

1 AN ACT in relation to 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 370i and adding Section 356z.2 as follows:

6 (215 ILCS 5/356z.2 new)

7 Sec. 356z.2. Disclosure of limited benefit. An insurer
8 that issues, delivers, amends, or renews an individual or
9 group policy of accident and health insurance in this State
10 after the effective date of this amendatory Act of the 92nd
11 General Assembly and arranges, contracts with, or administers
12 contracts with a provider whereby beneficiaries are provided
13 an incentive to use the services of such provider must
14 include the following disclosure on its contracts and
15 evidences of coverage: "WARNING, LIMITED BENEFITS WILL BE
16 PAID WHEN NON-PARTICIPATING PROVIDERS ARE USED. You should be
17 aware that when you elect to utilize the services of a
18 non-participating provider for a covered service in
19 non-emergency situations, benefit payments to such
20 non-participating provider are not based upon the amount
21 billed. The basis of your benefit payment will be determined
22 according to your policy's fee schedule, usual and customary
23 charge (which is determined by comparing charges for similar
24 services adjusted to the geographical area where the services
25 are performed), or other method as defined by the policy. YOU
26 CAN EXPECT TO PAY MORE THAN THE COINSURANCE AMOUNT DEFINED IN
27 THE POLICY AFTER THE PLAN HAS PAID ITS REQUIRED PORTION.
28 Non-participating providers may bill members for any amount
29 up to the billed charge after the plan has paid its portion
30 of the bill. Participating providers have agreed to accept
31 discounted payments for services with no additional billing

1 to the member other than co-insurance and deductible amounts.
 2 You may obtain further information about the participating
 3 status of professional providers and information on
 4 out-of-pocket expenses by calling the toll free telephone
 5 number on your identification card."

6 (215 ILCS 5/370i) (from Ch. 73, par. 982i)

7 Sec. 370i. Policies, agreements or arrangements with
 8 incentives or limits on reimbursement authorized.

9 (a) Policies, agreements or arrangements issued under
 10 this Article may not contain terms or conditions that would
 11 operate unreasonably to restrict the access and availability
 12 of health care services for the insured.

13 (b) An insurer or administrator may:

14 (1) enter into agreements with certain providers of its
 15 choice relating to health care services which may be rendered
 16 to insureds or beneficiaries of the insurer or administrator,
 17 including agreements relating to the amounts to be charged
 18 the insureds or beneficiaries for services rendered;

19 (2) issue or administer programs, policies or subscriber
 20 contracts in this State that include incentives for the
 21 insured or beneficiary to utilize the services of a provider
 22 which has entered into an agreement with the insurer or
 23 administrator pursuant to paragraph (1) above.

24 (c) After the effective date of this amendatory Act of
 25 the 92nd General Assembly, any insurer that arranges,
 26 contracts with, or administers contracts with a provider
 27 whereby beneficiaries are provided an incentive to use the
 28 services of such provider must include the following
 29 disclosure on its contracts and evidences of coverage:

30 "WARNING, LIMITED BENEFITS WILL BE PAID WHEN
 31 NON-PARTICIPATING PROVIDERS ARE USED. You should be aware
 32 that when you elect to utilize the services of a
 33 non-participating provider for a covered service in

1 non-emergency situations, benefit payments to such
2 non-participating provider are not based upon the amount
3 billed. The basis of your benefit payment will be determined
4 according to your policy's fee schedule, usual and customary
5 charge (which is determined by comparing charges for similar
6 services adjusted to the geographical area where the services
7 are performed), or other method as defined by the policy. YOU
8 CAN EXPECT TO PAY MORE THAN THE COINSURANCE AMOUNT DEFINED IN
9 THE POLICY AFTER THE PLAN HAS PAID ITS REQUIRED PORTION.
10 Non-participating providers may bill members for any amount
11 up to the billed charge after the plan has paid its portion
12 of the bill. Participating providers have agreed to accept
13 discounted payments for services with no additional billing
14 to the member other than co-insurance and deductible amounts.
15 You may obtain further information about the participating
16 status of professional providers and information on
17 out-of-pocket expenses by calling the toll free telephone
18 number on your identification card."

19 (Source: P.A. 84-618.)

20 Section 10. The Health Maintenance Organization Act is
21 amended by changing Section 4.5-1 as follows:

22 (215 ILCS 125/4.5-1)

23 Sec. 4.5-1. Point-of-service health service contracts.

24 (a) A health maintenance organization that offers a
25 point-of-service contract:

26 (1) must include as in-plan covered services all
27 services required by law to be provided by a health
28 maintenance organization;

29 (2) must provide incentives, which shall include
30 financial incentives, for enrollees to use in-plan
31 covered services;

32 (3) may not offer services out-of-plan without

1 providing those services on an in-plan basis;

2 (4) may include annual out-of-pocket limits and
3 lifetime maximum benefits allowances for out-of-plan
4 services that are separate from any limits or allowances
5 applied to in-plan services;

6 (5) may not consider emergency services, authorized
7 referral services, or non-routine services obtained out
8 of the service area to be point-of-service services; and

9 (6) may treat as out-of-plan services those
10 services that an enrollee obtains from a participating
11 provider, but for which the proper authorization was not
12 given by the health maintenance organization and:-

