

## CHAPTER 509A

### GROUP INSURANCE FOR PUBLIC EMPLOYEES

Referred to in §2.40, 87.4, 99G.4, 173.1, 296.7, 331.301, 364.4, 505.28, 505.29, 507B.4, 508C.3, 509.19, 510.11, 514C.12, 514C.14, 514C.15, 514C.16, 514C.17, 514C.18, 514C.19, 514C.20, 514C.22, 514C.23, 514C.24, 514C.25, 514C.26, 514C.27, 514C.28, 514C.29, 514F.4, 514F.5, 514J.102, 514L.1, 669.14, 670.7

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#### 509A.1 Authority of governing body.

The governing body of the state, school district, or any institution supported in whole or in part by public funds may establish plans for and procure group insurance, health or medical service, or health flexible spending accounts as described in section 125 of the Internal Revenue Code of 1986 for the employees of the state, school district, or tax-supported institution.

[C50, 54, 58, 62, §365A.1; C66, §509.15; C71, 73, 75, 77, 79, 81, S81, §509A.1; 81 Acts, ch 117, §1085]

99 Acts, ch 200, §20

#### 509A.2 Sources of funds.

The funds for such plans shall be created solely from the contributions of employees, or from contributions wholly or in part by the governing body.

[C50, 54, 58, 62, §365A.2; C66, §509.16; C71, 73, 75, 77, 79, 81, §509A.2]

Referred to in §509A.3

#### 509A.3 Assessment of employees.

All employees participating in any such plan the fund of which is created under the provisions of section 509A.2 shall be assessed and required to pay an amount to be fixed by the governing body not to exceed the two percent which shall be contributed by the public body according to the plan adopted, and the amount so assessed shall be deducted and retained out of the wages or salaries of such employees.

Any employee may authorize deductions from the employee's wages or salary in payment for plans authorized in this chapter in the manner provided in section 514.16.

[C50, 54, 58, 62, §365A.3; C66, §509.17; C71, 73, 75, 77, 79, 81, §509A.3]

#### 509A.4 Participation optional.

Participation in any such plan shall be optional with all employees eligible to the benefits thereof as provided by the rules adopted by the governing body pursuant thereto. Election to participate therein shall be in writing signed by the employee and filed with the governing body.

[C50, 54, 58, 62, §365A.4; C66, §509.18; C71, 73, 75, 77, 79, 81, §509A.4]

#### 509A.5 Fund under control of governing body — interest earnings of certain funds.

The fund for each plan shall be under the control and shall be expended under the directions of the governing body and shall be used solely for the purpose of administering and carrying out the provisions of the plan adopted by the governing body.

Any interest earnings from investments or time deposits of the funds under the control of the state executive council shall be deposited to the credit of these funds.

[C50, 54, 58, 62, §365A.5; C66, §509.19; C71, 73, 75, 77, 79, 81, §509A.5]

84 Acts, ch 1071, §1; 85 Acts, ch 266, §2

Referred to in §8A.454

#### **509A.6 Contract with insurance carrier, health maintenance organization, or organized delivery system.**

The governing body may contract with a nonprofit corporation operating under the provisions of this chapter or chapter 514 or with any insurance company having a certificate of authority to transact an insurance business in this state with respect of a group insurance plan, which may include life, accident, health, hospitalization and disability insurance during period of active service of such employees, with the right of any employee to continue such life insurance in force after termination of active service at such employee's sole expense; may contract with a nonprofit corporation operating under and governed by the provisions of this chapter or chapter 514 with respect of any hospital or medical service plan; and may contract with a health maintenance organization or an organized delivery system authorized to operate in this state with respect to health maintenance organization or organized delivery system activities.

[C50, 54, 58, 62, §365A.6; C66, §509.20; C71, 73, 75, 77, 79, 81, §509A.6]

95 Acts, ch 162, §10

[P] Limitation on additional coverage benefits, lower costs, or other enhancements of group health insurance coverage provided to general assembly members and employees on or after March 7, 2011; 2011 Acts, ch 122, §1, 5

#### **509A.7 Employee defined.**

The word "*employee*" as used in this chapter does not include temporary or retired employees except as otherwise provided in this chapter. However, this section does not prevent a retired employee sixty-five years of age or older from voluntarily continuing in force, at the employee's own expense, an existing contract.

[C50, 54, 58, 62, §365A.7; C66, §509.21; C71, 73, 75, 77, 79, 81, §509A.7; 82 Acts, ch 1101, §2]

84 Acts, ch 1285, §24

#### **509A.8 Rules.**

The governing body of public bodies establishing any such plan under this chapter shall administer such plan and formulate and establish rules for the operation thereof, not inconsistent with the provisions of this chapter.

