

Arizona

Arizona Department of Insurance
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Summary of Important Regulations

MEWA Regulations	No
TPA Regulations	Yes ¹
Stop-Loss Regulations	No
UR Regulations	Yes

NAIC Model Laws or Regulations

<u>Name of Model Law/Regulation</u>	<u>Model/Similar</u>	<u>Related</u>
Health Insurance Reserves Model Regulation	None	None
Comprehensive Health Ins. Cost Containment Model Net	None	None
Standardized Health Claims Form Model Regulation	None	None
Small Employer Health Ins. Availability Model Law	None	Ariz. Rev. Stat. Ann. §§ 20.2301 to 20-2352
Model Regulation To Eliminate Unfair Sex Discrimination	Ariz. Admin. Comp. R20-6-209	None
Health Information Privacy Model Law	None	None
Preferred Provider Arrangements Model Law	None	None
Utilization Review Model Law	None	None
Managed Care Plan Network Adequacy Model Law	None	None
Third Party Administrator Law	Ariz. Rev. Stat. Ann.	None

Health Examination Benefits Availability Law	§ 20-1342, § 20-1402, § 20-826 None	None
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NAIC Model Laws or Regulations

<u>Name of Model Law/Regulation</u>	<u>Model/Similar</u>	<u>Related</u>
Accident and Sickness Insurance Minimum Standards Model Law	None	None
Agents and Brokers Licensing Stat. Ann. Model Law	None	Ariz. Rev. §§ 20-281 to 20-318
MEWA Licensing Model Law	None	Circular Letter 92-5
Managing General Agents Law	Ariz. Rev. Stat. Ann. §§ 20-284 to 20-301.01	None
Health Maintenance Organization Model Law	None	Ariz. Rev. Stat. Ann. §§ 20-1051 to 20-1069
Insurance Information and Privacy Protection Law	Ariz. Rev. Stat. Ann. §§ 20-2101 to 20-2120	None
Unfair Trade Practices Law	Ariz. Rev. Stat. Ann. §§ 20-441 to 20-461	None
Model Regulation on Unfair Discrimination in Life and Health Insurance on the Basics of Physical or Mental Impairment	None	Ariz. Admin. Comp. R20-6-213
Model Regulation on Unfair Discrimination in Life and Health Insurance on the Basics of	Ariz. Admin. Comp. R20-6-213	None

Total or Partial Blindness

NAIC Model Laws or Regulations

<u>Name of Model Law/Regulation</u>	<u>Model/Similar</u>	<u>Related</u>
Unfair Discrimination against Subjects of Domestic Abuse in Health Benefit Plans Model Law	None	Ariz. Rev. Stat. Ann. § 20-448
Unfair Claims Settlement Practices Law	Ariz. Rev. Stat. Ann. § 20-461	None
Improper Termination Practices Law	None	None
Employee Leasing Registration Model Law	None	None
Private Employer Workers' Compensation Group Self- Insurance Model Law	None	Ariz. Rev. Stat. Ann. § 23-961.01
Public Employee Workers' Compensation Group Self- Insurance Model Law	None	Ariz. Rev. Stat. § 11-952.01; §§ 41-621 to 41-622
Twenty Four Hour Coverage Pilot Project Model Law	None	None

State-Mandates

Benefits That Must Be Covered

- Ambulatory surgery
- Breast reconstruction
- Diabetic supplies, education
- Emergency services
- Home health care
- Mammography screening
- Minimum maternity stays

Benefits That Must Be Offered

None

Persons Who Must Be Allowed Coverage

- Adopted children
- Conversion to non-group
- Handicapped dependents
- Newborns

Providers Who Must Be Covered

- Chiropractors
- Dentists
- Nurses
- Nurses (Anesthetists)
- Nurse Midwives
- Nurse Practitioners
- Optometrists
- Podiatrists
- Psychologists

Coordination of Benefits

- Birthday Rule? Yes
- Divorced/Separated Rule? Yes
- Joint Custody Rule? No
- Longer v. Shorter Rule? Yes

- Managed Care Rule? Yes
- COBRA Rule? No
- Preservation Rule? Yes

Continuation or Conversion

Continuation for the deceased, separated, or divorced spouse (and the dependent children) is required. Also, a conversion privilege is required.

Patient's Bill of Rights Legislation

Yes - recoupment only; no damages

High Risk Health Pool

No

External Grievance System

Yes

Basis of Filing Grievance

Any denial

Status of Decision of Grievance Parol

Binding

Prompt Payment of Health Claim Requirement

Yes - 30 days for clean claims

Commentary

- Cancer clinical trials must be covered.
- Individual health plans cannot impose preexisting condition exclusions on newborns if they are covered within 31 days of birth.
- Medical foods used to treat inherited metabolic disorders must be covered if the plan also provides prescription drug coverage.
- Surgical services covered must be by the terms of a contract, regardless of the place of service.
- Diagnostic services performed by a physician outside of a hospital in lieu of inpatient service must be covered if in-patient service would have been covered.
- Services performed in a hospital's outpatient department or freestanding surgical facility must be covered if such services would have been covered if performed as inpatient services.
- Mammography screening for diagnostic purposes on referral by the covered individual's physician must be covered; where coverage is provided for surgical services for mastectomy, including a baseline mammogram for a woman from ages 35 to 39, a mammogram every two years or more frequently, based on the recommendation of her physician for a woman 40 to 49 years of age, and one mammogram every year for a woman 50 years of age and over.
- Incidental coverage for breast reconstructive surgery and at least two external postoperative prostheses, where the surgical expense of a mastectomy is covered, subject to the terms and conditions of the policy must be covered.

