

SB1327



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB1327

Introduced 1/28/2025, by Sen. Julie A. Morrison

SYNOPSIS AS INTRODUCED:

215 ILCS 5/370c.1

Amends the Illinois Insurance Code. Provides that every insurer that amends, delivers, issues, or renews a group or individual policy or certificate of disability insurance or disability income insurance shall ensure parity for the payment of mental, emotional, nervous, or substance use disorders or conditions. Changes the definition of "treatment limitation" to include benefit payments under disability insurance or disability income insurance.

LRB104 10928 BAB 21010 b

A BILL FOR

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 Illinois Insurance Code is amended by
5 changing Section 370c.1 as follows:

6 (215 ILCS 5/370c.1)

7 Sec. 370c.1. Mental, emotional, nervous, or substance use
8 disorder or condition parity.

9 (a) On and after July 23, 2021 (the effective date of
10 Public Act 102-135), every insurer that amends, delivers,
11 issues, or renews a group or individual policy of accident and
12 health insurance or a qualified health plan offered through
13 the Health Insurance Marketplace in this State providing
14 coverage for hospital or medical treatment and for the
15 treatment of mental, emotional, nervous, or substance use
16 disorders or conditions shall ensure prior to policy issuance
17 that:

18 (1) the financial requirements applicable to such
19 mental, emotional, nervous, or substance use disorder or
20 condition benefits are no more restrictive than the
21 predominant financial requirements applied to
22 substantially all hospital and medical benefits covered by
23 the policy and that there are no separate cost-sharing

1 requirements that are applicable only with respect to
2 mental, emotional, nervous, or substance use disorder or
3 condition benefits; and

4 (2) the treatment limitations applicable to such
5 mental, emotional, nervous, or substance use disorder or
6 condition benefits are no more restrictive than the
7 predominant treatment limitations applied to substantially
8 all hospital and medical benefits covered by the policy
9 and that there are no separate treatment limitations that
10 are applicable only with respect to mental, emotional,
11 nervous, or substance use disorder or condition benefits.

12 (a-5) On and after the effective date of this amendatory
13 Act of the 104th General Assembly, every insurer that amends,
14 delivers, issues, or renews a group or individual policy or
15 certificate of disability insurance or disability income
16 insurance in or to any person in this State shall ensure that:

17 (1) the benefits applicable to such mental, emotional,
18 nervous, or substance use disorders or conditions are no
19 more restrictive than the benefits available for all other
20 medical conditions covered by the policy or certificate
21 and that there are no separate requirements that are
22 applicable only with respect to mental, emotional,
23 nervous, or substance use disorder or condition benefits;
24 and

25 (2) the treatment limitations or other coverage
26 limitations applicable to such mental, emotional, nervous,

1 or substance use disorder or condition benefits are no
2 more restrictive than the benefits available for other
3 physical conditions covered by the policy and that there
4 are no separate payment limitations that may be applied
5 specifically with respect to mental, emotional, nervous,
6 or substance use disorder or condition benefits.

7 (b) The following provisions shall apply concerning
8 aggregate lifetime limits:

9 (1) In the case of a group or individual policy of
10 accident and health insurance or a qualified health plan
11 offered through the Health Insurance Marketplace amended,
12 delivered, issued, or renewed in this State on or after
13 September 9, 2015 (the effective date of Public Act
14 99-480) that provides coverage for hospital or medical
15 treatment and for the treatment of mental, emotional,
16 nervous, or substance use disorders or conditions the
17 following provisions shall apply:

18 (A) if the policy does not include an aggregate
19 lifetime limit on substantially all hospital and
20 medical benefits, then the policy may not impose any
21 aggregate lifetime limit on mental, emotional,
22 nervous, or substance use disorder or condition
23 benefits; or

24 (B) if the policy includes an aggregate lifetime
25 limit on substantially all hospital and medical
26 benefits (in this subsection referred to as the

