

1 AN ACT concerning health benefits for dependents.

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
5 1971 is amended by changing Section 3 as follows:

6 (5 ILCS 375/3) (from Ch. 127, par. 523)

7 Sec. 3. Definitions. Unless the context otherwise
8 requires, the following words and phrases as used in this Act
9 shall have the following meanings. The Department may define
10 these and other words and phrases separately for the purpose
11 of implementing specific programs providing benefits under
12 this Act.

13 (a) "Administrative service organization" means any
14 person, firm or corporation experienced in the handling of
15 claims which is fully qualified, financially sound and
16 capable of meeting the service requirements of a contract of
17 administration executed with the Department.

18 (b) "Annuitant" means (1) an employee who retires, or
19 has retired, on or after January 1, 1966 on an immediate
20 annuity under the provisions of Articles 2, 14, 15 (including
21 an employee who has retired under the optional retirement
22 program established under Section 15-158.2), paragraphs (2),
23 (3), or (5) of Section 16-106, or Article 18 of the Illinois
24 Pension Code; (2) any person who was receiving group
25 insurance coverage under this Act as of March 31, 1978 by
26 reason of his status as an annuitant, even though the annuity
27 in relation to which such coverage was provided is a
28 proportional annuity based on less than the minimum period of
29 service required for a retirement annuity in the system
30 involved; (3) any person not otherwise covered by this Act
31 who has retired as a participating member under Article 2 of

1 the Illinois Pension Code but is ineligible for the
2 retirement annuity under Section 2-119 of the Illinois
3 Pension Code; (4) the spouse of any person who is receiving a
4 retirement annuity under Article 18 of the Illinois Pension
5 Code and who is covered under a group health insurance
6 program sponsored by a governmental employer other than the
7 State of Illinois and who has irrevocably elected to waive
8 his or her coverage under this Act and to have his or her
9 spouse considered as the "annuitant" under this Act and not
10 as a "dependent"; or (5) an employee who retires, or has
11 retired, from a qualified position, as determined according
12 to rules promulgated by the Director, under a qualified local
13 government or a qualified rehabilitation facility or a
14 qualified domestic violence shelter or service. (For
15 definition of "retired employee", see (p) post).

16 (b-5) "New SERS annuitant" means a person who, on or
17 after January 1, 1998, becomes an annuitant, as defined in
18 subsection (b), by virtue of beginning to receive a
19 retirement annuity under Article 14 of the Illinois Pension
20 Code, and is eligible to participate in the basic program of
21 group health benefits provided for annuitants under this Act.

22 (b-6) "New SURS annuitant" means a person who (1) on or
23 after January 1, 1998, becomes an annuitant, as defined in
24 subsection (b), by virtue of beginning to receive a
25 retirement annuity under Article 15 of the Illinois Pension
26 Code, (2) has not made the election authorized under Section
27 15-135.1 of the Illinois Pension Code, and (3) is eligible to
28 participate in the basic program of group health benefits
29 provided for annuitants under this Act.

30 (b-7) "New TRS State annuitant" means a person who, on
31 or after July 1, 1998, becomes an annuitant, as defined in
32 subsection (b), by virtue of beginning to receive a
33 retirement annuity under Article 16 of the Illinois Pension
34 Code based on service as a teacher as defined in paragraph

1 (2), (3), or (5) of Section 16-106 of that Code, and is
2 eligible to participate in the basic program of group health
3 benefits provided for annuitants under this Act.

4 (c) "Carrier" means (1) an insurance company, a
5 corporation organized under the Limited Health Service
6 Organization Act or the Voluntary Health Services Plan Act, a
7 partnership, or other nongovernmental organization, which is
8 authorized to do group life or group health insurance
9 business in Illinois, or (2) the State of Illinois as a
10 self-insurer.

11 (d) "Compensation" means salary or wages payable on a
12 regular payroll by the State Treasurer on a warrant of the
13 State Comptroller out of any State, trust or federal fund, or
14 by the Governor of the State through a disbursing officer of
15 the State out of a trust or out of federal funds, or by any
16 Department out of State, trust, federal or other funds held
17 by the State Treasurer or the Department, to any person for
18 personal services currently performed, and ordinary or
19 accidental disability benefits under Articles 2, 14, 15
20 (including ordinary or accidental disability benefits under
21 the optional retirement program established under Section
22 15-158.2), paragraphs (2), (3), or (5) of Section 16-106, or
23 Article 18 of the Illinois Pension Code, for disability
24 incurred after January 1, 1966, or benefits payable under the
25 Workers' Compensation or Occupational Diseases Act or
26 benefits payable under a sick pay plan established in
27 accordance with Section 36 of the State Finance Act.

