Chapter 200-110 WAC

LOCAL GOVERNMENT SELF-INSURANCE HEALTH AND WELFARE PROGRAM REQUIREMENTS

WAC 200-110-010 Preamble and authority. These rules governing local government self-insurance transactions are adopted by the state risk manager to implement chapter 48.62 RCW relating to the management and operations of both individual and joint local government health and welfare benefit self-insurance programs.


(1) "Actuary" means any person who is a member of the American Academy of Actuaries.

(2) "Assessment" means the moneys paid by the members to a joint self-insurance program.

(3) "Beneficiary" means any individual entitled to payment of all or part of a covered claim under a local government health and welfare self-insurance program.

(4) "Broker of record" means the insurance producer licensed in the state of Washington who, through a contractual agreement with the self-insurance program, procures insurance on behalf of the self-insurance program.

(5) "Claim" means a demand for payment for the delivery of a covered service or services.

(6) "Claim adjustment expense" means expenses, other than claim payments, incurred in the course of processing and settling claims.

(7) "Claims auditor" means a person who has the following qualifications:

(a) Has experience in auditing the same manner of claims filed against the program being audited;

(b) Provides proof of professional liability insurance; and

(c) Provides a statement that the auditor is independent from the program being audited, its brokers and third-party administrators.

(8) "Competitive solicitation" means a documented competitive selection process providing an equal and open opportunity to qualified parties and culminating in a selection based on criteria which may include such factors as the consultant's fees or costs, ability, capacity, experience, reputation, responsiveness to time limitations, responsiveness to solicitation requirements, quality of previous performance, and compliance with statutes and rules relating to contracts or services.

(9) "Consultant" means an independent individual or firm contracting with a self-insurance program to perform actuarial, claims auditing or third-party administration services, represent the program as broker of record, or render an opinion or recommendation according to the consultant's methods, all without being subject to the control of the program, except as to satisfaction of the contracted deliverables.

(10) "Contingent reserve policy" means a policy adopted by the governing body of an individual or joint program which establishes the amount of money (contingent reserves) necessary to fund the termination costs of the program and to insulate the program against unusual severity or frequency of claims.

(11) "Contingent reserves" means:

(a) For joint programs, an amount of money equal to eight weeks of program expenses as stated in the contingent reserve policy established by ordinance or resolution of the governing body;

(b) For individual programs, an amount of money equal to eight weeks of program expenses as recommended by the
state risk manager or equal to a different amount as stated in the contingent reserve policy established by ordinance or resolution of the governing body.

(12) "Contribution" means the amount paid or payable by the employee into a health and welfare self-insurance program.

(13) "Governing body" means the multimember board, commission, committee, council, or other policy or rule-making body of a public agency, or any committee thereof when the committee acts on behalf of the governing body, conducts hearings, or takes testimony or public comment.

(14) "Individual self-insurance program" means a formal program established and maintained by a local government entity to provide advance funding to self-insure health and welfare benefits on its own behalf as opposed to risk assumption, which means a decision to absorb the entity's financial exposure to a risk of financial loss without the creation of a formal program of advance funding of anticipated losses.

(15) "Interlocal agreement" means an agreement joining local government members of a self-insurance program that is established under the Interlocal Cooperation Act defined in chapter 39.34 RCW.

(16) "Joint self-insurance program" means any two or more local government entities which have entered into a cooperative risk sharing agreement pursuant to the provisions of the Interlocal Cooperation Act (chapter 39.34 RCW) and/or subject to regulation under chapter 48.62 RCW.

(17) "Member" means a local government entity that:
   (a) Is a signatory to a joint insurance program's interlocal agreement;
   (b) Agrees to pay assessments as part of the program's joint self-insurance program; and
   (c) Is a past or present participant in a joint self-insurance program subject to regulation under chapter 48.62 RCW.

(18) "Program liability" means an amount as of fiscal year end determined by each program to be either:
   (a) Eight weeks of total program expenses based on total program expenses paid during the previous year, or
   (b) The program's liability as determined by an actuary.

(19) "Program reserves" means moneys set aside to pay expenses of an individual or joint self-insurance program.

