a comprehensive plan that will define scope, timing, and allocation of resources. Any further assumptions will be included in future business case documents after more detailed analysis.

Risk assessment

If the Modernization Program does not move forward, the division has initially identified these risks:

- Lack of agency wide information technology staff to support the existing legacy system
- Lack of agency wide staff with technical expertise to code within the existing legacy system
- Technology will continue to degrade without intervention
- Division customers will lose the opportunity for greater efficiencies
- Division will lose opportunities for improved customer service and service delivery
- Division will lose the ability to realign its processes to meet the changing needs of its customers

Current known high-level risks related to implementing a Modernization Program include:

- Potential need for law changes to implement the program
- Limited agency resources and expertise to support a major modernization program
- Need for organizational change management for staff
- Future funding for individual projects

Future business case updates will provide more detailed risk assessment analysis.

Background

The Workers' Compensation Division administers, regulates, and enforces the laws and administrative rules governing the Oregon workers' compensation system. The system includes employers, injured workers, insurers, medical and vocational service providers, attorneys, service companies, and any other participants affected by workers' compensation insurance and laws. The division's forward-thinking nature allows Oregon to remain a national leader in workers' compensation, keeping benefits sufficient for injured workers while also keeping costs low for employers and other stakeholders.

The division has four sections: Administration, Operations, Performance, and Resolution. In each section are various units and teams that provide a variety of internal and external help, administer programs, and provide services. Workers' compensation policy and claim data is central to the division's regulatory functions. The division has outdated computer systems that capture data about claims processed by insurers, self-insured employers, and service companies.

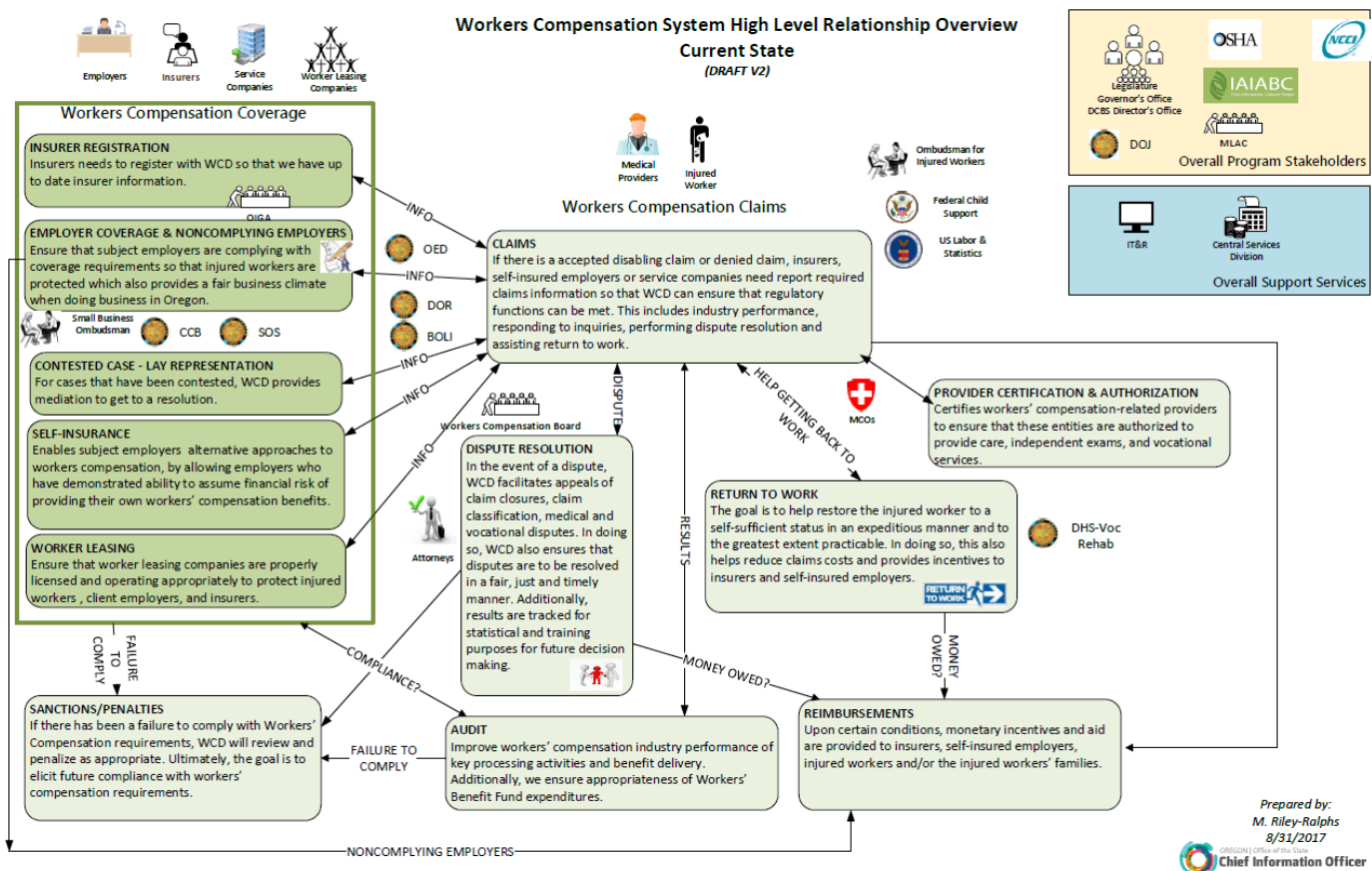
The current Claims Information System is a legacy system and is more than 30 years old. Over the years, as new program requirements were passed by the legislature, or as customer needs arose, many subsystems were developed to fulfill new requirements and serve those needs. Each system supports different functionalities. This "additive" approach, although responsive and necessary to meet business needs, created inconsistencies and an increased information technology staff workload for maintenance and support.