28 "Compensation" also means salary or wages paid to an employee
29 of any qualified local government or qualified rehabilitation
30 facility or a qualified domestic violence shelter or service.

31 (e) "Commission" means the State Employees Group
32 Insurance Advisory Commission authorized by this Act.
33 Commencing July 1, 1984, "Commission" as used in this Act
34 means the Illinois Economic and Fiscal Commission as

1 established by the Legislative Commission Reorganization Act
2 of 1984.

3 (f) "Contributory", when referred to as contributory
4 coverage, shall mean optional coverages or benefits elected
5 by the member toward the cost of which such member makes
6 contribution, or which are funded in whole or in part through
7 the acceptance of a reduction in earnings or the foregoing of
8 an increase in earnings by an employee, as distinguished from
9 noncontributory coverage or benefits which are paid entirely
10 by the State of Illinois without reduction of the member's
11 salary.

12 (g) "Department" means any department, institution,
13 board, commission, officer, court or any agency of the State
14 government receiving appropriations and having power to
15 certify payrolls to the Comptroller authorizing payments of
16 salary and wages against such appropriations as are made by
17 the General Assembly from any State fund, or against trust
18 funds held by the State Treasurer and includes boards of
19 trustees of the retirement systems created by Articles 2, 14,
20 15, 16 and 18 of the Illinois Pension Code. "Department"
21 also includes the Illinois Comprehensive Health Insurance
22 Board, the Board of Examiners established under the Illinois
23 Public Accounting Act, and the Illinois Rural Bond Bank.

24 (h) "Dependent", when the term is used in the context of
25 the health and life plan, means a member's spouse and any
26 unmarried child (1) from birth to age 19 including an adopted
27 child, a child who lives with the member from the time of the
28 filing of a petition for adoption until entry of an order of
29 adoption, a stepchild or recognized child who lives with the
30 member in a parent-child relationship, or a child who lives
31 with the member if such member is a court appointed guardian
32 of the child, or (2) age 19 to 23 enrolled as a full-time
33 student in any accredited school, financially dependent upon
34 the member, and eligible to be claimed as a dependent for

1 income tax purposes, or (3) age 19 or over who is mentally or
2 physically handicapped. For the health plan only, the term
3 "dependent" also includes any person enrolled prior to the
4 effective date of this Section who is dependent upon the
5 member to the extent that the member may claim such person as
6 a dependent for income tax deduction purposes; no other such
7 person may be enrolled. For the health plan only, the term
8 "dependent" also includes a parent of the member who has
9 lived with the member for at least one year before coverage
10 is sought and who is financially dependent upon the member
11 and eligible to be claimed as a dependent for income tax
12 purposes.

13 (i) "Director" means the Director of the Illinois
14 Department of Central Management Services.

15 (j) "Eligibility period" means the period of time a
16 member has to elect enrollment in programs or to select
17 benefits without regard to age, sex or health.

18 (k) "Employee" means and includes each officer or
19 employee in the service of a department who (1) receives his
20 compensation for service rendered to the department on a
21 warrant issued pursuant to a payroll certified by a
22 department or on a warrant or check issued and drawn by a
23 department upon a trust, federal or other fund or on a
24 warrant issued pursuant to a payroll certified by an elected
25 or duly appointed officer of the State or who receives
26 payment of the performance of personal services on a warrant
27 issued pursuant to a payroll certified by a Department and
28 drawn by the Comptroller upon the State Treasurer against
29 appropriations made by the General Assembly from any fund or
30 against trust funds held by the State Treasurer, and (2) is
31 employed full-time or part-time in a position normally
32 requiring actual performance of duty during not less than 1/2
33 of a normal work period, as established by the Director in
34 cooperation with each department, except that persons elected

