AMENDATORY SECTION (Amending WSR 11-23-093, filed 11/17/11, effective 11/17/11)

WAC 200-110-020 Definitions. (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)~~)) (11) "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)~~)) (12) "Individual self-insurance program" means a formal program established and maintained by a local government entity, with the exception of public school districts, 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)~~)) (13) "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)~~)) (14) "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)~~)) (15) "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)~~)) (16) "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)~~)) (17) "Program reserves" means moneys set aside to pay expenses of an individual or joint self-insurance program.

((~~(20)~~)) (18) "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)~~)) (19) "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)~~)) (20) "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)~~)) (21) "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)~~)) (22) "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)~~)) (23) "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)~~)) (24) "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.

AMENDATORY SECTION (Amending WSR 17-22-048, filed 10/25/17, effective 11/25/17)

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~~)) 16 weeks of program expenses. An aggregate stop-loss policy is recommended, but not required.

(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~~)) 60 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~~)) 30 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.

AMENDATORY SECTION (Amending WSR 17-22-048, filed 10/25/17, effective 11/25/17)

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~~)) 150 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~~)) 150 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 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.

AMENDATORY SECTION (Amending WSR 11-23-093, filed 11/17/11, effective 11/17/11)

WAC 200-110-120 Standards for claims management—Claims administration. (1)(a) All self-insurance programs shall have a written claims administration program which includes, as a minimum, claims filing procedures, internal financial control mechanisms, and claim and claim adjustment expense reports.

(b) All individual and joint health and welfare self-insurance programs shall have a written claim appeal procedure that contains, as a minimum, a time limit for filing an appeal, a time limit for response, and a provision for the second level of review.

(2) All self-insurance programs may perform claims administration services on their own behalf or may contract for claims administration services with a qualified third-party administrator, provided all of the specific requirements under subsection (1) of this section are included in the contract.

(3) All joint self-insurance programs shall maintain a financial system that identifies claim and claim adjustment expenses.

(4) All joint self-insurance programs shall maintain claim expense reports for all claims made against the joint self-insurance program and its members.

(5) All self-insurance programs offering medical coverage shall obtain a claims audit of claim reserving, adjusting and payment procedures every three years at a minimum. A claims audit shall be conducted by a qualified claims auditor not affiliated with the program, its broker of record, or its third-party administrator. Such review shall be in writing and identify strengths, areas of improvement, findings, conclusions and recommendations. Such review shall be provided to the governing body and retained for a period not less than six years. The scope of the claims audit shall include claims administration procedures listed in subsection (1) of this section. The claims audit may include other self-insured benefits offered to employees, but only self-insured employee medical programs are required to obtain an audit.

(6) The state risk manager may require more frequent claims audits for programs that, in the state risk manager's opinion, are not operationally or financially sound. Failure to obtain the requested independent claims audit when required may result in the procurement of such audit by the state risk manager on behalf of the program. Costs of these services shall be the responsibility of the self-insurance program.

AMENDATORY SECTION (Amending WSR 17-22-048, filed 10/25/17, effective 11/25/17)

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~~)) 150 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~~)) 16 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.

AMENDATORY SECTION (Amending WSR 11-23-093, filed 11/17/11, effective 11/17/11)

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)~~)) (c) Provision of services to nonmembers;

((~~(e)~~)) (d) 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.