

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Limited Health Service Organization Act is
5 amended by changing Sections 1002 and 3009 as follows:

6 (215 ILCS 130/1002) (from Ch. 73, par. 1501-2)

7 Sec. 1002. Definitions. As used in this Act, unless the
8 context otherwise requires, the following terms shall have the
9 meanings ascribed to them:

10 "Advertisement" means any printed or published material,
11 audiovisual material and descriptive literature of the limited
12 health care plan used in direct mail, newspapers, magazines,
13 radio scripts, television scripts, billboards and similar
14 displays; and any descriptive literature or sales aids of all
15 kinds disseminated by a representative of the limited health
16 care plan for presentation to the public including, but not
17 limited to, circulars, leaflets, booklets, depictions,
18 illustrations, form letters and prepared sales presentations.

19 "Copayment" means the amount that an enrollee must pay in
20 order to receive a specific service that is not fully prepaid.

21 "Director" means the Director of Insurance.

22 "Enrollee" means an individual, including a dependent, who
23 is entitled to limited health services pursuant to a contract

1 with an entity authorized to provide or arrange for those
2 services under this Act ~~who has been enrolled in a limited~~
3 ~~health care plan.~~

4 "Evidence of coverage" means any certificate, agreement or
5 contract issued to an enrollee setting out the coverage to
6 which that enrollee is entitled ~~in exchange for a per capita~~
7 ~~prepaid sum.~~

8 "Group contract" means a contract for limited health
9 services which by its terms limits eligibility to members of a
10 specified group.

11 "In-plan covered services" means covered limited health
12 services obtained from providers who are employed by, under
13 contract with, referred by, or otherwise affiliated with the
14 LHSO and emergency services.

15 "Limited health care plan" means any arrangement whereby
16 an organization undertakes to provide or arrange for and, pay
17 for or reimburse the cost of any limited health services from
18 providers selected by the limited health service organization
19 and such arrangement consists of arranging for or the
20 provision of such limited health services on a per capita or
21 fixed prepaid basis, as distinguished from mere
22 indemnification against the cost of such limited services on a
23 per capita prepaid basis through insurance except as otherwise
24 provided under Section 3009.

25 "Limited health service" means dental care services,
26 vision care services, pharmaceutical services, podiatric care

1 services, and such other services as may be determined by the
2 Director to be limited health services. "Limited health
3 service" does not include hospital, medical, surgical, or
4 emergency services, except as these services are provided
5 incident to the limited health services set forth in this
6 definition ~~ambulance care services, dental care services,~~
7 ~~vision care services, pharmaceutical services, clinical~~
8 ~~laboratory services, and podiatric care services. Limited~~
9 ~~health service shall not include hospital, medical, surgical~~
10 ~~or emergency services except when those services are essential~~
11 ~~to the delivery of the limited health service. Essential~~
12 ~~hospital, medical, surgical, or emergency services shall be~~
13 ~~covered unless specifically excluded.~~

14 "Limited health service organization" (LHSO) means any
15 organization formed under the laws of this or another state to
16 provide or arrange for one or more limited health care plans
17 under a system which causes any part of the risk of limited
18 health care delivery to be borne by the organization or its
19 providers.

20 "Net worth" means admitted assets, as defined in Section
21 1003 of this Act, minus liabilities.

22 "Organization" means any insurance company or other
23 corporation organized under the laws of this or another state
24 for the purpose of operating one or more limited health care
25 plans and doing no business other than that of a health
26 maintenance organization or a limited health service

1 organization or an insurance company. Organization does not
2 include (1) any entity otherwise authorized on the effective
3 date of this Act pursuant to the laws of this State either to
4 provide any limited health service on a prepayment basis or to
5 indemnity for any limited health service; nor does it include
6 (2) any provider or other entity when providing or arranging
7 for the provision of limited health services pursuant to a
8 contract with a limited health service organization or with
9 any entity described in (1) of this definition.

10 "Out-of-plan covered services" means non-emergency,
11 self-referred covered limited health services obtained from
12 providers who are not otherwise employed by, under contract
13 with, or otherwise affiliated with the LHSO or services
14 obtained without a referral from providers who have contracted
15 to provide limited health services to the enrollee on behalf
16 of the limited health care plan.

17 "Point-of-service product" (POS) means a group contract
18 that includes both in-plan covered services and out-of-plan
19 covered services as well as a POS contract in which the risk
20 for out-of-plan covered services is borne through reinsurance.
21 This term does not apply to indemnity benefits offered through
22 an LHSO that are underwritten in whole by a licensed insurance
23 carrier and offered in conjunction with the LHSO benefit
24 package.

25 "Provider" means any physician, dentist, health facility,
26 or other person or institution which is duly licensed or

1 otherwise authorized to deliver or furnish limited health
2 services and also includes any other entity that arranges for
3 the delivery or furnishing of limited health service.

4 "Per capita prepaid" means a basis of payment by which a
5 fixed amount of money is prepaid per individual or any other
6 enrollment unit to the limited health service organization or
7 for limited health services which are provided during a
8 definite time period regardless of the frequency or extent of
9 the services rendered, except for copayments of a fixed amount
10 by the limited health service organization.

11 "Subscriber" means the person whose employment or other
12 status, except for family dependency, is the basis for
13 entitlement to limited health services pursuant to a contract
14 with an organization authorized to provide or arrange for such
15 services under this Act.