1 "applicable lifetime limit"), then the policy shall
2 either:

3 (i) apply the applicable lifetime limit both
4 to the hospital and medical benefits to which it
5 otherwise would apply and to mental, emotional,
6 nervous, or substance use disorder or condition
7 benefits and not distinguish in the application of
8 the limit between the hospital and medical
9 benefits and mental, emotional, nervous, or
10 substance use disorder or condition benefits; or

11 (ii) not include any aggregate lifetime limit
12 on mental, emotional, nervous, or substance use
13 disorder or condition benefits that is less than
14 the applicable lifetime limit.

15 (2) In the case of a policy that is not described in
16 paragraph (1) of subsection (b) of this Section and that
17 includes no or different aggregate lifetime limits on
18 different categories of hospital and medical benefits, the
19 Director shall establish rules under which subparagraph
20 (B) of paragraph (1) of subsection (b) of this Section is
21 applied to such policy with respect to mental, emotional,
22 nervous, or substance use disorder or condition benefits
23 by substituting for the applicable lifetime limit an
24 average aggregate lifetime limit that is computed taking
25 into account the weighted average of the aggregate
26 lifetime limits applicable to such categories.

1 (c) The following provisions shall apply concerning annual
2 limits:

3 (1) In the case of a group or individual policy of
4 accident and health insurance or a qualified health plan
5 offered through the Health Insurance Marketplace amended,
6 delivered, issued, or renewed in this State on or after
7 September 9, 2015 (the effective date of Public Act
8 99-480) that provides coverage for hospital or medical
9 treatment and for the treatment of mental, emotional,
10 nervous, or substance use disorders or conditions the
11 following provisions shall apply:

12 (A) if the policy does not include an annual limit
13 on substantially all hospital and medical benefits,
14 then the policy may not impose any annual limits on
15 mental, emotional, nervous, or substance use disorder
16 or condition benefits; or

17 (B) if the policy includes an annual limit on
18 substantially all hospital and medical benefits (in
19 this subsection referred to as the "applicable annual
20 limit"), then the policy shall either:

21 (i) apply the applicable annual limit both to
22 the hospital and medical benefits to which it
23 otherwise would apply and to mental, emotional,
24 nervous, or substance use disorder or condition
25 benefits and not distinguish in the application of
26 the limit between the hospital and medical

1 benefits and mental, emotional, nervous, or
2 substance use disorder or condition benefits; or

3 (ii) not include any annual limit on mental,
4 emotional, nervous, or substance use disorder or
5 condition benefits that is less than the
6 applicable annual limit.

7 (2) In the case of a policy that is not described in
8 paragraph (1) of subsection (c) of this Section and that
9 includes no or different annual limits on different
10 categories of hospital and medical benefits, the Director
11 shall establish rules under which subparagraph (B) of
12 paragraph (1) of subsection (c) of this Section is applied
13 to such policy with respect to mental, emotional, nervous,
14 or substance use disorder or condition benefits by
15 substituting for the applicable annual limit an average
16 annual limit that is computed taking into account the
17 weighted average of the annual limits applicable to such
18 categories.

19 (d) With respect to mental, emotional, nervous, or
20 substance use disorders or conditions, an insurer shall use
21 policies and procedures for the election and placement of
22 mental, emotional, nervous, or substance use disorder or
23 condition treatment drugs on their formulary that are no less
24 favorable to the insured as those policies and procedures the
25 insurer uses for the selection and placement of drugs for
26 medical or surgical conditions and shall follow the expedited

1 coverage determination requirements for substance abuse
2 treatment drugs set forth in Section 45.2 of the Managed Care
3 Reform and Patient Rights Act.

