

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HOUSE BILL 2598

AN ACT

AMENDING SECTION 20-1404, ARIZONA REVISED STATUTES; RELATING TO BLANKET
DISABILITY INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 20-1404, Arizona Revised Statutes, is amended to
3 read:
4 20-1404. Blanket disability insurance; definitions
5 A. Blanket disability insurance is that form of disability insurance
6 covering special groups of persons as enumerated in one of the following
7 paragraphs:
8 1. Under a policy or contract issued to any common carrier **OR TO ANY**
9 **OPERATOR, OWNER OR LESSEE OF A MEANS OF TRANSPORTATION**, which shall be deemed
10 the policyholder, covering a group defined as all persons who may become
11 passengers on such common carrier **OR MEANS OF TRANSPORTATION**.
12 2. Under a policy or contract issued to an employer, who shall be
13 deemed the policyholder, covering all employees or any group of employees
14 defined by reference to ~~exceptional~~ hazards incident to ~~such employment~~ **AN**
15 **ACTIVITY OR ACTIVITIES OR OPERATIONS OF THE POLICYHOLDER**. Dependents of the
16 employees and guests of the employer **OR EMPLOYEES** may also be included where
17 exposed to the same hazards.
18 3. Under a policy or contract issued to a college, school or other
19 institution of learning or to the head or principal thereof, who or which
20 shall be deemed the policyholder, covering students, ~~or~~ teachers, **EMPLOYEES**
21 **OR VOLUNTEERS**.
22 4. Under a policy or contract issued in the name of any volunteer fire
23 department or **ANY** first aid, **CIVIL DEFENSE** or other such volunteer group, or
24 agency having jurisdiction thereof, which shall be deemed the policyholder,
25 covering all **OR ANY GROUP** of the members, **PARTICIPANTS OR VOLUNTEERS** of such
26 fire department **OR FIRST AID, CIVIL DEFENSE** or **OTHER** group.
27 5. Under a policy or contract issued to a creditor, who shall be
28 deemed the policyholder, to insure debtors of the creditor.
29 6. Under a policy or contract issued to a sports team or to a camp or
30 sponsor thereof, which team or camp or sponsor thereof shall be deemed the
31 policyholder, covering members, ~~or~~ campers, **EMPLOYEES, OFFICIALS, SUPERVISORS**
32 **OR VOLUNTEERS**.
33 7. **UNDER A POLICY OR CONTRACT ISSUED TO AN INCORPORATED OR**
34 **UNINCORPORATED RELIGIOUS, CHARITABLE, RECREATIONAL, EDUCATIONAL OR CIVIC**
35 **ORGANIZATION, OR BRANCH THEREOF, WHICH ORGANIZATION SHALL BE DEEMED THE**
36 **POLICYHOLDER, COVERING ANY GROUP OF MEMBERS, PARTICIPANTS OR VOLUNTEERS**
37 **DEFINED BY REFERENCE TO HAZARDS INCIDENT TO AN ACTIVITY OR ACTIVITIES OR**
38 **OPERATIONS SPONSORED OR SUPERVISED BY OR ON THE PREMISES OF THE POLICYHOLDER.**
39 8. **UNDER A POLICY OR CONTRACT ISSUED TO A NEWSPAPER OR OTHER**
40 **PUBLISHER, WHICH SHALL BE DEEMED THE POLICYHOLDER, COVERING ITS CARRIERS.**
41 9. **UNDER A POLICY OR CONTRACT ISSUED TO A RESTAURANT, HOTEL, MOTEL,**
42 **RESORT, INNKEEPER OR OTHER GROUP WITH A HIGH DEGREE OF POTENTIAL CUSTOMER**
43 **LIABILITY, WHICH SHALL BE DEEMED THE POLICYHOLDER, COVERING PATRONS OR**
44 **GUESTS.**

1 10. UNDER A POLICY OR CONTRACT ISSUED TO A HEALTH CARE PROVIDER OR
2 OTHER ARRANGER OF HEALTH SERVICES, WHICH SHALL BE DEEMED THE POLICYHOLDER,
3 COVERING PATIENTS, DONORS OR SURROGATES PROVIDED THAT THE COVERAGE IS NOT
4 MADE A CONDITION OF RECEIVING CARE.