16 "Uncovered expense" means the cost of limited health
17 services that are the obligation of a limited health service
18 organization for which an enrollee may be liable in the event
19 of the insolvency of the organization. Costs incurred by a
20 provider who has agreed in writing not to bill enrollees,
21 except for permissible supplemental charges, shall be
22 considered covered expenses.

23 (Source: P.A. 87-1079; 88-568, eff. 8-5-94; 88-667, eff.
24 9-16-94.)

1 Sec. 3009. Point-of-service limited health service
2 contracts.

3 (a) An LHSO that offers a POS contract:

4 (1) shall include as in-plan covered services all
5 services required by law to be provided by an LHSO;

6 (2) shall provide incentives, which shall include
7 financial incentives, for enrollees to use in-plan covered
8 services;

9 (3) shall not offer services out-of-plan without
10 providing those services on an in-plan basis;

11 (4) may limit or exclude specific types of services
12 from coverage when obtained out-of-plan;

13 (5) may include annual out-of-pocket limits and
14 lifetime maximum benefits allowances for out-of-plan
15 services that are separate from any limits or allowances
16 applied to in-plan services;

17 ~~(6) shall include an annual maximum benefit allowance~~
18 ~~not to exceed \$2,500 per year that is separate from any~~
19 ~~limits or allowances applied to in plan services;~~

20 (6) ~~(7)~~ may limit the groups to which a POS product is
21 offered, however, if a POS product is offered to a group,
22 then it must be offered to all eligible members of that
23 group, when an LHSO provider is available;

24 (7) ~~(8)~~ shall not consider emergency services,
25 authorized referral services, or non-routine services
26 obtained out of the service area to be POS services; and

1 (8) ~~(9)~~ may treat as out-of-plan services those
2 services that an enrollee obtains from a participating
3 provider, but for which the proper authorization was not
4 given by the LHSO.

5 (b) An LHSO offering a POS contract shall be subject to the
6 following limitations:

7 (1) The LHSO shall not expend in any calendar quarter
8 more than 20% of its total limited health services
9 expenditures for all its members for out-of-plan covered
10 services, unless otherwise allowed under this subsection.

11 (2) If the amount specified in paragraph (1) is
12 exceeded by 2% in a quarter, the LHSO shall effect
13 compliance with paragraph (1) by the end of the following
14 quarter.

15 (3) If compliance with the amount specified in
16 paragraph (1) is not demonstrated in the LHSO's next
17 quarterly report, the LHSO may not offer the POS contract
18 to new groups or include the POS option in the renewal of
19 an existing group until compliance with the amount
20 specified in paragraph (1) is demonstrated ~~or otherwise~~
21 ~~allowed by the Director~~.

22 (4) Any LHSO failing, without just cause, to comply
23 with the provisions of this subsection shall be required,
24 after notice and hearing, to pay a penalty of \$250 for each
25 day out of compliance, to be recovered by the Director of
26 Insurance. Any penalty recovered shall be paid into the

1 General Revenue Fund. The Director may reduce the penalty
2 if the LHSO demonstrates to the Director that the
3 imposition of the penalty would constitute a financial
4 hardship to the LHSO.

5 This subsection does not apply in any calendar quarter in
6 which an LHSO satisfies the minimum capital and surplus
7 requirements applicable to a life, accident, and health
8 insurance company as outlined in Section 13 of the Illinois
9 Insurance Code.

10 (c) Any LHSO that offers a POS product shall:

11 (1) File a quarterly financial statement detailing
12 compliance with the requirements of subsection (b).

13 (2) Track out-of-plan POS utilization separately from
14 in-plan or non-POS out-of-plan emergency care, referral
15 care, and urgent care out of the service area utilization.

16 (3) Record out-of-plan utilization in a manner that
17 will permit such utilization and cost reporting as the
18 Director may, by regulation, require.

19 (4) Demonstrate to the Director's satisfaction that
20 the LHSO has the fiscal, administrative, and marketing
21 capacity to control its POS enrollment, utilization, and
22 costs so as not to jeopardize the financial security of
23 the LHSO.

24 (5) Maintain the deposit required by subsection (b) of
25 Section 2006 in addition to any other deposit required
26 under this Act.

1 (d) An LHSO shall not issue a POS contract until it has
2 filed and had approved by the Director a plan to comply with
3 the provisions of this Section. The compliance plan shall at a
4 minimum include provisions demonstrating that the LHSO will do
5 all of the following:

6 (1) Design the benefit levels and conditions of
7 coverage for in-plan covered services and out-of-plan
8 covered services as required by this Article.

9 (2) Provide or arrange for the provision of adequate
10 systems to:

11 (A) process and pay claims for all out-of-plan
12 covered services;

13 (B) meet the requirements for a POS contract set
14 forth in this Section and any additional requirements
15 that may be set forth by the Director; and

16 (C) generate accurate data and financial and
17 regulatory reports on a timely basis so that the
18 Department can evaluate the LHSO's experience with the
19 POS contract and monitor compliance with POS contract
20 provisions.

21 (3) Comply initially and on an ongoing basis with the
22 requirements of subsections (b) and (c).

23 (e) A limited health service organization that offers a
24 POS contract must comply with Sections 356w and 356x of the
25 Illinois Insurance Code.

26 (Source: P.A. 90-741, eff. 1-1-99.)