



As required by

The Washington State Administrative Procedure Act

Chapter 34.05 RCW

## A CONCISE EXPLANATORY STATEMENT

Relating to adoption of changes to

Chapter 200-110 WAC

Local Government Self-Insurance Health and Welfare Program Requirements

August 17, 2022

# Table of Contents

<b>1. REASON FOR RULE ADOPTION .....</b>	<b>3</b>
<b>BACKGROUND .....</b>	<b>3</b>
<b>CONSIDERATION AND RESPONSE SUMMARY.....</b>	<b>3</b>
<b>2. DIFFERENCES BETWEEN PROPOSED AND ADOPTED RULE TEXT .....</b>	<b>4</b>
<b>3. COMMENT SUMMARY AND OUR CONSIDERATION OF THE COMMENTS .....</b>	<b>4</b>

# 1. Reason for rule adoption

## Background

State law under RCW 48.62.061 requires the state risk manager to put rules in place governing the management and operation of both individual and joint local government self-insured health and welfare benefits programs. The Office of the Code Reviser has codified these rules under 200- thru

WAC 200-110 requires revision in two areas:

1. Rulemaking authority.

EHB 2242 removed authority for school districts to operate health and welfare self-insurance programs which provide healthcare benefits for employees. Oversight of health insurance for school employees was placed under the oversight of the School Employees Benefit Board within the state Healthcare Authority. EHB 2242 also transferred rulemaking authority for self-insurance programs for health and welfare programs operated by public school districts from the state Office of Risk Management within the Department of Enterprise Services (DES) to the state Healthcare Authority.

These changes required a corresponding change to ch. 200-110 WAC making it clear that public school districts are not considered a local government entity for the purpose of establishing and maintaining individual self-insurance programs.

2. Solvency and independent audit requirements

Commercial insurance industry changes which have increased the cost of stop loss coverage for local government self-insurance programs have created unsustainable increases in this coverage. As a result, the Office of Risk Management has eliminated the requirement for stop loss coverage to provide additional flexibility for these programs. The current regulation needs to be amended to agree with recently changed standards and eliminate confusion.

## Consideration and response summary

DES invited the healthcare programs described above, the Washington State Auditor's Office (conducts financial audits of these programs), the Office of Insurance Commissioner (regulates commercial insurers that provide stop loss or excess coverages to these programs), and the public (includes local governments, employees and families who provide and receive healthcare coverage) to participate in this rulemaking.

In advance of filing proposed rules, DES developed a discussion rule draft as a starting point for discussion. No comments or feedback was received on the discussion draft. As a result, DES transitioned the discussion draft without changes into the proposed rules.

Enterprise Services filed proposed rules under WSR 22-08-100. Consistent with the comment process laid out under RCW 34.05.325, we sought public comments from April 6, 2022 through May 18, 2022. Enterprise Services

received no written comments during this time. A virtual public hearing was held on May 2, 2022. No oral comments were received at the public hearing.

This concise explanatory statement (CES) is to comments received as required by RCW 34.05.325 (6) (a)(iii) and (b).

The adopted rules comply with the legislative intent and authority granted us in state law under RCW 43.19.125 and RCW 46.08.150. A thorough review of the final adopted regulations, consistent with requirements under the Administrative Procedure Act 34.05.340 (2) (a) through (c), did not reveal any substantial differences from the proposed rules published in the Washington State Register (WSR) under WSR 20-01-174.

The adopted rules reflect DES's effort in seeking participation in the rulemaking process from a large diverse group of stakeholders.

## 2. Differences between proposed and adopted rule text

There are no changes between the proposed and adopted rule text.

## 3. Comment summary and our consideration of the comments

Enterprise Services received no comments.