5 11. UNDER A POLICY OR CONTRACT ISSUED TO A BANK, FINANCIAL VENDOR OR
6 OTHER FINANCIAL INSTITUTION, OR TO A PARENT HOLDING COMPANY OR TO THE
7 TRUSTEE, TRUSTEES OR AGENT DESIGNATED BY ONE OR MORE BANKS, FINANCIAL VENDORS
8 OR OTHER FINANCIAL INSTITUTIONS, WHICH SHALL BE DEEMED THE POLICYHOLDER,
9 COVERING ACCOUNT HOLDERS, DEBTORS, GUARANTORS OR PURCHASERS.

10 12. UNDER A POLICY OR CONTRACT ISSUED TO AN INCORPORATED OR
11 UNINCORPORATED ASSOCIATION OF PERSONS HAVING A COMMON INTEREST OR CALLING,
12 WHICH ASSOCIATION SHALL BE DEEMED THE POLICYHOLDER, FORMED FOR PURPOSES OTHER
13 THAN OBTAINING INSURANCE, COVERING MEMBERS OF SUCH ASSOCIATION.

14 13. UNDER A POLICY OR CONTRACT ISSUED TO A TRAVEL AGENCY OR OTHER
15 ORGANIZATION THAT PROVIDES TRAVEL RELATED SERVICES, WHICH AGENCY OR
16 ORGANIZATION SHALL BE DEEMED THE POLICYHOLDER, TO COVER ALL PERSONS FOR WHOM
17 TRAVEL-RELATED SERVICES ARE PROVIDED.

18 ~~7.~~ 14. Under a policy or contract that is issued to any other
19 substantially similar group and that, in the discretion of the director, may
20 be subject to the issuance of a blanket disability policy or contract. THE
21 DIRECTOR MAY EXERCISE DISCRETION ON AN INDIVIDUAL RISK BASIS OR CLASS OF
22 RISKS, OR BOTH.

23 B. An individual application need not be required from a person
24 covered under a blanket disability policy or contract, nor shall it be
25 necessary for the insurer to furnish each person with a certificate.

26 C. All benefits under any blanket disability policy shall be payable
27 to the person insured, or to the insured's designated beneficiary or
28 beneficiaries, or to the insured's estate, except that if the person insured
29 is a minor, such benefits may be made payable to the insured's parent or
30 guardian or any other person actually supporting the insured, and except that
31 the policy may provide that all or any portion of any indemnities provided by
32 any such policy on account of hospital, nursing, medical or surgical
33 services, at the insurer's option, may be paid directly to the hospital or
34 person rendering such services, but the policy may not require that the
35 service be rendered by a particular hospital or person. Payment so made
36 shall discharge the insurer's obligation with respect to the amount of
37 insurance so paid.

38 D. Nothing contained in this section shall be deemed to affect the
39 legal liability of policyholders for the death of or injury to any member of
40 the group.

41 E. Any policy or contract, except accidental death and dismemberment,
42 applied for that provides family coverage, as to such coverage of family
43 members, shall also provide that the benefits applicable for children shall
44 be payable with respect to a newly born child of the insured from the instant
45 of such child's birth, to a child adopted by the insured, regardless of the

1 age at which the child was adopted, and to a child who has been placed for
2 adoption with the insured and for whom the application and approval
3 procedures for adoption pursuant to section 8-105 or 8-108 have been
4 completed to the same extent that such coverage applies to other members of
5 the family. The coverage for newly born or adopted children or children
6 placed for adoption shall include coverage of injury or sickness including
7 necessary care and treatment of medically diagnosed congenital defects and
8 birth abnormalities. If payment of a specific premium is required to provide
9 coverage for a child, the policy or contract may require that notification of
10 birth, adoption or adoption placement of the child and payment of the
11 required premium must be furnished to the insurer within thirty-one days
12 after the date of birth, adoption or adoption placement in order to have the
13 coverage continue beyond the thirty-one day period.

