

# **ILLINOIS**

Illinois Department of Insurance  
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## **SUMMARY OF IMPORTANT REGULATIONS**

MEWA Regulations .....	No
TPA Regulations .....	Yes
Stop-Loss Regulations .....	No
UR Regulations .....	Yes

## NAIC MODEL LAWS OR REGULATIONS

<u>Name of Model Law/Regulation</u>	<u>Model/Similar</u>	<u>Related</u>
Health Insurance Reserves Model Regulation	Ill. Admin Reg. tit. 50 §§2004.15 to 2004.20	None
Comprehensive Health Ins. Cost Containment Model Act	None	None
Standardized Health Claims Form Model Regulation	None	Ill. Admin. Reg. tit. 50 §§2017-10 to 2017.70
Small Employer Health Insurance Availability Model Law	None	215 Ill. Comp. Stats. §§5/351 B-1 to 5/351 B-6; §§ 93/1 to 93/40; §§97-5 to 97/99
Model Regulation To Eliminate Unfair Sex Discrimination	Ill. Admin. Reg. tit 50 §§2603.10 to 2603.60	None
Health Information Privacy Model Law	None	None
Preferred Provider Arrangements Model Law	None	215 Ill. Comp. Stats. 5/370f to 5/370q
Utilization Review Model Law	None	None
Managed Care Plan Network Adequacy Model Law	None	Ill. Admin. Reg. tit. 77 §240.60
Third Party Administrator Law	None	Ill. Comp. Stats. 5/511.100 to 5/511.113
Stop-loss Insurance Model Law	None	None

## NAIC MODEL LAWS OR REGULATIONS

<u>Name of Model Law/Regulation</u>	<u>Model/Similar</u>	<u>Related</u>
Jurisdiction of Health Care Providers Model Law	215 Ill. Comp. Stats. 5/122-1 to 5/122-5	None
Standard Group Health Model Law	None	215 Ill. Comp. Stats. 5/367 to 5/3676
Group Health Insurance Mandatory Conversion Law	215 Ill. Comp. Stats. 5/367e	None
Group Coverage Discontinuance/ Replacement Model Regulation	Ill. Admin. Reg. tit. 50 §§ 2013.10 to 2013.70	Ill. Rev. Stat. ch. I.C. § 367i
Premium Rates and Renewability of Coverage-Small Groups	215 Ill. Comp. Stats. 95/1 to 95/55	215 Ill. Comp. Stats. 93/1 to 93/30
Group Coordination of Benefits Model Law	Ill. Admin. Reg. tit. 50 §§ 2009.10 to 2009.60	None
Model Regulation for Certification of Health Plans	None	None
Off-Label Drug Use Model Law	None	None
Group Health Mandatory Drug/ Alcohol Dependency Law	None	215 Ill. Comp. Stats. 5/367d.1;215 Ill. Comp. Stats. 165/15
Model Newborn Children's Law	215 Ill. Comp. Stats. 5/356c	None
Health Examination Benefits Availability Law	None	None

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<b><u>Name of Model Law/Regulation</u></b>	<b><u>Model/Similar</u></b>	<b><u>Related</u></b>
Accident and Sickness Insurance Minimum Standards Model Law	None	215 Ill. Comp. Stats. 5/355a
Agents and Brokers Licensing Model Law	See page 218-15	None
MEWA Licensing Model Law	None	None
Managing General Agents Law	215 Ill. Comp. Stats. 5/141a	None
Health Maintenance Organization Model Law	215 Ill. Comp. Stats. 125/1-2 to 125/6-19	None
Insurance Information and Privacy Protection Law	215 Ill. Comp. Stats. 5/1001 to 5/1024	None
Unfair Trade Practices Law	None	215 Ill. Comp. Stats. 5/421 to 5/434
Model Regulation on Unfair Discrimination in Life and Health Insurance on the Basics of Physical or Mental Impairment	None	215 Ill. Comp. Stats. 5/364
Model Regulation on Unfair Discrimination in Life and Health Insurance on the Basics of Total or Partial Blindness	215 Ill. Comp. Stats. 5/236	None

