

D80Z01
Maryland Insurance Administration

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$27,922	\$31,414	\$31,428	\$14	
Deficiencies and Reductions	0	0	-677	-677	
Adjusted Special Fund	\$27,922	\$31,414	\$30,752	-\$662	-2. 1%
Federal Fund	1,009	1,283	1,250	-33	-2. 6%
Deficiencies and Reductions	0	0	-8	-8	
Adjusted Federal Fund	\$1,009	\$1,283	\$1,242	-\$41	-3. 2%
Adjusted Grand Total	\$28,932	\$32,697	\$31,994	-\$703	-2. 2%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The adjusted fiscal 2016 allowance decreases by \$703,000 from the current year working appropriation. The drop is largely attributed to a \$676,559 decrease in special funds for cost containment.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	266.00	266.00	266.00	0.00
Contractual FTEs	<u>18.05</u>	<u>17.80</u>	<u>17.80</u>	<u>0.00</u>
Total Personnel	284.05	283.80	283.80	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	15.96	6.00%
Positions and Percentage Vacant as of 1/1/15	16.00	6.02%

- In the fiscal 2016 allowance, regular positions and contractual full-time equivalents remain the same as the fiscal 2015 working appropriation.
- The fiscal 2016 turnover rate is budgeted at 6% which requires 15.96 vacancies. As of January 1, 2015, the agency reported 16.0 vacancies.

Analysis in Brief

Major Trends

Fraud Division Maintains Target Level of Case Closures: The agency sets a goal of closing 80% of referrals opened for investigation in a single year. The agency has either met or surpassed this goal every year since fiscal 2009. For the past three fiscal years, the agency closed 90% of fraud referrals within the goal timeframe.

Compliance Unit Case Closure, Fines, and Restitution: In fiscal 2014, the agency initiated a total of 1,574 market conduct examinations and closed 1,317. The agency returned \$4.9 million in restitution to consumers and collected \$3.4 million in penalties on insurers. This is a \$1.4 million, or 16% drop from the amount of restitution and penalties collected in fiscal 2013. **The Department of Legislative Services (DLS) recommends that the agency include in its Managing for Results performance measures the number of days to case closure.**

Issues

Enterprise Complaint Tracking System: Over the past several years, the Maryland Insurance Administration (MIA) has undertaken a variety of projects for information technology (IT) upgrades. Technology upgrades typically require significant time and funding. MIA has identified the need to replace the current Enterprise Complaint Tracking System (ECTS) with a browser based document management technology that automates workflow. The project has missed timeline marks and its projected cost has increased 25% over the life of the project. **DLS recommends that the agency brief the committees on the status of the ECTS project and steps the agency has taken to ensure effective project management.**

Premium Tax Collection: MIA is wholly specially funded and is tasked with assessing and collecting premium taxes from insurers. The revenues from the taxes go back to the general fund. The Office of Legislative Audits (OLA) found a significant number of issues with MIA's system for collecting, managing, and securing the premium tax funds. **DLS recommends that the committees adopt language in the Budget Reconciliation and Financing Act of 2015 or separate legislation that transfers authority from MIA to the Comptroller of Maryland, to impose and collect the premium tax. If the committees decide not to transfer responsibility to the Comptroller, then DLS recommends withholding a portion of the agency's appropriation until OLA has determined that the repeat findings have been corrected.**

Recommended Actions

1. Add language restricting funds until the Office of Legislative Audit findings are remedied.

Updates

Affordable Care Act Grant: Since 2010, MIA has received approximately \$5 million in two rounds of grants from the federal Department of Health and Human Services to enhance the State’s insurance rate review process. In fiscal 2015, MIA used federal funds to continue to update its consumer website, increase staffing, and work with outside insurance rate review consultants.

D80Z01
Maryland Insurance Administration

Operating Budget Analysis

Program Description

The Maryland Insurance Administration (MIA) implements laws and develops policies, procedures, and regulations that affect Maryland's insurance industry. MIA performs rate and form reviews, financial audits, licensing examinations, market conduct examinations, and fraud investigations. It also resolves consumer complaints and issues licenses to companies and producers.