14 F. Each policy or contract shall be so written that the insurer shall
15 pay benefits:

16 1. For performance of any surgical service that is covered by the
17 terms of such contract, regardless of the place of service.

18 2. For any home health services that are performed by a licensed home
19 health agency and that a physician has prescribed in lieu of hospital
20 services, as defined by the director, providing the hospital services would
21 have been covered.

22 3. For any diagnostic service that a physician has performed outside a
23 hospital in lieu of inpatient service, providing the inpatient service would
24 have been covered.

25 4. For any service performed in a hospital's outpatient department or
26 in a freestanding surgical facility, providing such service would have been
27 covered if performed as an inpatient service.

28 G. A blanket disability insurance policy that provides coverage for
29 the surgical expense of a mastectomy shall also provide coverage incidental
30 to the patient's covered mastectomy for the expense of reconstructive surgery
31 of the breast on which the mastectomy was performed, surgery and
32 reconstruction of the other breast to produce a symmetrical appearance,
33 prostheses, treatment of physical complications for all stages of the
34 mastectomy, including lymphedemas, and at least two external postoperative
35 prostheses subject to all of the terms and conditions of the policy.

36 H. A contract that provides coverage for surgical services for a
37 mastectomy shall also provide coverage for mammography screening performed on
38 dedicated equipment for diagnostic purposes on referral by a patient's
39 physician, subject to all of the terms and conditions of the policy and
40 according to the following guidelines:

41 1. A baseline mammogram for a woman from age thirty-five to
42 thirty-nine.

43 2. A mammogram for a woman from age forty to forty-nine every two
44 years or more frequently based on the recommendation of the woman's
45 physician.

- 1 3. A mammogram every year for a woman fifty years of age and over.
- 2 I. Any contract that is issued to the insured and that provides
- 3 coverage for maternity benefits shall also provide that the maternity
- 4 benefits apply to the costs of the birth of any child legally adopted by the
- 5 insured if all the following are true:
- 6 1. The child is adopted within one year of birth.
- 7 2. The insured is legally obligated to pay the costs of birth.
- 8 3. All preexisting conditions and other limitations have been met by
- 9 the insured.
- 10 4. The insured has notified the insurer of his acceptability to adopt
- 11 children pursuant to section 8-105, within sixty days after such approval or
- 12 within sixty days after a change in insurance policies, plans or companies.
- 13 J. The coverage prescribed by subsection I of this section is excess
- 14 to any other coverage the natural mother may have for maternity benefits
- 15 except coverage made available to persons pursuant to title 36, chapter 29,
- 16 but not including coverage made available to persons defined as eligible
- 17 under section 36-2901, paragraph 6, subdivisions (b), (c), (d) and (e). If
- 18 such other coverage exists the agency, attorney or individual arranging the
- 19 adoption shall make arrangements for the insurance to pay those costs that
- 20 may be covered under that policy and shall advise the adopting parent in
- 21 writing of the existence and extent of the coverage without disclosing any
- 22 confidential information such as the identity of the natural parent. The
- 23 insured adopting parents shall notify their insurer of the existence and
- 24 extent of the other coverage.
- 25 K. Any contract that provides maternity benefits shall not restrict
- 26 benefits for any hospital length of stay in connection with childbirth for
- 27 the mother or the newborn child to less than forty-eight hours following a
- 28 normal vaginal delivery or ninety-six hours following a cesarean section.
- 29 The contract shall not require the provider to obtain authorization from the
- 30 insurer for prescribing the minimum length of stay required by this
- 31 subsection. The contract may provide that an attending provider in
- 32 consultation with the mother may discharge the mother or the newborn child
- 33 before the expiration of the minimum length of stay required by this
- 34 subsection. The insurer shall not:
- 35 1. Deny the mother or the newborn child eligibility or continued
- 36 eligibility to enroll or to renew coverage under the terms of the contract
- 37 solely for the purpose of avoiding the requirements of this subsection.
- 38 2. Provide monetary payments or rebates to mothers to encourage those
- 39 mothers to accept less than the minimum protections available pursuant to
- 40 this subsection.
- 41 3. Penalize or otherwise reduce or limit the reimbursement of an
- 42 attending provider because that provider provided care to any insured under
- 43 the contract in accordance with this subsection.

