



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB2444

Introduced 1/18/2006, by Sen. John O. Jones

SYNOPSIS AS INTRODUCED:

215 ILCS 5/356z.8 new

215 ILCS 125/5-3

215 ILCS 165/10

from Ch. 111 1/2, par. 1411.2

from Ch. 32, par. 604

Amends the Illinois Insurance Code, the Health Maintenance Organization Act, and the Voluntary Health Services Plans Act. Provides that a group or individual policy of accident and health insurance or managed care plan amended, delivered, issued, or renewed after the effective date of the amendatory Act must provide coverage for ostomy equipment and related medical supplies, including disposable ostomy bags, that are medically necessary for the treatment of ostomies. Effective January 1, 2007.

LRB094 18791 LJB 54197 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 356z.8 as follows:

6 (215 ILCS 5/356z.8 new)

7 Sec. 356z.8. Ostomy supplies. A group or individual policy
8 of accident and health insurance or managed care plan amended,
9 delivered, issued, or renewed after the effective date of this
10 amendatory Act of the 94th General Assembly must provide
11 coverage for ostomy equipment and related medical supplies,
12 including disposable ostomy bags, that are medically necessary
13 for the treatment of ostomies.

14 Section 10. The Health Maintenance Organization Act is
15 amended by changing Section 5-3 as follows:

16 (215 ILCS 125/5-3) (from Ch. 111 1/2, par. 1411.2)

17 Sec. 5-3. Insurance Code provisions.

18 (a) Health Maintenance Organizations shall be subject to
19 the provisions of Sections 133, 134, 137, 140, 141.1, 141.2,
20 141.3, 143, 143c, 147, 148, 149, 151, 152, 153, 154, 154.5,
21 154.6, 154.7, 154.8, 155.04, 355.2, 356m, 356v, 356w, 356x,
22 356y, 356z.2, 356z.4, 356z.5, 356z.6, 356z.8, 364.01, 367.2,
23 367.2-5, 367i, 368a, 368b, 368c, 368d, 368e, 401, 401.1, 402,
24 403, 403A, 408, 408.2, 409, 412, 444, and 444.1, paragraph (c)
25 of subsection (2) of Section 367, and Articles IIA, VIII 1/2,
26 XII, XII 1/2, XIII, XIII 1/2, XXV, and XXVI of the Illinois
27 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

1 deemed to be "domestic companies":

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

4 (2) a corporation organized under the laws of this
5 State; or

6 (3) a corporation organized under the laws of another
7 state, 30% or more of the enrollees of which are residents
8 of this State, except a corporation subject to
9 substantially the same requirements in its state of
10 organization as is a "domestic company" under Article VIII
11 1/2 of the Illinois Insurance Code.

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

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

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

27 (3) the Director shall have the power to require the
28 following information:

29 (A) certification by an independent actuary of the
30 adequacy of the reserves of the Health Maintenance
31 Organization sought to be acquired;

32 (B) pro forma financial statements reflecting the
33 combined balance sheets of the acquiring company and
34 the Health Maintenance Organization sought to be
35 acquired as of the end of the preceding year and as of
36 a date 90 days prior to the acquisition, as well as pro

1 forma financial statements reflecting projected
2 combined operation for a period of 2 years;

3 (C) a pro forma business plan detailing an
4 acquiring party's plans with respect to the operation
5 of the Health Maintenance Organization sought to be
6 acquired for a period of not less than 3 years; and

7 (D) such other information as the Director shall
8 require.

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

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

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

32 (i) the amount of, and other terms and conditions with
33 respect to, the refund or additional premium are set forth
34 in the group or enrollment unit contract agreed in advance
35 of the period for which a refund is to be paid or
36 additional premium is to be charged (which period shall not

1 be less than one year); and

2 (ii) the amount of the refund or additional premium
3 shall not exceed 20% of the Health Maintenance
4 Organization's profitable or unprofitable experience with
5 respect to the group or other enrollment unit for the
6 period (and, for purposes of a refund or additional
7 premium, the profitable or unprofitable experience shall
8 be calculated taking into account a pro rata share of the
9 Health Maintenance Organization's administrative and
10 marketing expenses, but shall not include any refund to be
11 made or additional premium to be paid pursuant to this
12 subsection (f)). The Health Maintenance Organization and
13 the group or enrollment unit may agree that the profitable
14 or unprofitable experience may be calculated taking into
15 account the refund period and the immediately preceding 2
16 plan years.

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

29 In no event shall the Illinois Health Maintenance
30 Organization Guaranty Association be liable to pay any
31 contractual obligation of an insolvent organization to pay any
32 refund authorized under this Section.

33 (Source: P.A. 92-764, eff. 1-1-03; 93-102, eff. 1-1-04; 93-261,
34 eff. 1-1-04; 93-477, eff. 8-8-03; 93-529, eff. 8-14-03; 93-853,
35 eff. 1-1-05; 93-1000, eff. 1-1-05; revised 10-14-04.)

1 Section 15. The Voluntary Health Services Plans Act is
2 amended by changing Section 10 as follows:

3 (215 ILCS 165/10) (from Ch. 32, par. 604)

4 Sec. 10. Application of Insurance Code provisions. Health
5 services plan corporations and all persons interested therein
6 or dealing therewith shall be subject to the provisions of
7 Articles IIA and XII 1/2 and Sections 3.1, 133, 140, 143, 143c,
8 149, 155.37, 354, 355.2, 356r, 356t, 356u, 356v, 356w, 356x,
9 356y, 356z.1, 356z.2, 356z.4, 356z.5, 356z.6, 356z.8, 364.01,
10 367.2, 368a, 401, 401.1, 402, 403, 403A, 408, 408.2, and 412,
11 and paragraphs (7) and (15) of Section 367 of the Illinois
12 Insurance Code.

13 (Source: P.A. 92-130, eff. 7-20-01; 92-440, eff. 8-17-01;
14 92-651, eff. 7-11-02; 92-764, eff. 1-1-03; 93-102, eff. 1-1-04;
15 93-529, eff. 8-14-03; 93-853, eff. 1-1-05; 93-1000, eff.
16 1-1-05; revised 10-14-04.)

17 Section 99. Effective date. This Act takes effect January
18 1, 2007.