

2016 -- H 7088

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND
HOSPITALS -- SELF-INSURANCE OF DEVELOPMENTAL DISABILITY AGENCIES

Introduced By: Representatives Hull, Ruggiero, Bennett, Slater, and Diaz

Date Introduced: January 08, 2016

Referred To: House Corporations

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

11 **40.1-24.6-2. Purpose.** -- The purpose of this chapter is to authorize operators of
12 developmental disability agencies, acting as a group, to self-insure health care costs for
13 employees, retirees and other beneficiaries and to allow a third-party administrator to administer
14 said program.

15 **40.1-24.6-3. Authorization to self-insure - Establishment of fund.** – (a) Operators of
16 developmental disability agencies are hereby authorized and empowered to self-insure health care
17 provided to their employees, and their dependents and their retirees and their dependents and to
18 create and establish a fund for this purpose.

1 (b) The fund shall have an oversight board consisting of a designated representative from
2 each participating developmental disability agency. The oversight board will be responsible for
3 drafting and adopting rules and regulations for the management and operation of the fund,
4 consistent with actuarially sound principles and in accordance with the requirements established
5 in §40.1-24.6-9.

6 **40.1-24.6-4. Obligations of participating entities.** -- Operators of developmental
7 disability agencies intending to self-insure and participate in the self-insurance fund shall enter
8 into contractual agreement with one another which shall, among other provisions, describe and
9 define each operator's obligations relative to funding, length of commitment, and participation in
10 the program. Such an agreement shall also define and delineate the terms upon which an operator
11 may disaffiliate from the fund and agreement.

12 **40.1-24.6-5. Amount of fund.** -- Self-insurance funds may be established to insure the
13 health costs of the employees, their covered dependents, and the retirees and their covered
14 dependents, not otherwise insured, to the extent determined by the operators of developmental
15 disability agencies, subject to approval by the oversight board as established in §40.1-24.6-3(b).

16 **40.1-24.6-6. Payment to and from fund.** -- (a) The self-insurance funds shall be used by
17 the operators of developmental disability agencies as non-lapsing, revolving funds for carrying
18 out the provisions of this chapter.

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

22 **40.1-24.6-7. Investment of fund.** -- Funds that are not needed to meet expenses and
23 obligations of self-insurance shall be deposited in a depository bank or may be invested in
24 savings accounts or certificates of commercial or savings banks or trust companies, or in
25 obligations of the United States or its agencies, or in any other short term investments, as would
26 be made by prudent men or women of discretion and intelligence. Investment earnings of the
27 funds are deemed receipts and become assets of the fund subject to the non-lapsing, revolving
28 provisions of §40.1- 24.6-6(a).

29 **40.1-24.6-8. Expenses of operation.** -- The operators of developmental disability
30 agencies may, in their discretion, and with approval of the oversight board, spend from the funds
31 that which may be necessary for any expenses of self-insurance including administrative, legal, or
32 other service expenses.

33 **40.1-24.6-9. Stop-loss coverage.** -- Any operator of a developmental disability agency
34 authorized to self-insure health care costs for employees, retirees, and other beneficiaries under

1 this chapter shall participate in a group stop-loss policy provided by a licensed insurance
2 company. This group stop-loss policy coverage shall include a specific deductible stop-loss
3 policy and aggregate stop-loss coverage both of which will apply to the pool of participating
4 developmental disability agencies. Under the specific deductible stop-loss coverage, the licensed
5 insurance carrier will assume liability beyond the specific deductible amount up to the limits of
6 the policy and for the aggregate stop-loss coverage, the licensed insurance carrier will assume all
7 of the claims threshold beyond one hundred twenty five percent (125%) of the expected claims
8 for the policy year, up to the limits of the policy. In addition to stop-loss policy coverage, the
9 oversight board for the group of participating developmental disability agencies shall provide for
10 a reserve of an appropriate amount of funds to cover the estimated cost of claims incurred, but
11 unpaid, during the term of the policy or contract which shall be added to the expected claim level.
12 These funds shall be in addition to funds reserved to cover the claims paid during the term of the
13 policy or contract for payment of health care costs for employees, retirees, and other
14 beneficiaries. Contracts or other documents evidencing stop-loss policy coverage in the amount
15 consistent with this section shall be delivered to the director of the Rhode Island department of
16 administration for their review and approval. The group of developmental disability agencies
17 shall not be authorized to self-insure health care costs for employees, retirees, and other
18 beneficiaries until the director has reviewed and approved the group stop-loss policy coverage as
19 provided in this section.

20 **40.1-24.6-10. Oversight and reporting.** -- (a) The group of developmental disability
21 agencies and the oversight board shall not be considered an insurance company and shall not be
22 subject to the provisions of the general or public laws of the state of Rhode Island or regulations
23 regarding insurance companies and therefore shall in no way be regulated by the department of
24 business regulation or the office of the health insurance commissioner.

25 (b) The oversight board shall issue an annual financial report that will include, but not be
26 limited to, a list of receipts, expenditures, and balances and the overall financial solvency of the
27 fund to the executive office of health and human services, the department of administration, and
28 the chairman of the joint committee on health care oversight.

29 **40.1-24.6-11. Severability.** -- If any provision of this chapter or any rule or regulation
30 created under this chapter, or the application of any provision of this chapter to any person or
31 circumstance shall be held invalid by any court of competent jurisdiction, the remainder of the
32 chapter, rule or regulation and the application of such provision to other persons or circumstances
33 shall not be affected thereby. The invalidity of any section or sections or parts of any section of
34 this chapter shall not affect the validity of the remainder of this chapter and to this end the

1 [provisions of the chapter are declared to be severable.](#)

2 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 BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND
HOSPITALS -- SELF-INSURANCE OF DEVELOPMENTAL DISABILITY AGENCIES

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 to allow
3 a third-party administrator to administer said program.

4 This act would take effect upon passage.

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