1 4. Provide monetary or other incentives to an attending provider to
2 induce that provider to provide care to an insured under the contract in a
3 manner that is inconsistent with this subsection.

4 5. Except as described in subsection L of this section, restrict
5 benefits for any portion of a period within the minimum length of stay in a
6 manner that is less favorable than the benefits provided for any preceding
7 portion of that stay.

8 L. Nothing in subsection K of this section:

9 1. Requires a mother to give birth in a hospital or to stay in the
10 hospital for a fixed period of time following the birth of the child.

11 2. Prevents an insurer from imposing deductibles, coinsurance or other
12 cost sharing in relation to benefits for hospital lengths of stay in
13 connection with childbirth for a mother or a newborn child under the
14 contract, except that any coinsurance or other cost sharing for any portion
15 of a period within a hospital length of stay required pursuant to subsection
16 K of this section shall not be greater than the coinsurance or cost sharing
17 for any preceding portion of that stay.

18 3. Prevents an insurer from negotiating the level and type of
19 reimbursement with a provider for care provided in accordance with subsection
20 K of this section.

21 M. Any contract that provides coverage for diabetes shall also provide
22 coverage for equipment and supplies that are medically necessary and that are
23 prescribed by a health care provider including:

24 1. Blood glucose monitors.

25 2. Blood glucose monitors for the legally blind.

26 3. Test strips for glucose monitors and visual reading and urine
27 testing strips.

28 4. Insulin preparations and glucagon.

29 5. Insulin cartridges.

30 6. Drawing up devices and monitors for the visually impaired.

31 7. Injection aids.

32 8. Insulin cartridges for the legally blind.

33 9. Syringes and lancets including automatic lancing devices.

34 10. Prescribed oral agents for controlling blood sugar that are
35 included on the plan formulary.

36 11. To the extent coverage is required under medicare, podiatric
37 appliances for prevention of complications associated with diabetes.

38 12. Any other device, medication, equipment or supply for which
39 coverage is required under medicare from and after January 1, 1999. The
40 coverage required in this paragraph is effective six months after the
41 coverage is required under medicare.

42 N. Nothing in subsection M of this section prohibits a blanket
43 disability insurer from imposing deductibles, coinsurance or other cost
44 sharing in relation to benefits for equipment or supplies for the treatment
45 of diabetes.

1 0. Any contract that provides coverage for prescription drugs shall
2 not limit or exclude coverage for any prescription drug prescribed for the
3 treatment of cancer on the basis that the prescription drug has not been
4 approved by the United States food and drug administration for the treatment
5 of the specific type of cancer for which the prescription drug has been
6 prescribed, if the prescription drug has been recognized as safe and
7 effective for treatment of that specific type of cancer in one or more of the
8 standard medical reference compendia prescribed in subsection P of this
9 section or medical literature that meets the criteria prescribed in
10 subsection P of this section. The coverage required under this subsection
11 includes covered medically necessary services associated with the
12 administration of the prescription drug. This subsection does not:

13 1. Require coverage of any prescription drug used in the treatment of
14 a type of cancer if the United States food and drug administration has
15 determined that the prescription drug is contraindicated for that type of
16 cancer.

17 2. Require coverage for any experimental prescription drug that is not
18 approved for any indication by the United States food and drug
19 administration.

20 3. Alter any law with regard to provisions that limit the coverage of
21 prescription drugs that have not been approved by the United States food and
22 drug administration.

23 4. Require reimbursement or coverage for any prescription drug that is
24 not included in the drug formulary or list of covered prescription drugs
25 specified in the contract.

26 5. Prohibit a contract from limiting or excluding coverage of a
27 prescription drug, if the decision to limit or exclude coverage of the
28 prescription drug is not based primarily on the coverage of prescription
29 drugs required by this section.

30 6. Prohibit the use of deductibles, coinsurance, copayments or other
31 cost sharing in relation to drug benefits and related medical benefits
32 offered.

33 P. For the purposes of subsection 0 of this section:

34 1. The acceptable standard medical reference compendia are the
35 following:

36 (a) The American hospital formulary service drug information, a
37 publication of the American society of health system pharmacists.