4 (e) This Section shall be interpreted in a manner
5 consistent with all applicable federal parity regulations
6 including, but not limited to, the Paul Wellstone and Pete
7 Domenici Mental Health Parity and Addiction Equity Act of
8 2008, final regulations issued under the Paul Wellstone and
9 Pete Domenici Mental Health Parity and Addiction Equity Act of
10 2008 and final regulations applying the Paul Wellstone and
11 Pete Domenici Mental Health Parity and Addiction Equity Act of
12 2008 to Medicaid managed care organizations, the Children's
13 Health Insurance Program, and alternative benefit plans.

14 (f) The provisions of subsections (b) and (c) of this
15 Section shall not be interpreted to allow the use of lifetime
16 or annual limits otherwise prohibited by State or federal law.

17 (g) As used in this Section:

18 "Financial requirement" includes deductibles, copayments,
19 coinsurance, and out-of-pocket maximums, but does not include
20 an aggregate lifetime limit or an annual limit subject to
21 subsections (b) and (c).

22 "Mental, emotional, nervous, or substance use disorder or
23 condition" means a condition or disorder that involves a
24 mental health condition or substance use disorder that falls
25 under any of the diagnostic categories listed in the mental
26 and behavioral disorders chapter of the current edition of the

1 International Classification of Disease or that is listed in
2 the most recent version of the Diagnostic and Statistical
3 Manual of Mental Disorders.

4 "Treatment limitation" includes limits on benefits based
5 on the frequency of treatment, number of visits, days of
6 coverage, days in a waiting period, or other similar limits on
7 the scope or duration of treatment, and shall also include
8 benefit payments under disability insurance or disability
9 income insurance policies or certificates. "Treatment
10 limitation" includes both quantitative treatment limitations,
11 which are expressed numerically (such as 50 outpatient visits
12 per year), and nonquantitative treatment limitations, which
13 otherwise limit the scope or duration of treatment, or the
14 duration of benefit payments under the terms of a disability
15 insurance policy or certificate or disability income insurance
16 policy or certificate. A permanent exclusion of all benefits
17 for a particular condition or disorder shall not be considered
18 a treatment limitation. "Nonquantitative treatment" means
19 those limitations as described under federal regulations (26
20 CFR 54.9812-1). "Nonquantitative treatment limitations"
21 include, but are not limited to, those limitations described
22 under federal regulations 26 CFR 54.9812-1, 29 CFR 2590.712,
23 and 45 CFR 146.136.

24 (h) The Department of Insurance shall implement the
25 following education initiatives:

26 (1) By January 1, 2016, the Department shall develop a

1 plan for a Consumer Education Campaign on parity. The
2 Consumer Education Campaign shall focus its efforts
3 throughout the State and include trainings in the
4 northern, southern, and central regions of the State, as
5 defined by the Department, as well as each of the 5 managed
6 care regions of the State as identified by the Department
7 of Healthcare and Family Services. Under this Consumer
8 Education Campaign, the Department shall: (1) by January
9 1, 2017, provide at least one live training in each region
10 on parity for consumers and providers and one webinar
11 training to be posted on the Department website and (2)
12 establish a consumer hotline to assist consumers in
13 navigating the parity process by March 1, 2017. By January
14 1, 2018 the Department shall issue a report to the General
15 Assembly on the success of the Consumer Education
16 Campaign, which shall indicate whether additional training
17 is necessary or would be recommended.

18 (2) The Department, in coordination with the
19 Department of Human Services and the Department of
20 Healthcare and Family Services, shall convene a working
21 group of health care insurance carriers, mental health
22 advocacy groups, substance abuse patient advocacy groups,
23 and mental health physician groups for the purpose of
24 discussing issues related to the treatment and coverage of
25 mental, emotional, nervous, or substance use disorders or
26 conditions and compliance with parity obligations under

1 State and federal law. Compliance shall be measured,
2 tracked, and shared during the meetings of the working
3 group. The working group shall meet once before January 1,
4 2016 and shall meet semiannually thereafter. The
5 Department shall issue an annual report to the General
6 Assembly that includes a list of the health care insurance
7 carriers, mental health advocacy groups, substance abuse
8 patient advocacy groups, and mental health physician
9 groups that participated in the working group meetings,
10 details on the issues and topics covered, and any
11 legislative recommendations developed by the working
12 group.