MIA's main goals are to:

- ensure that the terms and conditions of insurance contracts are reasonable and meet the requirements of Maryland law;
- adjudicate consumer complaints in accordance with insurance law and in a prompt and fair manner;
- protect the public from unfair trade practices and other violations of the Insurance Code;
- enforce solvency standards to ensure that insurers have the financial ability to pay claims when due; and
- protect Maryland citizens through enforcements of the Annotated Code of Maryland's provisions relating to insurance fraud.

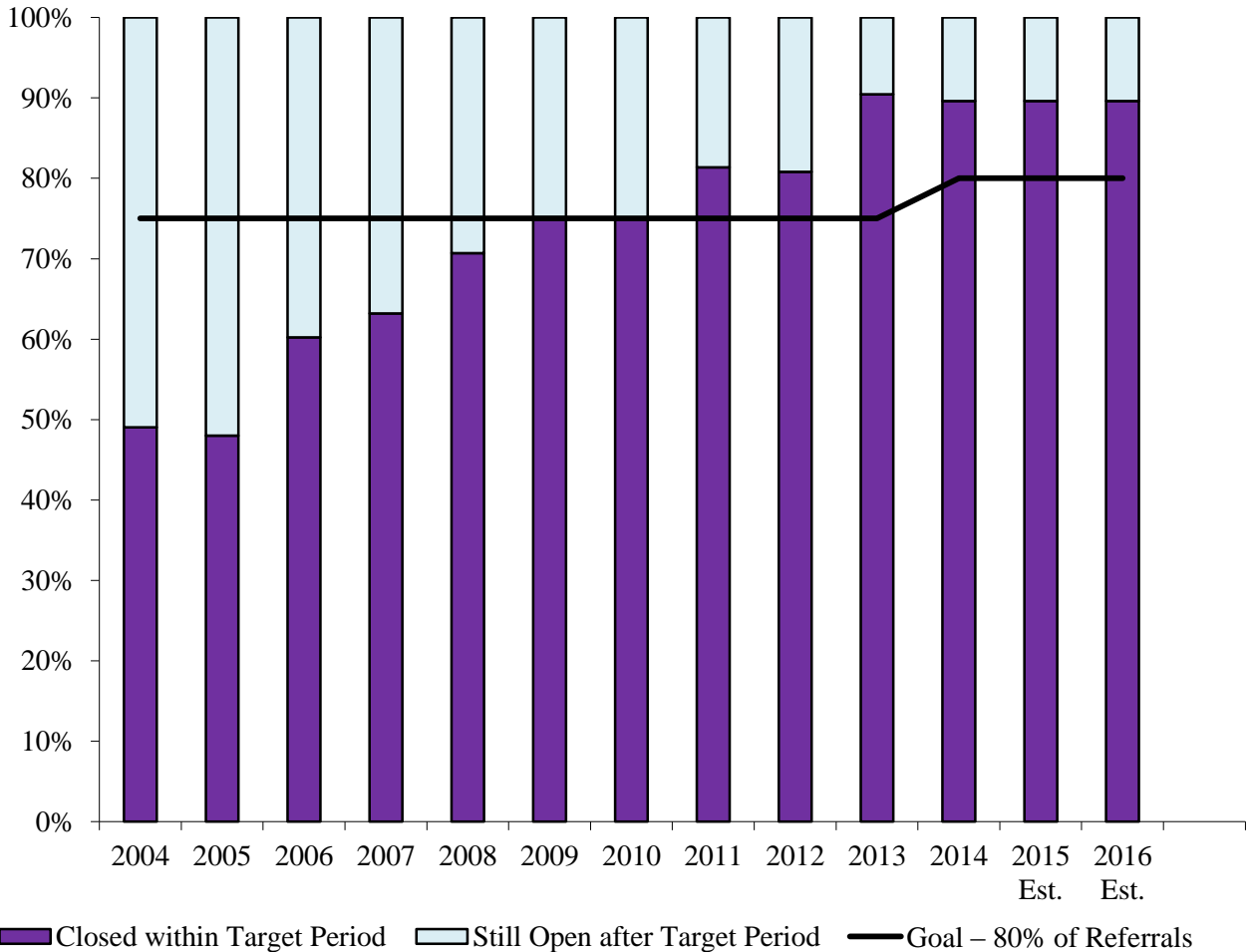
Performance Analysis: Managing for Results

1. Fraud Division Maintains Target Level of Case Closures

Nearly all of the Fraud Division's workload involves referrals from insurance companies who are obligated to report a good faith belief that insurance fraud has occurred. The agency has set a goal of closing 80% of referrals opened for investigation within 180 days. An investigation is considered closed when (1) the investigator, in consultation with his or her supervisor, determines that it would not yield a successful prosecution; (2) the matter is presented to a local State's Attorney for prosecution; or (3) the investigator has prepared an application for a statement of charges.