[C50, 54, 58, 62, §365A.8; C66, §509.22; C71, 73, 75, 77, 79, 81, §509A.8]

#### **509A.9 Exemption from debts.**

All amounts payable to employees under and pursuant to the plan of group insurance established as herein provided shall be exempt from liability for debts of the person to or on account of whom the same is payable and shall not be subject to seizure upon execution or other process.

[C50, 54, 58, 62, §365A.9; C66, §509.23; C71, 73, 75, 77, 79, 81, §509A.9]

#### **509A.10 Decisions of governing body final.**

The decisions of the governing body upon all matters upon which the said governing body is empowered to act, under and pursuant to the provisions hereof, shall be final and conclusive, in the absence of fraud, and no appeal shall be allowed therefrom nor shall such decisions of the governing body, in the absence of fraud, be reviewed, enjoined or set aside by any court.

[C50, 54, 58, 62, §365A.10; C66, §509.24; C71, 73, 75, 77, 79, 81, §509A.10]

#### **509A.11 Definitions.**

For purposes of this chapter:

1. "*Governing body*" means the executive council of the state, the school boards of school

districts, and the superintendent or other person in charge of an institution supported in whole or in part by public funds.

2. “Public body” means the state, a school district or an institution supported in whole or in part by public funds.

[C58, 62, §365A.11; C66, §509.25; C71, 73, 75, 77, 79, 81, S81, §509A.11; 81 Acts, ch 117, §1086]

#### **509A.12 Deferred compensation program for governmental employees.**

A governing body, county board of supervisors, or other public entity, to the extent allowed by law, may establish a deferred compensation program under this section. The contributions made on behalf of an employee who chooses to participate in the program shall be invested at the direction of the employee in a life insurance contract, annuity contract, mutual fund, security, or any other deferred payment contract offered as an investment option under the program. The contract acquired for an employee shall be in accordance with the plan document and shall be acquired from a company, or a salesperson for that company, that is authorized to do business in this state. When the state of Iowa acquires an investment product pursuant to the plan document the state does not become a shareholder, stockholder, or owner of a corporation in violation of Article VIII, section 3, of the Constitution of the State of Iowa or any other provision of law.

This section is in addition to any benefit program provided by law for employees of the state or its political subdivisions.

[C73, 75, 77, 79, 81, S81, §509A.12; 81 Acts, ch 117, §1087]

94 Acts, ch 1183, §80; 95 Acts, ch 162, §11; 97 Acts, ch 185, §10

Referred to in §8A.433, 8A.434, 8A.435, 8F.2, 12B.10, 12B.10A, 12B.10B, 12B.10C, 12C.1, 331.324

#### **509A.13 Continuation of group insurance.**

If a governing body, a county board of supervisors, or a city council has procured for its employees accident, health, or hospitalization insurance, or a medical service plan, or has contracted with a health maintenance organization authorized to do business in this state, the governing body, county board of supervisors, or city council shall allow its employees who retired before attaining sixty-five years of age to continue participation in the group plan or under the group contract at the employee’s own expense until the employee attains sixty-five years of age.

This section applies to employees who retired on or after January 1, 1981.

84 Acts, ch 1285, §25; 86 Acts, ch 1243, §32

[SP] For provisions relating to continuation of coverage for state employee retirement incentive program participants, see 2010 Acts, ch 1005, §1, 2

#### **509A.13A Continuation of group insurance covering spouses.**

1. As used in this section, unless the context otherwise requires:

a. “Eligible retired state employee” means a former employee of the government of the state of Iowa, including but not limited to any departments, agencies, boards, bureaus, or commissions of the state of Iowa, who is receiving the minimum level of retirement benefits for eligibility under this section and who is participating in a state health or medical group insurance plan which covers the former employee and the former employee’s spouse at the time of the death of the former employee.

b. “Minimum level of retirement benefits for eligibility under this section” means any of the following:

(1) The eligible retired state employee has received retirement benefits under the retirement system established in chapter 97A based upon the completion of at least twenty-two years of membership service.

(2) The eligible retired state employee has received retirement benefits under the retirement system established in chapter 97B.

(3) The eligible retired state employee has received retirement benefits under the retirement system established in chapter 602, article 9.

c. “State health or medical group insurance plan” means a health or medical group insurance plan for employees of the state.

2. Notwithstanding any provision of law to the contrary, in the event of the death of an eligible retired state employee, the surviving spouse of the eligible retired state employee whose insurance would otherwise terminate because of the death of the eligible retired state employee may elect to continue to be a member of the state health or medical group insurance plan by requesting continuation in writing to the department of administrative services within thirty-one days after the death of the eligible retired state employee. The surviving spouse shall pay the total premium for the state health or medical group insurance plan and shall have the same rights to change programs or coverage as state employees.