Other DCBS divisions, external agencies, employers, insurers, and industry entities need access to the division's data. Modernizing the division's systems cannot be successfully completed in a vacuum. Key stakeholders and partners, from both service-delivery and data-sharing perspectives, will need to be involved and informed to successfully implement and realize the full potential of new systems. The division conducted a stakeholder analysis to capture all of its partners and stakeholders along with points of interaction. Core business partners include:

- Insurance companies and self-insured employers
- Service companies
- Injured workers
- Employers
- Attorneys
- Health care providers
- Managed care organizations (MCOs)
- Oregon OSHA
- Ombudsman for Injured Workers
- Small Business Ombudsman
- Workers' Compensation Board

- DCBS Central Services Division (collections, assessments, and research and analysis)
- DCBS Division of Financial Regulation (insurance regulation)
- Oregon Department of Administrative Services
- Oregon Bureau of Labor and Industries (BOLI)
- Oregon Construction Contractors Board (CCB)
- Oregon Employment Department (OED)
- Oregon Department of Human Services – Vocational Rehabilitation Division (DHS)
- Oregon Department of Justice – Child Support Division (DOJ)
- Oregon Department of Revenue (DOR)
- Oregon Secretary of State (SOS)
- Oregon Insurance Guaranty Association (OIGA)
- National Council on Compensation Insurance (NCCI)
- International Association of Industrial Accident Boards and Commissions (IAIABC)

Figure 2: High Level Relationship Overview – Current State



Problem and Opportunity Definition

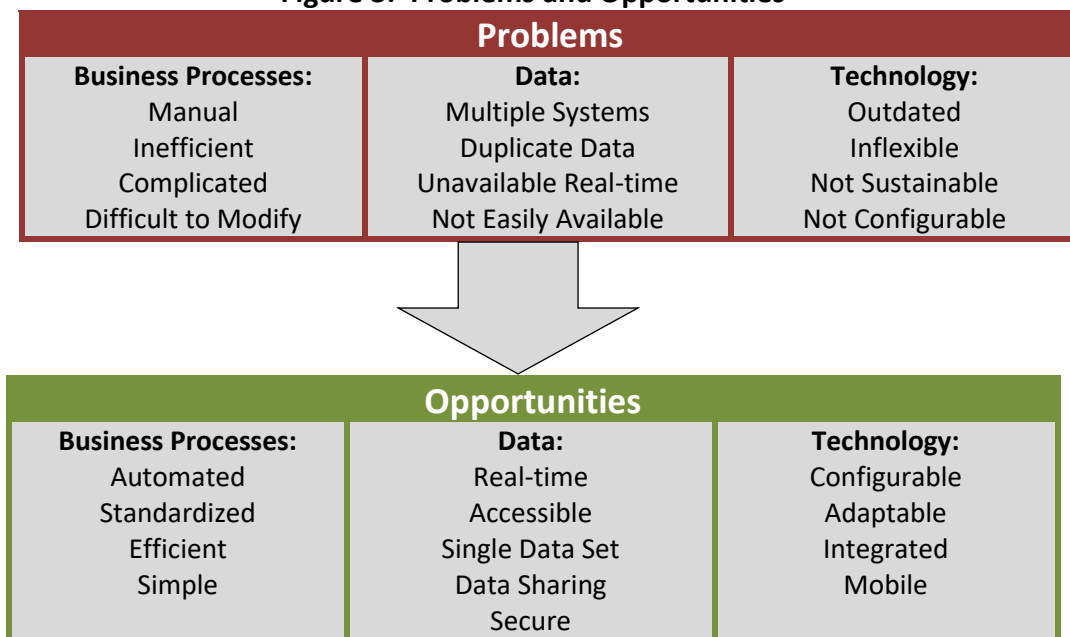
Information technology is essential to the division's ability to provide efficient services, and as a public agency, to be responsive to customers and business partners. The division's business needs have outgrown existing systems. These systems do not allow the division to meet customers' changing needs and expectations.