1 by popular vote will be considered employees during the
2 entire term for which they are elected regardless of hours
3 devoted to the service of the State, and (3) except that
4 "employee" does not include any person who is not eligible by
5 reason of such person's employment to participate in one of
6 the State retirement systems under Articles 2, 14, 15 (either
7 the regular Article 15 system or the optional retirement
8 program established under Section 15-158.2) or 18, or under
9 paragraph (2), (3), or (5) of Section 16-106, of the Illinois
10 Pension Code, but such term does include persons who are
11 employed during the 6 month qualifying period under Article
12 14 of the Illinois Pension Code. Such term also includes any
13 person who (1) after January 1, 1966, is receiving ordinary
14 or accidental disability benefits under Articles 2, 14, 15
15 (including ordinary or accidental disability benefits under
16 the optional retirement program established under Section
17 15-158.2), paragraphs (2), (3), or (5) of Section 16-106, or
18 Article 18 of the Illinois Pension Code, for disability
19 incurred after January 1, 1966, (2) receives total permanent
20 or total temporary disability under the Workers' Compensation
21 Act or Occupational Disease Act as a result of injuries
22 sustained or illness contracted in the course of employment
23 with the State of Illinois, or (3) is not otherwise covered
24 under this Act and has retired as a participating member
25 under Article 2 of the Illinois Pension Code but is
26 ineligible for the retirement annuity under Section 2-119 of
27 the Illinois Pension Code. However, a person who satisfies
28 the criteria of the foregoing definition of "employee" except
29 that such person is made ineligible to participate in the
30 State Universities Retirement System by clause (4) of
31 subsection (a) of Section 15-107 of the Illinois Pension Code
32 is also an "employee" for the purposes of this Act.
33 "Employee" also includes any person receiving or eligible for
34 benefits under a sick pay plan established in accordance with

1 Section 36 of the State Finance Act. "Employee" also includes
2 each officer or employee in the service of a qualified local
3 government, including persons appointed as trustees of
4 sanitary districts regardless of hours devoted to the service
5 of the sanitary district, and each employee in the service of
6 a qualified rehabilitation facility and each full-time
7 employee in the service of a qualified domestic violence
8 shelter or service, as determined according to rules
9 promulgated by the Director.

10 (l) "Member" means an employee, annuitant, retired
11 employee or survivor.

12 (m) "Optional coverages or benefits" means those
13 coverages or benefits available to the member on his or her
14 voluntary election, and at his or her own expense.

15 (n) "Program" means the group life insurance, health
16 benefits and other employee benefits designed and contracted
17 for by the Director under this Act.

18 (o) "Health plan" means a health benefits program
19 offered by the State of Illinois for persons eligible for the
20 plan.

21 (p) "Retired employee" means any person who would be an
22 annuitant as that term is defined herein but for the fact
23 that such person retired prior to January 1, 1966. Such term
24 also includes any person formerly employed by the University
25 of Illinois in the Cooperative Extension Service who would be
26 an annuitant but for the fact that such person was made
27 ineligible to participate in the State Universities
28 Retirement System by clause (4) of subsection (a) of Section
29 15-107 of the Illinois Pension Code.

30 (q) "Survivor" means a person receiving an annuity as a
31 survivor of an employee or of an annuitant. "Survivor" also
32 includes: (1) the surviving dependent of a person who
33 satisfies the definition of "employee" except that such
34 person is made ineligible to participate in the State

1 Universities Retirement System by clause (4) of subsection
2 (a) of Section 15-107 of the Illinois Pension Code; and (2)
3 the surviving dependent of any person formerly employed by
4 the University of Illinois in the Cooperative Extension
5 Service who would be an annuitant except for the fact that
6 such person was made ineligible to participate in the State
7 Universities Retirement System by clause (4) of subsection
8 (a) of Section 15-107 of the Illinois Pension Code.

9 (q-5) "New SERS survivor" means a survivor, as defined
10 in subsection (q), whose annuity is paid under Article 14 of
11 the Illinois Pension Code and is based on the death of (i) an
12 employee whose death occurs on or after January 1, 1998, or
13 (ii) a new SERS annuitant as defined in subsection (b-5).

14 (q-6) "New SURS survivor" means a survivor, as defined
15 in subsection (q), whose annuity is paid under Article 15 of
16 the Illinois Pension Code and is based on the death of (i) an
17 employee whose death occurs on or after January 1, 1998, or
18 (ii) a new SURS annuitant as defined in subsection (b-6).

19 (q-7) "New TRS State survivor" means a survivor, as
20 defined in subsection (q), whose annuity is paid under
21 Article 16 of the Illinois Pension Code and is based on the
22 death of (i) an employee who is a teacher as defined in
23 paragraph (2), (3), or (5) of Section 16-106 of that Code and
24 whose death occurs on or after July 1, 1998, or (ii) a new
25 TRS State annuitant as defined in subsection (b-7).

