

2012 -- S 2878

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

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

Introduced By: Senator Roger Picard

Date Introduced: April 12, 2012

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
22 chapter for the purpose of providing health care costs for members' employees, retirees,
23 and other beneficiaries shall participate in a group stop-loss policy provided by a licensed
24 insurance company.

25 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. Under the specific deductible stop-loss
28 coverage, the licensed insurance carrier will assume liability beyond the specific
29 deductible amount up to the limits of the policy. For the aggregate stop-loss coverage, the
30 licensed insurance carrier will assume all of the claims threshold: (1) Beyond one hundred
31 and twenty percent (120%) of the expected claims for the policy year, up to the limits of
32 the policy, or, if unavailable; (2) Beyond a percentage rate that is consistent with market
33 place standards for aggregate stop-loss insurance, but not to exceed one hundred and
34 twenty-five percent (125%) of expected claims for the policy year. In addition to stop-

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

7 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 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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