



**93RD GENERAL ASSEMBLY**  
**State of Illinois**  
**2003 and 2004**  
**HB4059**

Introduced 1/14/2004, by Naomi D. Jakobsson

**SYNOPSIS AS INTRODUCED:**

215 ILCS 5/351B-5	from Ch. 73, par. 963B-5
215 ILCS 5/367.4 new	
215 ILCS 123/5	
215 ILCS 125/5-3	from Ch. 111 1/2, par. 1411.2
215 ILCS 130/4003	from Ch. 73, par. 1504-3
215 ILCS 165/10	from Ch. 32, par. 604

Amends the Illinois Insurance Code, the Health Care Purchasing Group Act, the Health Maintenance Organization Act, the Limited Health Service Organization Act, and the Voluntary Health Services Plans Act. Provides that upon the written request of a sponsor of a group health plan, the health insurance issuer providing health insurance coverage under the plan must report to the sponsor information from the 12 months preceding the date of the report regarding: (1) the total amount of charges submitted to the health insurance issuer for persons covered under the plan; (2) the total amount of payments made by the health insurance issuer to health care providers for persons covered under the plan; (3) to the extent available, information on claims paid by type of health care provider; and (4) the diagnosis codes for payment of claims that exceed \$25,000. Provides that the plan sponsor may use the information only for purposes relating to obtaining and maintaining health insurance coverage for the sponsor's employees (if the sponsor is an employer) or members (if the sponsor is an employee organization).

LRB093 15454 DRJ 41057 b

1 AN ACT in relation to insurance.

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 351B-5 and adding Section 367.4 as follows:

6 (215 ILCS 5/351B-5) (from Ch. 73, par. 963B-5)

7 Sec. 351B-5. Applicability of other Code provisions. All  
8 policies of accident and health insurance issued under this  
9 Article shall be subject to the provisions of Sections 356c,  
10 subsection (a) of Section 356g, 356h, 356n, 367.4, 367c, 367d,  
11 370, 370a, and 370e of this Code.

12 (Source: P.A. 86-1407; 87-792; 87-1066.)

13 insert 367.4

14 (215 ILCS 5/367.4 new)

15 Sec. 367.4. Reporting of claims information to group health  
16 plan sponsor.

17 (a) In this Section, "group health plan", "health insurance  
18 coverage", "health insurance issuer", and "plan sponsor" have  
19 the meanings ascribed to those terms in the Illinois Health  
20 Insurance Portability and Accountability Act.

21 (b) Upon the written request of a sponsor of a group health  
22 plan, the health insurance issuer providing health insurance  
23 coverage under the plan must report to the sponsor information  
24 from the 12 months preceding the date of the report regarding  
25 the following:

26 (1) The total amount of charges submitted to the health  
27 insurance issuer for persons covered under the plan.

28 (2) The total amount of payments made by the health  
29 insurance issuer to health care providers for persons  
30 covered under the plan.

31 (3) To the extent available, information on claims paid

1 by type of health care provider, including the total  
2 hospital charges, physician charges, pharmaceutical  
3 charges, and other charges.

4 (4) The diagnosis codes for payment of claims that  
5 exceed \$25,000 made by the health insurance issuer to  
6 health care providers for persons covered under the plan.

7 (c) A health insurance issuer must provide information  
8 requested by a plan sponsor under this Section annually not  
9 later than the 45th day before the anniversary or renewal date  
10 of the sponsor's group health plan. Notwithstanding any other  
11 provision of this subsection, a health insurance issuer is not  
12 required to provide information under this Section earlier than  
13 the 45th day after the date of the sponsor's initial written  
14 request.

15 (d) A health insurance issuer may not report any  
16 information required under this Section the release of which is  
17 prohibited by State or federal law or regulation.

18 (e) A health insurance issuer must provide information  
19 under this Section in the aggregate, without any information  
20 through which a specific individual covered under the plan may  
21 be identified.

22 (f) Information obtained by a plan sponsor under this  
23 Section is confidential. The sponsor may use the information  
24 only for purposes relating to obtaining and maintaining health  
25 insurance coverage for the sponsor's employees (if the sponsor  
26 is an employer) or members (if the sponsor is an employee  
27 organization).

28 Section 10. The Health Care Purchasing Group Act is amended  
29 by changing Section 5 as follows:

30 (215 ILCS 123/5)

31 Sec. 5. Purpose; applicability of Illinois Health  
32 Insurance Portability and Accountability Act.

33 (a) The purpose and intent of this Act is to authorize the  
34 formation, operation, and regulation of health care purchasing

1 groups (referred to in this Act as "HPGs") as described by this  
2 Act, to authorize the sale and regulation of health insurance  
3 products for employers that are sold to HPGs, and to encourage  
4 the development of financially secure and cost effective  
5 markets for the basic health care needs of employers,  
6 employees, and their dependents in this State. Nothing in this  
7 Act authorizes an employer to join with other employers to  
8 self-insure through risk pooling.