- Group disability insurance contracts are not required to reimburse for ophthalmic materials, lenses, spectacles, eyeglasses, or appurtenances.
- Arizona prohibits AIDS-related questioning by insurance of applicants. Insurers, however, would be allowed to consider positive AIDS-virus test results when deciding whether to provide coverage. Also under the rule, coverage that includes prescription drugs would have to include AIDS drugs. The treatment of AIDS could not be excluded from coverage. The proposal would apply to life and disability insurance policies and health care plans.
- Arizona prohibits a party in actions for divorce, legal separation or annulment from removing the other party or the children of the parties from any existing insurance coverage, including medical, hospital and dental insurance and requires both parties to maintain all insurance coverage in full force and effect.
- Arizona law requires health plan contracts that provide coverage for diabetes to maintain coverage for equipment and supplies for self-management of diabetes as well.
- Arizona requires revised utilization review procedures for health care insurers, including the addition of notice requirement. Under the new rule, three business days after receiving a notice of decision from an independent reviewer, a health plan's agent must provide notice to the health care insurer, the member's treating provider.

MEWA Regulation

Arizona relies on its statute which claims jurisdiction over any plan unless it can be shown to be ERISA exempt.² In reliance thereon, the state of Arizona will be able to effectively exercise jurisdiction over the MEWA. The state also has a statute which prohibits unauthorized insurers from operating in the state.³ This statute is similar to those of other states. MEWA is an unauthorized insurer, so its activities may be stopped accordingly, with civil penalties of up to \$750 per violation or up to four months in prison.

The solicitation or sale of unauthorized MEWAs can subject TPAs to severe consequences, including suspension or revocation of their license. The reminder was issued by the Department of Labor in conjunction with the Arizona Department of Insurance in its Joint State/Federal Statement on Regulations of MEWAs.⁴ It is the *duty* of every licensed agent and TPA to represent only insurers which have legal authority to do business in Arizona.

TPA Regulations

Arizona adopted an administration law in 1977.⁵ Arizona makes it a criminal penalty to violate the subject law; the model law provides only revocation as a penalty.

- Taxes and fees -- initial and annual registration fee of under \$100.
- Forms -- registration applications for TPA firms and individuals, state-favored TPA bond.
- Records -- five-year retention.
- Bond -- surety bond, cash, or securities in amount of 10% of funds handled, not less than \$5,000, and a maximum \$500,000.
- Items filed -- TPA's articles of incorporation, any TPA/insurer administration agreements, certified financials; fingerprinting is required.

Certain arrangements are prohibited.

- TPA may not own any shares of any insurer or agency or have any financial interest therein.
- TPA may not receive an insurance commission on any transaction.

The commissioner can revoke or suspend the TPA's certificate for violations or for being incompetent, untrustworthy, financially irresponsible or of poor reputation; also, another state's license revocation is grounds for suspension. Fines in the \$1,000 to \$10,000 range are possible.

Arizona does not specifically waive its TPA statute for ERISA plans; nor does it provide reciprocity with the TPA's home state or *de minimis* relief where extraterritorial issues may arise.

Stop-Loss Regulation

None. Stop-loss agreements must be filed with the state for approval.

Utilization Review Regulations

Agency Responsible ⁶	Dept. of Insurance
Requirements	Registration-Certification
Exemptions	Provider internal reviews
Waivers	URAC/NCQA companies exempt

Miscellaneous

State Premium Taxes

All insurers pay 2%. HMOS pay 2%, with such percent being assessed against net charges.⁷

Small Group Reform⁸

Groups of fewer than 25 employees may be issued policy with specified levels of care. Exempt from most mandated benefits, providers, and health services laws.

MSA Legislation⁹

Who May Establish	Individuals or employers
Tax Treatment	Not taxable to participant so long as not deductible by employer
Deductible	Not specified
Max. Annual Deductible	\$2,000 Ind.; \$1,000 each Dependent, not to exceed \$3,000
Non-Med Withdrawals	End of Calendar year as income; otherwise, a 10% penalty
Eligible Expenses	Tracks IRC § 213(d)

Managed Care

Arizona requires standards and criteria for any quality assurance program to be available in writing to

the licensed professionals subject to them.

Miscellaneous

An Arizona attorney general's opinion¹⁰ addressed the legal status for funding purposes, of the Arizona statute which authorized counties to self-fund medical plans.

Minimum *barebones* policies are not permitted to be delivered in Arizona.¹¹

Endnotes

¹ Ariz. Rev. Stat. Ann. §§ 485-20.01 to 485-20.12.

² Ariz. Rev. Stat. Ann. § 20-115.

³ Ariz. Rev. Stat. Ann. § 20-402.

⁴ Ariz. Ins. Dept. Circular Letter 92-5 (1992).

⁵ See N. 1.

⁶ Ariz. Rev. Stat. Ann. §§ 20-2301 *et seq.*

⁷ Ariz. Rev. Stat. Ann. § 20-485.01 *et seq.*

⁸ Ariz. Rev. Stat. Ann. §§ 20-1098.01 to 20-1058.06.

⁹ Ariz. Rev. Stat. Ann §§ 43-1028.

¹⁰ Ariz. Ins. Dept. Opinion 78-15.

¹¹ Ariz. Rev. Stat. Ann. § 11-261(c).