Problem and opportunity

The core technology and processes supporting the division’s mission and program requirements have become more challenging. The division is struggling to keep up with technological advancements and evolving customer expectations and needs. Additionally, the division has many manual processes, which increase possibilities of delays and errors. Some key issues and risks include:

- **Inability to modify and improve systems.** The services the division provides to customers are guided by state laws and rules, which can frequently change. There is also the ongoing business need to continuously improve services and system usability to meet ever-evolving technology and customer-service models and expectations. Even seemingly minor program changes are complex, lengthy, and expensive to implement.
- **Inability to accommodate legislative changes.** Due to limitations of existing legacy systems, the division has greatly modified or used manual processes to meet legislative directives for service or program changes.
- **Partner constraints.** As partner agencies modify their systems or business processes, the division’s inability to adapt or modify systems is a constraint to both individual and multi-agency performance. Opportunities to work together, securely and appropriately share data, and provide services more efficiently and effectively with partners are being lost. The division must adapt systems and tools to take advantage of the new capabilities modern systems offer.
- **Systems are antiquated and are not user friendly.** Employees must frequently access multiple screens to enter data or conduct other program work. Manual processes increase the possibilities of delays and errors. Over time, the division’s ability to retain employees will be compromised by its antiquated technology environment.
- **Customer service enhancements cannot be realized.** Existing systems have limited customer usability. Customers are asked for duplicate information, self-service options are not available, and limited services are available online and not supported on mobile platforms.

Figure 3: Problems and Opportunities



One of the primary drivers for modernization is that many of the division’s business processes are manual, inflexible, duplicative, or inefficient and in need of significant improvement. In assessing its core

technology, business systems, and current business practices, the division determined that many of its business processes are inefficient, manual, or constrained by system capabilities that do not provide the flexibility to meet the changing needs and expectations of customers and partners. These problems and associated opportunities addressed by system modernization cover all aspects of the business.

Business processes

- Eliminating redundancies and inefficiencies in business processes and removing manual workarounds will help the division meet program needs
- Automating will reduce the amount of time spent on manual processes and improve the division's effectiveness and ability to conduct other work, allowing more time to focus on mission and assist customers
- Streamlining systems and processes will allow staff to quickly adjust to changing workloads
- Modernizing systems that support workers' compensation programs will allow the division to re-engineer business processes, and take advantage of the capabilities offered by new technologies

Data

- Replacing systems will allow the division to improve the quality, accuracy, and availability of the workers' compensation data
- Ensuring appropriate access to data for the agency, customers, and partners, who wish to interact and share data within a secure system, using modern and flexible technologies

Technology

- Key systems are modern, flexible, and easily modified
- Service improvements and the ability to implement new legislative requirements can be done in a timely manner
- Technologies and processes will be easily supported

Using these problems and opportunities, the division will define the Modernization Program's goals, objectives, and expected benefits in future revisions of its business case.

Benefit opportunity

Value to the customer

The Modernization Program will positively impact the division's primary customers (injured workers, employers, and insurers), other stakeholders, DCBS, and partner agencies. Examples of expected value to customers are listed below. Future planning efforts and business case updates will further document program benefits.

Stakeholder benefits

- **Enhance internal and external stakeholder experience.** Improved services, will include electronic claim reporting, online self-service, performance dashboard, mobile capabilities, secure access to real-time data, online form submission, and improved integration with other stakeholder systems. The division will leverage modern information technology capabilities to provide improvements and efficiencies in business processes, offer new tools for employees, and support more efficient service delivery to the division's stakeholders.

