

100TH GENERAL ASSEMBLY State of Illinois 2017 and 2018 HB5660

by Rep. Jim Durkin - David S. Olsen

SYNOPSIS AS INTRODUCED:

305 ILCS 5/8A-2.5 305 ILCS 5/8A-6 from Ch. 23, par. 8A-6 305 ILCS 5/8A-7 from Ch. 23, par. 8A-7 305 ILCS 5/8A-11 from Ch. 23, par. 8A-11 305 ILCS 5/8A-16 305 ILCS 5/8A-17

Amends the Public Assistance Fraud Article of the Illinois Public Aid Code. Increases the criminal and civil penalties for medical assistance fraud committed by individuals and corporations.

LRB100 19209 KTG 34475 b

CORRECTIONAL
BUDGET AND
IMPACT NOTE ACT
MAY APPLY

FISCAL NOTE ACT MAY APPLY

1 AN ACT concerning public aid.

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

- Section 5. The Illinois Public Aid Code is amended by changing Sections 8A-2.5, 8A-6, 8A-7, 8A-11, 8A-16, and 8A-17 as follows:
- 7 (305 ILCS 5/8A-2.5)

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- 8 Sec. 8A-2.5. Unauthorized use of medical assistance.
- 9 (a) Any person who knowingly uses, acquires, possesses, or
 10 transfers a medical card in any manner not authorized by law or
 11 by rules and regulations of the Illinois Department, or who
 12 knowingly alters a medical card, or who knowingly uses,
 13 acquires, possesses, or transfers an altered medical card, is
 14 guilty of a violation of this Article and shall be punished as
 15 provided in Section 8A-6.
 - (b) Any person who knowingly obtains unauthorized medical benefits or causes to be obtained unauthorized medical benefits with or without use of a medical card is guilty of a violation of this Article and shall be punished as provided in Section 8A-6.
- 21 (b-5) Any vendor that knowingly assists a person in 22 committing a violation under subsection (a) or (b) of this 23 Section is guilty of a violation of this Article and shall be

1 punished as provided in Section 8A-6.

- (b-6) Any person (including a vendor, organization, agency, or other entity) that, in any matter related to the medical assistance program, knowingly or willfully falsifies, conceals, or omits by any trick, scheme, artifice, or device a material fact, or makes any false, fictitious, or fraudulent statement or representation, or makes or uses any false writing or document, knowing the same to contain any false, fictitious, or fraudulent statement or entry in connection with the provision of health care or related services, is guilty of a violation of this Article and shall be punished as provided in Section 8A-6.
- (c) The Department may seek to recover any and all State and federal monies for which it has improperly and erroneously paid benefits as a result of a fraudulent action and any civil penalties authorized in this Section. Pursuant to Section 11-14.5 of this Code, the Department may determine the monetary value of benefits improperly and erroneously received. The Department may recover the monies paid for such benefits and interest on that amount at the rate of 5% per annum for the period from which payment was made to the date upon which repayment is made to the State. Prior to the recovery of any amount paid for benefits allegedly obtained by fraudulent means, the recipient or payee of such benefits shall be afforded an opportunity for a hearing after reasonable notice. The notice shall be served personally or by certified or

- registered mail or as otherwise provided by law upon the parties or their agents appointed to receive service of process and shall include the following:
 - (1) A statement of the time, place and nature of the hearing.
 - (2) A statement of the legal authority and jurisdiction under which the hearing is to be held.
 - (3) A reference to the particular Sections of the substantive and procedural statutes and rules involved.
 - (4) Except where a more detailed statement is otherwise provided for by law, a short and plain statement of the matters asserted, the consequences of a failure to respond, and the official file or other reference number.
 - (5) A statement of the monetary value of the benefits fraudulently received by the person accused.
 - (6) A statement that, in addition to any other penalties provided by law, a civil penalty in an amount not to exceed $\frac{$4,000}{$2,000}$ may be imposed for each fraudulent claim for benefits or payments.
 - (7) A statement providing that the determination of the monetary value may be contested by petitioning the Department for an administrative hearing within 30 days from the date of mailing the notice.
 - (8) The names and mailing addresses of the administrative law judge, all parties, and all other persons to whom the agency gives notice of the hearing

1 unless otherwise confidential by law.

An opportunity shall be afforded all parties to be represented by legal counsel and to respond and present evidence and argument.

Unless precluded by law, disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default.

