



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

HB3976

Introduced 1/11/2012, by Rep. Karen May

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/44.1 new  
805 ILCS 310/22  
805 ILCS 310/30 new

from Ch. 32, par. 326

Amends the Illinois Insurance Code. Sets forth provisions concerning health care cooperatives. Provides that in addition to all other provisions of the Article concerning domestic mutual companies, a company seeking to organize as a health care cooperative shall meet certain requirements. Sets forth provisions concerning the naming of and applications for entities seeking to organize as health care cooperatives. Amends the Co-operative Act. Exempts domestic mutual insurance companies licensed as health care cooperatives by the Director of Insurance from the prohibition against using the term "Co-operative" as part of a corporate or other business name or title without complying with the provisions of the Co-operative Act. Sets forth provisions concerning health benefit purchasing cooperatives. Provides that the purpose of a health benefit purchasing cooperative is to provide health care benefits for certain eligible individuals under a single group health care policy or plan through a contract between the health benefit purchasing cooperative and an insurer authorized to do health insurance business in the State. Sets forth provisions concerning the design, the articles, the membership basis and capital stock, the membership criteria, the health care benefits, and the annual progress report of health benefit purchasing cooperatives. Effective immediately.

LRB097 16441 RPM 61604 b

1 AN ACT concerning 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 adding  
5 Section 44.1 as follows:

6 (215 ILCS 5/44.1 new)

7 Sec. 44.1. Health care cooperatives.

8 (a) In addition to all other provisions of this Article not  
9 in conflict with this Section, a company seeking to organize  
10 under this Article as a health care cooperative shall meet all  
11 of the following requirements:

12 (1) The company shall comply with all provisions  
13 applicable to domestic mutual insurance companies under  
14 this Code.

15 (2) The articles of incorporation of the company shall  
16 demonstrate that the company is to be organized as a  
17 nonprofit member corporation and that the governance of the  
18 company shall be subject to a majority vote of all members.

19 (3) The activities of the company shall be limited to  
20 the issuance of health care plans in the individual and  
21 small group markets.

22 (4) Either the articles of incorporation or the bylaws  
23 of the company shall incorporate ethics and conflict of

1 interest standards and the governance requirements set  
2 forth in Section 1322(c)(3)(C) of the federal Patient  
3 Protection and Affordable Care Act.

4 (5) The company or a related entity or any predecessor  
5 of either shall not have been a health insurance issuer on  
6 July 16, 2009.

7 (6) The company shall not be sponsored by a State or  
8 local government, any political subdivision thereof, or  
9 any instrumentality of such government or political  
10 subdivision.

11 (7) Excess surplus shall be used to lower premiums, to  
12 improve benefits, or for other programs intended to improve  
13 the quality of health care delivered to its members.

14 (8) No representative of a federal, State, or local  
15 government, or any political instrumentality thereof, and  
16 no representative of a company described in paragraph (5)  
17 of subsection (a) of this Section may serve on the board of  
18 directors of the company.

19 (b) Notwithstanding Section 37 of this Article, the  
20 corporate name of any organization seeking to organize under  
21 this Article as a health care cooperative need not contain the  
22 word "Mutual" but shall contain the phrase "Health Care  
23 Cooperative". The corporate name shall not be the same as, or  
24 deceptively similar to, the name of any domestic organization  
25 or of any foreign or alien organization authorized to transact  
26 business in this State.

1       (c) A company seeking to be organized as a health care  
2 cooperative shall submit an application to the Director  
3 according to procedures and meeting such requirements as the  
4 Director shall adopt by rule. No company shall transact any  
5 business of insurance until it has received a certificate of  
6 authority as set forth in Section 51 of this Article.

7       Section 10. The Co-operative Act is amended by changing  
8 Section 22 and by adding Section 30 as follows:

9       (805 ILCS 310/22) (from Ch. 32, par. 326)

10       Sec. 22. No corporation or association hereafter organized  
11 or doing business for profit in this State shall ~~be entitled to~~  
12 use the term "Co-operative" as a part of its corporate or other  
13 business name or title unless it has complied with the  
14 provisions of this Act, except (1) a corporation organized  
15 under the Business Corporation Act of 1983 for the purpose of  
16 ownership or administration of residential property on a  
17 cooperative basis, ~~or~~ (2) a cooperative corporation organized  
18 under the General Not For Profit Corporation Act of 1986 or its  
19 predecessor or successor statutes, or (3) a domestic mutual  
20 insurance company licensed as a health care cooperative by the  
21 Director of Insurance under Article III of the Illinois  
22 Insurance Code. Any corporation or association violating the  
23 provision of this Section may be enjoined from doing business  
24 under such name at the instance of any shareholder of any

1 association or corporation organized under this Act.

2 (Source: P.A. 95-368, eff. 8-23-07.)

3 (805 ILCS 310/30 new)

4 Sec. 30. Health benefit purchasing cooperative.

5 (a) Notwithstanding any other provisions of this Act,  
6 health benefit purchasing cooperatives may be organized under  
7 this Section by one or more persons.

8 (b) The purpose of a health benefit purchasing cooperative  
9 is to provide health care benefits for the individuals  
10 specified in subsection (h) of this Section, under a single  
11 group health care policy or plan through a contract between the  
12 health benefit purchasing cooperative and an insurer  
13 authorized to do health insurance business in this State.

14 (c) A health benefit purchasing cooperative shall be  
15 designed so that all of the following are accomplished:

16 (1) The members become better informed about health  
17 care trends and cost increases.

18 (2) All members receive their health care benefits  
19 under the group health care policy or plan negotiated under  
20 subsection (h) of this Section.

21 (3) The members are actively engaged in designing  
22 health care benefit options that are offered by the insurer  
23 and that meet the needs of their community.

24 (4) The health insurance risk of all of the members is  
25 pooled.

1           (5) The members actively participate in health  
2           improvement decisions for their community.

3           (d) The articles of a health benefit purchasing cooperative  
4           shall set forth the name and address of at least one  
5           incorporator who will act as the temporary board.

6           (e) Each health benefit purchasing cooperative shall be  
7           organized on a membership basis with no capital stock.

8           (f) Any person that does business in, is located in, has a  
9           principal office in, or resides in the geographic area in which  
10          a health benefit purchasing cooperative is organized, that  
11          meets the membership criteria established by the health benefit  
12          purchasing cooperative in its bylaws, and that pays the  
13          membership fee may be a member of the health benefit purchasing  
14          cooperative.

15          (g) Each health benefit purchasing cooperative shall file  
16          its membership criteria, as well as any amendments to the  
17          criteria, with the Director.

18          (h) The health care benefits offered by a health benefit  
19          purchasing cooperative shall be negotiated between the health  
20          benefit purchasing cooperative and the insurer. Eligible  
21          members include:

22                (1) An individual who is a member, officer, or eligible  
23                employee of a member of the health benefit purchasing  
24                cooperative.

25                (2) A self-employed individual who is a member of the  
26                health benefit purchasing cooperative.

1           (3) A dependent of an individual under items (1) and  
2           (2) of this subsection (h) who receives coverage.

3           (i) Each health benefit purchasing cooperative shall  
4           submit to the Director annually, no later than September 30, a  
5           report on the progress of the health benefit purchasing  
6           arrangement described in this Section.

7           (j) As used in this Section, "Director" means the Director  
8           of Insurance.

9           Section 99. Effective date. This Act takes effect upon  
10          becoming law.