13 (7) after the effective date of this amendatory Act
14 of the 92nd General Assembly, must include the following
15 disclosure on its point-of-service contracts and
16 evidences of coverage: "WARNING, LIMITED BENEFITS WILL BE
17 PAID WHEN NON-PARTICIPATING PROVIDERS ARE USED. You
18 should be aware that when you elect to utilize the
19 services of a non-participating provider for a covered
20 service in non-emergency situations, benefit payments to
21 such non-participating provider are not based upon the
22 amount billed. The basis of your benefit payment will be
23 determined according to your policy's fee schedule, usual
24 and customary charge (which is determined by comparing
25 charges for similar services adjusted to the geographical
26 area where the services are performed), or other method
27 as defined by the policy. YOU CAN EXPECT TO PAY MORE THAN
28 THE COINSURANCE AMOUNT DEFINED IN THE POLICY AFTER THE
29 PLAN HAS PAID ITS REQUIRED PORTION. Non-participating
30 providers may bill members for any amount up to the
31 billed charge after the plan has paid its portion of the
32 bill. Participating providers have agreed to accept
33 discounted payments for services with no additional
34 billing to the member other than co-insurance and

1 deductible amounts. You may obtain further information
2 about the participating status of professional providers
3 and information on out-of-pocket expenses by calling the
4 toll free telephone number on your identification card."

5 (b) A health maintenance organization offering a
6 point-of-service contract is subject to all of the following
7 limitations:

8 (1) The health maintenance organization may not
9 expend in any calendar quarter more than 20% of its total
10 expenditures for all its members for out-of-plan covered
11 services.

12 (2) If the amount specified in item (1) of this
13 subsection is exceeded by 2% in a quarter, the health
14 maintenance organization must effect compliance with item
15 (1) of this subsection by the end of the following
16 quarter.

17 (3) If compliance with the amount specified in item
18 (1) of this subsection is not demonstrated in the health
19 maintenance organization's next quarterly report, the
20 health maintenance organization may not offer the
21 point-of-service contract to new groups or include the
22 point-of-service option in the renewal of an existing
23 group until compliance with the amount specified in item
24 (1) of this subsection is demonstrated or until otherwise
25 allowed by the Director.

26 (4) A health maintenance organization failing,
27 without just cause, to comply with the provisions of this
28 subsection shall be required, after notice and hearing,
29 to pay a penalty of \$250 for each day out of compliance,
30 to be recovered by the Director. Any penalty recovered
31 shall be paid into the General Revenue Fund. The Director
32 may reduce the penalty if the health maintenance
33 organization demonstrates to the Director that the
34 imposition of the penalty would constitute a financial

1 hardship to the health maintenance organization.

2 (c) A health maintenance organization that offers a
3 point-of-service product must do all of the following:

4 (1) File a quarterly financial statement detailing
5 compliance with the requirements of subsection (b).

6 (2) Track out-of-plan, point-of-service utilization
7 separately from in-plan or non-point-of-service,
8 out-of-plan emergency care, referral care, and urgent
9 care out of the service area utilization.

10 (3) Record out-of-plan utilization in a manner that
11 will permit such utilization and cost reporting as the
12 Director may, by rule, require.

13 (4) Demonstrate to the Director's satisfaction that
14 the health maintenance organization has the fiscal,
15 administrative, and marketing capacity to control its
16 point-of-service enrollment, utilization, and costs so as
17 not to jeopardize the financial security of the health
18 maintenance organization.

19 (5) Maintain, in addition to any other deposit
20 required under this Act, the deposit required by Section
21 2-6.

22 (6) Maintain cash and cash equivalents of
23 sufficient amount to fully liquidate 10 days' average
24 claim payments, subject to review by the Director.

25 (7) Maintain and file with the Director,
26 reinsurance coverage protecting against catastrophic
27 losses on out of network point-of-service services.
28 Deductibles may not exceed \$100,000 per covered life per
29 year, and the portion of risk retained by the health
30 maintenance organization once deductibles have been
31 satisfied may not exceed 20%. Reinsurance must be placed
32 with licensed authorized reinsurers qualified to do
33 business in this State.

34 (d) A health maintenance organization may not issue a

1 point-of-service contract until it has filed and had approved
2 by the Director a plan to comply with the provisions of this
3 Section. The compliance plan must, at a minimum, include
4 provisions demonstrating that the health maintenance
5 organization will do all of the following:

6 (1) Design the benefit levels and conditions of
7 coverage for in-plan covered services and out-of-plan
8 covered services as required by this Article.

9 (2) Provide or arrange for the provision of
10 adequate systems to:

11 (A) process and pay claims for all out-of-plan
12 covered services;

13 (B) meet the requirements for point-of-service
14 contracts set forth in this Section and any
15 additional requirements that may be set forth by the
16 Director; and

17 (C) generate accurate data and financial and
18 regulatory reports on a timely basis so that the
19 Department of Insurance can evaluate the health
20 maintenance organization's experience with the
21 point-of-service contract and monitor compliance
22 with point-of-service contract provisions.

23 (3) Comply with the requirements of subsections (b)
24 and (c).

25 (Source: P.A. 92-135, eff. 1-1-02.)

26 Section 99. Effective date. This Act takes effect on
27 January 1, 2003.