Before fiscal 2014, MIA’s goal had been to close 75% of referrals within the 180-day target timeframe. **Exhibit 1** shows that since fiscal 2009, MIA had been surpassing that goal partially because of a large decrease in open cases from 1,698 in fiscal 2010 to 641 in fiscal 2013. As a result of MIA’s success in fiscal 2014, the Department of Legislative Services (DLS) recommended that MIA increase its target goal for the percentage of fraud referrals closed within 180 days or shorten its target timeframe. MIA increased its target goal to 80%. In fiscal 2014, MIA exceeded that goal by closing 90% of referrals within the 180-day timeframe.

Exhibit 1
Percent of Insurance Fraud Referrals Closed within 180 Days
Fiscal 2004-2016 Est.

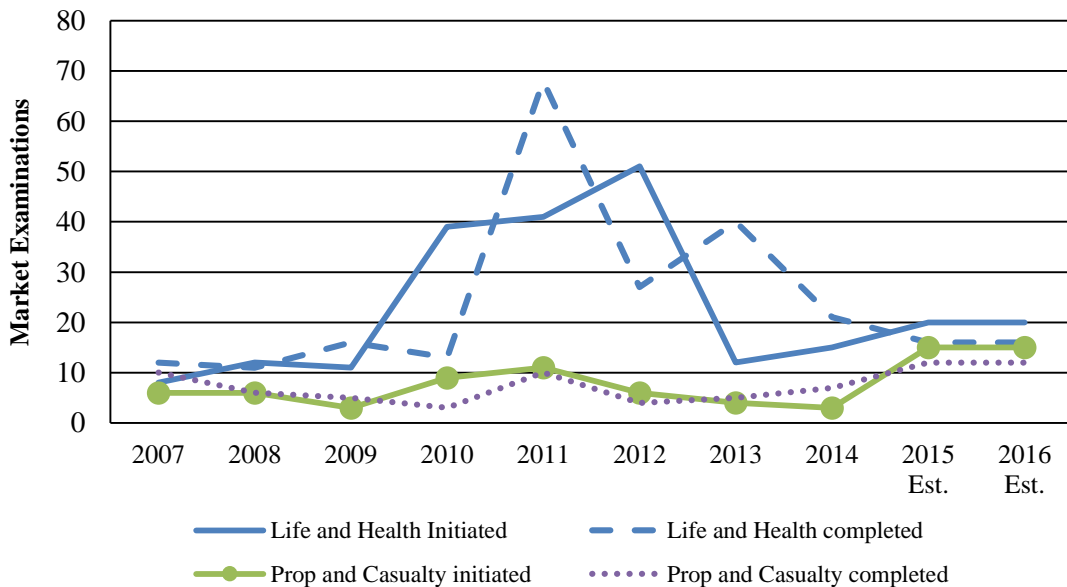


Source: Maryland Insurance Administration

2. Compliance Unit Case Closure, Fines, and Restitution

One of MIA’s goals is to protect the public from unfair trade practices and other violations of the State’s insurance laws. The agency performs market conduct examinations based on investigations of consumer complaints or its own knowledge of industry practice. The agency has set a goal of completing 80% of investigations in relation to the number of cases initiated. A case closure is counted in the fiscal year in which it concludes, regardless of when it began. In fiscal 2014, the agency initiated 15 market conduct examinations in the life and health market and completed 21; initiated 3 in the property and casualty market and completed 7; and initiated 1,556 case investigations of producers and completed 1,289. Since fiscal 2007, MIA has averaged closing 139% of life and health investigations and 123% of property and casualty investigations with large fluctuations between years. For instance, in fiscal 2012, MIA’s reported closure rate was 53% in life and health, but in fiscal 2013 the closure rate was 333%. **Exhibit 2** shows the fluctuating initiation and closure data for the life and health market and property and casualty market conduct investigations. The closure fluctuation can be somewhat explained by comparing the closures in one year to similar initiation fluctuation the prior year. However, because the completion data is held over on an annual basis, it is difficult to measure and compare annual productivity.