- **Implementation of electronic claim data reporting through EDI.** There is significant interest from stakeholders and the division to move toward electronic claim reporting and other processing tasks. Electronic Data Interchange (EDI) is computer-to-computer communication that allows data to pass quickly, efficiently, cost-effectively, and securely. EDI minimizes errors associated with paper processes and speeds up the transmission of information from claim processors to regulators. Implementation of EDI Claims would reduce the number of processes that multi-state insurers, self-insured employers, and service companies have to perform separately for Oregon versus other states, making it easier and more cost effective to do business in Oregon. The IAIABC EDI Claims standard is a national standard followed by many states. Following a national standard makes it easier for insurers and reporters to do business in multiple states. Oregon already participates in two IAIABC EDI standards: EDI Proof of Coverage and EDI Medical Bill State Reporting. The implementation of EDI Claims will create long-term cost savings for both the division and regulated insurers.
- **Expanded usability for the division’s customers.** The division will evolve from more transaction-based services to customer-centric services. Customers will no longer be asked for duplicate information, will have self-service options, and securely access online services that are also supported on mobile platforms. Modernized systems implemented in other states have demonstrated improved efficiencies and innovation through greater automation, integration, and customer usability. Replacing the division’s information technology systems and re-engineering business processes will improve how services are provided to Oregonians, and will demonstrate the division is responsive, trustworthy, and solves problems in a proactive and sustainable way. Making this investment supports managing the costs of state government and delivering good value and service.
- **“Moving Oregon Forward”** - The division’s modernization efforts support Governor Kate Brown's vision of state government being open, accessible, and accountable; and delivering services effectively and efficiently to promote a thriving statewide economy.

Worker benefits

- Submit inquiries, request for services, appeals, and complaints to the division securely and electronically
- See real-time status of requests
- Receive online training and education

Employer benefits

- Receive notifications of warning letters, penalties, or other regulatory information electronically
- Receive Notice of Compliance poster electronically or download from website
- Submit requests for hearings and dispute resolution electronically
- View all active current and paid penalties electronically
- Submit worker leasing license applications and renewals electronically, with real-time status of application
- Receive online training and education

Other stakeholder benefits

- Register online and view and change information on file

- Access online dashboards with real time regulatory reporting statistics for insurers and claim processors.
- Submit proof of coverage, medical, and claim information electronically using current industry standards
- Submit forms, certification documents, or other required materials online and see real-time status reports
- File complaints and request dispute resolution electronically
- Receive orders and penalties electronically

DCBS and WCD benefits

- **Re-engineering of business processes that support core programs.** Re-engineer business processes that support core programs, including standardizing language and system documentation for both business and information technology staff members. Improved business processes will create efficiencies and cost savings for stakeholders and the workers' compensation system as a whole. Modernizing will improve efficiencies in how the division delivers services by changing business processes, resolving challenges, eliminating redundancies, reducing paper, and automating or removing manual work. These improvements will allow the division to be more efficient, reduce processing time, and improve accuracy of information.
- **One-stop shopping.** A complete workers' compensation information system allows users to access comprehensive information on any subject (such as claim, employer, or policy) from one location rather than multiple screens and databases. Data is stored in either a single system or well-connected systems and access screens will have consistent looks and functionality for ease of use. Other DCBS divisions and other state agencies will have appropriate access and data sharing.
- **Improved business intelligence and transparency.** Dashboards with business intelligence information for internal and external performance measures will be available and easily accessible for users at multiple levels. There will be a reduction in the number of reporting and tracking tools needed (key measures systems, Excel spreadsheets, business intelligence software, etc.). Access to performance information will be based on roles and permissions. Information will be refreshed daily or in real time. The availability of timely and accurate data allows the division to be performance focused and data driven.
- **Scalable, flexible, adaptable technology solutions.** Improved availability of data will provide scalable, flexible, and adaptable technology solutions to meet current and future needs. Business needs change over time and the system needs to be adaptable as well. A configurable method of changing the system rather than code-based changes will improve the division's ability to guide technology improvements to be nimble, innovative, proactive, effective, and efficient. In addition to updating the technology, the program will implement an active lifecycle management process that will continually assess and improve systems allowing the division to keep current in the future. The division will be no more than one generation behind in technology and will have an understanding of and access to the latest technology. Service improvements and the ability to implement new legislative requirements will be done in a timely and cost-effective manner. Technology will be configurable, integrated, mobile, and simplified. Systems and decisions will be well documented. Quality, accuracy, and availability of workers' compensation data will be improved and technologies will evolve in tandem with business needs over time.