(20) "Risk sharing" means a decision by the members of a joint self-insurance program to jointly absorb certain or specified financial exposures to risks of loss through the creation of a formal program of advance funding of anticipated losses; and/or joint purchase of insurance as a member of a joint self-insurance program formed under chapter 48.62 RCW.

(21) "Self-insurance program" means any individual or joint local government entity self-insurance program required by chapter 48.62 RCW to comply with this chapter.

(22) "Services" means administrative, electronic, management, training, wellness or other ongoing significant support services which do not include the participation in or purchase of the pool's commercial or self-insured insurance programs.

(23) "Stop-loss insurance" means a promise by an insurance company that it will cover losses of the entity it insures over and above an agreed-upon individual or aggregated amount.

(24) "Termination cost" means an estimate of the program's liabilities at the time the program ceases to operate, which shall include, at a minimum, final claim payments, claim adjustment expenses, unallocated loss adjustment expenses, and costs attributed to increased utilization.

(25) "Third-party administrator" means an independent association, agency, entity or enterprise which, through a contractual agreement, provides one or more of the following ongoing services: Program management or administration services, claims administration services, risk management services, or services for the termination of an individual or joint self-insurance program.

(26) "Unallocated loss adjustment expense (ULAE)" means costs that cannot be associated with specific claims but are related to the claims adjustment process, such as administrative and internal expenses related to settlement of claims at the termination of the program.

WAC 200-110-030 Standards for management and operation—Adoption of program. (1) The governing body of every local government entity establishing an individual self-insurance program shall adopt the self-insurance program by resolution or ordinance.

(2) The governing body of every local government entity participating in a joint self-insurance program shall adopt the interlocal agreement of the joint self-insurance program by resolution or ordinance. The resolution or ordinance shall include, but not be limited to, an acknowledgment that the entity shall be subject to assessments as required by the joint self-insurance program. Copies of each resolution or ordinance shall be retained by the joint self-insurance program and available for inspection by the state risk manager. The interlocal agreement, along with a list of members participating in the program, shall be published on the public web site of each joint self-insurance program. The interlocal agreement and subsequent amendments shall be filed in accordance with requirements of chapter 39.34 RCW.

WAC 200-110-040 Standards for solvency—Program funding requirements. (1) All individual and joint health and welfare programs self-insuring medical benefits shall establish program reserves in an amount equal to sixteen weeks of program expenses.

(2) All individual and joint health and welfare self-insurance programs providing either vision, dental or prescription drug benefits or any combination of programs thereof shall establish and maintain program reserves in an amount not less than eight weeks of program expenses for each program offered. An additional contingency reserve is recommended, but not required.

(3) In lieu of the requirements stated in subsections (1) and (2) of this section, all individual and joint health and welfare self-insurance programs providing either medical, vision, dental or prescription drug benefits or any combination thereof must obtain an independent actuarial study of...
estimated outstanding program liabilities as of fiscal year ending and maintain funds equal to or greater than the actuarially determined program liability at fiscal year ending.

(4) All programs in existence less than one year shall establish reserves according to the initial plan submitted and approved by the state risk manager.

(5) Self-insurance programs that do not meet requirements for program reserves as of the program's year end shall notify the state risk manager of the condition. The state risk manager shall require the program submit a corrective action plan within sixty days of year end. The state risk manager will notify the program in writing of denial or approval of the corrective action plan within thirty days of submission.

(6) Failure to meet the requirements of the approved corrective action plan may result in further remedial action by the state risk manager, including the service of a cease and desist order upon the program.

WAC 200-110-050 Nondiscrimination in contributions. Contribution rate schedules for individual and joint health and welfare self-insurance programs shall be consistent and nondiscriminatory among beneficiaries of the self-insurance program. This provision is not intended to prohibit choice of coverage for beneficiaries, classes of beneficiaries, or bargaining groups from several offered by the self-insurance program, or to prohibit different contribution schedules between classes of beneficiaries or bargaining groups.

