

Title 82 WAC

FINANCIAL MANAGEMENT, OFFICE OF

(Formerly: Office of Program Planning and Fiscal Management)

Chapters

82-50	Pay dates for state employees.
82-65	Local government self-insurance health and welfare program requirements.

Chapter 82-50 WAC**PAY DATES FOR STATE EMPLOYEES****WAC**

82-50-021	Official lagged, semimonthly pay dates established.
-----------	-----------------------------------------------------

WAC 82-50-021 Official lagged, semimonthly pay dates established. Unless exempted otherwise under the provisions of WAC 82-50-031, the salaries of all state officers and employees are paid on a lagged, semimonthly basis for the official twice-a-month pay periods established in RCW 42.16.010(1). The following are the official lagged, semimonthly pay dates for calendar years 2010 and 2011:

CALENDAR YEAR 2010	CALENDAR YEAR 2011
Monday, January 11, 2010	Monday, January 10, 2011
Monday, January 25, 2010	Tuesday, January 25, 2011
Wednesday, February 10, 2010	Thursday, February 10, 2011
Thursday, February 25, 2010	Friday, February 25, 2011
Wednesday, March 10, 2010	Thursday, March 10, 2011
Thursday, March 25, 2010	Friday, March 25, 2011
Friday, April 9, 2010	Monday, April 11, 2011
Monday, April 26, 2010	Monday, April 25, 2011
Monday, May 10, 2010	Tuesday, May 10, 2011
Tuesday, May 25, 2010	Wednesday, May 25, 2011
Thursday, June 10, 2010	Friday, June 10, 2011
Friday, June 25, 2010	Friday, June 24, 2011
Friday, July 9, 2010	Monday, July 11, 2011
Monday, July 26, 2010	Monday, July 25, 2011
Tuesday, August 10, 2010	Wednesday, August 10, 2011
Wednesday, August 25, 2010	Thursday, August 25, 2011
Friday, September 10, 2010	Friday, September 9, 2011
Friday, September 24, 2010	Monday, September 26, 2011
Friday, October 8, 2010	Friday, October 7, 2011
Monday, October 25, 2010	Tuesday, October 25, 2011
Wednesday, November 10, 2010	Thursday, November 10, 2011
Wednesday, November 24, 2010	Wednesday, November 23, 2011
Friday, December 10, 2010	Friday, December 9, 2011
Thursday, December 23, 2010	Friday, December 23, 2011

[Statutory Authority: RCW 42.16.010(1) and 42.16.017. 10-10-011, § 82-50-021, filed 4/22/10, effective 5/23/10; 09-11-008, § 82-50-021, filed 5/7/09, effective 6/7/09; 08-09-038, § 82-50-021, filed 4/9/08, effective 5/10/08; 07-11-015, § 82-50-021, filed 5/3/07, effective 6/3/07; 06-11-053, § 82-50-021, filed 5/11/06, effective 6/11/06; 05-11-038, § 82-50-021, filed 5/11/05, effective 6/11/05; 04-15-006, § 82-50-021, filed 7/7/04, effective 8/7/04; 03-11-073, § 82-50-021, filed 5/20/03, effective 6/20/03; 02-13-087, § 82-50-021, filed 6/18/02, effective 7/19/02; 01-12-007, § 82-50-021, filed 5/24/01, effective 6/24/01; 00-09-088, § 82-50-021, filed 4/18/00, effective 5/19/00; 99-12-081, § 82-50-021, filed 5/28/99, effective 6/28/99; 98-14-079, § 82-50-021, filed 6/30/98, effective 6/30/98; 97-13-064, § 82-50-021, filed 6/17/97, effective 7/18/97; 96-15-039, § 82-50-021, filed 7/11/96, effective 8/11/96; 95-15-031, § 82-50-021, filed 7/11/95, effective 8/11/95; 94-13-097, § 82-50-021, filed 6/15/94, effective 7/16/94; 93-24-041, § 82-50-021, filed 11/23/93, effective 12/24/93; 92-20-038, § 82-50-021, filed 9/29/92, effective 10/30/92; 91-20-061 (Order 91-73), § 82-50-021, filed

9/24/91, effective 10/25/91; 90-17-017 (Order 90-72), § 82-50-021, filed 8/7/90, effective 9/7/90; 89-17-090 (Order 89-70), § 82-50-021, filed 8/22/89, effective 9/22/89; 89-03-063 (Order 89-67), § 82-50-021, filed 1/18/89; 88-16-027 (Order 88-66), § 82-50-021, filed 7/27/88; 87-16-060 (Order 87-65), § 82-50-021, filed 7/30/87; 86-17-001 (Order 86-63), § 82-50-021, filed 8/8/86; 85-16-014 (Order 85-62), § 82-50-021, filed 7/26/85; 84-14-046 (Order 84-61), § 82-50-021, filed 6/29/84; 83-17-118 (Order 83-59), § 82-50-021, filed 8/24/83.]

