State/Local Compliance Update: July 2025

A brief update on what happened the prior month in group health plan compliance at the state and local level, listed alphabetically.

Alaska

- **Alaska's paid sick leave law now in effect with updated guidance.** As was discussed in our November 2024 update, Ballot Measure No. 1 was passed by voters adding Alaska to the growing and constantly evolving list of state paid leave mandates. The new law applies to all employers and employees in Alaska (with limited exceptions). And now (effective as of July 1, 2025) Alaska employers with fewer than 15 employees must provide up to 40 hours of paid sick leave each year. Employers with 15 or more employees must provide up to 56 hours of paid sick leave per year. Employees will earn one hour of paid sick leave for every 30 hours worked. All accrued, unused hours must carry over to the following year, but employers may limit annual usage to the 40 or 56 hours based on the employer's size. Leave may be taken for employees' own health matters; to care for ill family members; and for issues related to domestic violence, sexual assault, or stalking of the employee or the employee's family member. The Alaska law includes exceptions for certain categories of employment, including some individuals not subject to the Alaska minimum wage, and agricultural workers. Employers are required to give employees written notice (at the commencement of employment) of their entitlement to paid sick leave, the amount of paid sick leave they accrue, and the prohibition against retaliation. Updated FAQs and proposed regulations have been issued to help Alaska employers with their compliance obligations. Note that the FAQs clarify that the state is not providing a sample notice for employers to use. Instead, employer must create their own notice to distribute to employees.

Arkansas

- **Federal court delays enforcement of Arkansas PBM law.** On July 28, a federal district court in Arkansas issued a preliminary injunction that prevents Arkansas from enforcing Act 624. As was discussed in our April and June updates, Arkansas is the first state attempting to prohibit PBMs from acquiring or holding a direct or indirect interest in a pharmacy. Under Act 624 (that was set to take effect on January 1, 2026), the Arkansas State Board of Pharmacy must either revoke or not renew pharmacy permits where the permit holder is a PBM or its subsidiary, is an entity managed by a PBM, or is an entity that has a direct or indirect ownership interest in a PBM. This preliminary injunction will be in place until the court resolves the lawsuits that have been filed challenging Act 624, and PBMs will not be immediately required to divest ownership interest in pharmacies located in Arkansas.

Colorado

- **Colorado fully insured, small group employer size will be reducing in 2026.** Starting in 2026, the definition of a "small employer" for fully insured health insurance coverage purposes is shifting from an employer employing 1-100 employees to an employer employing 1-50 employees on average in a calendar year. This change is being made in accordance with SB 24-073. The law required the Colorado DOI to evaluate whether the small group market eligibility

change would result in an additional rate increase of more than 3%. If that was the case, the small group market eligibility change would be repealed, and the small group market would remain at employers with 1-100 employees. The Colorado DOI has now completed their analysis that shows the impact of the small group market eligibility change was only an additional 0.8% increase in premiums, allowing the change to move forward. An employer that has in place a small group plan before January 1, 2026 (and would no longer qualify as a "small employer" under the changes made by SB 24-073) may elect to keep their small group plan for up to 5 years after the date of issuance. Such employer may also switch between small group plans offered by the carrier during those 5 years but may only switch to plans that are one metal level above or below their existing plan. Once an employer elects to enter the large group health benefit market, the employer may not return to the small group health benefit market within the 5-year period.

Iowa

- **Preliminary injunction issued blocking enforcement of Iowa PBM law.** On July 21, an Iowa federal district court issued a preliminary injunction blocking enforcement of SF 383 that was just signed into law in June. The reforms in SF 383 would bar PBMs from steering patients to specific pharmacies or choosing to exclude certain pharmacies from their networks in an unfair way. The law would also require PBMs to reimburse independent or unaffiliated pharmacies at the same rate they pay affiliated facilities and also pay dispensing fees for prescriptions. But in issuing this preliminary injunction, the federal court found that multiple provisions of the law are likely preempted by ERISA. This July 21 ruling follows the court's earlier issuance of a temporary restraining order on June 30, 2025, just one day before the law's effective date. And the preliminary injunction will remain in effect pending final resolution of the case.