WAC 200-110-060 Standards for operations—Disclosures. (1) All individual health and welfare self-insurance programs shall furnish each employee or retiree covered by the program with a written description or access to an electronic description of the benefits allowable under the program, together with:

(a) Applicable restrictions, limitations, and exclusions;
(b) The procedure for filing a claim for benefits;
(c) The procedure for requesting an adjudication of disputes or appeals arising from beneficiaries regarding the payment or denial of any claim for benefits; and
(d) A schedule of any direct monetary contributions toward the program financing required by the employee.

Such benefits or procedures shall not be amended without written notice to the covered employees at least thirty days in advance of the effective date of the change unless exigent circumstances can be demonstrated.

(2) All joint self-insurance programs shall ensure every member of the program receives written plan documents or access to electronic plan documents which describe:

(a) All coverages or benefits currently provided by the program, including any applicable restrictions, limitations, and exclusions;
(b) The method by which members pay assessments; and
(c) The procedure for filing a claim; and

(d) The procedure for a member to request an adjudication of disputes or appeals arising from coverage, claim payment or denial, membership, and other issues.

Such statements shall not be amended without written notice to the members at least thirty days in advance of the effective date of the change unless exigent circumstances can be demonstrated.

WAC 200-110-070 Standards for operations—Standards for management—Wellness programs. Health and welfare self-insurance programs may offer coverage for preventative care, wellness programs, and other cost containment measures.

WAC 200-110-080 Standards for operations—Standards for solvency—Termination provisions. (1) Termination of a program. All individual and joint health and welfare self-insurance programs shall maintain a written plan that provides for the partial or complete termination of the program and for liquidation of its assets upon termination of the program. The termination procedure shall include, but not be limited to, a provision for the settling of all its liabilities for unpaid claims and claim adjustment expenses.

(2) Termination of members. All joint self-insurance programs shall maintain a written plan that provides for the termination of membership of a member.

WAC 200-110-090 Standards for management—Standards for operations—Financial plans. (1) All self-insurance programs shall maintain a written plan for managing the financial resources of the program. The financial plan shall include:

(a) A procedure for accounting for moneys received, payments made and liabilities of the joint program which complies with generally accepted accounting principles. For individual programs, a separate fund to account for revenues and expenses associated with the program is recommended, but not required;
(b) An investment policy which conforms to RCW 48.62.111 governing the investments of the program; and
(c) All individual and joint self-insurance programs shall ensure the preparation and submission of accurate and timely annual reports to the state risk manager within one hundred fifty days of fiscal year end.

Joint self-insurance programs providing medical benefits must submit to the state risk manager unaudited financial statements as prescribed by the state auditor's office within one hundred fifty days of fiscal year end. Joint self-insurance programs providing medical benefits must submit to the state risk manager audited financial statements as prescribed by

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the state auditor's office within one year of the program's fiscal year end.

(2) No financial plan of an individual self-insurance program shall permit interfund loans from assets held against liabilities for unpaid claims and claim adjustment expenses except for those amounts which are clearly inactive or in excess of program reserve and contingency reserve requirements.

(3) No financial plan of a joint self-insurance program shall permit loans to any member.


WAC 200-110-100 Standards for management—Standards for contracts—Third-party administrator contracts. Before contracting for third-party administrator professional services, all self-insurance programs shall establish and maintain written procedures for contracting with third-party administrators. Entering a contract for services shall not relieve the governing body of the self-insurance program of its ultimate governing, managerial and financial responsibilities. The procedures shall, as a minimum:

(1) Provide a method of third-party administrator selection using a competitive solicitation process;

(2) Require a complete written description of the services to be provided, remuneration levels, contract period and expiration date;

(3) Provide for the confidentiality of the program's information, data and other intellectual property developed or shared during the course of the contract;

(4) Provide for the program's ownership of the information, data, and other intellectual property developed or shared during the course of the contract;

(5) Provide for the expressed authorization of the self-insurance program, consultants to the program, the state auditor, the state risk manager, or their designees, to enter the third-party administrator's premises to inspect and audit the records and performance of the third-party administrator which pertains to the program and to obtain such records electronically when audit travel costs can be eliminated or reduced;

(6) Require the compliance with all applicable local, state and federal laws;

(7) Establish a monitoring and acceptance procedure to determine compliance with third-party administrator contract requirements; and

(8) Establish indemnification provisions and set forth insurance requirements between the parties.