38 (b) The national comprehensive cancer network drugs and biologics
39 compendium.

40 (c) Thomson Micromedex compendium DrugDex.

41 (d) Elsevier gold standard's clinical pharmacology compendium.

42 (e) Other authoritative compendia as identified by the secretary of
43 the United States department of health and human services.

1 2. Medical literature may be accepted if all of the following apply:

2 (a) At least two articles from major peer reviewed professional
3 medical journals have recognized, based on scientific or medical criteria,
4 the drug's safety and effectiveness for treatment of the indication for which
5 the drug has been prescribed.

6 (b) No article from a major peer reviewed professional medical journal
7 has concluded, based on scientific or medical criteria, that the drug is
8 unsafe or ineffective or that the drug's safety and effectiveness cannot be
9 determined for the treatment of the indication for which the drug has been
10 prescribed.

11 (c) The literature meets the uniform requirements for manuscripts
12 submitted to biomedical journals established by the international committee
13 of medical journal editors or is published in a journal specified by the
14 United States department of health and human services as acceptable peer
15 reviewed medical literature pursuant to section 186(t)(2)(B) of the social
16 security act (42 United States Code section 1395x(t)(2)(B)).

17 Q. Any contract that is offered by a blanket disability insurer and
18 that contains a prescription drug benefit shall provide coverage of medical
19 foods to treat inherited metabolic disorders as provided by this section.

20 R. The metabolic disorders triggering medical foods coverage under
21 this section shall:

22 1. Be part of the newborn screening program prescribed in section
23 36-694.

24 2. Involve amino acid, carbohydrate or fat metabolism.

25 3. Have medically standard methods of diagnosis, treatment and
26 monitoring including quantification of metabolites in blood, urine or spinal
27 fluid or enzyme or DNA confirmation in tissues.

28 4. Require specially processed or treated medical foods that are
29 generally available only under the supervision and direction of a physician
30 who is licensed pursuant to title 32, chapter 13 or 17 or a registered nurse
31 practitioner who is licensed pursuant to title 32, chapter 15, that must be
32 consumed throughout life and without which the person may suffer serious
33 mental or physical impairment.

34 S. Medical foods eligible for coverage under this section shall be
35 prescribed or ordered under the supervision of a physician licensed pursuant
36 to title 32, chapter 13 or 17 or a registered nurse practitioner who is
37 licensed pursuant to title 32, chapter 15 as medically necessary for the
38 therapeutic treatment of an inherited metabolic disease.

39 T. An insurer shall cover at least fifty per cent of the cost of
40 medical foods prescribed to treat inherited metabolic disorders and covered
41 pursuant to this section. An insurer may limit the maximum annual benefit
42 for medical foods under this section to five thousand dollars which applies
43 to the cost of all prescribed modified low protein foods and metabolic
44 formula.

1 U. Any blanket disability policy that provides coverage for:
2 1. Prescription drugs shall also provide coverage for any prescribed
3 drug or device that is approved by the United States food and drug
4 administration for use as a contraceptive. A blanket disability insurer may
5 use a drug formulary, multitiered drug formulary or list but that formulary
6 or list shall include oral, implant and injectable contraceptive drugs,
7 intrauterine devices and prescription barrier methods if the blanket
8 disability insurer does not impose deductibles, coinsurance, copayments or
9 other cost containment measures for contraceptive drugs that are greater than
10 the deductibles, coinsurance, copayments or other cost containment measures
11 for other drugs on the same level of the formulary or list.

12 2. Outpatient health care services shall also provide coverage for
13 outpatient contraceptive services. For the purposes of this paragraph,
14 "outpatient contraceptive services" means consultations, examinations,
15 procedures and medical services provided on an outpatient basis and related
16 to the use of approved United States food and drug administration
17 prescription contraceptive methods to prevent unintended pregnancies.