Exhibit 2
Market Examination Conduct
Fiscal 2007-2016 Est.



Source: Governor’s Budget Books

Depending on its market conduct examination finding, the agency can direct a company or producer to pay a fine to the agency or pay restitution to the consumer. For example, the agency would issue a fine to an insurer who had not paid a claim within the statutorily required 30 days and would seek restitution if an insurer or producer overcharged the consumer for a premium and never provided a refund. **Exhibit 3** shows the amount of money returned to Maryland citizens and the amount of fines collected in the last five fiscal years.

Exhibit 3
Restitution and Penalties
Fiscal 2009-2014

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Restitution*	\$ 4,288,874	\$ 29,091,448	\$ 6,598,683	\$ 17,544,782	\$ 5,619,094	\$4,970,782
Penalties**	2,600,376	1,772,375	2,414,214	1,983,597	4,320,008	3,422,462
Total	\$ 6,889,250	\$ 30,863,823	\$ 9,012,897	\$ 19,528,379	\$ 9,939,102	\$ 8,393,244

*An average of \$235,467 per year is collected and returned to the Maryland Affordable Housing Trust.

** Fiscal 2009 and 2010 reflect penalties assessed. Starting in fiscal 2011, the Maryland Insurance Administration reports the actual amount of fines collected and directed to the general fund.

Source: Maryland Insurance Administration

DLS recommends that the agency include in its Managing for Results performance measures the number of days to case closure.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2016 allowance, after cost containment, decreases by \$703,000 from the current year working appropriation. The drop is largely attributed to a \$676,559 decrease in special funds for cost containment.

Exhibit 4
Proposed Budget
Maryland Insurance Administration
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
Fiscal 2014 Actual	\$27,922	\$1,009	\$28,932
Fiscal 2015 Working Appropriation	31,414	1,283	32,697
Fiscal 2016 Allowance	<u>30,752</u>	<u>1,242</u>	<u>31,994</u>
Fiscal 2015-2016 Amt. Change	-\$662	-\$41	-\$703
Fiscal 2015-2016 Percent Change	-2. 1%	-3. 2%	-2. 2%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$570
Increments and general salary increase (prior to cost containment)	474
Retirement contribution rate change	309
Social Security	43
Other fringe benefit adjustments.....	20
Turnover adjustments.....	-41
Section 21: abolition of employee increments.....	-288
Section 20: 2% pay reduction	-397

Technology Updates

Data processing microcomputer.....	87
Affordable Care Act management studies and consultants.....	-81
Security software license update.....	-139
New phone system's microprocessing equipment	-264
Enterprise Complaint Transfer System various expenses.....	-1,355

D80Z01 – Maryland Insurance Administration

Other Changes

Rent.....	170
Commissioner’s Office consulting fees	88
Out-of-state routine travel.....	57
Office equipment	56
Other	-12
Total	-\$703

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Cost Containment

In fiscal 2016, the Administration has implemented several across-the-board reductions. This includes elimination of employee increments and a 2% pay reduction. This agency’s share of these reductions is \$684,559.

Technology Updates

In fiscal 2015, MIA received a total of \$2,071,698 in special funds through budget amendments to make significant technological updates. None of the funding continues into the fiscal 2016 allowance.

In fiscal 2014, MIA obtained funds to replace its current Enterprise Complaint Tracking System (ECTS). MIA was unable to get the necessary approvals according to its original timeline and had to defer the project to fiscal 2015. As a result, MIA requested a budget amendment in the amount of \$1.4 million in fiscal 2015 to be applied to applications software and data processing. MIA anticipates using these funds in fiscal 2015, so the fiscal 2016 allowance reduces funds associated with the ECTS project by \$1.4 million.

As a result of a systems audit in fiscal 2015, the Office of Legislative Audits (OLA) identified critical purchases that would mitigate security risks to MIA. MIA requested \$248,500 in special funds through a budget amendment to comply with these recommendations, increasing the total fiscal 2015 working appropriation for software licenses to \$686,755. Maintaining the software required for the ongoing operation of MIA’s website, internal company database, online licensing and payments, and virus protection in fiscal 2016 requires less funding, and the fiscal 2016 allowance decreases from the working appropriation by \$138,800.