- **Improved efficiencies.** Improve efficiencies to reduce the amount of time spent on manual processes and improve the division’s effectiveness and ability to conduct other work, allowing more time to focus on the division’s mission and customer assistance. Streamlining systems and processes allows staff to quickly adjust to changing workloads. This will simplify the processes to provide efficient, accurate, and timely services to stakeholders. New performance monitoring tools will help the division regulate stakeholders. Program areas will perform business needs completely within the new computer system, significantly reducing paper processes and eliminating the need for Excel spreadsheets and other tools outside of the information system. For example, there are currently 56 recorded instances of Excel spreadsheets, Access databases, or OneNote notebooks that contain information for business needs with nowhere to store the information in official division databases.
- **Business decisions made on actual, not estimated, data.** Re-engineered information technology systems will improve the division’s regulatory capacity by improving how data is gathered, stored, accessed, and analyzed related to coverage, claims, and industry performance. Implementation of EDI Claims will allow the division to tie the three EDI systems together and monitor reporter performance and system trends in ways the division has not been able to before. Additionally, EDI Claims gives the division a unique opportunity to receive data on all claims (disabling and nondisabling) instead of only disabling claims that the division receives now.

Cost benefits

The division submitted a 2019-2021 budget request to authorize the use of approximately \$1 million Other Funds to continue planning efforts. This expenditure cannot be linked directly to a return on investment. However, the planning effort will result in a well-defined information technology program. Ultimately, the Modernization Program is expected to improve data quality and integrity, expand program capacity through process efficiency and automation, improve user experience, and improve program and process documentation.

Alignment with strategic goals

The Modernization Program will align with two strategic goals in the current State of Oregon Administration and Business Services Information Resource Management Plan:

- **Strategic Goal #1 - Customer Focus:** Improve access to state services with a focus on customer priorities and improving the customer experience.
- **Strategic Goal #2 - Sustainability:** Modernize critical state business functions and IT services using technologies and approaches that provide for: Increased business agility, maintainability (continuous improvement and lifecycle management), and ongoing compliance with data protection, transparency and accountability requirements.

In addition, the Modernization Program directly supports the DCBS mission, strategic plan, and performance measures:

- **Mission:** To protect and serve Oregon’s consumers and workers while supporting a positive business climate in the state.
- **Regulatory philosophy:**

- ✓ As the state's largest business regulatory and consumer protection agency, strives for a balanced approach that protects Oregon consumers and workers while considering the effect our regulations have on the economy, businesses, and individuals we regulate.
- ✓ Our goal is to promote and maintain a competitive and thriving marketplace, and safe work environment through:
 - Engagement with stakeholders in policy development and rulemaking
 - Outreach and education
 - Effective compliance and enforcement
 - Responsive approaches and innovative solutions to emerging issues
- **Worker protection system:**
 - ✓ Helps prevent worker injury, illness, and death
 - ✓ Ensures employers provide workers' compensation coverage for employees
 - ✓ Ensures workers receive timely and accurate benefits
 - ✓ Provides timely and impartial resolution of legal disputes
 - ✓ Facilitates injured workers' early return to work through incentive programs to employers
- **Key performance measure 13:** E-Transactions for Customers - Percent of customer transactions completed electronically.

Data through EDI Claims would give the agency actual data, instead of estimated data, for the following DCBS key performance measures:

- #3: Occupational Injury and Illness Incidence Rates – Number of occupational injury and illness cases per 100 full-time workers.
- #6: Re-employment of Injured Workers – Difference in percentage from workers with disabling injuries from those without disabling injuries.

Current DCBS studies and publications that would be based on actual claims data, instead of estimated claims data:

- Oregon workers' compensation benefits and costs statistical reports
- Oregon Workers' Compensation Premium Rate Ranking study
- Biennial Report on the Oregon Workers' Compensation System
- Occupational injury and illness survey for the U.S. Bureau of Labor Statistics
- Characteristics of the workers' compensation system report

Reducing regulatory burdens, while continuing to adequately protect Oregonians

Many of the division's stakeholders have transitioned to paperless work processes and want secure, electronic submission capabilities. In order to comply with reporting requirements and regulatory activities, these stakeholders must currently print documents and mail, fax, or physically deliver the documents to the division. A new system will maximize opportunities to securely exchange documents, data, and communication electronically, saving time and expense.

Critical success factors

The factors critical to the success of the planning efforts include establishing the program automation model (how the division will manage its automated systems and conduct work), defining the scope, staging, and prioritization of program projects; estimating project costs, and assembling the information necessary for future funding requests and requests for proposals.

Alternatives Analysis

This version of the business case addresses the creation of the Modernization Program, which is the methodology the division has determined is the best way to update and improve the business processes and information technology systems of the Oregon workers' compensation system. Managing a series of interrelated projects in a coordinated way will create opportunities for oversight, consistency, and control not available if managed individually. Program management successfully bridges the gap between projects, provides a uniform infrastructure ensuring continuity from project to project, and uses resources efficiently.

