



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB1098

Introduced 2/11/2009, by Rep. Kevin A. McCarthy

SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.5

Amends the State Employees Group Insurance Act of 1971. With respect to the retired teachers' health benefits plan, beginning with fiscal year 2010, provides that of the total insurance rate for the major medical program selected by a recipient whose primary residence is outside of Illinois, (i) if a managed care program is accessible, 37.5% (now, 50%) shall be paid from the Teacher Health Insurance Security Fund and (ii) if a managed care program is not accessible, 62.5% (now, 75%) shall be paid from the Teacher Health Insurance Security Fund. Effective immediately.

LRB096 08457 JAM 18576 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning government.

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

4 Section 5. The State Employees Group Insurance Act of 1971
5 is amended by changing Section 6.5 as follows:

6 (5 ILCS 375/6.5)

7 Sec. 6.5. Health benefits for TRS benefit recipients and
8 TRS dependent beneficiaries.

9 (a) Purpose. It is the purpose of this amendatory Act of
10 1995 to transfer the administration of the program of health
11 benefits established for benefit recipients and their
12 dependent beneficiaries under Article 16 of the Illinois
13 Pension Code to the Department of Central Management Services.

14 (b) Transition provisions. The Board of Trustees of the
15 Teachers' Retirement System shall continue to administer the
16 health benefit program established under Article 16 of the
17 Illinois Pension Code through December 31, 1995. Beginning
18 January 1, 1996, the Department of Central Management Services
19 shall be responsible for administering a program of health
20 benefits for TRS benefit recipients and TRS dependent
21 beneficiaries under this Section. The Department of Central
22 Management Services and the Teachers' Retirement System shall
23 cooperate in this endeavor and shall coordinate their

1 activities so as to ensure a smooth transition and
2 uninterrupted health benefit coverage.

3 (c) Eligibility. All persons who were enrolled in the
4 Article 16 program at the time of the transfer shall be
5 eligible to participate in the program established under this
6 Section without any interruption or delay in coverage or
7 limitation as to pre-existing medical conditions. Eligibility
8 to participate shall be determined by the Teachers' Retirement
9 System. Eligibility information shall be communicated to the
10 Department of Central Management Services in a format
11 acceptable to the Department.

12 A TRS dependent beneficiary who is an unmarried child age
13 19 or over and mentally or physically disabled does not become
14 ineligible to participate by reason of (i) becoming ineligible
15 to be claimed as a dependent for Illinois or federal income tax
16 purposes or (ii) receiving earned income, so long as those
17 earnings are insufficient for the child to be fully
18 self-sufficient.

19 (d) Coverage. The level of health benefits provided under
20 this Section shall be similar to the level of benefits provided
21 by the program previously established under Article 16 of the
22 Illinois Pension Code.

23 Group life insurance benefits are not included in the
24 benefits to be provided to TRS benefit recipients and TRS
25 dependent beneficiaries under this Act.

26 The program of health benefits under this Section may

1 include any or all of the benefit limitations, including but
2 not limited to a reduction in benefits based on eligibility for
3 federal medicare benefits, that are provided under subsection
4 (a) of Section 6 of this Act for other health benefit programs
5 under this Act.

6 (e) Insurance rates and premiums. The Director shall
7 determine the insurance rates and premiums for TRS benefit
8 recipients and TRS dependent beneficiaries, and shall present
9 to the Teachers' Retirement System of the State of Illinois, by
10 April 15 of each calendar year, the rate-setting methodology
11 (including but not limited to utilization levels and costs)
12 used to determine the amount of the health care premiums.

13 For Fiscal Year 1996, the premium shall be equal to the
14 premium actually charged in Fiscal Year 1995; in subsequent
15 years, the premium shall never be lower than the premium
16 charged in Fiscal Year 1995.

17 For Fiscal Year 2003, the premium shall not exceed 110%
18 of the premium actually charged in Fiscal Year 2002.

19 For Fiscal Year 2004, the premium shall not exceed 112%
20 of the premium actually charged in Fiscal Year 2003.

21 For Fiscal Year 2005, the premium shall not exceed a
22 weighted average of 106.6% of the premium actually charged
23 in Fiscal Year 2004.

24 For Fiscal Year 2006, the premium shall not exceed a
25 weighted average of 109.1% of the premium actually charged
26 in Fiscal Year 2005.

1 For Fiscal Year 2007, the premium shall not exceed a
2 weighted average of 103.9% of the premium actually charged
3 in Fiscal Year 2006.

4 For Fiscal Year 2008 and thereafter, the premium in
5 each fiscal year shall not exceed 105% of the premium
6 actually charged in the previous fiscal year.