Any final order, decision, or other determination made, issued or executed by the Director under the provisions of this Article whereby any person is aggrieved shall be subject to review in accordance with the provisions of the Administrative Review Law, and the rules adopted pursuant thereto, which shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Director.

Upon entry of a final administrative decision for repayment of any benefits obtained by fraudulent means, or for any civil penalties assessed, a lien shall attach to all property and assets of such person, firm, corporation, association, agency, institution, vendor, or other legal entity until the judgment is satisfied.

Within 18 months of the effective date of this amendatory Act of the 96th General Assembly, the Department of Healthcare and Family Services will report to the General Assembly on the number of fraud cases identified and pursued, and the fines assessed and collected. The report will also include the Department's analysis as to the use of private sector resources

- 1 to bring action, investigate, and collect monies owed.
- 2 (d) In subsections (a), (b), (b-5) and (b-6), "knowledge"
- 3 has the meaning ascribed to that term in Section 4-5 of the
- 4 Criminal Code of 2012. For any administrative action brought
- 5 under subsection (c) pursuant to a violation of this Section,
- 6 the Department shall define "knowing" by rule.
- 7 (Source: P.A. 97-23, eff. 1-1-12; 98-354, eff. 8-16-13.)
- 8 (305 ILCS 5/8A-6) (from Ch. 23, par. 8A-6)
- 9 Sec. 8A-6. Classification of violations.
- 10 (a) Any person, firm, corporation, association, agency,
- institution or other legal entity that has been found by a
- 12 court to have engaged in an act, practice or course of conduct
- declared unlawful under Sections 8A-2 through 8A-5 or Section
- 14 8A-13 or 8A-14 where:
- 15 (1) the total amount of money involved in the
- violation, including the monetary value of federal food
- 17 stamps and the value of commodities, is less than \$150,
- shall be guilty of a <u>Class 4 felony</u> Class A misdemeanor;
- 19 (2) the total amount of money involved in the
- violation, including the monetary value of federal food
- stamps and the value of commodities, is \$150 or more but
- less than \$1,000, shall be guilty of a Class 3 Class 4
- 23 felony;
- 24 (3) the total amount of money involved in the
- violation, including the monetary value of federal food

stamps and the value of commodities, is \$1,000 or more but less than \$5,000, shall be guilty of a <u>Class 2</u> Class 3 felony;

- (4) the total amount of money involved in the violation, including the monetary value of federal food stamps and the value of commodities, is \$5,000 or more but less than \$10,000, shall be guilty of a <u>Class 1</u> Class 2 felony; or
- (5) the total amount of money involved in the violation, including the monetary value of federal food stamps and the value of commodities, is \$10,000 or more, shall be guilty of a <u>Class X Class 1</u> felony and, notwithstanding the provisions of Section 8A-8 except for Subsection (c) of Section 8A-8, shall be ineligible for financial aid under this Article for a period of two years following conviction or until the total amount of money, including the value of federal food stamps, is repaid, whichever first occurs.
- (b) Any person, firm, corporation, association, agency, institution or other legal entity that commits a subsequent violation of any of the provisions of Sections 8A-2 through 8A-5 and:
 - (1) the total amount of money involved in the subsequent violation, including the monetary value of federal food stamps and the value of commodities, is less than \$150, shall be guilty of a Class 3 Class 4 felony;

(2)	the	total	amount	of	money	involved	in	the
subseque	ent vi	iolation	n, inclu	uding	the	monetary	value	of
federal	food	stamps	and the	value	e of co	ommodities	, is	\$150
or more	but le	ess thar	n \$1,000	, sha	ll be	guilty of	a <u>Cla</u>	ss 2
Class 3	felony	7 ;						

- (3) the total amount of money involved in the subsequent violation, including the monetary value of federal food stamps and the value of commodities, is \$1,000 or more but less than \$5,000, shall be guilty of a <u>Class 1</u> Class 2 felony;
- (4) the total amount of money involved in the subsequent violation, including the monetary value of federal food stamps and the value of commodities, is \$5,000 or more but less than \$10,000, shall be guilty of a <u>Class X</u> Class 1 felony.
- (c) For purposes of determining the classification of offense under this Section, all of the money received as a result of the unlawful act, practice or course of conduct can be accumulated.
- 20 (Source: P.A. 90-538, eff. 12-1-97.)
- 21 (305 ILCS 5/8A-7) (from Ch. 23, par. 8A-7)
- Sec. 8A-7. Civil Remedies. (a) A person who receives financial aid by means of a false statement, willful misrepresentation or by his failure to notify the county department or local governmental unit, as the case may be, of a

