State/Local Compliance Update: June 2025

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

Alabama

- **Alabama launches portable benefits option for independent contractors.** A new law (SB 86, the "Portable Benefits Act") that takes effect December 31, 2025, will allow Alabama businesses to voluntarily make contributions to portable benefit accounts owned by an independent contractor whom the employer hires or enters into a contract for the performance of work. Contributions under this law will not be subject to state taxes. That is, companies can voluntarily contribute to a contractor's portable benefits (like health insurance, retirement savings, and life insurance), and the contributions will be tax-deductible to the business (for state tax purposes) and workers will not pay state taxes on the value received. There is a question if this would create a multiple employer welfare arrangement (MEWA), which is a special arrangement used to provide employee welfare benefits to the employees of two or more employers that are not part of the same control group of businesses. The DOL has informally indicated that a plan maintained by one employer covering several independent contractors along with the employer's common-law employees would result in a MEWA. In most cases, employers want to avoid creating a MEWA because they are subject to significant additional regulation and compliance burdens at both the state and federal level.

Arizona

- **Arizona law bans the use of AI in claim denials.** Governor Hobbs recently signed HB 2175 that will require a physician license in the state to conduct an individual review and use independent medical judgment to determine whether a claim should be denied. It will also require a similar review of a direct denial of prior authorization for a service that a provider asked for and involves medical necessity. The purpose of this law is to ensure that a doctor (and not AI) is making medical decisions. This law goes into effect July 1, 2025.

Arkansas

- **Legal challenges filed against new Arkansas PBM law**. As was discussed in our April update, Arkansas was the first state to prohibit PBMs from acquiring or holding a direct or indirect interest in a pharmacy. Under Act 624, as of 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. Now, two PBMs have filed lawsuits challenging Arkansas' authority to pass the legislation arguing it violates the Constitution and is preempted by ERISA. The jurisprudence of ERISA preemption and state PBM laws has been evolving, and we will be monitoring the litigation involving this law as well as other state PBM laws.

California

- **California delays insurance coverage of infertility benefits until January 1, 2026.** As a reminder, Governor Newson signed SB 729 on September 29, 2025, expanding fertility insurance

coverage, including in vitro fertilization (IVF). The new law was to apply to policies written or renewed on or after July 1, 2025. But now the effective date has been delayed until January 1, 2026, when on June 30, 2025, Governor Newsom signed AB 116 (the health omnibus bill that is part of the 2025 - 2026 state budget). The benefits that insured group health plans will be required to provide under the SB 729 will depend on if the plan is a large or small plan.

- Large fully insured plans (those with 101 or more employees) must **provide** coverage for the diagnosis and treatment of infertility and fertility services. This includes up to three completed rounds of IVF.
- Small fully insured plans (those with 100 or fewer employees) must **offer** employers the option to provide coverage for the diagnosis and treatment of infertility and fertility services as a rider to small group policies. But it does not mandate that the coverage be included in the policies.
- For both large and small group policies, the policy may not impose any limitations or cost sharing on such infertility or fertility services that are different from those imposed upon benefits for services not related to infertility or fertility.
- The law expands the definition of infertility to include a condition or status characterized by any of the following:
  - (a) A licensed physician's findings, based on a patient's medical, sexual, and reproductive history, age, physical findings, diagnostic testing, or any combination of those factors.
  - (b) A person's inability to reproduce either as an individual or with their partner without medical intervention (which would cover single individuals and same-sex couples).
  - (c) The failure to establish a pregnancy or to carry a pregnancy to live birth after regular, unprotected sexual intercourse (which is after 12 months for a person under 35 years old; and 6 months for older persons).
- For fully insured plans outside California, SB 729 includes the following statement: "This section applies to every … policy that is issued, amended, or renewed to residents of this state regardless of the situs of the contract." In other words, the law purports to have extraterritorial reach to apply for any employee in California regardless of whether the policy is situsued in California. It is not clear if/how California can enforce such a provision. We expect more guidance form the Department of Managed Health Care as we near the implementation date.
- Exemptions. SB 729 does not apply to self-insured (including level funded) plans. The law also specifically does not apply to religious employers who meet certain requirements; or accident-only, specified disease, hospital indemnity, Medicare supplement, or specialized disability insurance policies.

