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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

A N A C T

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

Introduced By: Senator Roger Picard

Date Introduced: March 03, 2015

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) "Qualified 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 health care costs for
17 employees, retirees and other beneficiaries and allow a qualified third-party administrator to
18 administer said 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:
3 (1) Create a separate corporation (the "corporation") for the purpose of issuing health care
4 insurance to the corporation members' employees, and their dependents and their retirees and
5 their dependents; and
6 (2) To develop and administer a sufficiently capitalized self-insured group risk
7 management program (product).
8 (b) The corporation may have as their purposes the reduction of the risk of its members;
9 distributing, sharing, and pooling risks; acquiring excess loss insurance; and processing and
10 defending claims against the members of the corporation. Any contributions made to the
11 corporation for the purpose of distributing, sharing, or pooling risks shall be made on an
12 actuarially sound basis, and the corporation shall have an audit performed annually, copies of
13 which shall be provided to the corporation membership.
14 (c) The corporation shall not be considered an insurance company, and shall not be
15 subject to the provisions of the laws or regulations of the state of Rhode Island regulating
16 insurance companies and multiple employer welfare arrangements, and therefore, shall not be
17 subject to regulation by the Rhode Island department of business regulation, or the Rhode Island
18 office of the health insurance commissioner.
19 (d) The corporation created pursuant to the provisions of this chapter will be created by
20 filing articles of incorporation pursuant to chapter 6 of title 7 entitled "Rhode Island nonprofit
21 corporation act", and the articles of incorporation will be filed by an incorporating developmental
22 disability agency (member). The articles of incorporation creating the corporation pursuant to the
23 provisions of this section may contain provisions, not inconsistent with this section, that the
24 incorporators (members) determine to be desirable or useful in fulfilling the purposes set forth in
25 this section. The corporation created pursuant to the provisions of this section will have all of the
26 powers of a nonprofit corporation created under chapter 6 of title 7.
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 and, upon the
32 corporation's dissolution, title to all financial resources and assets of the corporation shall vest in
33 and become the property of the members of the corporation in proportions that are provided for in
34 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 monies 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, nor a political subdivision of the state, but will be payable solely from the revenues or
20 assets of the fund.

21 **40.1-24.6-7. Stop-loss coverage.** -- (a) The corporation established pursuant to this
22 chapter for the purpose of providing health care 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 (b) This group stop-loss policy coverage shall include a specific deductible stop-loss
26 policy, and aggregate stop-loss coverage, both of which will apply to the corporation's
27 participating developmental disability agencies.

28 (c) Under the specific deductible stop-loss coverage, the licensed insurance carrier will
29 assume liability beyond the specific deductible amount up to the limits of the policy.

30 (d) For the aggregate stop-loss coverage, the licensed insurance carrier will assume all of
31 the claims threshold:

32 (1) Beyond one hundred and twenty percent (120%) of the expected claims for the policy
33 year, up to the limits of the policy, or, if unavailable; (2) Beyond a percentage rate that is
34 consistent with market place standards for aggregate stop-loss insurance, but not to exceed one

1 hundred and twenty-five percent (125%) of expected claims for the policy year.

2 (e) In addition to stop-loss policy coverage, the corporation shall place in reserve an
3 appropriate amount of money to cover the estimated cost of claims incurred, but unpaid, during
4 the term of the policy or contract which shall be added to the expected claim level. The reserves
5 for unpaid claims shall be in addition to monies reserved to cover the claims paid during the term
6 of the policy or contract for payment of health care costs for the employees, retirees, and other
7 beneficiaries.

8 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
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1 This act would authorize operators of developmental disability agencies acting as a
2 group, to self-insure health care costs for employees, retirees and other beneficiaries, and allow a
3 qualified third-party administrator to administer said program.

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