MIA’s Voice over Internet Protocol software and hardware expired or will expire by the end of fiscal 2015. MIA received \$388,698 in special funds through a budget amendment in fiscal 2015 to address the expiration. MIA anticipates issuing a vendor contract in fiscal 2015, so the fiscal 2016 allowance for the project decreases by \$263,698.

Management Studies and Consultants

In fiscal 2012, MIA received federal funds under the Affordable Care Act (ACA) – Cycle II in order to complete a health insurance premium rate review. In fiscal 2015, MIA received \$763,924 in appropriations for consulting services. In fiscal 2016, MIA’s consulting services appropriation is reduced by \$399,576. However, MIA’s management studies and consultant fund is increased by \$319,000 for ACA fund use, resulting in a net increase of \$80,576 for ACA-related consulting.

Issues

1. Enterprise Complaint Tracking System

Over the past several years, MIA has undertaken a variety of projects for information technology (IT) upgrades. IT upgrades typically require significant time and funding. Effective project management is necessary to meet project timelines and maintain projected costs. The Maryland Department of Information Technology (DoIT) has created a Systems Development Life Cycle (SDLC) that includes 10 phases and tracks projects to ensure security and consistency in order to avoid significant costs associated with delays.

MIA has identified the need to replace the current ECTS with a browser-based document management technology that automates workflow. MIA began the initial phases of the project in October 2011, and as of December 2014, was just beginning to enter SDLC phase 5. MIA spent half of the project's current life without a dedicated project manager, has missed projected timeline completion dates, and the project's estimated cost has risen about 24% throughout the life of the project. **Exhibit 5** shows the project's progress. See **Appendix 2** for more information.

Exhibit 5 Enterprise Complaint Tracking System Project Progress

<u>Calendar Date</u>	<u>Project Progress</u>
January 2013	Submit ITPR to DoIT; no project manager assigned; projected cost \$1,940,000 ; completion date fiscal 2014
June 2013	Developing SDLC phases 1-4; DoIT concerned with limited project team resources, no project manager, and no fully developed schedule; fiscal 2014 allowance includes \$1.79 million in special funds for project
January 2014	Complete SDLC phases 1-4; no fully developed schedule; no project manager
June 2014	Developing TORFP; did not reach procurement stage so \$1.4 million cancelled; DoIT concerned with no fully developed schedule; project cost \$2,353,866 ; completion date July 2015
January 2015	TORFP complete and approved; budget amendment gives \$1.4 million in special funds for project; assigned project manager; projected cost \$2,403,366 ; completion date October 2015

DoIT: Maryland Department of Information Technology
ITPR: Information Technology Project Report
SDLC: Systems Development Life Cycle
TORFP: Task Order Request for Proposal

Source: Maryland Department of Information of Technology; Maryland Insurance Administration

DLS recommends that the agency brief the committees on the status of the ECTS project and steps the agency has taken to ensure effective project management.

2. Premium Tax Collection

MIA assesses an annual tax on premiums that insurance companies collect as a result of business transactions that occur in the State. The premium tax revenues are general funds, and in fiscal 2014 the premium tax revenues totaled approximately \$458 million. MIA itself is wholly specially funded through two separate funds, the Insurance Regulation Fund and the Health Care Regulatory Fund. The Insurance Regulation Fund supports MIA’s administrative and regulatory activities and is composed mostly of various assessments and fees levied on insurers. The Health Care Regulatory Fund supports the cost of complaint investigations about payment denials involving medical necessity. The Health Care Regulatory Fund is made up almost entirely of revenues received through the health care regulatory assessment. MIA can transfer a small portion of premium tax revenue quarterly to support the administrative costs of collecting the premium tax. In fiscal 2014, the amount was less than 1% of total revenues. MIA does not consistently transfer these funds.

Audit Findings

OLA conducted a routine fiscal audit of MIA for September 2011 through August 2013. **Exhibit 6** lists the audit findings.