13 (3) Not later than January 1 of each year, the
14 Department, in conjunction with the Department of
15 Healthcare and Family Services, shall issue a joint report
16 to the General Assembly and provide an educational
17 presentation to the General Assembly. The report and
18 presentation shall:

19 (A) Cover the methodology the Departments use to
20 check for compliance with the federal Paul Wellstone
21 and Pete Domenici Mental Health Parity and Addiction
22 Equity Act of 2008, 42 U.S.C. 18031(j), and any
23 federal regulations or guidance relating to the
24 compliance and oversight of the federal Paul Wellstone
25 and Pete Domenici Mental Health Parity and Addiction
26 Equity Act of 2008 and 42 U.S.C. 18031(j).

1 (B) Cover the methodology the Departments use to
2 check for compliance with this Section and Sections
3 356z.23 and 370c of this Code.

4 (C) Identify market conduct examinations or, in
5 the case of the Department of Healthcare and Family
6 Services, audits conducted or completed during the
7 preceding 12-month period regarding compliance with
8 parity in mental, emotional, nervous, and substance
9 use disorder or condition benefits under State and
10 federal laws and summarize the results of such market
11 conduct examinations and audits. This shall include:

12 (i) the number of market conduct examinations
13 and audits initiated and completed;

14 (ii) the benefit classifications examined by
15 each market conduct examination and audit;

16 (iii) the subject matter of each market
17 conduct examination and audit, including
18 quantitative and nonquantitative treatment
19 limitations; and

20 (iv) a summary of the basis for the final
21 decision rendered in each market conduct
22 examination and audit.

23 Individually identifiable information shall be
24 excluded from the reports consistent with federal
25 privacy protections.

26 (D) Detail any educational or corrective actions

1 the Departments have taken to ensure compliance with
2 the federal Paul Wellstone and Pete Domenici Mental
3 Health Parity and Addiction Equity Act of 2008, 42
4 U.S.C. 18031(j), this Section, and Sections 356z.23
5 and 370c of this Code.

6 (E) The report must be written in non-technical,
7 readily understandable language and shall be made
8 available to the public by, among such other means as
9 the Departments find appropriate, posting the report
10 on the Departments' websites.

11 (i) The Parity Advancement Fund is created as a special
12 fund in the State treasury. Moneys from fines and penalties
13 collected from insurers for violations of this Section shall
14 be deposited into the Fund. Moneys deposited into the Fund for
15 appropriation by the General Assembly to the Department shall
16 be used for the purpose of providing financial support of the
17 Consumer Education Campaign, parity compliance advocacy, and
18 other initiatives that support parity implementation and
19 enforcement on behalf of consumers.

20 (j) (Blank).

21 (j-5) The Department of Insurance shall collect the
22 following information:

23 (1) The number of employment disability insurance
24 plans offered in this State, including, but not limited
25 to:

26 (A) individual short-term policies;

- 1 (B) individual long-term policies;
2 (C) group short-term policies; and
3 (D) group long-term policies.

4 (2) The number of policies referenced in paragraph (1)
5 of this subsection that limit mental health and substance
6 use disorder benefits.

7 (3) The average defined benefit period for the
8 policies referenced in paragraph (1) of this subsection,
9 both for those policies that limit and those policies that
10 have no limitation on mental health and substance use
11 disorder benefits.

12 (4) Whether the policies referenced in paragraph (1)
13 of this subsection are purchased on a voluntary or
14 non-voluntary basis.

15 (5) The identities of the individuals, entities, or a
16 combination of the 2 that assume the cost associated with
17 covering the policies referenced in paragraph (1) of this
18 subsection.

