



CO00002581

SNOHOMISH COUNTY COUNCIL  
SNOHOMISH COUNTY, WASHINGTON

EMERGENCY ORDINANCE NO. 01-*025*

ESTABLISHING A PROGRAM FOR SELF – INSURANCE FOR EMPLOYEE  
HEALTH BENEFITS; AMENDING CHAPTER 4.42 SNOHOMISH COUNTY CODE;  
DECLARING AN EMERGENCY

WHEREAS, on January 31, 2001, the Snohomish County Council passed Motion No. 01-039, directing the County Executive, through the Departments of Finance and Human Resources to establish a program to self-insure employee health benefits, including the preparation of an ordinance to establish the program; and

WHEREAS, on February 20, 2001, the State of Washington's Office of Risk Management approved the County's application for an employee health benefit self insurance program as required by Chapter 48.62 RCW.

NOW, THEREFORE, BE IT ORDAINED:

New Section. Section 1. A new section 4.42.200 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.200 Self-insurance – program established.**

There is hereby established a self-insurance program to fund certain employee medical and vision benefits. This program shall be administered in accordance with WAC sections 236-22-010 through 236-22-070. This program will fund those employee medical and vision benefits plans and revisions thereto recommended by the department of human resources and approved by the county council by motion. Medical and vision benefits for retirees may be included in this program, pursuant to RCW 41.04.235 and 41.05.080. Medical and vision benefits for employees of other units of local government may be included in this program through interlocal agreements approved pursuant to chapter 39.34 RCW.

New Section. Section 2. A new section 4.42.210 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.210 Self-insurance - financial structure and funding mechanism.**

The financial activities of the self-insurance program will be administered through the employee benefit plan and trust fund, as established by and pursuant to this chapter. Existing and available assets within the employee benefit plan and trust fund and other sources will be used to fund this program, as provided in SCC 4.42.050.

New Section. Section 3. A new section 4.42.220 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.220 Self-insurance - program financial management policies**

The department of finance shall be responsible for the financial management of the self-insurance program. The department of finance is hereby directed to use the following guidelines in its financial administration of this program:

- (1) Contract with a third party administrator where appropriate for management of the self-insurance program;
- (2) Contract for expert insurance advice in assessing alternative self-insurance strategies;
- (3) Use full accrual in accounting for the self-insurance program including accounting for incurred but not reported (IBNR) claims as a liability;
- (4) Pursue the development of a fund balance in the fund equal to two months of claim liabilities. This fund balance will serve as a contingency reserve for the self-insurance program;
- (5) Adjust financing through premiums or other funding mechanisms for this program as needed to ensure that the program remains actuarially sufficient and able to meet its financial obligations as they become due.
- (6) Develop a schedule of appropriate claims audits and benefit reviews in conjunction with the county's insurance advisor;
- (7) Invest the assets of the program pursuant to SCC 4.42.080.
- (8) No financial plan of this 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 liabilities for unpaid claim and claim adjustment expenses.

New Section. Section 4. A new section 4.42.230 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.230 Self-insurance - administrator.**

The director of human resources shall be the administrator of the non-financial aspects of the self-insurance program. The human resources department's duties include:

- (1) Implementation of approved benefits plan designs;
- (2) Management of the enrollment of qualified personnel into the benefits plans;
- (3) Communication of benefits plans, plan eligibility and plan changes to participants;
- (4) Coordination of the provision of enrollee-related data and changes to the third party administrator and health plan providers.
- (5) Development of a plan for establishing mechanisms for receiving input regarding the structure of the program.

New Section. Section 5. A new section 4.42.240 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.240 Self-insurance - third party administrator.**

(1) The county may contract with a third party administrator, in accordance with the standards and procedures set forth in subsections (2) and (3), to handle the claims administration process as defined in WAC 236-22-050.

(2) The director of finance shall select a third party administrator utilizing the following competitive selection process, except as provided in subsection (4).

(a) In advance of any negotiation on any contract for third party administrator services, the finance department shall publish an announcement stating concisely the general scope and nature of the services which are required and the address of the finance department to which inquiries for further details can be directed.

(b) Prior to award of a contract with a third party administrator, the finance department shall solicit and evaluate statements of qualifications and performance data submitted by potential contractors regarding the proposed contract.

(c) The finance department shall select from the interested potential contractors, the potential contractor deemed most highly qualified to provide the services required for the proposed contract.

(d) The finance department shall then attempt to negotiate the terms of a contract with the most qualified potential contractor at a price which the finance department determines is fair and reasonable. In making its determination, the finance department shall take into account the estimated value of the services to be rendered as well as the scope, complexity, and professional nature thereof.