Exhibit 6 Audit Findings

Audit Period for Last Audit:	September 29, 2011 – August 8, 2013
Issue Date:	November 2014
Number of Findings:	14
Number of Repeat Findings:	4
% of Repeat Findings:	29%
Rating: (if applicable)	n/a

Finding 1: The new automated premium tax system procurement did not comply with State procurement regulations governing competitive procurement and contract modifications. System development and implementation proceeded without a plan or specifications.

Finding 2: An MIA management employee exercised control over all aspects of the procurement and implementation of the new premium tax system.

- Finding 3:** The premium tax system was not properly secured to restrict control and access. As a result, the premium tax system contractor had complete control over the system and unnecessary access to the MIA network.
- Finding 4:** The premium tax system lacked proper security and configuration to protect it from external threats and unauthorized changes.
- Finding 5:** MIA lacked adequate controls over premium tax findings, including supervisory review of audit results.
- Finding 6:** Procedures were not sufficient to ensure that MIA received certain tax payments timely so MIA did not always assess penalties and interest for late payments.
- Finding 7:** MIA had not established proper internal controls over premium tax refunds.
- Finding 8:** MIA did not reconcile its records of premium tax revenues with corresponding State accounting records.
- Finding 9:** MIA lacked effective controls over financial examination services.
- Finding 10:** MIA lacked effective controls over cash receipts.
- Finding 11:** MIA did not establish sufficient controls for issuing producer licenses.
- Finding 12:** MIA lacked assurance that outsourced producer and pre-licensing service systems were protected against operational and security risks.
- Finding 13:** MIA lacked effective controls over purchases and disbursements.
- Finding 14:** MIA lacked effective controls over IT network access.

*Bold denotes item repeated in full or part from preceding audit report.

IT: Information Technology

MIA: Maryland Insurance Administration

Source: Office of Legislative Audits

The Joint Audit Committee continues to be concerned with the number and frequency of repeat audit findings across State agencies. In an effort to see these findings satisfactorily resolved, the committee has asked the budget committees to consider action in the agency budgets where such findings occur.

Premium Tax System

Currently, MIA collects the annual premium tax from insurers and submits the funds to the general fund. A majority of OLA's audit findings are directly related to MIA's premium tax collection system. In 2011, MIA's in-house IT staff began developing a new system to automate the premium tax collection process. The audit found that MIA used an improper procurement process to hire a contractor to assist with the in-house development. The MIA management employee who oversaw the project influenced virtually all aspects of procurement and implementation. The management employee had a personal relationship with the contractor and was responsible for monitoring the contractor's work, requesting contract modifications, and approving all contractor invoices for payment.

MIA abandoned the in-house project in 2012 and implemented a new automated system created by the same contractor under MIA agreement. Contract prices were artificially split and executed during the course of the project, seemingly to avoid the DoIT and Board of Public Works approval process. As of April 2014, MIA's contracts with the IT contractor were valued at approximately \$221,000 and related payments totaled \$210,300.

The project also proceeded without a comprehensive development or implementation project plan, no specifications, and no cost estimates. The system became operable in February 2012 with basic functionality. However, MIA lacked assurance that the project would meet functionality requirements, including DoIT security requirements, or that it would facilitate its existing business operations. In fact, while the new system had additional capabilities, other capabilities available under the former system were lost, which adversely impacted operations. OLA's audit suggests that the implementation may have contributed to additional tasks and costs over the 22 months following February 2012. Some of the former system's capabilities were not implemented until 2013 and others not at all.

OLA's audit also found that MIA did not establish proper oversight or control over premium tax collection or refunds, resulting in significant revenue losses for the State. For example, OLA performed seven audits of tax payments totaling \$41.6 million and MIA did not assess appropriate penalties and interest for late tax payments or underpayments. The lost penalties and interest totaled approximately \$158,000. A test of 25 tax payments totaling \$21.7 million for premiums written in calendar 2011 disclosed that 7 payments, totaling \$2.8 million, did not include proper amounts throughout the year or were paid late. These payments should have resulted in \$125,000 in penalties and interest. MIA did not identify the differences in premium amounts disclosed to MIA and the amounts recorded in a national database. OLA found that two companies underreported to MIA and as a result underpaid \$70,200 in premium tax. OLA also found that MIA had made duplicate refunds to companies totaling \$361,000.

