



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB0148

Introduced 1/19/2007, by Rep. Elaine Nekritz

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/363

from Ch. 73, par. 975

Amends the Illinois Insurance Code in relation to medicare supplements. Provides that an issuer of Medicare supplement policies shall not deny coverage to a person under the age of 65 who meets certain criteria. Limits certain rates. Requires that all types of Medicare supplement policies available to persons over 65 years of age be made available to persons who become eligible for Medicare by reason of a disability.

LRB095 03325 KBJ 23327 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  
5 changing Section 363 as follows:

6 (215 ILCS 5/363) (from Ch. 73, par. 975)

7 Sec. 363. Medicare supplement policies; minimum standards.

8 (1) Except as otherwise specifically provided therein,  
9 this Section and Section 363a of this Code shall apply to:

10 (a) all Medicare supplement policies and subscriber  
11 contracts delivered or issued for delivery in this State on  
12 and after January 1, 1989; and

13 (b) all certificates issued under group Medicare  
14 supplement policies or subscriber contracts, which  
15 certificates are issued or issued for delivery in this  
16 State on and after January 1, 1989.

17 This Section shall not apply to "Accident Only" or  
18 "Specified Disease" types of policies. The provisions of this  
19 Section are not intended to prohibit or apply to policies or  
20 health care benefit plans, including group conversion  
21 policies, provided to Medicare eligible persons, which  
22 policies or plans are not marketed or purported or held to be  
23 Medicare supplement policies or benefit plans.

1           (2) For the purposes of this Section and Section 363a, the  
2 following terms have the following meanings:

3           (a) "Applicant" means:

4                 (i) in the case of individual Medicare supplement  
5 policy, the person who seeks to contract for insurance  
6 benefits, and

7                 (ii) in the case of a group Medicare policy or  
8 subscriber contract, the proposed certificate holder.

9           (b) "Certificate" means any certificate delivered or  
10 issued for delivery in this State under a group Medicare  
11 supplement policy.

12           (c) "Medicare supplement policy" means an individual  
13 policy of accident and health insurance, as defined in  
14 paragraph (a) of subsection (2) of Section 355a of this  
15 Code, or a group policy or certificate delivered or issued  
16 for delivery in this State by an insurer, fraternal benefit  
17 society, voluntary health service plan, or health  
18 maintenance organization, other than a policy issued  
19 pursuant to a contract under Section 1876 of the federal  
20 Social Security Act (42 U.S.C. Section 1395 et seq.) or a  
21 policy issued under a demonstration project specified in 42  
22 U.S.C. Section 1395ss(g)(1), or any similar organization,  
23 that is advertised, marketed, or designed primarily as a  
24 supplement to reimbursements under Medicare for the  
25 hospital, medical, or surgical expenses of persons  
26 eligible for Medicare.

1           (d) "Issuer" includes insurance companies, fraternal  
2           benefit societies, voluntary health service plans, health  
3           maintenance organizations, or any other entity providing  
4           Medicare supplement insurance, unless the context clearly  
5           indicates otherwise.

6           (e) "Medicare" means the Health Insurance for the Aged  
7           Act, Title XVIII of the Social Security Amendments of 1965.

8           (3) No Medicare supplement insurance policy, contract, or  
9           certificate, that provides benefits that duplicate benefits  
10          provided by Medicare, shall be issued or issued for delivery in  
11          this State after December 31, 1988. No such policy, contract,  
12          or certificate shall provide lesser benefits than those  
13          required under this Section or the existing Medicare Supplement  
14          Minimum Standards Regulation, except where duplication of  
15          Medicare benefits would result.

16          (4) Medicare supplement policies or certificates shall  
17          have a notice prominently printed on the first page of the  
18          policy or attached thereto stating in substance that the  
19          policyholder or certificate holder shall have the right to  
20          return the policy or certificate within 30 days of its delivery  
21          and to have the premium refunded directly to him or her in a  
22          timely manner if, after examination of the policy or  
23          certificate, the insured person is not satisfied for any  
24          reason.

25          (5) A Medicare supplement policy or certificate may not  
26          deny a claim for losses incurred more than 6 months from the

1 effective date of coverage for a preexisting condition. The  
2 policy may not define a preexisting condition more  
3 restrictively than a condition for which medical advice was  
4 given or treatment was recommended by or received from a  
5 physician within 6 months before the effective date of  
6 coverage.

