



**SB 5581: Allow public hospital districts to participate in self-insurance risk pools with other hospitals**

## Level the Playing Field for Liability Insurance Coverage

For years, organizations have used self-insurance to better manage risk and ensure price stability over traditional insurance. One way organizations achieve self-insurance is through liability risk pools. Under current state law, public hospital districts and other government-owned hospitals cannot participate in risk pools with non-governmental hospitals, despite sharing similar risk. The Washington State Hospital Association supports creating a new chapter of law to allow public and non-public hospitals to jointly participate in self-insurance liability pools.

### Creating space for hospital risk pools

Recently, hospitals explored the creation of a self-insured risk pool to control costs and stabilize insurance premiums. Self-insurance provides the potential for savings and price stability over traditional insurance with the support of management, implementation of loss controls, training and educational programs, and effective claims management.

Until the 2016 session, both public hospital districts and non-governmental hospitals had the option of jointly participating in the state's risk pool program. This changed in 2016 with the passage of Senate Bill 5119, which prohibits local governments from participating in self-insured risk pools with non-governmental organizations.

SB 5119 addressed concerns that governmental organizations could be held financially responsible for non-governmental organizations' liabilities if the shared risk pool was underfunded or one of the non-governmental members went out of business.

The legislature should maintain the safeguards put in place by SB 5119, while also allowing health care organizations with similar liability risks to gain the economies of scale of self-insurance through risk pool participation. Other industries have followed a similar path successfully.



**Health care organizations face similar risks. Allowing them to self-insure through risk pools increases efficiencies and leads to better risk management.**

The proposed legislation creates a separate chapter of law and is modeled on the process used in addressing the needs of affordable housing stakeholders in 48.64 RCW. By putting the legislation into a separate chapter, the needs of the hospital risk pool can be specifically addressed, while also ensuring that the State Risk Manager and the Local Government Self-Insurance Program have sufficient tools to ensure hospital risk pools are financially and operationally sound.

### WSHA position

Health care organizations should be allowed to participate in risk pools regardless of their ownership. Other industries have successfully formed risk pools that share risk among governmental and non-governmental organizations with appropriate oversight from the State Risk Manager. The legislature should support authorization of a health care pool modeled on the success of affordable housing organizations.