

Senate Engrossed House Bill

insurance; bona fide associations; qualifications

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

CHAPTER 107

HOUSE BILL 2693

AN ACT

AMENDING SECTION 20-2324, ARIZONA REVISED STATUTES; RELATING TO
ACCOUNTABLE HEALTH PLANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 20-2324, Arizona Revised Statutes, is amended to
3 read:
4 20-2324. Bona fide associations; definitions
5 A. An association qualifies as a ~~path 1~~ bona fide association if
6 the association EITHER:
7 1. Meets the following requirements:
8 ~~1.~~ (a) Has been formed and maintained in good faith for purposes
9 other than obtaining insurance and does not condition membership in the
10 association on the purchase of insurance that is sponsored by the
11 association.
12 ~~2.~~ (b) Has a constitution and bylaws.
13 ~~3.~~ (c) Insures at least twenty-five members, employees or
14 employees of members of the association for the benefit of persons other
15 than the association or its officers or trustees.
16 ~~4.~~ (d) Does not condition membership in the association on any
17 health status-related factor relating to an individual, including an
18 employee of an employer or a dependent of an employee, and clearly states
19 this in all membership and application materials.
20 ~~5.~~ (e) Makes health benefits plans offered through the association
21 available to all members regardless of any health status-related factor
22 relating to any member of the association or individual eligible for
23 coverage through a member and clearly states this in all membership and
24 application materials.
25 ~~6.~~ (f) Does not make health benefits plans offered through the
26 association available other than in connection with a member of the
27 association and clearly states this in all membership and application
28 materials.
29 ~~B. 2. An association qualifies as a path 2 bona fide association~~
30 ~~if the association~~ Meets the requirements of ~~29 Code of Federal~~
31 ~~Regulations section 2510.3-5~~ AN EMPLOYER AS DEFINED IN THE EMPLOYEE
32 RETIREMENT INCOME SECURITY ACT OF 1974 (P.L. 93-406; 88 STAT. 829;
33 29 UNITED STATES CODE SECTION 1002). An insurer electing to offer health
34 benefits plans through a bona fide association to small employer groups of
35 one, which may include sole proprietors or working owners, is not required
36 to make health benefits plans available under section 20-2304, subsection
37 A to small employer groups of one if the small employer is not seeking a
38 health benefits plan through a bona fide association.
39 ~~C.~~ B. The requirements of section 20-2304, subsection A do not
40 apply to health benefits plans offered by an accountable health plan if
41 the accountable health plan makes this coverage available in the small
42 group market only through one or more ~~path 1~~ bona fide associations.
43 ~~D.~~ C. The department may survey insurers issuing health benefits
44 plans to determine the number of health benefits plans issued to bona fide
45 associations in this state each year.

1 ~~E.~~ D. This section does not limit or prohibit the ~~issuance~~
2 OPERATION of A self-funded ~~health benefits plans~~ MULTIPLE EMPLOYER WELFARE
3 ARRANGEMENT in this state through ANY OF THE FOLLOWING:

4 1. A bona fide association if the BONA FIDE association is
5 established and operating in compliance with applicable provisions of the
6 employee retirement income security act of 1974.

7 2. A STATEWIDE CHAMBER OF COMMERCE OR A STATEWIDE BUSINESS LEAGUE
8 THAT MEETS ALL OF THE FOLLOWING CRITERIA:

9 (a) THE STATEWIDE CHAMBER OF COMMERCE OR THE STATEWIDE BUSINESS
10 LEAGUE HAS A CONSTITUTION OR BYLAWS.

11 (b) THE STATEWIDE CHAMBER OF COMMERCE OR THE STATEWIDE BUSINESS
12 LEAGUE WAS ORGANIZED AND HAS BEEN MAINTAINED IN GOOD FAITH FOR A
13 CONTINUOUS FIVE-YEAR PERIOD FOR PURPOSES OTHER THAN PROVIDING FOR OR
14 OBTAINING INSURANCE.

15 (c) THE STATEWIDE CHAMBER OF COMMERCE OR STATEWIDE BUSINESS LEAGUE
16 IS EXEMPT FROM FEDERAL TAXATION PURSUANT TO SECTION 501(c)(6) OF THE
17 INTERNAL REVENUE CODE.

18 E. The department retains the authority to investigate whether an
19 association is unlawfully transacting insurance in violation of this
20 title.