Colorado

- **Colorado FAMLI amended to lower premiums and include Neonatal Care Leave.** Governor Polis has signed SB 25-144 that effective January 1, 2026, amends the Colorado Family and Medical Leave Insurance (FAMLI) Act to expand coverage to include "Neonatal Care Leave" and will also slightly lower premiums. First, the legislation amended FAMLI to provide up to an additional 12 weeks of paid family and medical leave for any parent who has a child receiving care in a neonatal intensive care unit (NICU). This means any parent whose child is in the NICU could receive up to a total of 24 total weeks of paid FAMLI leave (12 weeks of bonding leave and 12 weeks for time that the newborn is in the NICU). Second, the amendment lowers the 2026

premiums to 0.88% of wages (from the current 0.9%). For each subsequent calendar year, the director of the FAMLI Division will set the premium on or before September 1st of the preceding year, with a maximum possible premium rate of 1.2% of wages per employee.

Idaho

- **Idaho issues guidance related to supplemental breast cancer screening coverage requirement**. Idaho has published Bulletin 25-03 (and a fact sheet) to provide guidance on HB 134, which was passed earlier this year and will require fully insured plans regulated by the Idaho DOI and written or renewed on or after January 1, 2026, to provide additional preventive breast cancer screenings with no cost share. This free additional screening must be provided to individuals identified as having an increased risk of breast cancer.

Illinois

- **Illinois passes PBM reform bill.** Governor Pritzker has sign HB 1697 (the Prescription Drug Affordability Act) with comprehensive PBM reforms including eliminating spread pricing, ending PBM steering practices, and mandating 100% rebate pass-through. It also institutes an oversight structure for PBMs that will require annual transparency reports, plan audits, and market conduct examinations.

Indiana

- **Indiana passes PBM reform bill.** Governor Braun has signed SB 140 that imposes wide-ranging PBM reforms. The law addresses pharmacy network adequacy and prohibits PBMs from entering network contracts that would prevent pharmacists from advising patients about lower cost options. The law requires all pharmacy networks to be "reasonably adequate and accessible," mandating at minimum that insured individuals have access to a non-mail-order pharmacy within 30 miles of their residence to the extent a pharmacy is available. Insurers and PBMs will also be required to submit annual reports regarding network adequacy to the Indiana DOI, which will directly oversee compliance. And while insurers and PBMs may still promote their in-network providers, any communication regarding the network must be accurate and inclusive of all eligible pharmacies. PBMs are also prohibited from requiring an employer to enter a contract with a particular PBM—in other words, PBM carve outs must be allowed. The new law also prohibits charging a carve out fee to employers who choose a different PBM.

Iowa

- **Iowa passes PBM reform bill, but it is now subject to a temporary injunction.** Governor Reynolds has signed SF 383 with PBM reforms that 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 a federal judge has temporarily blocked the enforcement of this new PBM law (just hours before it was to take effect on July 1) because of the likelihood the plaintiffs will ultimately prevail on their claim the law is preempted by ERISA.

Maryland

- **Maryland delays and amends FAMLI program.** Governor Moore has signed HB 102, that amends the Maryland paid Family and Medical Leave Insurance (FAMLI) program. Notably, Maryland employers and employees will now begin making contributions to the FAMLI program on January 1, 2027 (a delay to the previous start date of July 1, 2025). The bill requires the

Maryland Department of Labor to set the contribution rate for the 2027 calendar year by May 1, 2026, and to announce the rate for each subsequent calendar year by November 1 of the prior year. The Department must also set, for the submission of benefit claims, a date no earlier than January 1, 2027, but no later than January 3, 2028. In addition, the new law requires that on or before July 1, 2028, the Secretary must adopt regulations that establish an optional self-employed enrollment program that includes contribution amounts, benefit amounts, and enrollment procedures.

