

11/10/2014

RESOLUTION NO. [Resolution Number] **M-3841**

A RESOLUTION ESTABLISHING A JOINT SELF-INSURANCE HEALTH CARE  
BENEFIT PROGRAM

WHEREAS, the City of Vancouver (“City”) currently provides fully insured group health care benefit plans for its participating employees, their qualified dependents and qualified COBRA participants, and those of the Vancouver Housing Authority (“VHA”), a municipal corporation existing under the Constitution or laws of the State of Washington; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal Agreement under chapter 39.34 RCW, jointly self-insure health care benefit plans and programs by any one or more of certain specified methods; and

WHEREAS, self-insuring health care benefits offers several advantages including lower administrative costs than charged by commercial carriers, greater control over design of the benefits program, easier access to plan data, improved ability to evaluate health care benefit costs and implement cost containment measures, and avoidance of state insurance premium taxes as well as federal Health Reform fees; and

WHEREAS, it appears economically feasible and practical for the parties to do so; and

WHEREAS, the City Council of the City of Vancouver finds that establishing a self-insurance health care benefit program for City and VHA participating employees, their qualified dependents and other qualified individuals. (“Beneficiaries”) will serve to further the financial interests of the City; and

NOW, THEREFORE, THE CITY OF VANCOUVER RESOLVES AS FOLLOWS:

**RESOLUTION - 1**

1. The City Manager is hereby authorized to execute the necessary documents required to be submitted to the Washington State Auditor for a plan of management, operation and funding of a joint self-insurance health care benefits program in accordance with Chapter 48.62 RCW, an Interlocal Agreement and this Resolution.
2. The plan submitted for approval to the Washington State Office of Risk Management shall comply with all laws of the State of Washington, including but not limited to Chapter 48.62 RCW and Chapter 200-110 WAC.
3. The name of the program shall be “City of Vancouver Health Care Benefit Program” (hereinafter “Program”).
4. Establish a Governing Board as defined by the City of Vancouver Health Care Benefit Program Governing Board Bylaws.
5. By the authority of the Vancouver City Council, and with the assistance and cooperation of the Governing Board, as defined in the Bylaws and as referenced in the Interlocal Agreement, the person responsible for the management and operation of the Program shall be the City of Vancouver Human Resources Director, or designee.
6. The financial interests of all Program administrators, including but not limited to the members of the Governing Board and any third-party administrator, are subject to the conflict of interest provisions in WAC 200-110-150, specifically, no member of the Governing Board shall:
  - a. 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 City of Vancouver.

- b. Receive compensation as a consultant to the Program while also acting as a member of the Governing Board or as an employee of City of Vancouver.
  - c. Have any direct or indirect pecuniary interest in any loan or investment of the Program.
7. A separate fund, Health Care Self-Insurance Fund, will be established through the budget process to account for the employer and employee contributions for medical coverage, and such other employee benefit coverage the City self-insures through the Program.
  8. The City of Vancouver Treasurer, in accordance with her/his duties under Chapter 36.29 RCW, shall be the custodian of all Program moneys, and all assets of the Program shall be invested only in accordance with RCW 48.62.111.
  9. The City of Vancouver Finance Department shall ensure the preparation and submission of accurate and timely annual financial reports to the Program Manager for submission to the Washington State Office of Risk Management. The Program Manager shall submit such financial statements electronically and in the format prescribed by the state auditor's office.
  10. No interfund loans or transfers from assets held against liabilities for unpaid claims and claim adjustment expenses may be made from Program assets.
  11. The Program shall either:
    - a. Obtain an independent actuarial study and fund to the actuarially determined program liability, plus an additional contingency reserve covering eight (8) weeks of Program expenses; and

- b. Maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred and twenty-five percent (125%) of annual expected claim costs; or
  - c. Perform both of the following:
    - i. Establish and maintain reserves in an amount equal to eight (8) weeks of Program expenses plus an additional contingency reserve in an amount equal to at least eight (8) weeks of Program expenses; and
    - ii. Maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred and twenty-five percent (125%) of annual expected claim costs.
12. If the Program provides vision, dental or prescription drug benefits or any combination of such benefits separate from the medical plan, then the Program shall establish and maintain reserves in an amount not less than eight (8) weeks of expenses for each vision, dental or prescription drug benefits program offered, plus any additional contingency reserve recommended by the state risk manager.
13. The Program shall include mandated benefits that the state health care authority is required to provide under applicable state and federal laws.
14. The Governing Board or its designee may perform claims administration services or it may contract for claims administration services with a qualified third-party administrator.
15. Whether claims administration is performed by the Governing Board, its designee or a third-party administrator, the Program must include both:

- a. A written claims administration process which includes claims filing procedures, internal financial control mechanisms, and claim and claim adjustment expense reports; and
  - b. 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.
16. Contracts with consultants/brokers, including third-party administrators, stop-loss insurance providers, and actuaries, shall be separate contracts. All such contracts shall, as applicable:
- a. Utilize an equal and open competitive solicitation process for selection based on pre-established criteria;
  - b. Require a complete written description of the services to be provided, remuneration levels, contract period and expiration date;
  - c. Provide for the confidentiality of the Program's information, data and other intellectual property developed or shared during the course of the contract;
  - d. Provide for the Program's ownership of the information, data, and other intellectual property developed or shared during the course of the contract;
  - e. For third-party administrators, provide express authorization that representatives of the Program, the state auditor, the state risk manager, or their designees, may enter the third-party administrator's premises to inspect and audit the records and performance of the third-party administrator which pertain to the Program and may obtain such records electronically;

- f. Require compliance with all applicable local, state and federal laws, including but not limited to RCW 48.30.140, 48.30.150, 48.30.155, and 48.30.157;
- g. Establish a monitoring and acceptance procedure to determine compliance with third-party administrator contract requirements;
- h. Establish indemnification provisions and set forth insurance requirements between the parties;
- i. 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 Program; and
- j. Limit compensation to transactions performed within the scope of the broker license, and include the following:
  - i. A provision that contingent commissions or other forms of compensation not specified in the contract must not be paid to the broker of record as a result of any Program insurance transactions; and
  - ii. A provision which requires the broker to 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 must include verification that no undisclosed commission was received as a result of any such insurance transaction made on behalf of the Program.

17. The Governing Board will obtain an audit of claim reserving, adjusting, and payment procedures at least every three (3) years. The claims audit must be conducted by a qualified claims auditor not affiliated with the City or the Program, its broker/consultant of record, or its third-party administrator. The review must be in writing and identify

strengths, areas of improvement, findings, conclusions and recommendations. The review must be provided to the Governing Board and retained for a period of not less than six (6) years. The scope of the claims audit must include claims administration procedures listed in WAC 200-110-120(1).

18. Beneficiaries will be provided with written description of the benefits allowed under the Program. The written description shall include:

- a. All coverages or benefits currently provided by the program, including any 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 coverage, claim benefit or denial, membership, and other issues; and
- d. The method by which members pay assessments.

Absent exigent circumstances, benefits and procedures may not be amended without written notice to Beneficiaries at least thirty (30) days in advance of the effective date of the change.


19. The Human Resources Department will electronically submit an annual report to the state risk manager together with a list of contracted consultants, including but not limited to third-party administrators, actuaries, and brokers, within one hundred and fifty (150) days after the end of the Program's fiscal year. Upon termination of the Program, the Human Resources Department will continue to submit annual reports until all claims have been paid. Such annual report shall also include the following:

- a. Details of changes to the Bylaws or the Interlocal Agreement;
- b. Details of ongoing significant services provided by contract to nonmembers; and

- c. A list of local government agencies added to or terminated from membership in the Program.
20. Certain Program changes may require prior notice and approval in accordance with WAC 200-110-140.
21. Upon approval of the City of Vancouver's Self-Insurance Health Care Benefit Program by the state risk manager, the Program will become effective on January 1, 2015.
22. Prior to termination of the program, the Program Manager shall, with the assistance and cooperation of the Governing Board, ensure that adequate reserves exist or stop-loss insurance is in effect, or both, to settle liabilities for unpaid claims and claim adjustment expenses.
23. As applicable, actions for damages arising from the tortious conduct of the City of Vancouver or its officers, employees, or volunteers shall be filed in accordance with Chapter 4.96 RCW, and RCW 4.28.080.
24. This Resolution shall be liberally construed to achieve its intended purposes. No provision herein is intended to contravene or limit any provision in the Revised Code of Washington. If any provision herein or application to any person or circumstance is held invalid, the remainder of this Resolution or the application of the provision to other persons or circumstances is not affected.


DATED this 10th, of November, 2014.





Timothy D. Leavitt, Mayor

Attest:



R. Lloyd Tyler, City Clerk  
By: Carrie Lewellen, Deputy City Clerk

Approved as to form:



E. Bronson Potter, City Attorney