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change in his status as required by Sections 11-18 and 11-19, for the purpose of preventing the denial, cancellation or suspension of his grant, or a variation in the amount thereof, or by other fraudulent device, or a person who knowingly aids or abets any person in obtaining financial aid for which he is not eligible, shall be answerable to the county department or the local governmental unit, as the case may be, for refunding the entire amount of aid received. If the refund is not made, it shall be recoverable in a civil action from the person who received the aid, or from anyone who willfully aided such person to obtain the aid. If an act which would be unlawful under Section 8A-2 is proven, the court may as a penalty assess an additional sum of money, not to exceed the entire amount of aid provided, against the recipient or against any person who willfully aided the recipient. If assessed, the penalty shall be included in any judgment entered for the aid received, and paid to the county department or the local governmental unit, as the case may be. Upon entry of the judgment a lien shall attach to all property and assets of such person until the judgment is satisfied.

(b) Any person, firm, corporation, association, agency, institution or other legal entity, other than an individual recipient, that willfully, by means of a false statement or representation, or by concealment of any material fact or by other fraudulent scheme or device on behalf of himself or others, obtains or attempts to obtain benefits or payments

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under this Code to which he or it is not entitled, or in a greater amount than that to which he or it is entitled, shall be liable for repayment of any excess benefits or payments received and, in addition to any other penalties provided by law, civil penalties consisting of (1) the interest on the amount of excess benefits or payments at the maximum legal rate in effect on the date the payment was made to such person, firm, corporation, association, agency, institution or other legal entity for the period from the date upon which payment was made to the date upon which repayment is made to the State, (2) an amount not to exceed 3 times the amount of such excess benefits or payments, and (3) the sum of $$4,000 $\frac{$2,000}{$}$ for each excessive claim for benefits or payments. Upon entry of a judgment for repayment of any excess benefits or payments, or for any civil penalties assessed by the court, a lien shall attach to all property and assets of such person, firm, corporation, association, agency, institution or other legal entity until the judgment is satisfied.

- (c) Civil recoveries provided for in this Section may be recoverable in court proceedings initiated by the Attorney General or, in actions involving a local governmental unit, by the State's Attorney.
- (d) Any person who commits the offense of vendor fraud or recipient fraud as defined in Section 8A-2 and Section 8A-3 of this Article shall forfeit, according to the provisions of this subsection, any monies, profits or proceeds, and any interest

or property which the sentencing court determines he has acquired or maintained, directly or indirectly, in whole or in part as a result of such offense. Such person shall also forfeit any interest in, securities of, claim against, or contractual right of any kind which affords him a source of influence over, any enterprise which he has established, operated, controlled, conducted, or participated in conducting, where his relationship to or connection with any such thing or activity directly or indirectly, in whole or in part, is traceable to any thing or benefit which he has obtained or acquired through vendor fraud or recipient fraud.

Proceedings instituted pursuant to this subsection shall be subject to and conducted in accordance with the following procedures:

- (1) The sentencing court shall, upon petition by the Attorney General or State's Attorney at any time following sentencing, conduct a hearing to determine whether any property or property interest is subject to forfeiture under this subsection. At the forfeiture hearing the People shall have the burden of establishing, by a preponderance of the evidence, that the property or property interests are subject to such forfeiture.
- (2) In any action brought by the People of the State of Illinois under this Section, in which any restraining order, injunction or prohibition or any other action in connection with any property or interest subject to forfeiture under this

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subsection is sought, the circuit court presiding over the trial of the person charged with recipient fraud or vendor fraud as defined in Sections 8A-2 or 8A-3 of this Article shall first determine whether there is probable cause to believe that the person so charged has committed the offense of recipient fraud or vendor fraud and whether the property or interest is subject to forfeiture under this subsection. To make such a determination, prior to entering any such order, the court shall conduct a hearing without a jury, at which the People shall establish that there is (i) probable cause that the person so charged has committed the offense of recipient fraud or vendor fraud and (ii) probable cause that any property or interest may be subject to forfeiture pursuant to this subsection. Such hearing may be conducted simultaneously with a preliminary hearing, if the prosecution is commenced by information or complaint, or by motion of the People at any stage in the proceedings. The court may accept a finding of probable cause at a preliminary hearing following the filing of an information charging the offense of recipient fraud or vendor fraud as defined in Sections 8A-2 or 8A-3 or the return of an indictment by a grand jury charging the offense of recipient fraud or vendor fraud as defined in Sections 8A-2 or 8A-3 of this Article as sufficient evidence of probable cause as provided in item (i) above. Upon such a finding, the circuit court shall enter such restraining order, injunction or prohibition, or shall take such other action in connection with