Nebraska

- **Nebraska amends upcoming paid sick time law.** Governor Pillen has signed LB 415 that modifies the Nebraska Healthy Families and Workplace Act (HFWA) in advance of its October 1, 2025, effective date. Initially passed via ballot initiative in November of 2024, the HWFA mandates paid sick leave for most employers and employees in the state—40 hours per year for employers with between 11 and 19 employees, and 56 hours per year for employers with 20 or more employees. Highlights of the amendments include that: (a) employers with 10 or fewer employees will no longer be covered by the law, (b) accrual for new hires may be delayed until they have completed 80 hours of consecutive employment in Nebraska, and (c) for 2025, employers offering benefits on a calendar year basis will receive credit for any paid sick time provided to an employee on or after January 1, 2025 and before the law becomes effective on October 1, 2025.

New York

- **New York City amends ESSTA rules to add paid prenatal leave.** New York City has released amended Earned Safe and Sick Time Act (ESSTA) rules (and updated FAQs) that include specific paid prenatal leave amendments that go into effect July 2, 2025. Until now, New York employers' paid prenatal leave obligations were determined by New York State law. Going forward, employers with operations in New York City will need to assess both the existing New York State Paid Prenatal Leave entitlement and the New York City paid prenatal leave requirements in the amended ESSTA rules to determine their compliance requirements.

North Dakota

- **Amendment to North Dakota military leave**. North Dakota law was amended to provide leave of absence benefits for state employees in the National Guard or federal service. Officers or employees of the state or political subdivisions who are members of the National Guard, armed forces reserve, or are called to federal service, are entitled to a leave of absence without loss of status or efficiency rating. It provides for 20 workdays of leave without loss of pay each calendar year for those who have been employed continuously for 90 days prior to the leave. Additionally, it allows for a leave of absence without loss of pay for the first 30 days in cases of full or partial mobilization of reserve and National Guard forces. The bill also updates the definition of a veteran to include individuals who served on continuous federalized active duty for at least 180 days or the full period they were called to duty and were discharged under conditions other than dishonorable.

Oklahoma

- **Oklahoma coverage mandate for genetic testing and cancer imaging for those with increased cancer risk**. Effective November 1, 2025, fully insured health benefit plans must cover (1) clinical genetic testing or an inherited gene mutation for individuals with a personal or family

history of cancer when such test provides clinical utility and when ordered or recommended by a health care provider in accordance with medical and scientific evidence and (2) evidence-based cancer imaging (preventative screening and imaging) for individuals with an increased risk of cancer when such test provides clinical utility and when ordered or recommended by a health care provider in accordance with the most recent version of the NCCN clinical practice recommendations that are Category 2A or higher, or in accordance with other nationally recognized clinical practice guidelines. Such coverage is not subject to deductibles, copays, or coinsurance limits. Also, coverage for mammogram screenings are expanded to include coverage for low-dose mammography screenings for the presence of occult breast cancer and diagnostic and supplemental examinations for breast cancer that include contrast-enhanced mammography, diagnostic mammogram, breast magnetic resonance imaging, breast ultrasound, or molecular breast imaging that is (a) used to screen for breast cancer when there is no abnormality seen or suspected, and (b) based on personal or family medical history or additional factors that increase the individual's risk of breast cancer, including heterogeneously or extremely dense breasts.

Oregon

- **Oregon expands reasons employees can use paid sick time to include blood donation**. Governor Kotek has signed SB 1108 that expands Oregon's paid sick time law to allow time off to donate blood. Effective January 1, 2026, an employee may use sick time earned for blood donation that is made in connection with a voluntary program for the donation of blood that is approved or accredited by the American Association of Blood Banks or the American Red Cross.

