

## **HMO CERTIFICATE OF AUTHORITY APPLICATION GUIDELINES** **For Submitting an HMO Application to the Illinois Department of Insurance**

For reference, HMOs are subject to certain Illinois Insurance Laws which can be accessed at the following link: <http://www.ilga.gov/legislation/ilcs/ilcs2.asp?ChapterID=22>

**HMOs should be aware of the requirements set forth in the following laws and regulations, as HMOs are subject, including but not limited to, the following laws and regulations:**

215 ILCS 125/1-1 et seq.      (*Health Maintenance Organization Act*)  
 215 ILCS 134/1 et seq.      (*Managed Care Reform and Patient Rights Act*)  
 215 ILCS 97/1 et seq.      (*Illinois Health Insurance Portability and Accountability Act*)  
 215 ILCS 124/1 et seq.      (*Network Adequacy and Transparency Act*)  
 50 Ill. Adm. Code **4521**  
 50 Ill. Adm. Code 904  
 50 Ill. Adm. Code 916  
 50 Ill. Adm. Code 925  
 50 Ill. Adm. Code 651-654  
 50 Ill. Adm. Code 904  
 77 Ill. Adm. Code 240

The Illinois Administrative Code – Specifically the Rules of the Illinois Department of Insurance (Title 50) and the Rules of the Illinois Department of Public Health (Title 77) can be accessed at the following links:

<http://www.ilga.gov/commission/jcar/admincode/050/050parts.html>

<http://www.ilga.gov/commission/jcar/admincode/077/077parts.html>

The Illinois Department of Insurance and the Illinois Department of Public Health are jointly responsible for reviewing each agency's respective portions of the HMO Certificate of Authority Applications.

**Questions regarding the corporate and financial components of this HMO application can be sent to Amy Stuart via email at [amy.stuart@illinois.gov](mailto:amy.stuart@illinois.gov)**

- A corporation submitting an HMO Certificate of Authority Application is required to provide one (1) original and one (1) copy of all HMO application documentation, submitted in hard copy format to the attention of Amy Stuart.

Amy Stuart, Supervisor, LAH Corporate Regulation  
 Illinois Department of Insurance  
 320 West Washington Street, 4<sup>th</sup> Floor  
 Springfield, IL 62767-0001

**Questions regarding Illinois Department of Public Health (IDPH) requirements for HMO applicants and for licensed HMOs can be sent to Karen Senger at [Karen.Senger@illinois.gov](mailto:Karen.Senger@illinois.gov)**

Karen Senger, Division Chief  
 Division of Health Care Facilities and Programs  
 Illinois Department of Public Health  
 525 West Jefferson  
 Springfield, IL 62761  
 (217) 782-0381  
[Karen.Senger@illinois.gov](mailto:Karen.Senger@illinois.gov)

**NOTE:** An HMO Certificate of Authority does not constitute approval or acceptance by the Illinois Department of Insurance or the Illinois Department of Public Health of any transactions, agreements, HMO policy forms and filings, rates, or other HMO documents which were implicitly or explicitly implied, included, or referenced within the HMO Certificate of Authority application. The Applicant should understand that certain products, rates, filings, agreements and other documents will be required to be submitted for approval to the respective Departments after licensure, in accordance with the Departments' respective statutes and Administrative Code Rules applicable to HMOs.

Supporting documents for application must be tabbed and indexed. These documents must NOT be permanently bound. The documents must be in the same order as outlined in these guidelines and in an easily read format, and all documents made part of the HMO Certificate of Authority Application is its entirety. **Please complete the attached form, *Application for Certificate of Authority to Operate as a Health Maintenance Organization*. This Application form for an HMO Certificate of Authority must be completed and contain original signatures and should be included at the front of the HMO application submission.** The following instructions and/or documents are in addition to the material set forth in Section 2-1(c) of the HMO Act and must be a part of the filed application. **PREFACE – REQUIRED: Application is being filed as a health maintenance organization (HMO) pursuant to the Illinois Health Maintenance Organization Act (215 ILCS 125/1-1 et seq.).**

### Subsection 1

#### Organization Documents -

- A certified copy of the organization's Articles of Incorporation filed with the Illinois Secretary of State's Office. **The corporate purpose of the organization should be to operate as a Health Maintenance Organization. Please note: an organization applying for an HMO Certificate of Authority must be organized as a corporation. Limited Liability Companies (LLC) and Low-Profit Limited Liability Companies (L3C) are not permitted to obtain an HMO Certificate of Authority in Illinois.**
- If the organization is a foreign corporation, include a certified copy of the Articles of Incorporation from the state of domicile and evidence of registration with the Illinois Secretary of State as a foreign corporation. The purpose set forth in the registration of the foreign corporation should indicate its purpose as that of operating as an HMO.