WAC 200-110-110 Standards for contracts—Joint self-insurance programs—Competitive solicitation standards for consultant contracts. Every joint self-insurance program shall use a competitive solicitation process in the selection of consultants. The process shall provide an equal and open opportunity to qualified parties and shall culminate in a selection based on preestablished criteria which may include such factors as the consultant's fees or costs, ability, capacity, experience, reputation, responsiveness to time limitations, responsiveness to solicitation requirements, quality of previous performance, and compliance with statutes and rules relating to contracts. Bid responses, solicitation documents and evidence of publication shall be retained in accordance with laws governing public records and shall be available for review by the state risk manager and state auditor.

WAC 200-110-130 Standards for management and operations—State risk manager reports. (1) Every individual and joint health and welfare self-insurance program authorized to transact business in the state of Washington shall electronically submit the annual report to the state risk manager no later than one hundred fifty days following the completion of the program's fiscal year. Programs that terminate operations shall continue to submit annual reports until all claims have been paid.

(2) Joint self-insurance programs offering medical benefits shall electronically submit annual financial statements in the format prescribed by the state auditor's office. All individual and joint self-insurance programs shall electronically submit the revenue, expenses and other financial data on a form provided by the state risk manager.

(3) All individual and joint self-insurance programs providing medical benefits and maintaining reserves of less than sixteen weeks of program expenses shall submit a written actuarial estimate of outstanding program liabilities as of fiscal year ending.

(4) All individual and joint self-insurance programs shall submit electronically a list of contracted consultants with the annual report to the state risk manager.

(5) Joint self-insurance programs shall submit electronically the following additional information as part of the annual report to the state risk manager:

(a) Details of changes in articles of incorporation, bylaws or interlocal agreement;

(b) Details of ongoing significant services provided by contract to nonmembers;

(c) List of local government members added to or terminated from the program.

(6) All individual and joint self-insurance programs not meeting reserve requirements as of fiscal year ending as described in WAC 200-110-040 may be required by the state risk manager to submit quarterly reports until notified by the state risk manager that reserving standards have been met.

(7) Failure to provide required financial reports may result in corrective action by the state risk manager. Such actions may include:

(a) Increase in frequency of examinations;

(b) On-site monitoring by the state risk manager;

(c) Service of a cease and desist order upon the program.

WAC 200-110-140 Standards for operations—Program changes—Notification to the state risk manager. (1) All individual and joint self-insurance programs shall operate in the same form and manner stated in the program's original application approved by the state risk manager. Programs shall submit a written request and receive approval from the state risk manager prior to implementing the following proposed program changes:

(a) Any change in the terms of the interlocal agreement of a joint self-insurance program;

(b) Elimination or reduction of stop-loss insurance;

(c) Acceptance of any loans or lines of credit;

(d) Provision of services to nonmembers;

(e) Addition of members of other entity types than those included in original application approved by state risk manager.

(2) The following joint self-insurance program changes require written notification to the state risk manager prior to implementing the following changes:

(a) Initial contract with a third-party administrator, or change in third-party administrator;

(b) Any change to bylaws of a joint self-insurance program.

WAC 200-110-150 Standards for management and operations—Conflict of interest. (1) Every individual and joint self-insurance program shall require the third-party administrator and the broker of record to contract separately with the self-insurance program. Each contract between a self-insurance program and a broker or third-party administrator must include a statement that no conflict of interest exists prior to acceptance of the contract by the self-insurance program.

(2) All self-insurance programs shall meet the following standards regarding restrictions on the financial interests of the program administrators:

(a) No member of the board of directors; trustee; administrator, including a third-party administrator; or any other person having responsibility for the management or administration of a self-insurance program or the investment or other handling of the program's money shall:

(i) Receive directly or indirectly or be pecuniarily interested in any fee, commission, compensation, or emolument arising out of any transaction to which the program is or is expected to be a party except for salary or other similar compensation regularly fixed and allowed for because of services regularly rendered to the program.

(ii) Receive compensation as a consultant to the program while also acting as a member of the board of directors, trustee, third-party administrator, or as an employee.