19 (6) The average defined benefit period for plans that
20 cover physical disability and mental health and substance
21 abuse without limitation, including, but not limited to:

- 22 (A) individual short-term policies;
23 (B) individual long-term policies;
24 (C) group short-term policies; and
25 (D) group long-term policies.

26 (7) The average premiums for disability income

1 insurance issued in this State for:

2 (A) individual short-term policies that limit
3 mental health and substance use disorder benefits;

4 (B) individual long-term policies that limit
5 mental health and substance use disorder benefits;

6 (C) group short-term policies that limit mental
7 health and substance use disorder benefits;

8 (D) group long-term policies that limit mental
9 health and substance use disorder benefits;

10 (E) individual short-term policies that include
11 mental health and substance use disorder benefits
12 without limitation;

13 (F) individual long-term policies that include
14 mental health and substance use disorder benefits
15 without limitation;

16 (G) group short-term policies that include mental
17 health and substance use disorder benefits without
18 limitation; and

19 (H) group long-term policies that include mental
20 health and substance use disorder benefits without
21 limitation.

22 The Department shall present its findings regarding
23 information collected under this subsection (j-5) to the
24 General Assembly no later than April 30, 2024. Information
25 regarding a specific insurance provider's contributions to the
26 Department's report shall be exempt from disclosure under

1 paragraph (t) of subsection (1) of Section 7 of the Freedom of
2 Information Act. The aggregated information gathered by the
3 Department shall not be exempt from disclosure under paragraph
4 (t) of subsection (1) of Section 7 of the Freedom of
5 Information Act.

6 (k) An insurer that amends, delivers, issues, or renews a
7 group or individual policy of accident and health insurance or
8 a qualified health plan offered through the health insurance
9 marketplace in this State providing coverage for hospital or
10 medical treatment and for the treatment of mental, emotional,
11 nervous, or substance use disorders or conditions shall submit
12 an annual report, the format and definitions for which will be
13 determined by the Department and the Department of Healthcare
14 and Family Services and posted on their respective websites,
15 starting on September 1, 2023 and annually thereafter, that
16 contains the following information separately for inpatient
17 in-network benefits, inpatient out-of-network benefits,
18 outpatient in-network benefits, outpatient out-of-network
19 benefits, emergency care benefits, and prescription drug
20 benefits in the case of accident and health insurance or
21 qualified health plans, or inpatient, outpatient, emergency
22 care, and prescription drug benefits in the case of medical
23 assistance:

24 (1) A summary of the plan's pharmacy management
25 processes for mental, emotional, nervous, or substance use
26 disorder or condition benefits compared to those for other

1 medical benefits.

2 (2) A summary of the internal processes of review for
3 experimental benefits and unproven technology for mental,
4 emotional, nervous, or substance use disorder or condition
5 benefits and those for other medical benefits.

6 (3) A summary of how the plan's policies and
7 procedures for utilization management for mental,
8 emotional, nervous, or substance use disorder or condition
9 benefits compare to those for other medical benefits.

10 (4) A description of the process used to develop or
11 select the medical necessity criteria for mental,
12 emotional, nervous, or substance use disorder or condition
13 benefits and the process used to develop or select the
14 medical necessity criteria for medical and surgical
15 benefits.

16 (5) Identification of all nonquantitative treatment
17 limitations that are applied to both mental, emotional,
18 nervous, or substance use disorder or condition benefits
19 and medical and surgical benefits within each
20 classification of benefits.

