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BULLETIN 11-07

To: All Cities and Counties in Iowa

From: Susan E. Voss, Insurance Commissioner

Re: City and County retired employee's group health coverage under Iowa Code section 509A.13

Date: December 21, 2011

The Division has received inquiries from cities and counties and their employees dealing with pre-retirement planning or post-retirement questions on group health coverage available to retirees and their families. The purpose of this Bulletin is to provide guidance to cities and counties, their employees and spouses / dependents regarding continued health insurance coverage under the requirements of Iowa Code section 509A.13.

I. Introduction

Iowa Code § 509A.13 states that:

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.

The Division has received questions from cities and counties and their employees or retirees on health coverage available under section 509A.13. The Division sought to formalize its guidance and requested an informal AG opinion to answer certain questions and determine if the advice given by the Iowa Attorney General's Office in a 1991 Formal AG opinion could still be relied upon by the Division. In October 2011, the Division received an informal AG opinion which answered questions interpreting Iowa Code § 509A.13 and the legislative intent of the statute discussed in the 1991 Formal AG opinion. The Division has summarized its position on each question below.

II. Questions Presented

- A. Whether a city or county employee who retires prior to or at age 65 is entitled by law to continue his or her health insurance coverage past age 65.

Iowa Code § 509A.7 makes it clear that “while section 509A.7 does not prevent a governing body from offering continuing coverage to a retired employee who is sixty-five years of age or older, *chapter 509A does not require a public body to do so.*” (emphasis added). Therefore, the obligation to offer continued group health coverage to a retired employee ends when that person reaches age 65. A city or county may elect to offer a retiree group health coverage past age 65 if it desires to do so.

- B. Whether the spouse or dependent of a city or county employee retiring at or after the age of 65 years is entitled by law to be offered continuing group health coverage.

This question has typically come up where the spouse is younger than the employee planning to retire who is at or past age 65. The informal AG opinion made it clear that “[the] extension of these benefits to a spouse of an employee who retires when 65 years of age or older is not supported by any provision of chapter 509A.” There is no independent basis for the spouse or dependent of an employee who retires at age 65 or older to continue receiving or to begin health coverage under a city or county’s group health policy. When the retired employee loses eligibility for continued group health coverage at age 65 or older, the spouse or dependent is also loses eligibility for group health coverage. The city or county may elect to offer such coverage to the spouse or dependent if it desires to do so.

- C. Whether a retired employee may continue to purchase family coverage prior to the retired employee reaching the age of 65.

The Iowa Attorney General’s 1991 Formal opinion states that it was the legislative intent to allow an employee who had family coverage when employed to continue that coverage until age 65. Therefore, cities and counties retirees are eligible to continue their family coverage until that retiree reaches age 65.

- D. Whether an employee who retires prior to age 65, but does not elect to continue group health coverage at the time of retirement, can come back on the group policy at a later date provided the retiree does so prior to age 65.

This question came up in the context of an employee engaged in pre-retirement planning who wanted to go under the spouse’s health coverage at retirement. When the retiree’s spouse retired, the retiree wanted to return to the original group coverage.

Iowa Code section 509A.13 states that an employee who retires prior to age 65 may “*continue* participation in the group plan ... until the employee attains 65 years of age.” (emphasis added). The Division interprets the statute as *not* allowing a retiree to be reinstated on the original group coverage at a later date if the retiree does not elect to continue coverage at the time of retirement. Employees should be advised to remain on the group coverage at retirement if they want health coverage under the statute.



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