

FINAL BILL REPORT

SB 5581

C 221 L 17
Synopsis as Enacted

Brief Description: Authorizing public hospital districts to participate in self-insurance risk pools with nonprofit hospitals.

Sponsors: Senators Angel and Mullet.

Senate Committee on Financial Institutions & Insurance
House Committee on Business & Financial Services

Background: Local government entities, nonprofit corporations, and affordable housing entities have the authority to self-insure against risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. Public health districts are local government entities that may participate in a joint self-insurance program with other local government entities.

Joint self-insurance risk pools may create and delegate powers to a separate legal or administrative entity, and obligate the pool's participants to pledge revenues or contribute money to secure the obligations or pay the expenses of the pool. Risk pools are authorized to sell revenue bonds and short-term obligations and establish lines of credit. Subject to specified conditions, entities in a risk pool may enter into joint self-insurance risk pools with similar entities from other states. The Risk Management Division within the Department of Enterprise Services is responsible for the regulation of these self-insurance pools.

In 2015, the authority for nonprofit corporations to join a self-insurance program was removed from the local government self-insurance program and placed in its own risk pool to clarify that nonprofit corporations and local government risk pools are separate.

Summary: A public benefit hospital entity may form or join a self-insurance program covering property and liability risks with one or more other public benefit hospital entities. A public benefit hospital entity may include a public hospital district or a nonprofit corporation that operates a hospital in Washington or another state. Qualifying nonprofit corporations that are eligible to participate in a joint self-insurance program are limited to those that operate a hospital licensed for 360 or fewer beds by the Department of Health.

The public benefit hospital self-insurance program is similar to the local government, affordable housing, and nonprofit self-insurance programs, but is governed by a new separate chapter. Under the new program, a separate legal entity may be formed as a nonprofit or

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

other entity under Washington law or another state's law. Entities must submit a plan and obtain approval from the State Risk Manager before creating a program. The State Risk Manager must establish and charge a fee for the initial review and approval of the program. The plan must include risks to be covered, funding, claim practices, proposed purchases of insurance or reinsurance, the legal form of the program, planned actuarial analysis, and an analysis of the feasibility of the self-insurance program. A public benefit hospital entity may also participate in a joint self-insurance program with entities from other states if it complies with certain specifications.

The State Risk Manager must either approve or disapprove the formation of the joint insurance program. The self-insurance program may contract for risk management and loss control services, contract for legal services, jointly purchase insurance and reinsurance coverage, obligate participants to contribute money to pay for the program, and possess other powers and duties to carry out the program. The State Risk Manager must adopt rules governing the management and operation of the joint self-insurance program. The rules must include standards that preclude public hospital districts or other public entities from subsidizing entities that are not public entities. The State Risk Manager may levy fines and serve cease and desist orders for program violations.

Votes on Final Passage:

Senate	46	1	
House	96	0	(House amended)
Senate	47	1	(Senate concurred)

Effective: July 23, 2017