Pennsylvania

- **Pittsburg amends paid sick leave law**. Mayor Gainey has signed an amendment to Pittsburgh's Paid Sick Days Act (PSDA)—that effective January 1, 2026—accelerates employees' accrual of sick leave and increases usage and carry-over caps. The amendment increases the accrual of paid sick time from one hour of leave for every 35 hours worked, up to one hour for every 30 hours worked (this applies to all employers in Pittsburgh, regardless of size). For employers with 15+ employees—employees must be allowed to accumulate (through accrual or frontloading) and carry over (if accruing) up to 72 hours of paid sick leave per year, up from the current 40 hours. For employers with 14 or fewer employees—employees must be allowed to accumulate (through accrual or frontloading) and carry over (if accruing) up to 48 hours of paid sick leave each year, up from the current 24 hours. Prior to this amendment, the paid sick leave laws in Pittsburgh and Allegheny County used the same accrual rate and permitted employees to accumulate and annually use the same amount of paid sick leave. But now, Pittsburgh employees will have faster accrual and higher accumulation and usage caps than employers elsewhere in Allegheny County. Employers with facilities both in the City of Pittsburgh and other locations in Allegheny County should account for these differences. Also, it is important to remember that PSDA applies to employers operating within the geographic boundaries of the City of Pittsburgh as well as to employers that may not be physically present in the city but have employees who perform work within its geographic boundaries for at least 35 hours in a calendar year.

Tennessee

- **U.S. Supreme Court upholds Tennessee law banning transgender treatment for minors.** On June 18, the Supreme Court of the United States (SCOTUS) in *United States v. Skrmetti* upheld a

Tennessee law banning certain medical treatments for transgender minors—ruling the law does not violate the equal protection clause of the 14th amendment.

- The Tennessee law (which is similar to laws in about half the states) prohibits all medical treatments intended to allow "a minor to identify with, or live as, a purported identity inconsistent with the minor's sex" or to treat "purported discomfort or distress from a discordance between the minor's sex and asserted identity." Such medical treatments may include surgery, puberty blockers, and hormone therapy. Those treatments are permitted for other medical purposes besides treating gender dysphoria, gender identity disorder, or gender incongruence.
- SCOTUS reasoned that the law classifies on the basis of age and medical use—both of which are subject to rational basis review—and not on the basis of sex which would trigger heightened scrutiny by the Court. Chief Justice Robert wrote that while the law's "prohibitions reference sex, the Court has never suggested that mere reference to sex is sufficient to trigger heightened scrutiny. And such an approach would be especially inappropriate in the medical context, where some treatments and procedures are uniquely bound up in sex." The Court distinguished this case from *Bostock* (the 2020 SCOTUS ruling finding that Title VII of the Civil Rights Act prohibits an employer from firing workers for being gay or transgender) because *Bostock* held that firing individuals for being gay/transgender is sex discrimination because the individual's sex is a "but-for" cause of differing outcomes. Here in *Skrmetti*, SCOTUS found that sex is not a "but-for" cause because neither a boy nor a girl would have access to the prohibited treatment for gender dysphoria or certain conditions under the law.
- The majority found the law was constitutional under the rational basis standard due to the legitimate interest of the Tennessee legislature in preventing harm associated with using puberty blockers to treat gender dysphoria in minors. The Court reached this holding while acknowledging that under Tennessee law puberty blockers remain a legal treatment of minors for conditions other than gender dysphoria. The Court found this distinction did not create an unlawful sex-based distinction.

Utah

- **Utah amends stop-loss insurer standards**. Utah has passed HB 23 that amends Utah Code Section 31A-43-301 (Stop-loss insurance standards) so that effective July 1, 2025, a stop-loss insurer: (a) may enter into a small employer stop-loss insurance contract with a small employer with 10 or more enrolled employees and (b) may not enter into a small employer stop-loss insurance contract with a small employer with less than 10 enrolled employees. Also, small employer stop-loss must now have an annual specific attachment point that is at least $25k (up from $10k) and have an annual aggregate attachment point that may not be less than 90% of expected claims (up from 85%). These changes will not apply to a small employer stop-loss insurance contract entered into before July 1, 2025, unless the insurance provider changes under the small employer's health plan during the contract period.

Vermont

- **Vermont enacts new telehealth legislation**. Governor Scott has signed S.30 that effective September 1, 2025, will require health insurance plans to provide coverage for healthcare and dental services delivered through telemedicine to the same extent as if the services were provided through in-person consultations. Health insurance plans must also provide the same reimbursement rate for services billed using equivalent procedure codes and modifiers, subject

to the terms of the health insurance plan and provider contract, regardless of whether the service was provided in person or through telemedicine.