## **NAIC MODEL LAWS OR REGULATIONS**

<b><u>Name of Model Law/Regulation</u></b>	<b><u>Model/Similar</u></b>	<b><u>Related</u></b>
Unfair Discrimination against Subjects of Domestic Abuse in Health Benefit Plans Model Law	None	215 Ill. Comp. Stats. 5/155.22a
Unfair Claims Settlement Practices Law	None	None
Improper Termination Practices Law	None	None
Employee Leasing Registration Model Law	None	215 Ill. Comp. Stats. 113/1 to 113/99
Private Employer Workers' Compensation Group Self- Insurance Model Law	None	Ill. Admin. Reg. tit. 50 §§ 2901.10 to 2901.50
Public Employee Workers' Compensation Group Self- Insurance Model Law	None	None
Twenty Four Hour Coverage Pilot Project Model Law	None	None

## **STATE-MANDATES**

### **Benefits That Must Be Covered**

- Alcoholism treatment
- Breast reconstruction
- Cervical cancer screening (Pap smear; group plans only except for HMOs)
- Diabetic supplies, education (group plans only)
- Infertility services and/or in vitro fertilization (employer groups of more than 25 only)
- Mammography screening
- Mental health, general (HMOs only)
- Minimum mastectomy stays
- Minimum maternity stays
- Off-label drug use (cancer patients only)
- Prostate cancer screening (group plans only)

### **Benefits That Must Be Offered**

- Clinical trials (cancer patients only)
- TMJ disorders

### **Persons Who Must Be Allowed Coverage**

- Adopted children
- Continuation/dependents
- Continuation/spousal (does not apply to HMOs)
- Conversion to non-group
- Handicapped dependents
- Newborns

### **Providers Who Must Be Covered**

- Chiropractors
- Dentists
- Licensed Health Professionals
- Optometrists
- Osteopaths
- Podiatrists
- Psychologists
- Social Workers

**Coordination of Benefits**

- Birthday Rule? Yes
- Divorced/Separated Rule? Yes
- Joint Custody Rule? Yes
- Active v. Inactive Rule? Yes
- Longer v. Shorter Rule? Yes
- Managed Care Rule? Yes
- COBRA Rule? Yes
- Preservation Rule? No

**Continuation or Conversion**

Yes

**Patient's Bill of Rights Legislation**

None

**High Risk Health Pool**

Yes- capped at 125-150%

**External Grievance System**

Yes - HMOs only

**Basis of Filing Grievance**

Denial of medically necessary treatment, disputes over length of stay, disputes over referrals.

**Status of Decision of Grievance Panel**

Binding

**Prompt Payment of Health Claim Requirement**

Yes - 30 calendar days

**Commentary**

- Full coverage for expenses incurred in the examining and testing of a victim of criminal sexual assault or abuse, where benefits are provided for routine physical examinations must be covered.
- An otherwise covered expense incurred for any organ transplant procedure deemed experimental or investigational must be covered, unless the NIH office of Medical Application of Research determines that the procedure is either experimental or investigational or that there is insufficient data or experience to determine whether the procedure is clinically acceptable.
- Expenses incurred for processing or administration of blood and its components must be covered.
- Screening by low-dose mammography for women 35 years or older for the presence of occult breast cancer must be covered. One baseline mammogram must be provided for women 35 to 39 years of age; a mammogram every one or two years, even if no systems are present, for women 40 to 45 years of age; an annual mammogram for women 50 years of age or older. These benefits must be at least as favorable as other radiological examinations, and must be subject to the same dollar limits, deductibles, and coinsurance factors.
- Prosthetic and reconstructive surgery incident to mastectomy, if coverage is offered for a mastectomy must be covered. The coverage is subject to the deductible and coinsurance conditions applied to the

mastectomy, and to all other terms and conditions applicable to other benefits. If there is no evidence of malignancy when the mastectomy is performed, the offered coverage may be limited to the provision of prosthetic devices and reconstructive surgery within two years after the date of the mastectomy. A mastectomy is defined as removal of all, or part of, the breast for medically necessary reasons, as determined by a licensed physician.