26 (r) "Medical services" means the services provided
27 within the scope of their licenses by practitioners in all
28 categories licensed under the Medical Practice Act of 1987.

29 (s) "Unit of local government" means any county,
30 municipality, township, school district, special district or
31 other unit, designated as a unit of local government by law,
32 which exercises limited governmental powers or powers in
33 respect to limited governmental subjects, any not-for-profit
34 association with a membership that primarily includes

1 townships and township officials, that has duties that
2 include provision of research service, dissemination of
3 information, and other acts for the purpose of improving
4 township government, and that is funded wholly or partly in
5 accordance with Section 85-15 of the Township Code; any
6 not-for-profit corporation or association, with a membership
7 consisting primarily of municipalities, that operates its own
8 utility system, and provides research, training,
9 dissemination of information, or other acts to promote
10 cooperation between and among municipalities that provide
11 utility services and for the advancement of the goals and
12 purposes of its membership; the Southern Illinois Collegiate
13 Common Market, which is a consortium of higher education
14 institutions in Southern Illinois; and the Illinois
15 Association of Park Districts. "Qualified local government"
16 means a unit of local government approved by the Director and
17 participating in a program created under subsection (i) of
18 Section 10 of this Act.

19 (t) "Qualified rehabilitation facility" means any
20 not-for-profit organization that is accredited by the
21 Commission on Accreditation of Rehabilitation Facilities or
22 certified by the Department of Human Services (as successor
23 to the Department of Mental Health and Developmental
24 Disabilities) to provide services to persons with
25 disabilities and which receives funds from the State of
26 Illinois for providing those services, approved by the
27 Director and participating in a program created under
28 subsection (j) of Section 10 of this Act.

29 (u) "Qualified domestic violence shelter or service"
30 means any Illinois domestic violence shelter or service and
31 its administrative offices funded by the Department of Human
32 Services (as successor to the Illinois Department of Public
33 Aid), approved by the Director and participating in a program
34 created under subsection (k) of Section 10.

1 (v) "TRS benefit recipient" means a person who:

2 (1) is not a "member" as defined in this Section;
3 and

4 (2) is receiving a monthly benefit or retirement
5 annuity under Article 16 of the Illinois Pension Code;
6 and

7 (3) either (i) has at least 8 years of creditable
8 service under Article 16 of the Illinois Pension Code, or
9 (ii) was enrolled in the health insurance program offered
10 under that Article on January 1, 1996, or (iii) is the
11 survivor of a benefit recipient who had at least 8 years
12 of creditable service under Article 16 of the Illinois
13 Pension Code or was enrolled in the health insurance
14 program offered under that Article on the effective date
15 of this amendatory Act of 1995, or (iv) is a recipient or
16 survivor of a recipient of a disability benefit under
17 Article 16 of the Illinois Pension Code.

18 (w) "TRS dependent beneficiary" means a person who:

19 (1) is not a "member" or "dependent" as defined in
20 this Section; and

21 (2) is a TRS benefit recipient's: (A) spouse, (B)
22 dependent parent who is receiving at least half of his or
23 her support from the TRS benefit recipient, or (C)
24 unmarried natural or adopted child who is (i) under age
25 19, or (ii) enrolled as a full-time student in an
26 accredited school, financially dependent upon the TRS
27 benefit recipient, eligible to be claimed as a dependent
28 for income tax purposes, and either is under age 24 or
29 was, on January 1, 1996, participating as a dependent
30 beneficiary in the health insurance program offered under
31 Article 16 of the Illinois Pension Code, or (iii) age 19
32 or over who is mentally or physically handicapped.

33 (x) "Military leave with pay and benefits" refers to
34 individuals in basic training for reserves, special/advanced

1 training, annual training, emergency call up, or activation
2 by the President of the United States with approved pay and
3 benefits.

4 (y) "Military leave without pay and benefits" refers to
5 individuals who enlist for active duty in a regular component
6 of the U.S. Armed Forces or other duty not specified or
7 authorized under military leave with pay and benefits.