DLS recommends that the committees adopt language in the Budget Reconciliation and Financing Act of 2015 or separate legislation that transfers authority from MIA to the Comptroller of Maryland, to impose and collect the premium tax. If the committees decide not to transfer responsibility to the Comptroller, then DLS recommends withholding a portion of the agency's appropriation until OLA has determined that the repeat findings have been corrected.

Recommended Actions

1. Add the following language to the special fund appropriation:

, provided that since the Maryland Insurance Administration (MIA) has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$150,000 of this agency’s administrative appropriation may not be expended unless:

- (1) MIA has taken corrective action with respect to all repeat audit findings on or about January 1, 2016; and
- (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2016.

Explanation: The Joint Audit Committee has requested that budget bill language be adopted for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency, and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Report on status of repeat audit findings	OLA	45 days prior to the expenditure of funds

Updates

1. Affordable Care Act Grant

Since 2010, Maryland has received nearly \$171 million in grants from the federal Department of Health and Human Services (HHS) to establish and maintain a health insurance exchange as mandated by the ACA. MIA has received approximately \$5 million in two rounds of grants to enhance the State's insurance rate review process. The project period began in August 2010.

By the end of calendar 2013, MIA had spent about \$1.9 million in federal grant money. MIA hired an independent consultant to help create and implement an enhanced, ACA compliant, and HHS approved rate review process for individual and small group health plans. MIA developed more than 30 enhancements to its pre-ACA process. MIA also used the federal grants in fiscal 2015 to retain a web developer and develop a rate review disclosure website. The website allows consumers to provide public comment on an insurer's rate increase request, research rate requests, and review MIA's rate review determinations. Through the website, MIA shares with the public the Part II Preliminary Justification, Unified Rate Review Template, requested and approved Rate Tables, and the MIA Decision Document.

MIA also hired an actuarial consulting firm to study and report on the implications of the federal risk mitigation programs on individual and small group rate review. The consulting firm also provided recommendations for enhancements to MIA's current review process in areas such as risk adjustment, reinsurance, and risk corridors, which are new to the ACA-compliant plans.

MIA has also used the funds to be fully staffed. MIA staff has been analyzing the information in the databases collected by the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) for use in developing appropriate benchmark data. The benchmark data will be used during MIA's review of carrier's premium pricing.

The fiscal 2016 allowance includes nearly \$700,000 for MIA to continue integrating HSCRC and MHCC data into the rate review process; to continue working with consultants to identify best practices; and develop improved infrastructure for future rate reviews; and to continue improving MIA's disclosure website.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Insurance Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$0	\$29,815	\$1,314	\$0	\$31,129
Deficiency Appropriation	0	-459	-9	0	-467
Budget Amendments	0	527	9	0	536
Reversions and Cancellations	0	-1,961	-305	0	-2,266
Actual Expenditures	\$0	\$27,922	\$1,009	\$0	\$28,932
Fiscal 2015					
Legislative Appropriation	\$0	\$29,147	\$1,279	\$0	\$30,426
Cost Containment	0	0	0	0	0
Budget Amendments	0	2,266	4	0	2,270
Working Appropriation	\$0	\$31,414	\$1,283	\$0	\$32,697

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

MIA finished fiscal 2014 approximately \$2.2 million below its legislative appropriation. Deficiency appropriations reduced retirement contributions by \$314,083 and health care contributions by \$153,208.

Amendments for the cost-of-living adjustment (COLA) and salary increment increased the appropriation by \$443,547. Chapter 407 of 2013 required MIA to complete a study, develop a report, and make a recommendation as to whether Maryland should establish a captive insurance industry. This report was due December 31, 2013. The agency had no in-house staff with appropriate expertise, so \$92,250 was added to the special funds to hire an outside consultant.

MIA cancelled \$2.3 million in total funds. The majority of cancellations was in special funds because MIA did not meet procurement deadlines for the ECTS project.

Fiscal 2015

In fiscal 2015, one budget amendment added \$198,544 for the COLA. A number of other budget amendments for IT upgrades added special funds to MIA's fiscal 2015 working appropriation. MIA received \$1.4 million in special funds for the ECTS project, \$388,698 to install a new phone system, and \$248,500 in response to OLA's audit, to make technology purchases that mitigate security risks for the agency.

