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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO INSURANCE -- SELF-INSURANCE OF DEVELOPMENTAL DISABILITY  
AGENCIES

Introduced By: Senators Picard, and Miller

Date Introduced: March 13, 2013

Referred To: Senate Health & Human Services

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 40.1 of the General Laws entitled "BEHAVIORAL HEALTHCARE,  
2 DEVELOPMENTAL DISABILITIES AND HOSPITALS" is hereby amended by adding thereto  
3 the following chapter:

4 CHAPTER 24.6

5 SELF-INSURANCE OF DEVELOPMENTAL DISABILITY AGENCIES

6 **40.1-24.6-1. Definitions. --** As used in this chapter:

7 (1) "Developmental disability agency" means any organization that has been established  
8 and licensed by the department of behavioral healthcare, developmental disabilities and hospitals  
9 for the purpose of providing either employment, vocational supports, residential and/or day  
10 support services for adults with developmental disabilities in Rhode Island.

11 (2) "Competent third-party administrator" means an entity with at least five (5) years of  
12 experience creating and operating health benefit plans that maintain sufficiently capitalized self  
13 insurance funds of similar characteristics of the fund being authorized in accordance with this  
14 chapter.

15 **40.1-24.6-2. Purpose. --** The purpose of this chapter is to authorize operators of  
16 developmental disability agencies acting as a group, to self-insure healthcare costs for employees,  
17 retirees and other beneficiaries and allow a competent third-party administrator to administer said  
18 program.

1           **40.1-24.6-3. Authorization to Self-insure; Establishment of fund. --** (a) Operators of  
2 two (2) or more developmental disability agencies are hereby authorized and empowered to: (1)  
3 Create a separate corporation (the "corporation") for the purpose of issuing healthcare insurance  
4 to the corporation members' employees, and their dependents and their retirees and their  
5 dependents; and (2) Developing and administering a sufficiently capitalized self-insured group  
6 risk management program (product).

7           (b) The corporation, in addition, may have as their purposes reducing the risk of its  
8 members; distributing, sharing, and pooling risks; acquiring excess loss insurance; and processing  
9 and defending claims against the members of the corporation. Any contributions made to the  
10 corporation for the purpose of distributing, sharing, or pooling risks shall be made on an  
11 actuarially sound basis, and the corporation shall have an audit performed annually, copies of  
12 which shall be provided to the corporation membership.

13           (c) The corporation shall not be considered an insurance company and shall not be  
14 subject to the provisions of the laws or regulations of the state of Rhode Island regulating  
15 insurance companies and multiple employer welfare arrangements, and therefore shall in no way  
16 be regulated by the Rhode Island department of business regulation or the Rhode Island office of  
17 the health insurance commissioner.

18           (d) The corporation created pursuant to the provisions of this section will be created by  
19 filing articles of incorporation pursuant to chapter 6 of title 7 entitled "Rhode Island Nonprofit  
20 Corporation Act" and the articles of incorporation will be filed by an incorporating  
21 developmental disability agency ("member"). The articles of incorporation creating the  
22 corporation pursuant to the provisions of this section may contain provisions, not inconsistent  
23 with this section, that the incorporators ("members") determine to be desirable or useful in  
24 fulfilling the purposes set forth in this section. The corporation created pursuant to the provisions  
25 of this section will have the powers of a nonprofit corporation created under chapter 6 of title 7  
26 entitled "Rhode Island Nonprofit Corporation Act."

27           (e) Whenever the governing board of the corporation created pursuant to the provisions  
28 of this chapter determines that the purposes for which the corporation was created have been  
29 substantially fulfilled and all bonds, notes, or other obligations of the corporation have been fully  
30 paid or adequate provision has been made for their payment, the corporation may be dissolved in  
31 the manner provided for nonprofit corporations pursuant to chapter 6 of title 7 entitled "Rhode  
32 Island Nonprofit Corporation Act" and, upon the corporation's dissolution, title to all financial  
33 resources and assets of the corporation shall vest in and become the property of the members of  
34 the corporation in proportions that are provided for in the corporation's articles of incorporation.

1           **40.1-24.6-4. Obligations of participating entities.** -- Operators of developmental  
2 disability agencies intending to participate in the corporation shall enter into contractual  
3 agreement with one another which shall, among other provisions, describe and define each  
4 member's obligations relative to funding, length of commitment, liabilities and participation in  
5 the program. Such an agreement shall also define and delineate the terms upon which an operator  
6 may disaffiliate from the corporation and agreement. Said agreements shall also include  
7 provisions that require members to be jointly and severally liable for losses of the self insurance  
8 fund and shall include the mechanism for distributing such losses. The state of Rhode Island shall  
9 in no way be liable for losses of the self-insurance fund.

10           **40.1-24.6-5. Establishment of fund.** -- A fund may be established to insure the health  
11 costs of the corporation members' employees, their covered dependents, and the retirees and their  
12 covered dependents, not otherwise insured, to the extent determined by the corporation's articles  
13 of incorporation. Efforts shall be made to establish uniformity among health benefit plans issued  
14 to these employees, retirees and dependents.

15           **40.1-24.6-6. Payment to and from fund.** -- (a) The moneys in the fund shall be used as  
16 nonlapsing, revolving financial resources for carrying out the provisions of this chapter.

17           (b) The financial notes and obligations issued by the corporation pursuant to the  
18 provisions of this chapter will not be deemed to constitute a debt or liability of the state of Rhode  
19 Island or political subdivision of the state but will be payable solely from the revenues or assets  
20 of the fund.

21           **40.1-24.6-7. Stop-loss coverage.** -- The corporation established pursuant to this chapter  
22 for the purpose of providing healthcare costs for members' employees, retirees, and other  
23 beneficiaries shall participate in a group stop-loss policy provided by a licensed insurance  
24 company.

25           This group stop-loss policy coverage shall include a specific deductible stop loss policy  
26 and aggregate stop-loss coverage both of which will apply to the corporation's participating  
27 developmental disability agencies. Under the specific deductible stop-loss coverage, the licensed  
28 insurance carrier will assume liability beyond the specific deductible amount up to the limits of  
29 the policy. For the aggregate stop-loss coverage, the licensed insurance carrier will assume all of  
30 the claims threshold: (1) Beyond one hundred and twenty percent (120%) of the expected claims  
31 for the policy year, up to the limits of the policy, or, if unavailable; (2) Beyond a percentage rate  
32 that is consistent with market place standards for aggregate stop-loss insurance, but not to exceed  
33 one hundred and twenty-five percent (125%) of expected claims for the policy year. In addition  
34 to stop-loss policy coverage, the corporation shall place in reserve an appropriate amount of

1 money to cover the estimated cost of claims incurred, but unpaid, during the term of the policy or  
2 contract which shall be added to the expected claim level. These reserves for unpaid claims shall  
3 be in addition to monies reserved to cover the claims paid during the term of the policy or  
4 contract for payment of healthcare costs for the employees, retirees, and other beneficiaries.

5 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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RELATING TO INSURANCE -- SELF-INSURANCE OF DEVELOPMENTAL DISABILITY  
AGENCIES

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1           This act would authorize operators of developmental disability agencies acting as a  
2 group, to self-insure healthcare costs for employees, retirees and other beneficiaries, and allow a  
3 competent third-party administrator to administer said program.

4           This act would take effect upon passage.

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