8 (z) "Community college benefit recipient" means a person
9 who:

10 (1) is not a "member" as defined in this Section;
11 and

12 (2) is receiving a monthly survivor's annuity or
13 retirement annuity under Article 15 of the Illinois
14 Pension Code; and

15 (3) either (i) was a full-time employee of a
16 community college district or an association of community
17 college boards created under the Public Community College
18 Act (other than an employee whose last employer under
19 Article 15 of the Illinois Pension Code was a community
20 college district subject to Article VII of the Public
21 Community College Act) and was eligible to participate in
22 a group health benefit plan as an employee during the
23 time of employment with a community college district
24 (other than a community college district subject to
25 Article VII of the Public Community College Act) or an
26 association of community college boards, or (ii) is the
27 survivor of a person described in item (i).

28 (aa) "Community college dependent beneficiary" means a
29 person who:

30 (1) is not a "member" or "dependent" as defined in
31 this Section; and

32 (2) is a community college benefit recipient's: (A)
33 spouse, (B) dependent parent who is receiving at least
34 half of his or her support from the community college

1 benefit recipient, or (C) unmarried natural or adopted
2 child who is (i) under age 19, or (ii) enrolled as a
3 full-time student in an accredited school, financially
4 dependent upon the community college benefit recipient,
5 eligible to be claimed as a dependent for income tax
6 purposes and under age 23, or (iii) age 19 or over and
7 mentally or physically handicapped.

8 (Source: P.A. 90-14, eff. 7-1-97; 90-65, eff. 7-7-97; 90-448,
9 eff. 8-16-97; 90-497, eff. 8-18-97; 90-511, eff. 8-22-97;
10 90-582, eff. 5-27-98; 90-655, eff. 7-30-98; 91-390, eff.
11 7-30-99; 91-395, eff. 7-30-99; 91-617, eff, 8-19-99; revised
12 10-19-99.)

13 Section 10. The Illinois Insurance Code is amended by
14 changing Section 356a as follows:

15 (215 ILCS 5/356a) (from Ch. 73, par. 968a)

16 Sec. 356a. Form of policy.

17 (1) No policy of accident and health insurance shall be
18 delivered or issued for delivery to any person in this state
19 unless:

20 (a) the entire money and other considerations therefor
21 are expressed therein; and

22 (b) the time at which the insurance takes effect and
23 terminates is expressed therein; and

24 (c) it purports to insure only one person, except that a
25 policy may insure, originally or by subsequent amendment,
26 upon the application of an adult member of a family who shall
27 be deemed the policyholder, any two or more eligible members
28 of that family, including husband, wife, dependent children
29 or any children under a specified age which shall not exceed
30 19 years, and any other person dependent upon the
31 policyholder including a parent of the policyholder who has
32 lived with the policyholder for at least one year before

1 coverage is sought; and

2 (d) the style, arrangement and over-all appearance of
3 the policy give no undue prominence to any portion of the
4 text, and unless every printed portion of the text of the
5 policy and of any endorsements or attached papers is plainly
6 printed in light-faced type of a style in general use, the
7 size of which shall be uniform and not less than ten-point
8 with a lower-case unspaced alphabet length not less than one
9 hundred and twenty-point (the "text" shall include all
10 printed matter except the name and address of the insurer,
11 name or title of the policy, the brief description if any,
12 and captions and subcaptions); and

13 (e) the exceptions and reductions of indemnity are set
14 forth in the policy and, except those which are set forth in
15 Sections 357.1 through 357.30 of this act, are printed, at
16 the insurer's option, either included with the benefit
17 provision to which they apply, or under an appropriate
18 caption such as "EXCEPTIONS", or "EXCEPTIONS AND REDUCTIONS",
19 provided that if an exception or reduction specifically
20 applies only to a particular benefit of the policy, a
21 statement of such exception or reduction shall be included
22 with the benefit provision to which it applies; and

23 (f) each such form, including riders and endorsements,
24 shall be identified by a form number in the lower left-hand
25 corner of the first page thereof; and

26 (g) it contains no provision purporting to make any
27 portion of the charter, rules, constitution, or by-laws of
28 the insurer a part of the policy unless such portion is set
29 forth in full in the policy, except in the case of the
30 incorporation of, or reference to, a statement of rates or
31 classification of risks, or short-rate table filed with the
32 Director.

33 (2) If any policy is issued by an insurer domiciled in
34 this state for delivery to a person residing in another

1 state, and if the official having responsibility for the
 2 administration of the insurance laws of such other state
 3 shall have advised the Director that any such policy is not
 4 subject to approval or disapproval by such official, the
 5 Director may by ruling require that such policy meet the
 6 standards set forth in subsection (1) of this section and in
 7 Sections 357.1 through 357.30.