7 Rates and premiums may be based in part on age and
8 eligibility for federal medicare coverage. However, the cost of
9 participation for a TRS dependent beneficiary who is an
10 unmarried child age 19 or over and mentally or physically
11 disabled shall not exceed the cost for a TRS dependent
12 beneficiary who is an unmarried child under age 19 and
13 participates in the same major medical or managed care program.

14 The cost of health benefits under the program shall be paid
15 as follows:

16 (1) For a TRS benefit recipient selecting a managed
17 care program, up to 75% of the total insurance rate shall
18 be paid from the Teacher Health Insurance Security Fund.
19 Effective with Fiscal Year 2007 and thereafter, for a TRS
20 benefit recipient selecting a managed care program, 75% of
21 the total insurance rate shall be paid from the Teacher
22 Health Insurance Security Fund.

23 (2) Until Fiscal Year 2007, for ~~For~~ a TRS benefit
24 recipient selecting the major medical coverage program, up
25 to 50% of the total insurance rate shall be paid from the
26 Teacher Health Insurance Security Fund if a managed care

1 program is accessible, as determined by the Teachers'
2 Retirement System. Effective with Fiscal Year 2007 and
3 through Fiscal Year 2009 thereafter, for a TRS benefit
4 recipient selecting the major medical coverage program,
5 50% of the total insurance rate shall be paid from the
6 Teacher Health Insurance Security Fund if a managed care
7 program is accessible, as determined by the Department of
8 Central Management Services. Beginning with Fiscal Year
9 2010, for a TRS benefit recipient selecting the major
10 medical coverage program and for whom a managed care
11 program is accessible, as determined by the Department of
12 Central Management Services, (i) 50% of the total insurance
13 rate shall be paid from the Teacher Health Insurance
14 Security Fund if the recipient's primary residence is in
15 Illinois and (ii) 37.5% of the total insurance rate shall
16 be paid from the Teacher Health Insurance Security Fund if
17 the recipient's primary residence is outside of Illinois.

18 (3) Until Fiscal Year 2007, for ~~For~~ a TRS benefit
19 recipient selecting the major medical coverage program, up
20 to 75% of the total insurance rate shall be paid from the
21 Teacher Health Insurance Security Fund if a managed care
22 program is not accessible, as determined by the Teachers'
23 Retirement System. Effective with Fiscal Year 2007 and
24 through Fiscal Year 2009 thereafter, for a TRS benefit
25 recipient selecting the major medical coverage program,
26 75% of the total insurance rate shall be paid from the

1 Teacher Health Insurance Security Fund if a managed care
2 program is not accessible, as determined by the Department
3 of Central Management Services. Beginning with Fiscal Year
4 2010, for a TRS benefit recipient selecting the major
5 medical coverage program and for whom a managed care
6 program is not accessible, as determined by the Department
7 of Central Management Services, (i) 75% of the total
8 insurance rate shall be paid from the Teacher Health
9 Insurance Security Fund if the recipient's primary
10 residence is in Illinois and (ii) 62.5% of the total
11 insurance rate shall be paid from the Teacher Health
12 Insurance Security Fund if the recipient's primary
13 residence is outside of Illinois.

14 (3.1) For a TRS dependent beneficiary who is Medicare
15 primary and enrolled in a managed care plan, or the major
16 medical coverage program if a managed care plan is not
17 available, 25% of the total insurance rate shall be paid
18 from the Teacher Health Insurance Security Fund as
19 determined by the Department of Central Management
20 Services. For the purpose of this item (3.1), the term "TRS
21 dependent beneficiary who is Medicare primary" means a TRS
22 dependent beneficiary who is participating in Medicare
23 Parts A and B.

24 (4) Except as otherwise provided in item (3.1), the
25 balance of the rate of insurance, including the entire
26 premium of any coverage for TRS dependent beneficiaries

1 that has been elected, shall be paid by deductions
2 authorized by the TRS benefit recipient to be withheld from
3 his or her monthly annuity or benefit payment from the
4 Teachers' Retirement System; except that (i) if the balance
5 of the cost of coverage exceeds the amount of the monthly
6 annuity or benefit payment, the difference shall be paid
7 directly to the Teachers' Retirement System by the TRS
8 benefit recipient, and (ii) all or part of the balance of
9 the cost of coverage may, at the school board's option, be
10 paid to the Teachers' Retirement System by the school board
11 of the school district from which the TRS benefit recipient
12 retired, in accordance with Section 10-22.3b of the School
13 Code. The Teachers' Retirement System shall promptly
14 deposit all moneys withheld by or paid to it under this
15 subdivision (e)(4) into the Teacher Health Insurance
16 Security Fund. These moneys shall not be considered assets
17 of the Retirement System.