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any such property or other interest subject to forfeiture under this Act as is necessary to insure that such property is not removed from the jurisdiction of the court, concealed, destroyed or otherwise disposed of by the owner of that property or interest prior to a forfeiture hearing under this subsection. The Attorney General or State's Attorney shall file a certified copy of such restraining order, injunction or other prohibition with the recorder of deeds or registrar of titles of each county where any such property of the defendant may be located. No such injunction, restraining order or other prohibition shall affect the rights of any bonafide purchaser, mortgagee, judgement creditor or other lien holder arising prior to the date of such filing. The court may, at any time, upon verified petition by the defendant, conduct a hearing to determine whether all or portions of any such property or interest which the court previously determined to be subject to forfeiture or subject to any restraining order, injunction, or prohibition or other action, should be released. The court may in its discretion release such property to the defendant for good cause shown.

- (3) Upon conviction of a person under this Article, the court shall authorize the Director of the Illinois Department of State Police to seize all property or other interest declared forfeited under this subsection upon such terms and conditions as the court shall deem proper.
 - (4) The Director of the Illinois Department of State Police

is authorized to sell all property forfeited and seized pursuant to this subsection, unless such property is required by law to be destroyed or is harmful to the public. After the deduction of all requisite expenses of administration and sale, the court shall order the Director to distribute to the Illinois Department an amount from the proceeds of the forfeited property, or monies forfeited or seized, which will satisfy any unsatisfied court order of restitution entered pursuant to a conviction under this Article. If the proceeds are less than the amount necessary to satisfy the order of restitution, the Director shall distribute to the Illinois Department the entire amount of the remaining proceeds. The Director shall distribute any remaining proceeds of such sale, along with any monies forfeited or seized, in accordance with the following schedules:

(a) 25% shall be distributed to the unit of local government whose officers or employees conducted the investigation into recipient fraud or vendor fraud and caused the arrest or arrests and prosecution leading to the forfeiture. Amounts distributed to units of local government shall be used solely for enforcement matters relating to detection, investigation or prosecution of recipient fraud or vendor fraud as defined in Section 8A-2 or 8A-3 of this Article. Where the investigation, arrest or arrests leading to the prosecution and forfeiture is undertaken solely by the Illinois Department of State Police, the portion provided

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hereunder shall be paid into the Medicaid Fraud and Abuse 1 2 Prevention Fund, which is hereby created in the State treasury. 3 Monies from this fund shall be used by the Department of State Police for the furtherance of enforcement matters relating to 5 detection, investigation or prosecution of recipient fraud or vendor fraud. Monies directed to this fund shall be used in 6 addition to, and not as a substitute for, funds annually 7 8 appropriated to the Department of State Police for medicaid 9 fraud enforcement.

(b) 25% shall be distributed to the county in which the prosecution and petition for forfeiture resulting in the forfeiture was instituted, and deposited in a special fund in the county treasury and appropriated to the State's Attorney for use solely in enforcement matters relating to detection, investigation or prosecution of recipient fraud or vendor fraud; however, if the Attorney General brought the prosecution resulting in the forfeiture, the portion provided hereunder shall be paid into the Medicaid Fraud and Abuse Prevention Fund, to be used by the Medicaid Fraud Control Unit of the Illinois Department of State Police for enforcement matters relating to detection, investigation or prosecution of recipient fraud or vendor fraud. Where the Attorney General and a State's Attorney have jointly participated in any portion of the proceedings, 12.5% shall be distributed to the county in which the prosecution resulting in the forfeiture was instituted, and used as specified herein, and 12.5% shall be

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- 1 paid into the Medicaid Fraud and Abuse Prevention Fund, and
- 2 used as specified herein.
- 3 (c) 50% shall be transmitted to the State Treasurer for
- 4 deposit in the General Revenue Fund.
- 5 (Source: P.A. 85-707.)
- 6 (305 ILCS 5/8A-11) (from Ch. 23, par. 8A-11)
- 7 Sec. 8A-11. (a) No person shall:
 - (1) Knowingly charge a resident of a nursing home for any services provided pursuant to Article V of the Illinois Public Aid Code, money or other consideration at a rate in excess of the rates established for covered services by the Illinois Department pursuant to Article V of the Illinois Public Aid Code; or
 - (2) Knowingly charge, solicit, accept or receive, in addition to any amount otherwise authorized or required to be paid pursuant to Article V of the Illinois Public Aid Code, any gift, money, donation or other consideration:
 - (i) As a precondition to admitting or expediting the admission of a recipient or applicant, pursuant to Article V of the Illinois Public Aid Code, to a long-term care facility as defined in Section 1-113 of the Nursing Home Care Act or a facility as defined in Section 1-113 of the ID/DD Community Care Act, Section 1-113 of the MC/DD Act, or Section 1-102 of the Specialized Mental Health Rehabilitation Act of 2013;