As part of building a strong and successful program infrastructure, the division submitted a 2019-2021 budget request to authorize the use of approximately \$1 million Other funds to continue planning efforts. If approved, these funds will be used to hire a modernization program manager, a project manager, a system analyst, and two business analysts. These requested additional staff will initiate program management planning, complete future state identification, conduct gap analyses, regulate project scope, ensure deadlines are met, and help formulate the budget requests for future projects.

The division has identified the following risks of postponing or not going forward with the modernization effort:

- Increased severity of and exposure to risks that would impact the division's ability to deliver key services to customers.
- Division customers will lose the opportunity for greater efficiencies and personalized, updated services
- Division will lose opportunities for improved customer service and service delivery
- Division will lose the ability to realign its processes to meet the changing needs of its customers
- Lack of agency-wide information technology staff to support the existing legacy system
- Lack of agency-wide staff with technical expertise to code within the existing legacy system
- Division will have difficulties managing access and sharing data securely with partners.
- Technology will continue to degrade without intervention
- Division will have decreased ability to adapt to changing business and legal requirements

The risks of not modernizing are substantial, but could be partially mitigated with a significant reduction in the modernization scope to fit the capacity of current resources and focusing only on the most critical stakeholder needs.

If the division does not obtain the requested additional staff to go forward with Modernization Program as intended, but opts to modernize in its current capacity, it will face significant risk related to limited agency resources and expertise to support a major program targeting modernization of business functions and IT services critical to the agency's mission. This would not be as problematic as failing to modernize completely. However, this would result in far fewer improvements to processes and systems, leading to fewer benefits to stakeholders. This approach would carry its own risks, including the overwhelming of current resources, and would have a higher risk of failure due to lack of dedicated program planning staff with specialized expertise. While performing all modernization planning with

current staff and other resources may be a better option than not making any modernization efforts, the higher risk-to-benefit ratio is not a recommended approach.

Once the division determines what projects are needed, the business case will be updated for each of the projects within the program with a detailed alternative analysis for each project.

Conclusions and Recommendations

Conclusions

The division's systems and processes need to be more effective, efficient, and flexible to enhance its services and adjust from more transactional-based services to customer-centric services. Modern systems implemented in other states have demonstrated improved efficiencies and innovation through greater automation, integration, and customer usability. Replacing the division's information technology systems and re-engineering business processes will improve how services are provided to Oregonians. Making this investment supports managing the costs of state government and delivering good value and service.

Recommendations and next steps

Based on the potential opportunities available in newer systems, it is recommended the Workers' Compensation Division move forward with planning for the Modernization Program. This will be a major program, delivering business capabilities and replacing legacy systems through multiple projects over many years. If the division does not proceed with this program, it faces substantial risks that would hinder its ability to provide optimal and adaptable services to its stakeholders and partners.

The division is ready to submit for Stage Gate 1, and upcoming work will include:

- Defining scope for the program
- Establishing program goals, objectives, and expected benefits
- Continuing work with OSCIO Enterprise Alignment Program
- Planning key messaging, communications, and outreach strategies
- Planning engagement with key partners and stakeholders
- Continuing internal activities of refining system and data inventories
- Revising business case for the OSCIO Stage Gate process

The division submitted a budget request for the 2019-2021 biennium. If approved, these funds will be used to hire a program manager, a project manager, a system analyst, and two business analysts. These requested additional staff will initiate program management planning, complete future state identification, conduct gap analyses, ensure deadlines are met, and formulate the budget requests for future projects. The 2019-2021 budget request is approximately \$1 million and will be funded with Other Funds.

The division analyzed information from other states who have undertaken information technology modernization projects in recent years. The scope of projects ranged from small adjustments to existing programs to complete system redesigns involving multiple legacy systems. Using this information, the division looked at other state projects to determine a potential proposed budget for the Oregon program. Much more information and planning are necessary; however, the division has preliminarily estimated the program potential budget may total \$15 million over the next five to ten years. The program will undertake several projects in phases and a thorough analysis and detailed budget will be

prepared for each project. Ultimate total program costs will not be known until the planning process is complete and projects are identified and moved through the Stage Gate process.