7 (6) An issuer of a Medicare supplement policy shall:

8 (a) not deny coverage to an applicant under 65 years of  
9 age who meets any of the following criteria:

10 (i) becomes eligible for Medicare by reason of  
11 disability if the person makes application for a  
12 Medicare supplement policy within 6 months of the first  
13 day on which the person enrolls for benefits under  
14 Medicare Part B; for a person who is retroactively  
15 enrolled in Medicare Part B due to a retroactive  
16 eligibility decision made by the Social Security  
17 Administration, the application must be submitted  
18 within a 6-month period beginning with the month in  
19 which the person received notice of retroactive  
20 eligibility to enroll;

21 (ii) has Medicare and an employer group health plan  
22 (either primary or secondary to Medicare) that  
23 terminates or ceases to provide all such supplemental  
24 health benefits;

25 (iii) is insured by a Medicare Advantage plan that  
26 includes a Health Maintenance Organization, a

1 Preferred Provider Organization, and a Private  
2 Fee-For-Service or Medicare Select plan and the  
3 applicant moves out of the plan's service area; the  
4 insurer goes out of business, withdraws from the  
5 market, or has its Medicare contract terminated; or the  
6 plan violates its contract provisions or is  
7 misrepresented in its marketing; or

8 (iv) is insured by a Medicare supplement policy and  
9 the insurer goes out of business, withdraws from the  
10 market, or the insurance company or agents  
11 misrepresent the plan and the applicant is without  
12 coverage;

13 (b) make available to persons eligible for Medicare by  
14 reason of disability each type of Medicare supplement  
15 policy the issuer makes available to persons eligible for  
16 Medicare by reason of age;

17 (c) not charge individuals who become eligible for  
18 Medicare by reason of disability and who are under the age  
19 of 65 premium rates for any medical supplemental insurance  
20 benefit plan offered by the issuer that exceed the issuer's  
21 premium rates charged for that plan to individuals who are  
22 age 65 or older; and

23 (d) provide the rights granted by items (a) through  
24 (d), for 6 months after the effective date of this  
25 amendatory Act of the 95th General Assembly, to any person  
26 who had enrolled for benefits under Medicare Part B prior

1 to this amendatory Act of the 95th General Assembly who  
2 otherwise would have been eligible for coverage under item  
3 (a).

4 (7) ~~(6)~~ The Director shall issue reasonable rules and  
5 regulations for the following purposes:

6 (a) To establish specific standards for policy  
7 provisions of Medicare policies and certificates. The  
8 standards shall be in accordance with the requirements of  
9 this Code. No requirement of this Code relating to minimum  
10 required policy benefits, other than the minimum standards  
11 contained in this Section and Section 363a, shall apply to  
12 medicare supplement policies and certificates. The  
13 standards may cover, but are not limited to the following:

14 (A) Terms of renewability.

15 (B) Initial and subsequent terms of eligibility.

16 (C) Non-duplication of coverage.

17 (D) Probationary and elimination periods.

18 (E) Benefit limitations, exceptions and  
19 reductions.

20 (F) Requirements for replacement.

21 (G) Recurrent conditions.

22 (H) Definition of terms.

23 (I) Requirements for issuing rebates or credits to  
24 policyholders if the policy's loss ratio does not  
25 comply with subsection (7) of Section 363a.

26 (J) Uniform methodology for the calculating and

1 reporting of loss ratio information.

2 (K) Assuring public access to loss ratio  
3 information of an issuer of Medicare supplement  
4 insurance.

5 (L) Establishing a process for approving or  
6 disapproving proposed premium increases.

7 (M) Establishing a policy for holding public  
8 hearings prior to approval of premium increases.

9 (N) Establishing standards for Medicare Select  
10 policies.

11 (O) Prohibited policy provisions not otherwise  
12 specifically authorized by statute that, in the  
13 opinion of the Director, are unjust, unfair, or  
14 unfairly discriminatory to any person insured or  
15 proposed for coverage under a medicare supplement  
16 policy or certificate.

17 (b) To establish minimum standards for benefits and  
18 claims payments, marketing practices, compensation  
19 arrangements, and reporting practices for Medicare  
20 supplement policies.

21 (c) To implement transitional requirements of Medicare  
22 supplement insurance benefits and premiums of Medicare  
23 supplement policies and certificates to conform to  
24 Medicare program revisions.

25 (Source: P.A. 88-313; 89-484, eff. 6-21-96.)