Maine

- **Amendment to Maine's earned paid leave law increases accrual cap.** On July 1, Governor Mills signed LD 55 which amends the state's Earned Paid Leave (EPL) law and changes how EPL is accrued and carried over. This amendment takes effect on September 24, 2025. Prior to the amendment, employees could accrue up to 40 hours of paid leave annually—however, any unused hours carried over from the prior year would reduce the amount of leave the employee could accrue in the current year because the original statute included a 40-hour overall accrual cap. The amendment increases the maximum overall accrual cap to 80 hours, but the annual accrual and usage limits remain unchanged at 40 hours per year. In other words, now unused accrued leave from the immediately preceding year will still carry over into the next year, but carryover will not impact an employee's ability to accrue up to an additional 40 hours in the new year. This means that an employee's earned paid leave balance may reach 80 hours (40-hour carryover plus a new 40-hour annual accrual). However, employers may limit employees to accruing no more than 40 hours of leave per year and may limit employees to using no more than 40 hours of leave in any given year, even if their total accrued balance exceeds that amount from carry-overs.

Minnesota

- **Amendments made to Minnesota's Earned Sick and Safe Time statute**. Governor Walz signed into law SF 17 with several amendments to Minnesota's Earned Sick and Safe Time (ESST) law. The amendments relate to requesting documentation for employee ESST absences, requiring notice for unforeseen ESST covered absence, advancing ESST, and other clarifications.

Missouri

- **Missouri's paid sick leave law repealed.** As background, a successful November 2024 ballot initiative (known as Proposition A, the Missouri Earned Paid Sick Time Law) went into effect on May 1, 2025, that required the accrual of earned paid sick time for employees in Missouri. But on July 10, Governor Kehoe signed HB 567 that repeals the requirements of Proposition A effective August 28, 2025.

New Hampshire

- **New unpaid child-birth related leave law.** HB 2 was signed by Governor Ayotte on June 27 that will require New Hampshire employers with at least 20 employees to provide up to 25 hours of unpaid leave to attend medical appointments associated with childbirth, postpartum care, and infant medical appointments within the first year of the child's birth or adoption. This new unpaid leave requirement goes into effect January 1, 2026. The new law will appear as NH RSA 275:37-f ("Leave of Absence to Attend Medical Appointments for Childbirth, Postpartum Care, and Infant Pediatric Medical Appointments").

Oklahoma

- **Supreme Court declines to review Oklahoma PBM case, upholding 10th Circuit ruling that ERISA preempts the Oklahoma PBM law**. On June 30, the Supreme Court of the United States (SCOTUS) announced that it will not review the 10th Circuit Court of Appeal's decision in the *PCMA v. Mulready* case. The 10th Circuit had held that ERISA preempts an Oklahoma law regulating PBMs because the provisions of the law regulated central matters of plan administration and interfered with nationally uniform plan administration. The provisions held preempted under ERISA included: (a) network restrictions that mandated access to brick-and-mortar pharmacies based on where individuals reside (which could be different than the pharmacy networks applicable for a group health plan's participants), (b) prohibitions on restricting an individual's choice of in-network provider (e.g., retail or mail order) and promotion of network pharmacies by using cost-sharing and copayment reductions — prohibitions that were generally interpreted to prohibit mail-order pharmacy benefit incentives, (c) any-willing-provider provisions that require plans to accept any provider into a pharmacy network who meets network standards, and (d) prohibitions on basing a pharmacy license on the probation status of a licensed pharmacist. Oklahoma requested that SCOTUS review the case, but with the decision to not hear the case, the 10th Circuit ruling that ERISA preempts the Oklahoma law will stand. This decision is an important ruling that strengthens ERISA preemption and will likely be a significant factor in whether future state PBM laws will apply to ERISA-governed plans.