The division will adjust its approach based on continued communication and collaboration with the OSCIO, partners and stakeholders, and lessons learned from other states that have embarked on modernization efforts. Other critical success factors include ongoing executive support, active engagement from employees, organizational change management, and strategic communication. The division will also work with the Oregon Legislature in current and future biennia to obtain authorization for use of funds to support the program. The division will adhere to governance processes and oversight requirements that support accountability in how the program is managed and executed, including working with the OSCIO and Legislative Fiscal Office.

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2017-19 & 2019-21 BIENNA

Agency: Department of Consumer and Business Services
 Contact Person: Carolina Marquette (503) 947-7381

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) 2017-19 Ending Balance		(g) 2019-21 Ending Balance		(j) Comments for 2017-19 Changes	(k) Comments for 2019-21 Changes
					In LAB	Revised	In CSL	Revised		
Limited	44000-000-00-00-00000	0450 / CBS Fund	Operational	Consumer & Business Services Fund; ORS 705.145	115,095,555	125,583,708	101,590,965	127,090,931	The CBS Fund is comprised of dedicated funds paid by those we regulate. The fund pays for department regulatory activities in the areas of workers' compensation, occupational safety and health, financial products, services and institutions, insurance and building codes. A minimum fund balance is maintained to meet cash flow needs, accommodate the timing of receipts and expenditures, and minimize the volatility of fees and assessments, and economic changes. Although the revised 6/30/2019 estimated ending fund balance will cover approximately 12 months of total operating expenditures, the projected months of coverage varies for each program within the fund because the distinct programs have dedicated revenues that are not fungible. Change in balance from the 2017-19 LAB is a result of lower than budgeted actual operational expenditures.	The CBS Fund is comprised of dedicated funds paid by those we regulate. The fund pays for department regulatory activities in the areas of workers' compensation, occupational safety and health, financial products, services and institutions, insurance and building codes. A minimum fund balance is maintained to meet cash flow needs, accommodate the timing of receipts and expenditures, minimize the volatility of fees and assessments, and economic changes. Although the revised 6/30/2021 estimated ending fund balance will cover approximately 11 months of total operating expenditures, the projected months of coverage varies for each program within the fund because the distinct programs have dedicated revenues that are not fungible. Change in balance from the 2019-21 CSL is a result of lower than budgeted expenditures for the 2017-19 biennium that contribute to a higher 2019-21 beginning balance.
Nonlimited	44000-005-00-00-00000	0450 / Workers' Compensation NL Accounts	Other -- Injured Worker Benefit Payments	Workers' Compensation NL Accounts; ORS 656.614	4,667,285	3,936,580	4,646,348	4,516,478	This fund includes the Self Insured Employer Adjustment Reserve (SIEAR) and the Self Insured Employer Group Adjustment Reserve (SIEGAR). SB 1558, passed during the 2014 session, split the SIEGAR into two subaccounts, one for private self-insured groups and one for public self-insured groups. The reserves are funded by assessments to workers' compensation self-insured employers and self-insured employer groups. They pay claims of injured workers of self-insureds when they become insolvent. Change in balance from the 2017-19 LAB reflects higher actual expenditures for claims payments for insolvent self-insurers.	This fund includes the Self Insured Employer Adjustment Reserve (SIEAR) and the Self Insured Employer Group Adjustment Reserve (SIEGAR). SB 1558, passed during the 2014 session, split the SIEGAR into two subaccounts, one for private self-insured groups and one for public self-insured groups. The reserves are funded by assessments to workers' compensation self-insured employers and self-insured employer groups. They pay claims of injured workers of self-insureds when they become insolvent. Change in balance from the 2019-21 CSL reflects slightly lower than anticipated revenue recoveries from defaulted self-insurers.
Nonlimited	44000-006-00-00-00000	0696 / Workers' Benefit Fund	Other -- Injured Worker/Employer Benefit Payments	Workers' Benefit Fund; ORS 656.506	106,254,090	144,438,791	125,857,656	136,772,878	The WBF is funded by a cents-per-hour assessment paid one-half by employers and one-half by employees. The fund supports several return-to-work programs, as well as retroactive benefit changes for permanently and totally disabled workers and beneficiaries of workers deceased as the result of an occupational injury or disease. ORS 656.506 sets minimum ending balance of 6 months of projected expenditures. The revised estimated 6/30/2019 fund balance covers approximately 21 months of expenditures. The fund has nearly \$900 million in unfunded liability for ongoing claims costs. Change in balance from the 2017-19 LAB is due to lower actual expenses for the retroactive benefit program resulting from a continuing decline in the population of beneficiaries. Also, expenditures for the various return to work program have been less than anticipated during the 2017-19 biennium.	The WBF is funded by a cents-per-hour assessment paid one-half by employers and one-half by employees. The fund supports several return-to-work programs, as well as retroactive benefit changes for permanently and totally disabled workers and beneficiaries of workers deceased as the result of an occupational injury or disease. ORS 656.506 sets minimum ending balance of 6 months of projected expenditures. The revised estimated 6/30/2021 fund balance covers approximately 19 months of expenditures. The fund has nearly \$900 million in unfunded liability for ongoing claims costs. Change in balance from the 2019-21 CSL is due to revenues continuing to outpace expenditures. The cents-per-hour assessment rate has been adjusted a will decrease from 2.8 cents to 2.4 cents effective January 1, 2019.