9 (b) All health insurance contracts issued under this Act  
10 are subject to the Illinois Health Insurance Portability and  
11 Accountability Act.

12 (c) All health insurance contracts issued under this Act  
13 are subject to Section 367.4 of the Illinois Insurance Code.

14 (Source: P.A. 90-337, eff. 1-1-98; 90-567, eff. 1-23-98.)

15 Section 15. The Health Maintenance Organization Act is  
16 amended by changing Section 5-3 as follows:

17 (215 ILCS 125/5-3) (from Ch. 111 1/2, par. 1411.2)

18 Sec. 5-3. Insurance Code provisions.

19 (a) Health Maintenance Organizations shall be subject to  
20 the provisions of Sections 133, 134, 137, 140, 141.1, 141.2,  
21 141.3, 143, 143c, 147, 148, 149, 151, 152, 153, 154, 154.5,  
22 154.6, 154.7, 154.8, 155.04, 355.2, 356m, 356v, 356w, 356x,  
23 356y, 356z.2, 356z.4, 356z.5, 367.2, 367.2-5, 367.4, 367i,  
24 368a, 368b, 368c, 368d, 368e, 401, 401.1, 402, 403, 403A, 408,  
25 408.2, 409, 412, 444, and 444.1, paragraph (c) of subsection  
26 (2) of Section 367, and Articles IIA, VIII 1/2, XII, XII 1/2,  
27 XIII, XIII 1/2, XXV, and XXVI of the Illinois Insurance Code.

28 (b) For purposes of the Illinois Insurance Code, except for  
29 Sections 444 and 444.1 and Articles XIII and XIII 1/2, Health  
30 Maintenance Organizations in the following categories are  
31 deemed to be "domestic companies":

32 (1) a corporation authorized under the Dental Service  
33 Plan Act or the Voluntary Health Services Plans Act;

34 (2) a corporation organized under the laws of this

1 State; or

2 (3) a corporation organized under the laws of another  
3 state, 30% or more of the enrollees of which are residents  
4 of this State, except a corporation subject to  
5 substantially the same requirements in its state of  
6 organization as is a "domestic company" under Article VIII  
7 1/2 of the Illinois Insurance Code.

8 (c) In considering the merger, consolidation, or other  
9 acquisition of control of a Health Maintenance Organization  
10 pursuant to Article VIII 1/2 of the Illinois Insurance Code,

11 (1) the Director shall give primary consideration to  
12 the continuation of benefits to enrollees and the financial  
13 conditions of the acquired Health Maintenance Organization  
14 after the merger, consolidation, or other acquisition of  
15 control takes effect;

16 (2) (i) the criteria specified in subsection (1) (b) of  
17 Section 131.8 of the Illinois Insurance Code shall not  
18 apply and (ii) the Director, in making his determination  
19 with respect to the merger, consolidation, or other  
20 acquisition of control, need not take into account the  
21 effect on competition of the merger, consolidation, or  
22 other acquisition of control;

23 (3) the Director shall have the power to require the  
24 following information:

25 (A) certification by an independent actuary of the  
26 adequacy of the reserves of the Health Maintenance  
27 Organization sought to be acquired;

28 (B) pro forma financial statements reflecting the  
29 combined balance sheets of the acquiring company and  
30 the Health Maintenance Organization sought to be  
31 acquired as of the end of the preceding year and as of  
32 a date 90 days prior to the acquisition, as well as pro  
33 forma financial statements reflecting projected  
34 combined operation for a period of 2 years;

35 (C) a pro forma business plan detailing an  
36 acquiring party's plans with respect to the operation

1 of the Health Maintenance Organization sought to be  
2 acquired for a period of not less than 3 years; and

3 (D) such other information as the Director shall  
4 require.

5 (d) The provisions of Article VIII 1/2 of the Illinois  
6 Insurance Code and this Section 5-3 shall apply to the sale by  
7 any health maintenance organization of greater than 10% of its  
8 enrollee population (including without limitation the health  
9 maintenance organization's right, title, and interest in and to  
10 its health care certificates).

11 (e) In considering any management contract or service  
12 agreement subject to Section 141.1 of the Illinois Insurance  
13 Code, the Director (i) shall, in addition to the criteria  
14 specified in Section 141.2 of the Illinois Insurance Code, take  
15 into account the effect of the management contract or service  
16 agreement on the continuation of benefits to enrollees and the  
17 financial condition of the health maintenance organization to  
18 be managed or serviced, and (ii) need not take into account the  
19 effect of the management contract or service agreement on  
20 competition.

