

# HB1847



## 97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB1847

by Rep. Kevin A. McCarthy

### SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.5

Amends the State Employees Group Insurance Act of 1971. Makes a technical change in a Section concerning retired teacher benefits.

LRB097 09518 JDS 49655 b

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 ~~and~~ 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) For a TRS benefit recipient selecting the major  
24                 medical coverage program, up to 50% of the total insurance  
25                 rate shall be paid from the Teacher Health Insurance  
26                 Security Fund if a managed care program is accessible, as

1 determined by the Teachers' Retirement System. Effective  
2 with Fiscal Year 2007 and thereafter, for a TRS benefit  
3 recipient selecting the major medical coverage program,  
4 50% of the total insurance rate shall be paid from the  
5 Teacher Health Insurance Security Fund if a managed care  
6 program is accessible, as determined by the Department of  
7 Central Management Services.

8 (3) For a TRS benefit recipient selecting the major  
9 medical coverage program, up to 75% of the total insurance  
10 rate shall be paid from the Teacher Health Insurance  
11 Security Fund if a managed care program is not accessible,  
12 as determined by the Teachers' Retirement System.  
13 Effective with Fiscal Year 2007 and thereafter, for a TRS  
14 benefit recipient selecting the major medical coverage  
15 program, 75% of the total insurance rate shall be paid from  
16 the Teacher Health Insurance Security Fund if a managed  
17 care program is not accessible, as determined by the  
18 Department of Central Management Services.

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

1 is participating in Medicare Parts A and B.

2 (4) Except as otherwise provided in item (3.1), the  
3 balance of the rate of insurance, including the entire  
4 premium of any coverage for TRS dependent beneficiaries  
5 that has been elected, shall be paid by deductions  
6 authorized by the TRS benefit recipient to be withheld from  
7 his or her monthly annuity or benefit payment from the  
8 Teachers' Retirement System; except that (i) if the balance  
9 of the cost of coverage exceeds the amount of the monthly  
10 annuity or benefit payment, the difference shall be paid  
11 directly to the Teachers' Retirement System by the TRS  
12 benefit recipient, and (ii) all or part of the balance of  
13 the cost of coverage may, at the school board's option, be  
14 paid to the Teachers' Retirement System by the school board  
15 of the school district from which the TRS benefit recipient  
16 retired, in accordance with Section 10-22.3b of the School  
17 Code. The Teachers' Retirement System shall promptly  
18 deposit all moneys withheld by or paid to it under this  
19 subdivision (e)(4) into the Teacher Health Insurance  
20 Security Fund. These moneys shall not be considered assets  
21 of the Retirement System.

22 (f) Financing. Beginning July 1, 1995, all revenues arising  
23 from the administration of the health benefit programs  
24 established under Article 16 of the Illinois Pension Code or  
25 this Section shall be deposited into the Teacher Health  
26 Insurance Security Fund, which is hereby created as a

1 nonappropriated trust fund to be held outside the State  
2 Treasury, with the State Treasurer as custodian. Any interest  
3 earned on moneys in the Teacher Health Insurance Security Fund  
4 shall be deposited into the Fund.

5 Moneys in the Teacher Health Insurance Security Fund shall  
6 be used only to pay the costs of the health benefit program  
7 established under this Section, including associated  
8 administrative costs, and the costs associated with the health  
9 benefit program established under Article 16 of the Illinois  
10 Pension Code, as authorized in this Section. Beginning July 1,  
11 1995, the Department of Central Management Services may make  
12 expenditures from the Teacher Health Insurance Security Fund  
13 for those costs.

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



1 of Central Management Services.

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

24 (g) Contract for benefits. The Director shall by contract,  
25 self-insurance, or otherwise make available the program of  
26 health benefits for TRS benefit recipients and their TRS

1 dependent beneficiaries that is provided for in this Section.  
2 The contract or other arrangement for the provision of these  
3 health benefits shall be on terms deemed by the Director to be  
4 in the best interest of the State of Illinois and the TRS  
5 benefit recipients based on, but not limited to, such criteria  
6 as administrative cost, service capabilities of the carrier or  
7 other contractor, and the costs of the benefits.

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

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

16 If the Teacher Health Insurance Security Fund experiences a  
17 deficit balance based upon the contribution and subsidy rates  
18 established in this Section and Section 6.6 for Fiscal Year  
19 2008 or thereafter, the Committee shall make recommendations  
20 for adjustments to the funding sources established under these  
21 Sections.

22 (h) Continuation of program. It is the intention of the  
23 General Assembly that the program of health benefits provided  
24 under this Section be maintained on an ongoing, affordable  
25 basis.

26 The program of health benefits provided under this Section

1 may be amended by the State and is not intended to be a pension  
2 or retirement benefit subject to protection under Article XIII,  
3 Section 5 of the Illinois Constitution.

4 (i) Repeal. (Blank).

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