- In addition, an HMO providing coverage for basic health services may not exclude coverage for emergency transportation by ambulance. Emergency means the need for immediate medical attention resulting from a life threatening condition as determined by a physician, public safety official, or other emergency medical personnel.
- If a group health policy providing coverage for more than 25 employees provides pregnancy-related benefits, it must also provide coverage for the diagnosis and treatment of infertility. Employers of 50 or more employees must grant to each employee not less than 8 hours of leave to attend school conferences. Employee qualify for the leave if they have been employed for at least six consecutive months preceding the request for leave and worked an average of at least one-half of the hours required for classification as a full-time employee.
- Companies that have not offered health insurance before can now do so without having to purchase coverage for drug and alcohol abuse or mental health counseling – coverage that is mandatory for larger businesses. The small businesses will still be required to provide coverage form mammograms for women over 35.
- Group accident and health insurance policies providing coverage for treatment of alcoholism or drug dependency must also provide coverage for services provided by the Department of Alcoholism and Substance Abuse. Group policies issued in the state that cover individuals who are out-of-state residents or out-of-state employees need not provide the mandate benefits required by the Illinois Insurance Code.
- No group accident and health insurance policy that provides coverage for the treatment of alcoholism or other drug abuse may be issued, if it excludes services provided by persons licensed by the Department of Alcoholism and Substance Abuse. No group plan that provides coverage for prescribed drugs approved by the Food and Drug Administration for the treatment of certain types of cancer may exclude coverage for the use of those same drugs for other types of care, so long as the drug itself has been approved by the FDA for cancer treatment.
- Dependents who are mentally retarded or physically handicapped chiefly dependent on the participant and incapable of self-sustaining employment are covered subject to periodic check. Also, adopted dependents may be covered when placed in the participant's home (custody) or when the final decree is issued. Coverage for adopted children includes temporary custody period.

## **MEWA REGULATION**

Illinois does not allow MEWAs to be self-funded. MEWAs must be fully insured or meet the exceptions cited in the insurance code. Illinois has informational filings required for MEWAs that are registered.<sup>1</sup>

## **TPA REGULATIONS**

Illinois adopted its TPA administrator Statue in 1986.<sup>2</sup>

- Taxes and fees – initial and renewal fees of \$100.
- Records – five-year retention.
- Bond – amount range is 5% of projected premiums (contributions subject to a \$50,000/\$1 million mini-max). Fully insured plans need no bonds. Bond must be a surety bond.
- Registration – resumes and biographies are required.

There are specific reasons set out in the laws as to why a TPA's license may be revoked or suspended:

- Willful violation of insurance code.
- Intentional misstatement in license application.
- Use of fraud to obtain license.
- Misappropriation of monies.
- Use of poor or unprofessional practices.
- Conviction of felony within the past three years.
- Failure to answer a subpoena.
- Hazardous conduct of business.
- Affiliation with a TPA that is operating illegally.
- Revocation of license by insurance department.
- Failure to report a felony conviction.

The law, including the bonding rule, applies to nonresident TPAs which produce 50% or more of the contribution and premiums during a calendar year from the residents of this state.

It has been reported that a TPA which administered only a plan which was a single employer, self-funded plan, received a letter from the Illinois Insurance Department stating that the TPA, in such circumstance, was not required to register.

## **STOP-LOSS REGULATION**

None. Stop-loss policy must be filed as an informational matter only.

## **UTILIZATION REVIEW REGULATIONS**

Agency Responsible <sup>3</sup>	Dept. of Insurance
Requirements	None
Exemptions	None
Waivers	None
Comments	Illinois statues permits third party utilization

## **MISCELLANEOUS**

### **State Premium Taxes**

Illinois taxes commercial insurers at 2%, but such rate may be reduced to 0% if certain requirements are met. Blue Cross and the HMOs are not taxed.