21 (f) Except for small employer groups as defined in the  
22 Small Employer Rating, Renewability and Portability Health  
23 Insurance Act and except for medicare supplement policies as  
24 defined in Section 363 of the Illinois Insurance Code, a Health  
25 Maintenance Organization may by contract agree with a group or  
26 other enrollment unit to effect refunds or charge additional  
27 premiums under the following terms and conditions:

28 (i) the amount of, and other terms and conditions with  
29 respect to, the refund or additional premium are set forth  
30 in the group or enrollment unit contract agreed in advance  
31 of the period for which a refund is to be paid or  
32 additional premium is to be charged (which period shall not  
33 be less than one year); and

34 (ii) the amount of the refund or additional premium  
35 shall not exceed 20% of the Health Maintenance  
36 Organization's profitable or unprofitable experience with

1 respect to the group or other enrollment unit for the  
2 period (and, for purposes of a refund or additional  
3 premium, the profitable or unprofitable experience shall  
4 be calculated taking into account a pro rata share of the  
5 Health Maintenance Organization's administrative and  
6 marketing expenses, but shall not include any refund to be  
7 made or additional premium to be paid pursuant to this  
8 subsection (f)). The Health Maintenance Organization and  
9 the group or enrollment unit may agree that the profitable  
10 or unprofitable experience may be calculated taking into  
11 account the refund period and the immediately preceding 2  
12 plan years.

13 The Health Maintenance Organization shall include a  
14 statement in the evidence of coverage issued to each enrollee  
15 describing the possibility of a refund or additional premium,  
16 and upon request of any group or enrollment unit, provide to  
17 the group or enrollment unit a description of the method used  
18 to calculate (1) the Health Maintenance Organization's  
19 profitable experience with respect to the group or enrollment  
20 unit and the resulting refund to the group or enrollment unit  
21 or (2) the Health Maintenance Organization's unprofitable  
22 experience with respect to the group or enrollment unit and the  
23 resulting additional premium to be paid by the group or  
24 enrollment unit.

25 In no event shall the Illinois Health Maintenance  
26 Organization Guaranty Association be liable to pay any  
27 contractual obligation of an insolvent organization to pay any  
28 refund authorized under this Section.

29 (Source: P.A. 92-764, eff. 1-1-03; 93-102, eff. 1-1-04; 93-261,  
30 eff. 1-1-04; 93-477, eff. 8-8-03; 93-529, eff. 8-14-03; revised  
31 9-25-03.)

32 Section 20. The Limited Health Service Organization Act is  
33 amended by changing Section 4003 as follows:

34 (215 ILCS 130/4003) (from Ch. 73, par. 1504-3)

1           Sec. 4003. Illinois Insurance Code provisions. Limited  
2 health service organizations shall be subject to the provisions  
3 of Sections 133, 134, 137, 140, 141.1, 141.2, 141.3, 143, 143c,  
4 147, 148, 149, 151, 152, 153, 154, 154.5, 154.6, 154.7, 154.8,  
5 155.04, 155.37, 355.2, 356v, 367.4, 368a, 401, 401.1, 402, 403,  
6 403A, 408, 408.2, 409, 412, 444, and 444.1 and Articles IIA,  
7 VIII 1/2, XII, XII 1/2, XIII, XIII 1/2, XXV, and XXVI of the  
8 Illinois Insurance Code. For purposes of the Illinois Insurance  
9 Code, except for Sections 444 and 444.1 and Articles XIII and  
10 XIII 1/2, limited health service organizations in the following  
11 categories are deemed to be domestic companies:

12           (1) a corporation under the laws of this State; or

13           (2) a corporation organized under the laws of another  
14 state, 30% of more of the enrollees of which are residents  
15 of this State, except a corporation subject to  
16 substantially the same requirements in its state of  
17 organization as is a domestic company under Article VIII  
18 1/2 of the Illinois Insurance Code.

19           (Source: P.A. 91-549, eff. 8-14-99; 91-605, eff. 12-14-99;  
20 91-788, eff. 6-9-00; 92-440, eff. 8-17-01.)

21           Section 25. The Voluntary Health Services Plans Act is  
22 amended by changing Section 10 as follows:

23           (215 ILCS 165/10) (from Ch. 32, par. 604)

24           Sec. 10. Application of Insurance Code provisions. Health  
25 services plan corporations and all persons interested therein  
26 or dealing therewith shall be subject to the provisions of  
27 Articles IIA and XII 1/2 and Sections 3.1, 133, 140, 143, 143c,  
28 149, 155.37, 354, 355.2, 356r, 356t, 356u, 356v, 356w, 356x,  
29 356y, 356z.1, 356z.2, 356z.4, 356z.5, 367.2, 367.4, 368a, 401,  
30 401.1, 402, 403, 403A, 408, 408.2, and 412, and paragraphs (7)  
31 and (15) of Section 367 of the Illinois Insurance Code.

32           (Source: P.A. 92-130, eff. 7-20-01; 92-440, eff. 8-17-01;  
33 92-651, eff. 7-11-02; 92-764, eff. 1-1-03; 93-102, eff. 1-1-04;  
34 93-529, eff. 8-14-03; revised 9-25-03.)