18 V. Notwithstanding subsection U of this section, a religiously
19 affiliated employer may require that the insurer provide a blanket disability
20 policy without coverage for specific items or services required under
21 subsection U of this section because providing or paying for coverage of the
22 specific items or services is contrary to the religious beliefs of the
23 religiously affiliated employer offering the plan. If a religiously
24 affiliated employer objects to providing coverage for specific items or
25 services required under subsection U of this section, a written affidavit
26 shall be filed with the insurer stating the objection. On receipt of the
27 affidavit, the insurer shall issue to the religiously affiliated employer a
28 blanket disability policy that excludes coverage for specific items or
29 services required under subsection U of this section. The insurer shall
30 retain the affidavit for the duration of the blanket disability policy and
31 any renewals of the policy. This subsection shall not exclude coverage for
32 prescription contraceptive methods ordered by a health care provider with
33 prescriptive authority for medical indications other than for contraceptive,
34 abortifacient, abortion or sterilization purposes. A religiously affiliated
35 employer offering the policy may state religious beliefs in its affidavit and
36 may require the insured to first pay for the prescription and then submit a
37 claim to the insurer along with evidence that the prescription is not for a
38 purpose covered by the objection. An insurer may charge an administrative
39 fee for handling these claims under this subsection.

40 W. Subsection V of this section does not authorize a religiously
41 affiliated employer to obtain an employee's protected health information or
42 to violate the health insurance portability and accountability act of 1996
43 (P.L. 104-191; 110 Stat. 1936) or any federal regulations adopted pursuant to
44 that act.

1 X. Subsection V of this section shall not be construed to restrict or
2 limit any protections against employment discrimination that are prescribed
3 in federal or state law.

4 Y. For the purposes of:

5 1. This section:

6 (a) "Inherited metabolic disorder" means a disease caused by an
7 inherited abnormality of body chemistry and includes a disease tested under
8 the newborn screening program prescribed in section 36-694.

9 (b) "Medical foods" means modified low protein foods and metabolic
10 formula.

11 (c) "Metabolic formula" means foods that are all of the following:

12 (i) Formulated to be consumed or administered enterally under the
13 supervision of a physician who is licensed pursuant to title 32, chapter 13
14 or 17 or a registered nurse practitioner who is licensed pursuant to title
15 32, chapter 15.

16 (ii) Processed or formulated to be deficient in one or more of the
17 nutrients present in typical foodstuffs.

18 (iii) Administered for the medical and nutritional management of a
19 person who has limited capacity to metabolize foodstuffs or certain nutrients
20 contained in the foodstuffs or who has other specific nutrient requirements
21 as established by medical evaluation.

22 (iv) Essential to a person's optimal growth, health and metabolic
23 homeostasis.

24 (d) "Modified low protein foods" means foods that are all of the
25 following:

26 (i) Formulated to be consumed or administered enterally under the
27 supervision of a physician who is licensed pursuant to title 32, chapter 13
28 or 17 or a registered nurse practitioner who is licensed pursuant to title
29 32, chapter 15.

30 (ii) Processed or formulated to contain less than one gram of protein
31 per unit of serving, but does not include a natural food that is naturally
32 low in protein.

33 (iii) Administered for the medical and nutritional management of a
34 person who has limited capacity to metabolize foodstuffs or certain nutrients
35 contained in the foodstuffs or who has other specific nutrient requirements
36 as established by medical evaluation.

37 (iv) Essential to a person's optimal growth, health and metabolic
38 homeostasis.

39 2. Subsection E of this section, the term "child", for purposes of
40 initial coverage of an adopted child or a child placed for adoption but not
41 for purposes of termination of coverage of such child, means a person under
42 ~~the age of~~ eighteen years **OF AGE**.

43 3. Subsections V and W of this section, "religiously affiliated
44 employer" means either:

45 (a) An entity for which all of the following apply:

- 1 (i) The entity primarily employs persons who share the religious
2 tenets of the entity.
- 3 (ii) The entity serves primarily persons who share the religious
4 tenets of the entity.
- 5 (iii) The entity is a nonprofit organization as described in section
6 6033(a)(3)(A)(i) or (iii) of the internal revenue code of 1986, as amended.
- 7 (b) An entity whose articles of incorporation clearly state that it is
8 a religiously motivated organization and whose religious beliefs are central
9 to the organization's operating principles.