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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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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: Senator Roger Picard

Date Introduced: February 01, 2017

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.**

7 As used in this chapter:

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

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

16 **40.1-24.6-2. Purpose.**

17 The purpose of this chapter is to authorize operators of developmental disability agencies
18 acting as a group, to self-insure health care costs for employees, retirees and other beneficiaries

1 and allow a qualified third-party administrator to administer said program.

2 **40.1-24.6-3. Authorization to self-insure; Establishment of fund.**

3 (a) Operators of two (2) or more developmental disability agencies are hereby authorized
4 and empowered to:

5 (1) Create a separate corporation (the "corporation") for the purpose of issuing health care
6 insurance to the corporation members' employees, and their dependents and their retirees and
7 their dependents; and

8 (2) To develop and administer a sufficiently capitalized self-insured group risk
9 management program (product).

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

16 (c) The corporation shall not be considered an insurance company, and shall not be
17 subject to the provisions of the laws or regulations of the state of Rhode Island regulating
18 insurance companies and multiple employer welfare arrangements, and therefore, shall not be
19 subject to regulation by the Rhode Island department of business regulation, or the Rhode Island
20 office of the health insurance commissioner.

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

29 (e) Whenever the governing board of the corporation created pursuant to the provisions
30 of this chapter determines that the purposes for which the corporation was created have been
31 substantially fulfilled and all bonds, notes, or other obligations of the corporation have been fully
32 paid or adequate provision has been made for their payment, the corporation may be dissolved in
33 the manner provided for nonprofit corporations pursuant to chapter 6 of title 7 and, upon the
34 corporation's dissolution, title to all financial resources and assets of the corporation shall vest in

1 and become the property of the members of the corporation in proportions that are provided for in
2 the corporation's articles of incorporation.

3 **40.1-24.6-4. Obligations of participating entities.**

4 Operators of developmental disability agencies intending to participate in the corporation
5 shall enter into a contractual agreement with the corporation which shall, among other provisions,
6 describe and define each member's obligations relative to funding, length of commitment,
7 liabilities and participation in the program. Such an agreement shall also define and delineate the
8 terms upon which an operator may disaffiliate from the corporation and agreement. Said
9 agreements shall also include provisions that require members to be jointly and severally liable
10 for losses of the self-insurance fund and shall include the mechanism for distributing such losses.
11 The state of Rhode Island shall be immune from liability for losses of the self-insurance fund.

12 **40.1-24.6-5. Establishment of fund.**

13 A fund may be established to insure the health costs of the corporation members'
14 employees, their covered dependents, the retirees and their covered dependents, not otherwise
15 insured, to the extent determined by the corporation's articles of incorporation. Efforts will be
16 made to establish uniformity among health benefit plans issued to these employees, retirees and
17 dependents.

18 **40.1-24.6-6. Payment to and from fund.**

19 (a) The monies in the fund will be used as nonlapsing, revolving financial resources for
20 carrying out the provisions of this chapter.

21 (b) The financial notes and obligations issued by the corporation, pursuant to the
22 provisions of this chapter, will not be deemed to constitute a debt or liability of the state of Rhode
23 Island, nor a political subdivision of the state, but will be payable solely from the revenues or
24 assets of the fund.

25 **40.1-24.6-7. Stop-loss coverage.**

26 (a) The corporation established pursuant to this chapter for the purpose of providing
27 health care costs for members' employees, retirees, and other beneficiaries must participate in a
28 group stop-loss policy provided by a licensed insurance company.

29 (b) The group stop-loss policy coverage will include a specific deductible stop-loss
30 policy, and aggregate stop-loss coverage, both of which will apply to the corporation's
31 participating developmental disability agencies.

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

34 (d) For the aggregate stop-loss coverage, the licensed insurance carrier will assume all of

1 the claims threshold:

2 (1) Beyond one hundred and twenty percent (120%) of the expected claims for the policy
3 year, up to the limits of the policy, or, if unavailable;

4 (2) Beyond a percentage rate that is consistent with market place standards for aggregate
5 stop-loss insurance, but not to exceed one hundred and twenty-five percent (125%) of expected
6 claims for the policy year.

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

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

4 This act would take effect upon passage.

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