21 (6) The results of an analysis that demonstrates that
22 for the medical necessity criteria described in
23 subparagraph (A) and for each nonquantitative treatment
24 limitation identified in subparagraph (B), as written and
25 in operation, the processes, strategies, evidentiary
26 standards, or other factors used in applying the medical

1 necessity criteria and each nonquantitative treatment
2 limitation to mental, emotional, nervous, or substance use
3 disorder or condition benefits within each classification
4 of benefits are comparable to, and are applied no more
5 stringently than, the processes, strategies, evidentiary
6 standards, or other factors used in applying the medical
7 necessity criteria and each nonquantitative treatment
8 limitation to medical and surgical benefits within the
9 corresponding classification of benefits; at a minimum,
10 the results of the analysis shall:

11 (A) identify the factors used to determine that a
12 nonquantitative treatment limitation applies to a
13 benefit, including factors that were considered but
14 rejected;

15 (B) identify and define the specific evidentiary
16 standards used to define the factors and any other
17 evidence relied upon in designing each nonquantitative
18 treatment limitation;

19 (C) provide the comparative analyses, including
20 the results of the analyses, performed to determine
21 that the processes and strategies used to design each
22 nonquantitative treatment limitation, as written, for
23 mental, emotional, nervous, or substance use disorder
24 or condition benefits are comparable to, and are
25 applied no more stringently than, the processes and
26 strategies used to design each nonquantitative

1 treatment limitation, as written, for medical and
2 surgical benefits;

3 (D) provide the comparative analyses, including
4 the results of the analyses, performed to determine
5 that the processes and strategies used to apply each
6 nonquantitative treatment limitation, in operation,
7 for mental, emotional, nervous, or substance use
8 disorder or condition benefits are comparable to, and
9 applied no more stringently than, the processes or
10 strategies used to apply each nonquantitative
11 treatment limitation, in operation, for medical and
12 surgical benefits; and

13 (E) disclose the specific findings and conclusions
14 reached by the insurer that the results of the
15 analyses described in subparagraphs (C) and (D)
16 indicate that the insurer is in compliance with this
17 Section and the Mental Health Parity and Addiction
18 Equity Act of 2008 and its implementing regulations,
19 which includes 42 CFR Parts 438, 440, and 457 and 45
20 CFR 146.136 and any other related federal regulations
21 found in the Code of Federal Regulations.

22 (7) Any other information necessary to clarify data
23 provided in accordance with this Section requested by the
24 Director, including information that may be proprietary or
25 have commercial value, under the requirements of Section
26 30 of the Viatical Settlements Act of 2009.

1 (1) An insurer that amends, delivers, issues, or renews a
2 group or individual policy of accident and health insurance or
3 a qualified health plan offered through the health insurance
4 marketplace in this State providing coverage for hospital or
5 medical treatment and for the treatment of mental, emotional,
6 nervous, or substance use disorders or conditions on or after
7 January 1, 2019 (the effective date of Public Act 100-1024)
8 shall, in advance of the plan year, make available to the
9 Department or, with respect to medical assistance, the
10 Department of Healthcare and Family Services and to all plan
11 participants and beneficiaries the information required in
12 subparagraphs (C) through (E) of paragraph (6) of subsection
13 (k). For plan participants and medical assistance
14 beneficiaries, the information required in subparagraphs (C)
15 through (E) of paragraph (6) of subsection (k) shall be made
16 available on a publicly available website whose web address is
17 prominently displayed in plan and managed care organization
18 informational and marketing materials.

19 (m) In conjunction with its compliance examination program
20 conducted in accordance with the Illinois State Auditing Act,
21 the Auditor General shall undertake a review of compliance by
22 the Department and the Department of Healthcare and Family
23 Services with Section 370c and this Section. Any findings
24 resulting from the review conducted under this Section shall
25 be included in the applicable State agency's compliance
26 examination report. Each compliance examination report shall

1 be issued in accordance with Section 3-14 of the Illinois
2 State Auditing Act. A copy of each report shall also be
3 delivered to the head of the applicable State agency and
4 posted on the Auditor General's website.

5 (Source: P.A. 102-135, eff. 7-23-21; 102-579, eff. 8-25-21;
6 102-813, eff. 5-13-22; 103-94, eff. 1-1-24; 103-105, eff.
7 6-27-23; 103-605, eff. 7-1-24.)