Chapter 82-65 WAC**LOCAL GOVERNMENT SELF-INSURANCE
HEALTH AND WELFARE PROGRAM
REQUIREMENTS****WAC**

82-65-010	Preamble and authority.
82-65-020	Definitions.
82-65-030	Standards for management and operation—Adoption of program.
82-65-040	Standards for solvency—Program funding requirements.
82-65-050	Nondiscrimination in contributions.
82-65-060	Standards for operations—Standards for management—Disclosures.
82-65-070	Standards for operations—Standards for management—Wellness programs.
82-65-080	Standards for operations—Standards for solvency—Termination provisions.
82-65-090	Standards for management—Standards for operations—Financial plans.
82-65-100	Standards for management—Standards for contracts—Third-party administrator contracts.
82-65-110	Standards for contracts—Competitive solicitation standards for consultant contracts.
82-65-120	Standards for claims management—Claims administration.
82-65-130	Standards for management and operations—State risk manager reports.
82-65-140	Standards for operations—Program changes—Notification to the state risk manager.
82-65-150	Standards for management and operations—Conflict of interest.
82-65-160	Standards for operations—State risk manager—Expense and operating cost fees.
82-65-170	Standards for operations—Appeals of fees.
82-65-180	Standards for operations—Appeals of cease and desist orders.
82-65-190	Standards for operations—Meetings.
82-65-200	Standards for operation and management—Rules for joint self-insurance programs.
82-65-210	Standards for operation—Membership.
82-65-220	Standards for operation—Providing services to non-members.
82-65-230	Standards for operation—Communication with members—Annual membership report.
82-65-240	Standards for operation—Notice of regular meetings of the governing body.
82-65-250	Standards for operation—Special meetings—Notice to members.
82-65-260	Standards for operations—Meeting agendas—Meeting minutes.
82-65-270	Standards for operation—Notification of changes to bylaws or interlocal agreement.
82-65-280	Standards for operation—Changes to interlocal agreement.

WAC 82-65-010 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-010, filed 6/28/10, effective 10/1/10.]

WAC 82-65-020 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) "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.

[Statutory Authority: RCW 48.62.061. 10-20-102, § 82-65-020, filed 10/1/10, effective 11/1/10.]

WAC 82-65-030 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-030, filed 6/28/10, effective 10/1/10.]

WAC 82-65-040 Standards for solvency—Program funding requirements. (1) All individual and joint health and welfare programs self-insuring medical benefits shall:

(a) Establish program reserves in an amount equal to eight weeks of program expenses;

(b) Maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred twenty-five percent of annual expected claim costs; and

(c) Establish by ordinance or resolution of the governing body, an additional contingency reserve in the following amounts:

(i) For joint programs, an amount equal to at least eight weeks of program expenses;

(ii) For individual programs, an amount equal to at least eight weeks of program expenses (recommended), or a different amount approved by the state risk manager in writing.

(2) In lieu of the requirements stated in WAC 82-65-040(1), all individual and joint health and welfare programs self-insuring medical benefits must obtain an independent actuarial study and fund to the actuarially determined program liability.

(3) All individual and joint health and welfare self-insurance programs providing either vision, dental or prescription drug benefit programs 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 established by the governing body is recommended, but not required.

(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.

[Statutory Authority: RCW 48.62.061. 10-20-102, § 82-65-040, filed 10/1/10, effective 11/1/10.]

WAC 82-65-050 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-050, filed 6/28/10, effective 10/1/10.]

WAC 82-65-060 Standards for operations—Standards for management—Disclosures. (1) All individual health and welfare self-insurance programs shall furnish each employee or retiree covered by the program with a written 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 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;

(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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-060, filed 6/28/10, effective 10/1/10.]

WAC 82-65-070 Standards for operations—Standards for management—Wellness programs. Health and welfare self-insurance programs may offer coverage for preventative care, wellness programs, and/or other cost containment measures.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-070, filed 6/28/10, effective 10/1/10.]

WAC 82-65-080 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-080, filed 6/28/10, effective 10/1/10.]

WAC 82-65-090 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) Individual self-insurance programs shall ensure the preparation and submission of accurate and timely annual financial reports to the state risk manager within one hundred fifty days of fiscal year end.

Joint self-insurance programs shall ensure the submission of unaudited financial statements as prescribed by the state auditor's office within one hundred fifty days of fiscal year end. Joint self-insurance programs shall ensure the submission of audited financial statements to the state risk manager 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-090, filed 6/28/10, effective 10/1/10.]

WAC 82-65-100 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 with 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.

[Statutory Authority: RCW 48.62.061. 10-20-102, § 82-65-100, filed 10/1/10, effective 11/1/10.]

WAC 82-65-110 Standards for contracts—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.