Major Information Technology Projects

Maryland Insurance Administration Enterprise Complaint Tracking System

Project Status	Implementation	New/Ongoing Project:	Ongoing					
Project Description:	Replace the current Enterprise Complaint Tracking System (ECTS) with a browser-based document management technology that automates workflow by routing electronic documents and notifications across the organization, and enables online data entry, standard reports, <i>ad hoc</i> queries, and data exchange with internal and external systems.							
Project Business Goals:	Replacing the current ECTS with upgraded technology will provide the Maryland Insurance Administration (MIA) with the ability to improve complaint resolution efficiency percentages beyond current targets.							
Estimated Total Project Cost	\$2,403,366	Estimated Planning Project Cost:	n/a					
Project Start Date:	August 2012	Projected Completion Date:	October 2015					
Schedule Status:	The Department of Information Technology has approved the Task Order Request for Proposal, and the agency will begin solicitation for vendors to begin the Systems Development Life Cycle (SDLC) phase 5.							
Cost Status:	The project cost has increased \$477,619 due to greater than anticipated costs for SDLC phases 5 through 9, particularly for design.							
Scope Status:	n/a							
Project Management Oversight Status:	A project manager has been assigned.							
Identifiable Risks:	MIA has limited resources for project oversight; the current ECTS system is integrated with other enterprise systems that are not included in the scope for replacement as part of the project; new technology will require training; system implementation will be challenging.							
Additional Comments:	n/a							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	1,800.0	404.5	54.5	54.5	0.0	0.0	0.0	2,313.5
Other Expenditures	90.0	0.0	0.0	0.0	0.0	0.0	0.0	90.0
Total Funding	\$1,890.0	\$404.5	\$54.5	\$54.5	\$0.0	\$0.0	\$0.0	\$2,403.5

**Object/Fund Difference Report
Maryland Insurance Administration**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	266.00	266.00	266.00	0.00	0%
02 Contractual	18.05	17.80	17.80	0.00	0%
Total Positions	284.05	283.80	283.80	0.00	0%
Objects					
01 Salaries and Wages	\$ 21,948,588	\$ 23,146,914	\$ 24,521,482	\$ 1,374,568	5.9%
02 Technical and Spec. Fees	982,415	939,994	938,852	-1,142	-0.1%
03 Communication	237,486	284,442	264,479	-19,963	-7.0%
04 Travel	352,318	348,114	394,177	46,063	13.2%
07 Motor Vehicles	243,115	219,240	217,963	-1,277	-0.6%
08 Contractual Services	2,457,724	4,805,243	3,411,085	-1,394,158	-29.0%
09 Supplies and Materials	262,724	273,965	276,570	2,605	1.0%
10 Equipment – Replacement	4,724	388,698	181,000	-207,698	-53.4%
11 Equipment – Additional	122,936	90,000	87,300	-2,700	-3.0%
12 Grants, Subsidies, and Contributions	548,976	551,850	562,887	11,037	2.0%
13 Fixed Charges	1,770,607	1,648,544	1,822,326	173,782	10.5%
Total Objects	\$ 28,931,613	\$ 32,697,004	\$ 32,678,121	-\$ 18,883	-0.1%
Funds					
03 Special Fund	\$ 27,922,193	\$ 31,413,842	\$ 31,428,325	\$ 14,483	0%
05 Federal Fund	1,009,420	1,283,162	1,249,796	-33,366	-2.6%
Total Funds	\$ 28,931,613	\$ 32,697,004	\$ 32,678,121	-\$ 18,883	-0.1%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent across-the-board reductions.

Fiscal Summary
Maryland Insurance Administration

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Administration and Operations	\$ 28,931,613	\$ 30,907,004	\$ 32,273,621	\$ 1,366,617	4.4%
02 Major Information Technology Development Projects	0	1,790,000	404,500	-1,385,500	-77.4%
Total Expenditures	\$ 28,931,613	\$ 32,697,004	\$ 32,678,121	-\$ 18,883	-0.1%
Special Fund	\$ 27,922,193	\$ 31,413,842	\$ 31,428,325	\$ 14,483	0%
Federal Fund	1,009,420	1,283,162	1,249,796	-33,366	-2.6%
Total Appropriations	\$ 28,931,613	\$ 32,697,004	\$ 32,678,121	-\$ 18,883	-0.1%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or cross-the-board reductions.