21 F. For the purposes of subsection A, PARAGRAPH 1 of this section,
22 "employees" includes retired employees.

23 G. For the purposes of this section:

24 ~~1. "Bona fide association" includes path 1 bona fide associations~~
25 ~~and path 2 bona fide associations.~~

26 ~~2.~~ 1. "Small employer" includes, if an insurer elects to issue
27 coverage to small employer groups of one:

28 (a) For health benefits plans issued through a bona fide
29 association, an employer who employs at least one but not more than fifty
30 eligible employees on a typical business day during any one calendar year.

31 (b) For health benefits plans issued through a ~~path 2 bona fide~~
32 ~~association~~ STATEWIDE CHAMBER OF COMMERCE OR A STATEWIDE BUSINESS LEAGUE,
33 a sole proprietor or working owner.

34 ~~3.~~ 2. "Sole proprietor" means a person who is a working owner, who
35 owns a business and who does not operate the business using any type of
36 entity.

37 ~~4.~~ 3. "Working owner" means a person who a responsible plan
38 fiduciary reasonably determines is an individual who meets all of the
39 following requirements:

40 (a) Has an ownership right of any nature in a trade or business,
41 whether incorporated or unincorporated, including a partner and another
42 self-employed individual.

43 (b) Is earning wages or self-employment income from the trade or
44 business for providing personal services to the trade or business.

1 (c) Either:

2 (i) Works on average at least twenty hours per week or at least
3 eighty hours per month providing personal services to the trade or
4 business.

5 (ii) Has wages or self-employment income from the trade or business
6 that at least equals the working owner's cost of coverage for
7 participation by the working owner and any covered beneficiaries in the
8 group health plan sponsored by the association in which the individual is
9 participating.

10 Sec. 2. Department of administration; health insurance system
11 study; report; delayed repeal; definition

12 A. Subject to available monies, the department of administration
13 shall conduct a feasibility study on the state employee health insurance
14 plans and the public school districts employee health insurance plans in
15 this state.

16 B. The department of administration shall:

17 1. Review, analyze and consider relevant state and national data
18 for individual coverage health reimbursement arrangements that include:

19 (a) Coverage options.

20 (b) Costs.

21 (c) Utilization.

22 (d) Enrollment trends.

23 (e) Administrative impacts.

24 2. Ensure greater choice and flexibility for employees.

25 3. Create cost certainty for employers.

26 4. Evaluate how an individual coverage health reimbursement
27 arrangement may expand employee choice among health insurance plan options
28 while allowing this state and public school districts to establish a
29 predictable employer contribution and to improve long-term budget
30 stability.

31 5. Compare individual coverage health reimbursement arrangements
32 with other available coverage options to analyze employee choice,
33 affordability, flexibility, state and school district cost predictability,
34 administrative complexity and short-term and long-term fiscal impacts.

35 6. Obtain stakeholder feedback and input from all of the following:

36 (a) Employees.

37 (b) Insurers.

38 (c) Benefits administrators.

39 (d) School districts.

40 (e) Consumer advocates.

41 7. Identify implementation considerations that include all of the
42 following:

43 (a) Administrative requirements.

44 (b) Market impacts.

45 (c) Statutory changes.

1 (d) Budget changes.
2 (e) Regulatory changes, including cost savings.
3 C. On or before January 1, 2027, the department of administration
4 shall submit a report of its findings and recommendations to the governor,
5 the president of the senate, the speaker of the house of representatives,
6 the chairpersons of the health and human services committees in the senate
7 and the house of representatives, the chairperson of the appropriations,
8 transportation and technology committee in the senate and the chairperson
9 of the appropriations committee in the house of representatives and
10 provide a copy of this report to the secretary of state.
11 D. This section does not require the implementation of an
12 individual coverage health reimbursement arrangement or the replacement of
13 an existing health coverage option.
14 E. The department of administration may accept and spend gifts,
15 grants and donations that are provided from public or private sources to
16 conduct or contract with a third-party entity to conduct the study
17 prescribed by this section.
18 F. This section is repealed from and after June 30, 2027.
19 G. For the purposes of this section, "individual coverage health
20 reimbursement arrangement" means a health reimbursement arrangement as
21 prescribed in 45 Code of Federal Regulations section 146.123.

APPROVED BY THE GOVERNOR JUNE 4, 2026.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 5, 2026.