(iii) Have any direct or indirect pecuniary interest in any loan or investment of the program.

(b) No consultant or legal counsel to the self-insurance program shall directly or indirectly receive or be pecuniarily interested in any commission or other compensation arising out of any contract or transaction between the self-insurance program and any insurer, health care service contractor, health care supply provider or consultant.

(c) Brokers of record for the self-insurance program may receive compensation for insurance transactions performed within the scope of their licenses. The terms of compensation shall be provided for by contract between the broker of record and the self-insurance program, and the amount or percentage of the compensation must be disclosed in the contract between the parties. Contracts between brokers of record and the self-insurance program shall include a provision that contingent commissions or other form of compensation not specified in the contract shall not be paid to the broker of record as a result of any self-insurance program insurance transactions.

(d) No third-party administrator shall serve as an officer or on the board of directors of a self-insurance program.


WAC 200-110-160 Standards for operations—State risk manager—Expense and operating cost fees. (1) The state risk manager shall fix state risk manager fees to cover expenses and operating costs of the state risk manager's office in administering chapter 48.62 RCW. Such fees shall be levied against each individual and joint health and welfare benefit self-insurance program regulated by chapter 48.62 RCW. Services covered by the state risk manager fees will include program reviews, monitoring and continuing oversight.

(2) The state risk manager fees shall be paid by each self-insurance program to the state of Washington, department of enterprise services, within sixty days of the date of invoice. Any self-insurance program failing to remit its fee when due is subject to denial of permission to operate or to a cease and desist order until the fee is paid.

(3) A self-insurance program that has voluntarily or involuntarily terminated shall continue to pay an administrative fee until such time as all liabilities for unpaid claims and claim adjustment expenses and all administrative responsibilities of the self-insurance program have been satisfied.

(4) The state risk manager shall assess each prospective joint health and welfare self-insurance program and each prospective individual health and welfare benefit self-insurance program, an initial investigation fee at a rate determined annually by the state risk manager.


WAC 200-110-170 Standards for operations—Appeals of fees. (1) A self-insurance program which disagrees with a fee for services issued to it by the state risk manager shall notify the state risk manager in writing within thirty days after receipt of the invoice. The writing shall include the self-insurance program's reasons for challenging the fee and any other information the self-insurance program deems pertinent.

(2) The state risk manager shall review any fee appealed by a self-insurance program, together with the reasons for the appeal. Within fourteen days of receipt of notification from the self-insurance program, the state risk manager shall respond in writing to the self-insurance program, either reaffirming the fee or modifying it, and stating the reasons for the decision.


WAC 200-110-180 Standards for operations—Appeals of cease and desist orders. Within ten days after an individual or joint self-insurance program covering health and welfare benefits has been served with a cease and desist order under RCW 48.62.091(3), the entity may request an administrative hearing. The hearing provided may be held in such a place as is designated by the state risk manager and shall be conducted in accordance with chapters 34.05 RCW and 10-08 WAC.


WAC 200-110-190 Standards for operations—Meetings. Every self-insurance program is subject to the requirements of the Open Public Meetings Act as described in chapter 42.30 RCW.


WAC 200-110-200 Standards for operation and management—Rules for joint self-insurance programs. The following rules apply exclusively to joint self-insurance programs. Individual programs shall be exempt from these requirements.


WAC 200-110-210 Standards for operation—Membership. Membership in a joint self-insurance program requires the execution of an interlocal agreement. Members of a joint self-insurance program shall receive benefits for claims covered by the program only as a result of their signature on the interlocal agreement. Only members may participate in risk-sharing. Only members may participate in the self-insured retention layer, and only members may participate in the joint purchase of insurance. Further, each member shall agree to the following:

(1) Each member shall pay assessments when required by the governing body of the program.

(2) Each member shall obtain approval to join the program from the governing body of the respective member. The approval shall be by resolution or ordinance of the governing body as appropriate for the entity type.

(3) Each member shall become a signatory to the interlocal agreement and subsequent amendments to the interlocal agreement of the joint self-insurance program.