8 (Source: P.A. 76-860.)

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

11 (215 ILCS 125/5-3) (from Ch. 111 1/2, par. 1411.2)

12 Sec. 5-3. Insurance Code provisions.

13 (a) Health Maintenance Organizations shall be subject to
 14 the provisions of Sections 133, 134, 137, 140, 141.1, 141.2,
 15 141.3, 143, 143c, 147, 148, 149, 151, 152, 153, 154, 154.5,
 16 154.6, 154.7, 154.8, 155.04, 355.2, 356a, 356m, 356v, 356w,
 17 356x, 356y, 367i, 368a, 401, 401.1, 402, 403, 403A, 408,
 18 408.2, 409, 412, 444, and 444.1, paragraph (c) of subsection
 19 (2) of Section 367, and Articles IIA, VIII 1/2, XII, XII 1/2,
 20 XIII, XIII 1/2, XXV, and XXVI of the Illinois Insurance Code.

21 (b) For purposes of the Illinois Insurance Code, except
 22 for Sections 444 and 444.1 and Articles XIII and XIII 1/2,
 23 Health Maintenance Organizations in the following categories
 24 are deemed to be "domestic companies":

25 (1) a corporation authorized under the Dental
 26 Service Plan Act or the Voluntary Health Services Plans
 27 Act;

28 (2) a corporation organized under the laws of this
 29 State; or

30 (3) a corporation organized under the laws of
 31 another state, 30% or more of the enrollees of which are
 32 residents of this State, except a corporation subject to

1 substantially the same requirements in its state of
2 organization as is a "domestic company" under Article
3 VIII 1/2 of the Illinois Insurance Code.

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

7 (1) the Director shall give primary consideration
8 to the continuation of benefits to enrollees and the
9 financial conditions of the acquired Health Maintenance
10 Organization after the merger, consolidation, or other
11 acquisition of control takes effect;

12 (2)(i) the criteria specified in subsection (1)(b)
13 of Section 131.8 of the Illinois Insurance Code shall not
14 apply and (ii) the Director, in making his determination
15 with respect to the merger, consolidation, or other
16 acquisition of control, need not take into account the
17 effect on competition of the merger, consolidation, or
18 other acquisition of control;

19 (3) the Director shall have the power to require
20 the following information:

21 (A) certification by an independent actuary of
22 the adequacy of the reserves of the Health
23 Maintenance Organization sought to be acquired;

24 (B) pro forma financial statements reflecting
25 the combined balance sheets of the acquiring company
26 and the Health Maintenance Organization sought to be
27 acquired as of the end of the preceding year and as
28 of a date 90 days prior to the acquisition, as well
29 as pro forma financial statements reflecting
30 projected combined operation for a period of 2
31 years;

32 (C) a pro forma business plan detailing an
33 acquiring party's plans with respect to the
34 operation of the Health Maintenance Organization

1 sought to be acquired for a period of not less than
2 3 years; and

3 (D) such other information as the Director
4 shall require.

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

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

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

28 (i) the amount of, and other terms and conditions
29 with respect to, the refund or additional premium are set
30 forth in the group or enrollment unit contract agreed in
31 advance of the period for which a refund is to be paid or
32 additional premium is to be charged (which period shall
33 not be less than one year); and

34 (ii) the amount of the refund or additional premium

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

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

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

31 (Source: P.A. 90-25, eff. 1-1-98; 90-177, eff. 7-23-97;
32 90-372, eff. 7-1-98; 90-583, eff. 5-29-98; 90-655, eff.
33 7-30-98; 90-741, eff. 1-1-99; 91-357, eff. 7-29-99; 91-406,
34 eff. 1-1-00; 91-549, eff. 8-14-99; 91-605, eff. 12-14-99;

1 91-788, eff. 6-9-00.)

2 Section 20. The Voluntary Health Services Plans Act is
3 amended by changing Section 10 as follows:

4 (215 ILCS 165/10) (from Ch. 32, par. 604)

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

13 (Source: P.A. 90-7, eff. 6-10-97; 90-25, eff. 1-1-98; 90-655,
14 eff. 7-30-98; 90-741, eff. 1-1-99; 91-406, eff. 1-1-00;
15 91-549, eff. 8-14-99; 91-605, eff. 12-14-99; 91-788, eff.
16 6-9-00.)