(e) If the finance department is unable to negotiate a satisfactory contract with a potential contractor selected at a price the finance department determines to be fair and reasonable, negotiations with that potential contractor shall be formally terminated and the finance department shall select other potential contractors in accordance with (b) and (c) of this subsection and continue in accordance with this subsection until an agreement is reached or the process is terminated.

(f) After negotiating the terms of a contract acceptable to the finance department with a potential contractor selected as provided above, the finance department shall refer the contract to the executive together with a record of the negotiations conducted with any other potential contractor. The executive may then approve or reject the contract or refer it back to the finance department for further negotiations or for any other reason. An approved contract shall be signed by the executive.

(3) Any contract with a third party administrator shall:

(a) Include, among other provisions, a written description of the services to be provided, the remuneration levels to be paid the administrator and the contract period;

(b) Provide for the confidentiality and ownership of the information, data and other intellectual property developed or shared during the course the contract;

(c) Provide for the expressed authorization of the county 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 self-insurance program; and

(d) Require that the third party administrator comply with all applicable local, state and federal laws.

(4) Compliance with the competitive selection process of subsection (2) is not required if the council, by motion, authorizes the director of finance to obtain a waiver of the requirement to utilize a competitive selection process from the state risk manager pursuant to WAC 236-22-070.

New Section. Section 6. A new section 4.42.250 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.250 Self-insurance - claims administration.**

Claims shall be filed in accordance with the terms of those employee health benefit plans approved by the county council pursuant to SCC 4.42.200 for inclusion in the self-insurance program. The processing of claims will be managed by the third party administrator subject to terms and conditions of the county's administrative services contract. The third party administrator will process and pay claims subject to the provisions of each employee health benefit plan included in the self-insurance program, ensuring that the claims paid do not exceed the maximum benefits payable for each medical service rendered and that claims submitted for ineligible medical services are not honored for payment. The third party administrator will provide claims and claims adjustment expense reports to the County in compliance with terms and conditions of the administrative services contract.

New Section. Section 7. A new section 4.42.260 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.260 Self-insurance - appeal procedures.**

For each employee medical or vision benefit plan included in the self-insurance program, the director of finance shall prepare and obtain written confirmation by the state risk manager of its compliance with WAC 236-22-050(1)(b), a written claim appeal procedure which contains, at a minimum, a time limit for filing an appeal of a claim determination, a time limit for a response to the appeal by the claims administrator and a provision for a second level of review of the appeal. Subject to confirmation of compliance with WAC 236-22-050(1)(b) by the state risk manager, a claim appeal procedure may be modified from time to time to conform to the current provisions of an employee medical or vision benefit plan.

New Section. Section 8. A new section 4.42.270 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.270 Self-insurance - risk management.**

To protect the county from catastrophic financial loss, the department of finance is directed to procure stop loss insurance, with terms and limits to be determined in

consultation with the third party administrator, plan carriers, benefits consultant and/or any other risk management specialist

New Section. Section 9. A new section 4.42.280 is added to Chapter 4.42 Snohomish County Code as follows:

**4.42.280 Self-insurance - termination.**

Upon termination of this program, assets of the program will be reserved to settle all its liabilities for unpaid claims and claims adjustment expenses. Any excess assets after settlement of all liabilities of the program will remain in the fund, to be used exclusively for employee benefit related programs of the county. If liabilities of the program exceed the assets of the program, net liabilities will be settled by charging all affected county funds a prorated share of the net liabilities based on the number of full time equivalent (FTEs) employees paid under those county funds at the date of termination.

Section 10. Sunset. This ordinance is repealed on March 28, 2007 unless reenacted prior to that date, as provided in Snohomish County Charter § 2.115.

Section 11. Emergency declared. The council finds as a fact that due to need to maintain quality health benefit plans for County employees to maintain current County operations, this ordinance is necessary for the support of the county government and its existing public institutions. Based upon the foregoing findings, the council declares that an emergency exists and this ordinance shall be effective immediately.

PASSED this 28<sup>th</sup> day of March, 2001

ATTEST:

SNOHOMISH COUNTY COUNCIL  
Snohomish County, Washington

Barbara Sikorsti  
Clerk of the Council, Asst.

Don Sam  
Chairperson

- APPROVED
- EMERGENCY
- VETOED

DATE: 3/29/01

ATTEST:

Amelia S. Sandoz

Michael [Signature]  
County Executive

Approved as to form only:

God W. [Signature] 3/22/01  
Deputy Prosecuting Attorney

PUBLISH \_\_\_\_\_ AND \_\_\_\_\_