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- (ii) As a requirement for the recipient's or applicant's continued stay in such facility when the cost of the services provided therein to the recipient is paid for, in whole or in part, pursuant to Article V of the Illinois Public Aid Code.
 - (b) Nothing herein shall prohibit a person from making a voluntary contribution, gift or donation to a long-term care facility.
 - (c) This paragraph shall not apply to agreements to provide continuing care or life care between a life care facility as defined by the Life Care Facilities Act, and a person financially eligible for benefits pursuant to Article V of the Illinois Public Aid Code.
- 15 (d) Any person who violates this Section shall be guilty of 16 a business offense and fined not less than \$10,000 \$5,000 nor 17 more than \$50,000 \$25,000.
- 18 (e) "Person", as used in this Section, means an individual,
 19 corporation, partnership, or unincorporated association.
 - (f) The State's Attorney of the county in which the facility is located and the Attorney General shall be notified by the Illinois Department of any alleged violations of this Section known to the Department.
- 24 (g) The Illinois Department shall adopt rules and regulations to carry out the provisions of this Section.
- 26 (Source: P.A. 98-104, eff. 7-22-13; 99-180, eff. 7-29-15.)

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- 1 (305 ILCS 5/8A-16)
- 2 Sec. 8A-16. Unfair or deceptive marketing practices.
- 3 (a) As used in this Section, "health plan" has the meaning attributed to that term in Section 8A-13.
 - (b) It is unlawful to knowingly and willfully engage in any unfair or deceptive marketing practice in connection with proposing, offering, selling, soliciting, or providing any health care service or any health plan. Unfair or deceptive marketing practices include the following:
 - (1) Making a false and misleading oral or written statement, visual description, advertisement, or other representation of any kind that has the capacity, tendency, or effect of deceiving or misleading health care consumers with respect to any health care service, health plan, or health care provider.
 - (2) Making a representation that a health care plan or a health care provider offers any service, benefit, access to care, or choice that it does not in fact offer.
 - (3) Making a representation that a health plan or health care provider has any status, certification, qualification, sponsorship, affiliation, or licensure that it does not have.
 - (4) A failure to state a material fact if the failure deceives or tends to deceive.
 - (5) Offering any kickback, bribe, reward, or benefit to

any person as an inducement to select or to refrain from selecting any health care service, health plan, or health care provider, unless the benefit offered is medically necessary health care or is permitted by the Illinois Department.

- (6) The use of health care consumer or other information that is confidential or privileged or that cannot be disclosed to or obtained by the user without violating a State or federal confidentiality law, including:
 - (A) medical records information; and
 - (B) information that identifies the health care consumer or any member of his or her group as a recipient of any government sponsored or mandated welfare program.
- (7) The use of any device or artifice in advertising a health plan or soliciting a health care consumer that misrepresents the solicitor's profession, status, affiliation, or mission.
- (c) Any person who commits a first violation of this Section is guilty of a Class $\underline{4}$ felony \underline{A} misdemeanor and is subject to a fine of not more than $\underline{\$10,000}$ $\underline{\$5,000}$. Any person who commits a second or subsequent violation of this Section is guilty of a Class $\underline{3}$ 4 felony and is subject to a fine of not more than $\underline{\$50,000}$ $\underline{\$25,000}$.
- 26 (Source: P.A. 90-538, eff. 12-1-97.)

1 (305 ILCS 5/8A-17)

Sec. 8A-17. Penalties enhanced for persons other than individuals. If a person who violates Section 8A-13, 8A-14, 8A-15, or 8A-16 is any person other than an individual, then that person is subject to a fine of not more than \$\frac{\$100,000}{\$50,000}\$ if the violation is a Class 1, 2, 3, or 4 felony misdemeanor and a fine of not more than \$\frac{\$500,000}{\$250,000}\$ if the violation is a Class X felony a felony.

9 (Source: P.A. 90-538, eff. 12-1-97.)