### **Continuation of Coverage and Conversion of Benefits**

Illinois requires all group policies in the state to allow continued coverage for up to nine months for employees and dependents who would otherwise lose coverage due to employment or membership termination. Employees or dependents who want to continue coverage under the group plan must notify the employer within 15 days of the later of: (1) that date of termination; or (2) the date on which the employee is given notice of his or her rights to continued coverage. To be eligible, these individuals must have been covered by the plan for three months prior to the termination and must pay the full premium.<sup>4</sup>

Illinois also requires employers to offer continued benefits to insured surviving spouses, former spouses, and dependents if normal coverage is terminated because of death or divorce of a covered employee. To be eligible for continuation coverage, surviving spouses, former spouses, and dependents must have been covered under the plan for at least three months prior to the death of the covered employee or the date of the divorce. Employees who are convicted or, or confess to, an employment-related felony or theft for which the employer was not responsible, and individuals who are covered by Medicare or other insurance, are not eligible for continuation coverage.

### **Managed Care**

Illinois has negotiated rate discounts from a number of hospitals. The state has encouraged its 300,000 employees, dependents, and retirees to use the network by cutting their copayments in half if they choose to use one of the hospitals participating in the arrangement. Also, Illinois allows any non-institutional health care provider – physicians, osteopaths, chiropractors, and pharmacists, for example – willing to accept the terms and conditions of participation set forth by a PPO network, to participate. Illinois also stipulates that a primary care physician may appeal a denial of reimbursement for a covered service by a HMO to an outside physician whose decision is binding. Also allows any pharmacy willing to accept the terms and conditions of participation the right to participate in a HMO.

### **Miscellaneous**

Illinois Department of Employment Security has established rules for determining who pays unemployment taxes when an employer engages workers through an employee leasing company.<sup>5</sup> Under these rules, regardless of what the contract between the leasing company and the client may say, the leasing company will be taxed as the employer of a leased worker only if the leasing company: retains the sole authority to hire, promote, and fire; assigns or approves the worker to perform the client's services; decides the total compensation paid to the worker; incurs liability for state and federal employment taxes and assures that workers' compensation is provided; and negotiates with clients for such matters as time, place, type of work, working conditions, and quality and price of services. If the leasing company does not do all of these functions, then the client must pay unemployment taxes as the employer of the workers.

### **Small Group Reform<sup>6</sup>**

Firms with 25 or fewer employees that have not offered health insurance to their employees for at least 12 months may subscribe with an insurer for a group accident and health insurance plan to cover expenses incurred because of the care rendered by a physician or hospital for the treatment of an injury or illness. The basic health

plan is exempt from most mandatory benefits that insurers are required to provide under other state laws, but must include coverage of newborn and adopted children and mammograms.

Although not specifically designed to aid small employers in procuring health insurance, the Comprehensive Health Insurance Plan Act of Illinois allows groups of ten or fewer persons that are employees or members of an association to be eligible for coverage under the plan, if at least one member of the group meets the eligibility criteria. A person is eligible for the plan if he provides evidence of an insurer's rejection or refusal to issue substantially similar insurance for health reasons or refusal to issue the insurance except at a rate exceeding the plan rate. The plan includes different mandated benefits from those required for other insurance.

## **ENDNOTES**

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<sup>1</sup> Ill. Rev. Stat. 73 art VII.

<sup>2</sup> Ill Rev. Stat. Ch. 215 §51511.100 to 51511.113.

<sup>3</sup> Ill. Rev. Stat. Ch. 215 §51370n.

<sup>4</sup> Ill. Rev. Stat. Ch. 215 §367.

<sup>5</sup> Ill. Rev. Stat. Ch. 56 §2732.0305.

<sup>6</sup> Ill. Rev. Stat. Ch. 215 §§51351B-1 to 351B-7.