94 Acts, ch 1183, §81; 98 Acts, ch 1183, §71, 79; 99 Acts, ch 200, §21; 2003 Acts, ch 145, §286  
[SP] For provisions relating to continuation of coverage for state employee retirement incentive program participants, see 2010 Acts, ch 1005, §1, 2

#### **509A.13B Coverage of children — continuation or reenrollment.**

If a governing body, a county board of supervisors, or a city council has procured accident or health care coverage for its employees under this chapter, such coverage shall permit continuation of existing coverage or reenrollment in previously existing coverage for an individual who meets the requirements of section 513B.2, subsection 14, paragraph “a”, “b”, “c”, “d”, or “e”, and who is an unmarried child of an insured or enrollee who so elects, at least through the policy anniversary date on or after the date the child marries, ceases to be a resident of this state, or attains the age of twenty-five years old, whichever occurs first, or so long as the unmarried child maintains full-time status as a student in an accredited institution of postsecondary education.

2008 Acts, ch 1188, §39, 43; 2009 Acts, ch 118, §8, 11

[SP] 2009 amendment to this section applies to policies, contracts, or plans of accident and health insurance delivered, issued for delivery, continued, or renewed in this state on or after July 1, 2009; 2009 Acts, ch 118, §11

#### **509A.14 Approval of self-insurance plans.**

The commissioner of insurance shall adopt rules for self-insurance plans for life insurance and accident and health insurance for a political subdivision of the state or a school corporation. The rules adopted shall include, but are not limited to, the following:

1. A requirement that the plan shall include all coverages and provisions that are required by law in insurance policies for the type of risk that the self-insurance plan is intended to cover.

2. A requirement that if the resources of the plan are inadequate to fully cover a claim under the plan, then the public body is liable for any portion of the claim that is left unpaid.

85 Acts, ch 251, §2; 92 Acts, ch 1162, §12; 93 Acts, ch 88, §9

Referred to in §296.7, 331.301, 364.4

#### **509A.15 Certification of self-insurance plans — exemption.**

1. *a.* Within ninety days following the end of a fiscal year, the governing body of a self-insurance plan of a political subdivision or a school corporation shall file with the commissioner of insurance a certificate of compliance, actuarial opinion, and an annual financial report. The filing shall be accompanied by a fee of one hundred dollars. A penalty of fifteen dollars per day shall be assessed for failure to comply with the ninety-day filing requirement, except that the commissioner may waive the penalty upon a showing that special circumstances exist which justify the waiver. The certificate shall be signed and dated by the appropriate public official representing the governing body, and shall certify the following:

(1) That the plan meets the requirements of this chapter and the applicable provisions of the Iowa administrative code.

(2) That an actuarial opinion has been attached to the certificate which attests to the adequacy of reserves, rates, and financial condition of the plan.

(3) That a written complaint procedure has been implemented. The certificate shall also list the number of complaints filed by participants under the written complaint procedure, and the percentage of participants filing written complaints, in the prior fiscal year.

(4) That the governing body has contracted or otherwise arranged with a third-party administrator who holds a current certificate of registration issued by the commissioner

pursuant to section 510.21, or with a person not required to obtain the certificate as a third-party administrator as defined in section 510.11, subsection 2.

b. The actuarial opinion must include but is not limited to a brief commentary about the adequacy of the reserves, rates, and the financial condition of the plan, a test of the prior year claim reserve, a brief description of how the reserves were calculated, and whether or not the plan is able to cover all reasonably anticipated expenses. The actuarial opinion shall be prepared, signed, and dated by a person who is a member of the American academy of actuaries.

c. If necessary, the actuary should assist the public body in preparing the annual financial report. The annual financial report shall be in a format as prescribed by the commissioner.

2. The commissioner shall by rule require the maintenance of confidentiality of information held by the plan administrator.

3. The failure of the governing body to provide the certificate of compliance required by subsection 1, or the failure of the governing body or plan administrator to abide by a requirement of the plan, this chapter, or applicable rule, is grounds for action against the plan, including cause for disapproval or discontinuance of the plan.

4. a. One or more political subdivisions of the state or one or more school corporations maintaining self-insured plans with yearly claims that do not exceed two percent of each entity's general fund budget shall be exempt from the requirements of this section where the plan insures employees for all or part of a deductible, coinsurance payments, drug costs, short-term disability benefits, vision benefits, or dental benefits.

b. The yearly claim amount shall be determined annually on the policy renewal date, or an alternative date established by rule, by a plan administrator or political subdivision or school corporation employee to be designated by the plan administrator. The exemption shall not apply for the year following a year in which yearly claims are determined to exceed two percent of the political subdivision's or school corporation's general fund budget.

88 Acts, ch 1112, §104; 92 Acts, ch 1162, §14; 93 Acts, ch 88, §10; 2000 Acts, ch 1200, §1; 2003 Acts, ch 91, §12; 2006 Acts, ch 1117, §34, 35; 2012 Acts, ch 1023, §109

[T] Subsections 1 and 4 amended