18 (f) Financing. Beginning July 1, 1995, all revenues arising
19 from the administration of the health benefit programs
20 established under Article 16 of the Illinois Pension Code or
21 this Section shall be deposited into the Teacher Health
22 Insurance Security Fund, which is hereby created as a
23 nonappropriated trust fund to be held outside the State
24 Treasury, with the State Treasurer as custodian. Any interest
25 earned on moneys in the Teacher Health Insurance Security Fund
26 shall be deposited into the Fund.

1 Moneys in the Teacher Health Insurance Security Fund shall
2 be used only to pay the costs of the health benefit program
3 established under this Section, including associated
4 administrative costs, and the costs associated with the health
5 benefit program established under Article 16 of the Illinois
6 Pension Code, as authorized in this Section. Beginning July 1,
7 1995, the Department of Central Management Services may make
8 expenditures from the Teacher Health Insurance Security Fund
9 for those costs.

10 After other funds authorized for the payment of the costs
11 of the health benefit program established under Article 16 of
12 the Illinois Pension Code are exhausted and until January 1,
13 1996 (or such later date as may be agreed upon by the Director
14 of Central Management Services and the Secretary of the
15 Teachers' Retirement System), the Secretary of the Teachers'
16 Retirement System may make expenditures from the Teacher Health
17 Insurance Security Fund as necessary to pay up to 75% of the
18 cost of providing health coverage to eligible benefit
19 recipients (as defined in Sections 16-153.1 and 16-153.3 of the
20 Illinois Pension Code) who are enrolled in the Article 16
21 health benefit program and to facilitate the transfer of
22 administration of the health benefit program to the Department
23 of Central Management Services.

24 The Department of Healthcare and Family Services, or any
25 successor agency designated to procure healthcare contracts
26 pursuant to this Act, is authorized to establish funds,

1 separate accounts provided by any bank or banks as defined by
2 the Illinois Banking Act, or separate accounts provided by any
3 savings and loan association or associations as defined by the
4 Illinois Savings and Loan Act of 1985 to be held by the
5 Director, outside the State treasury, for the purpose of
6 receiving the transfer of moneys from the Teacher Health
7 Insurance Security Fund. The Department may promulgate rules
8 further defining the methodology for the transfers. Any
9 interest earned by moneys in the funds or accounts shall inure
10 to the Teacher Health Insurance Security Fund. The transferred
11 moneys, and interest accrued thereon, shall be used exclusively
12 for transfers to administrative service organizations or their
13 financial institutions for payments of claims to claimants and
14 providers under the self-insurance health plan. The
15 transferred moneys, and interest accrued thereon, shall not be
16 used for any other purpose including, but not limited to,
17 reimbursement of administration fees due the administrative
18 service organization pursuant to its contract or contracts with
19 the Department.

20 (g) Contract for benefits. The Director shall by contract,
21 self-insurance, or otherwise make available the program of
22 health benefits for TRS benefit recipients and their TRS
23 dependent beneficiaries that is provided for in this Section.
24 The contract or other arrangement for the provision of these
25 health benefits shall be on terms deemed by the Director to be
26 in the best interest of the State of Illinois and the TRS

1 benefit recipients based on, but not limited to, such criteria
2 as administrative cost, service capabilities of the carrier or
3 other contractor, and the costs of the benefits.

4 (g-5) Committee. A Teacher Retirement Insurance Program
5 Committee shall be established, to consist of 10 persons
6 appointed by the Governor.

7 The Committee shall convene at least 4 times each year, and
8 shall consider and make recommendations on issues affecting the
9 program of health benefits provided under this Section.
10 Recommendations of the Committee shall be based on a consensus
11 of the members of the Committee.

12 If the Teacher Health Insurance Security Fund experiences a
13 deficit balance based upon the contribution and subsidy rates
14 established in this Section and Section 6.6 for Fiscal Year
15 2008 or thereafter, the Committee shall make recommendations
16 for adjustments to the funding sources established under these
17 Sections.

18 (h) Continuation of program. It is the intention of the
19 General Assembly that the program of health benefits provided
20 under this Section be maintained on an ongoing, affordable
21 basis.

22 The program of health benefits provided under this Section
23 may be amended by the State and is not intended to be a pension
24 or retirement benefit subject to protection under Article XIII,
25 Section 5 of the Illinois Constitution.

26 (i) Repeal. (Blank).

1 (Source: P.A. 95-632, eff. 9-25-07.)

2 Section 99. Effective date. This Act takes effect upon
3 becoming law.