WAC 200-110-220 Standards for operation—Providing services to nonmembers. (1) Nonmember local governments may purchase claims administration, risk management, claims processing and/or other ongoing significant support services through an interlocal agreement as authorized by chapter 39.34 RCW. Nonmembers shall not participate in any coverages of the joint self-insurance program including the self-insured retention layer and the excess insurance or reinsurance layer. This section is not intended to preclude nonmembers purchasing services from becoming members of the joint self-insurance program, provided the
WAC 200-110-230 Standards for operation—Communication with members—Annual membership report.

Every joint self-insurance program shall make available to each member a copy of the program's annual membership report. The annual membership report shall include, at a minimum, financial information which includes the statement of net position and statement of revenues and expenses. The reports shall be delivered to each member by electronic or regular mail. Programs may meet the delivery requirement by publishing and maintaining the membership report on the official web site of the program for a minimum of three years from the date of publication.


WAC 200-110-240 Standards for operation—Notice of regular meetings of the governing body. Every joint self-insurance program shall provide every member with a notice of the time and place of each regular meeting of the governing body at least ten days prior to the meeting. The notice shall be provided in electronic or paper form, and the time and location of each meeting shall be included in such notice. The state risk manager shall be provided a copy of all meeting notifications to members in the same form, manner and time as provided to members. In addition to electronic or regular mail, programs shall publish notification of regular meetings on the electronic web site of the program accessible to the public. Notice of regular meetings shall comply with the meeting notification requirements of chapter 42.30 RCW or be published at least ten days in advance of regular meetings, whichever notification time is greater.


WAC 200-110-250 Standards for operation—Special meetings—Notice to members. All joint self-insurance programs shall comply with the requirements of RCW 42.30.080 in providing notification of special meetings. In addition, programs shall provide notice by electronic mail to the state risk manager and every member of the joint self-insurance program twenty-four hours in advance of every special meeting.


WAC 200-110-260 Standards for operations—Meeting agendas—Meeting minutes. Every joint self-insurance program will provide the state risk manager and every member with a preliminary agenda in advance of each meeting of the governing body. The agenda shall be delivered by electronic mail and shall be posted on the web site of the program accessible to the public. Meeting minutes, after approval, shall be posted on the web site of the program accessible to the public.


WAC 200-110-270 Standards for operation—Notification of changes to bylaws or interlocal agreement. Every joint self-insurance program shall provide notification of the intent to change the bylaws or interlocal agreement to each member of the joint self-insurance program and the state risk manager by regular or electronic mail at least thirty days in advance of the meeting during which a vote on the proposed change will occur. Such notification shall include a copy of proposed changes.


WAC 200-110-280 Standards for operation—Changes to interlocal agreement. (1) Changes to any terms of the interlocal agreement shall be by amendment and shall be approved by the governing body of each joint self-insurance program during a regular meeting of the governing body.

(2) Amendments to the interlocal agreement shall be adopted by ordinance or resolution of the governing board or council of each member and signed by an authorized representative of each member. The resolution or ordinance shall include, but not be limited to, an acknowledgment that the member is subject to assessments and reassessments if required by the joint self-insurance program. The signed amendment and copy of the ordinance or resolution, as
appropriate, shall be submitted to, and retained by, the joint self-insurance program. Copies of the interlocal agreement and subsequent amendments shall be published on the electronic web site of the joint self-insurance program.

(3) Changes to any terms of the interlocal agreement shall require amendment using the approval and adoption process described above.

(4) Each new member joining a joint self-insurance program after the formation of the program shall sign a copy of the most current interlocal agreement and copies of all subsequent amendments to that agreement that have been adopted by the governing body of the joint self-insurance program. The joint self-insurance program shall retain the signed interlocal agreements and amendments until termination of the program occurs.

(5) When a new interlocal agreement is adopted by the governing body of the joint self-insurance program to replace the existing interlocal agreement and incorporate amendments, the new interlocal agreement shall be adopted by ordinance or resolution of each member of the joint self-insurance program. The new interlocal agreement shall be signed by an authorized representative of each member. The signed interlocal agreement and a copy of the ordinance or resolution adopting the program shall be submitted to, and retained by, the joint self-insurance program until termination of the program occurs.