[Statutory Authority: RCW 48.62.061. 10-20-102, § 82-65-110, filed 10/1/10, effective 11/1/10.]

WAC 82-65-120 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.

(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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-120, filed 6/28/10, effective 10/1/10.]

WAC 82-65-130 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 shall electronically submit financial statements in the format prescribed by the state auditor's office. Individual 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 maintaining reserves of less than eight weeks of program expenses shall submit an actuarial study.

(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 described in WAC 82-65-040 shall submit quarterly reports in electronic form 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.

[Statutory Authority: RCW 48.62.061. 10-20-102, § 82-65-130, filed 10/1/10, effective 11/1/10.]

WAC 82-65-140 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-140, filed 6/28/10, effective 10/1/10.]

WAC 82-65-150 Standards for management and operations—Conflict of interest. (1) Every individual and joint self-insurance program shall require the third-party administrator, the actuary, and the broker of record to contract separately with the self-insurance program. Each contract shall require that a written statement be submitted to the

program on a form provided by the state risk manager providing assurance 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 writing. 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. The self-insurance program shall establish a contract provision which requires the broker provide to the program a written annual report on a form provided by the state risk manager which discloses the actual financial compensation received. The report shall include verification that no undisclosed commission was received as a result of any such insurance transaction made on behalf of the program.

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

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-150, filed 6/28/10, effective 10/1/10.]

WAC 82-65-160 Standards for operations—State risk manager—Expense and operating cost fees. (1) The state risk manager, with concurrence from the health and welfare advisory board, 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, office of financial management 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, with the concurrence of the advisory boards.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-160, filed 6/28/10, effective 10/1/10.]

WAC 82-65-170 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-170, filed 6/28/10, effective 10/1/10.]

WAC 82-65-180 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-180, filed 6/28/10, effective 10/1/10.]

WAC 82-65-190 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-190, filed 6/28/10, effective 10/1/10.]

WAC 82-65-200 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-200, filed 6/28/10, effective 10/1/10.]

WAC 82-65-210 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-210, filed 6/28/10, effective 10/1/10.]

WAC 82-65-220 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 nonmember meets the requirements of WAC 82-65-210 and is eligible for membership as authorized by RCW 48.62.021 (1). This section is not intended to limit programs from providing occasional risk management or other support services to nonmembers, but is intended to provide standards for members providing ongoing significant services to nonmembers.

(2) A program intending to provide ongoing significant services to nonmembers shall submit a written plan to the state risk manager for approval prior to providing services. The plan shall include, at a minimum, the services to be provided, the time frame for providing such services, the expected revenues and expenditures resulting from providing said services, and a written legal determination of all potential federal and state tax liabilities created by providing services to nonmembers. The arrangement to provide such services shall be approved in writing by the state risk manager within sixty days of the joint self-insurance program's final plan submission.

(3) Every joint self-insurance program providing ongoing significant services to nonmembers as of the effective date of these regulations must submit a written plan meeting the requirements stated herein.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-220, filed 6/28/10, effective 10/1/10.]

WAC 82-65-230 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 comparative balance sheet and statement of revenues, expenses and net assets. 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-230, filed 6/28/10, effective 10/1/10.]

WAC 82-65-240 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 delivered 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-240, filed 6/28/10, effective 10/1/10.]

WAC 82-65-250 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-250, filed 6/28/10, effective 10/1/10.]

WAC 82-65-260 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 provided to the state risk manager and every member of the

program by electronic mail and shall be posted on the web site of the program accessible to the public.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-260, filed 6/28/10, effective 10/1/10.]

WAC 82-65-270 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.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-270, filed 6/28/10, effective 10/1/10.]

WAC 82-65-280 Standards for operation—Changes to interlocal agreement. (1) Changes to any terms of the interlocal agreement shall be approved by a majority of the members, or by a greater majority if provided for in the bylaws or interlocal agreement of the joint self-insurance program. Changes to the interlocal agreement shall be approved during a regular meeting of the governing body or by mail-in ballot. If mail-in ballots are used, the ballots are to be secured and remain unopened until the next regular meeting of the governing body. The opening and counting of the ballots shall be conducted by the governing body of the joint self-insurance program during the next regular meeting and retained in compliance with public records retention laws. Each ballot shall be read orally as to the member name and vote, either in the affirmative or negative, and recorded in the meeting minutes.

(2) Amendments to the interlocal agreement shall be adopted by ordinance or resolution of the governing board or council of each member. The signed amendment and copy of the ordinance or resolution, as appropriate, shall be retained by the joint self-insurance program. 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) The addition of new members to a joint self-insurance program and/or the subscription of the interlocal agreement by said new members shall not be considered as amendments to the interlocal agreement.

[Statutory Authority: RCW 48.62.061. 10-14-034, § 82-65-280, filed 6/28/10, effective 10/1/10.]