- **Vermont expands unpaid family leave protections**. Governor Scott has signed legislation extending protections under Vermont's unpaid family leave law. The amendments (that are effective July 1, 2025) extends safe leave, bereavement leave, and qualifying exigency leave to employees of employers with ten or more employees. The amendments also broadens the definition of "family member" to extend benefits for qualifying events related to the employee's spouse or civil union or domestic partner, biological, adopted, or foster child, stepchild or legal ward, a child of the employee's spouse or domestic partner, a legal guardian of the employee or the employee's spouse, or a person to whom the employee stands (or stands for the employee) in loco parentis or stood in loco parentis prior to the person turning 18, regardless of legal documentation. The law also covers any individual for whom the employee provides caregiving responsibilities similar to those of a parent-child relationship as well as grandparents, grandchildren, or siblings of the employee or the employee's spouse.
- **Vermont passes two bills with the goal of cutting healthcare costs**. Governor Scott has signed H.266 and S.126 in an effort to control healthcare costs, improve transparency, and enhance access to quality care. H.266 introduces a cap on the price hospitals can charge for physician-administered drugs (such as infusions and injections) in outpatient settings, limiting charges to 120% of the average sales price. S.126 will establish reference-based pricing for certain hospital services and expand oversight of hospital budgets.

Washington

- **Amendments made to Washington Paid Family & Medical Leave to expand job and benefit protections**. Governor Ferguson has signed HB 1213 that effective January 1, 2026, expands job and benefit protections under Washington's Paid Family and Medical Leave (PFML) program.
    - Job protection. Currently, Washington PFML generally does not provide job protection to employees who do not qualify for federal FMLA—that is, Washington PFML only requires employers with fifty or more employees in Washington to provide job protection, and employees do not qualify for job protection unless they have worked for their employer for at least twelve months and for 1,250 hours in the year before the start of their leave. Effective January 1, 2026, job protection will be extended to all individuals, regardless of hours worked, so long as they have been employed 180 days and the employer has 25 or more employees. This size threshold decreases to 15 employees for calendar year 2027, and 8 employees for 2028.
    - Benefit continuation. Currently, benefit continuation protection is only available to individuals who have at least a one-day overlap between Washington PFML and federal FMLA leave. As of January 1, 2026, any employee on Washington PFML entitled to job protection under these new rules will also be entitled to continued health benefits, regardless of federal FMLA status.
- **Washington expands paid sick time for use in immigration proceedings**. Washington has amended their Paid Sick Leave Act (effective July 27, 2025) to allow eligible employees to use their paid sick time to prepare for, or participate in, any judicial or administrative immigration proceeding involving the employee or employee's family member.
- **Washington to require unpaid leave and safety accommodations for victims of hate crime**. Effective January 1, 2025, SB 5101 will require employers to provide leave and safety accommodations to employees who are victims of a hate crime or have a family member who is a victim of a hate crime. Under Washington's existing Domestic Violence Leave Law, which

applies to all Washington employers with one or more employee, an employee who is a victim or a family member of a victim of domestic violence, sexual assault, or stalking may take a reasonable amount of unpaid leave from work for reasons such as seeking legal or law enforcement assistance, treatment or counseling for physical or mental injuries, or social services. Absent undue hardship, employers must also provide reasonable safety accommodations, which may include a transfer, reassignment, modified work schedules, changes to a work telephone number or email address, and other adjustments. The law also includes protection from discrimination and retaliation relating to actual or perceived victim status and the exercise of rights to leave and accommodation. Beginning January 1, 2026, the law will cover victims of a hate crime, which is defined as the commission, attempted commission, or alleged commission of (1) assault, (2) physical damage to or destruction of property, or (3) threats to a specific person or group of persons that place such person(s) in reasonable fear of harm to person or property where the act is committed based on actual or perceived race, color, religion, ancestry, national origin, gender, sexual orientation, gender expression or identity, or mental, physical, or sensory disability. For purposes of leave and accommodation, "hate crime" will explicitly include offenses that are committed through online or internet-based communication.