Nonlimited	44000-016-00-00-00000	1039 / PreNeeds Funeral Trust	Trust Fund -- Restitution to Consumers	PreNeeds Funeral Trust; ORS 97.945	546,906	1,229,055	664,116	1,357,905	Prearranged funeral trusts are prepaid funeral and endowment plans. Revenue for the fund is a fee paid on each contract purchased. The fund provides restitution to consumers when the provider has defaulted. Changes in balance from the 2017-19 LAB is due to no claims being filed since the inception of the program. There is always the potential of a large claim being filed that would quickly deplete the reserve.	Prearranged funeral trusts are prepaid funeral and endowment plans. Revenue for the fund is a fee paid on each contract purchased. The fund provides restitution to consumers when the provider has defaulted. Changes in balance from the 2019-21 CSL is due to no claims being filed since the inception of the program. There is always the potential of a large claim being filed that would quickly deplete the reserve.
Limited	44000-015-00-00-00000	1538 / Health Insurance Marketplace	Operational	Oregon Health Insurance Exchange, ORS 741.102	18,067,029	8,700,622	12,273,781	14,282,641	DCBS administers the Oregon Health Insurance Marketplace, which helps Oregonians enroll in health insurance plans that best fit their health and financial needs. The Marketplace empowers Oregonians to improve their lives through local support, education, and access to affordable, high quality health coverage. The primary funding source is a monthly assessment paid by insurers participating in the marketplace. Changes in balance from the 2017-19 LAB is due to a one-time transfer of funds of approximately \$13 million for the reinsurance program.	DCBS administers the Oregon Health Insurance Marketplace, which helps Oregonians enroll in health insurance plans that best fit their health and financial needs. The Marketplace empowers Oregonians to improve their lives through local support, education, and access to affordable, high quality health coverage. The primary funding source is a monthly assessment paid by health insurers participating in the marketplace. Changes in balance from the 2019-21 CSL is due to lower than anticipated expenditures.
Limited		1789 / Health System Reinsurance Fund	Operational	Health System Reinsurance Fund; 743B.800	49,840,697	50,139,746	67,959,054	69,464,722	HB 2391 (2017) created the Health System Reinsurance Fund. The fund provides monies to the Oregon Health Authority (OHA) and a healthcare reinsurance program at DCBS. It is funded by an assessment on health insurers. It also received a one-time transfer from the Health Insurance Marketplace Fund and the Oregon Medical Insurance Pool. The Health System Reinsurance program is funded by a quarterly assessment rate of 1.5 percent on earned premiums of health insurers and the Public Employees Benefit Board (PEBB). Changes in balance from the 2017-19 LAB is due to slight differences in actual versus projected investment income.	HB 2391 (2017) created the Health System Reinsurance Fund. The fund provides monies to the Oregon Health Authority (OHA) and a healthcare reinsurance program at DCBS. It is funded by an assessment on health insurers. It also received a one-time transfer from the Health Insurance Marketplace Fund and the Oregon Medical Insurance Pool. The Health System Reinsurance program is funded by a quarterly assessment rate of 1.5 percent on earned premiums of health insurers and the Public Employees Benefit Board (PEBB). Changes in balance from the 2019-21 CSL is due to slight differences in actual versus projected investment income.

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2019-21 legislatively adopted budget.

Instructions:

- Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.
- Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2017-19 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).
- Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).
- Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.
- Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.
- Columns (f) and (g): Use the appropriate, audited amount from the 2017-19 Legislatively Approved Budget and the 2019-21 Current Service Level at the Agency Request Budget level.
- Columns (h) and (i): Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have already been implemented as part of the 2017-19 General Fund approved budget or otherwise incorporated in the 2017-19 LAB. The revised column (i) can be used for the balances included in the Governor's budget if available at the time of submittal. Provide a description of revisions in Comments (Column (j)).
- Column (j): **Please note any reasons for significant changes in balances previously reported during the 2017 session.**

Additional

Materials: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.