### Subsection 2

By-Laws – Provide the By-Laws of the HMO application, which shall include the following:

- The fiscal year must be synonymous with the calendar year and cannot deviate from the calendar year, due to statutory accounting practices.
- The By-Laws of an HMO licensed in Illinois are required to set forth the following provision: "A Consumer Advisory Committee shall be established to afford the enrollees an opportunity to participate in an advisory capacity to the Board in matters of policy and operations." Pursuant to 215 ILCS 134/75, a health care plan, such as an HMO, shall establish a consumer advisory committee.
- By-Laws of an Illinois domestic corporation or Illinois domestic insurance company seeking an HMO Certificate of Authority are required to include the following provisions regarding composition of the Board of Directors, and independence on the Board of Directors:  
*"The HMO's Board of Directors will be composed of not less than 3 nor more than 21 natural persons who are at least 18 years of age, and at least three of the directors must be residents*

*and citizens of Illinois. Not less than one-third of the directors of a domestic organization that is not a controlled insurer for the purposes of Section 131.20b of the Illinois Insurance Code must be persons who are not officers or employees of the organization. At least one of those persons must be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.”*

### Subsection 3

- a) **Name, Address and Positions – NAIC Biographical Affidavit** – should contain original signatures and should be notarized (NAIC Form 11) for officers and directors; include biographical affidavit as well for Chief Medical Officer or Medical Director of the organization (must be a licensed physician in Illinois). The most recent version of the NAIC Biographical Affidavit (UCAA Form 11) can be obtained from the NAIC’s website at the following link: [http://www.naic.org/industry\\_ucaa.htm](http://www.naic.org/industry_ucaa.htm)
- The Department also requires that independent background reports on officers and directors be provided. Independent Third-Party Background Investigation Reports are required for all officers and directors of the Applicant Organization – see NAIC UCAA website for list of approved third-party vendors to prepare these background reports. [https://naic.org/documents/industry\\_ucaa\\_third\\_party.pdf?37](https://naic.org/documents/industry_ucaa_third_party.pdf?37)
- b) **COMPLETE AFFIDAVIT ON PAGE 10 OF THESE GUIDELINES, bearing original signatures, and submit as part of the HMO Application.** Please be advised, your organization must have staff with HMO regulatory experience, and staff with working knowledge and aptitude regarding Statutory Accounting and Reporting. The National Association of Insurance Commissioners’ (NAIC) website at [http://www.naic.org/store\\_pub\\_accounting\\_reporting.htm#app\\_manual](http://www.naic.org/store_pub_accounting_reporting.htm#app_manual) houses pertinent information, including the NAIC *Accounting Practices and Procedures Manual* and the Annual and Quarterly Statement Blanks. If the staff persons with regulatory and/or statutory accounting experience will not be preparing the annual and quarterly financial statements for the organization, then the organization should provide the identity of the regulatory/accounting firm that the organization has hired to prepare the organization’s statutory financial statements -- provide the firm’s credentials and qualifications as well.
- c) Be advised, if the organization obtains an HMO license, the HMO will soon thereafter be required to submit a quarterly financial statement on every May 15, August 15, and November 15, and an annual financial statement every March 1 to the NAIC, and additionally, all domestics will be required to also submit those financial statements in original hard copy to Illinois Department of Insurance as well. These statutory statements should be prepared using the NAIC Health Blank and be in compliance with applicable sections of the HMO Act and other applicable sections of the Illinois Insurance Code.

**Conflict of Interest Statement** - Original signature required (copy is attached).

**Holding Company Registration Statement** – A foreign corporation should provide a copy of the corporation’s most recent Holding Company Statement filed in the applicant’s home state (215 ILCS 125/5-3 and 50 Ill. Adm. Code Part 652). If the HMO applicant is organized in Illinois, then the applicant shall at a minimum provide an organization chart within the application showing the entire ownership organizational structure controlling the applicant and all affiliated entities of the applicant.

## **Subsection 4**

**Service Area** – List only the counties in which you are initially going to do business. Include a legible map of area by zip code to be served by HMO showing location of its office and ambulatory health care facilities. All future changes to the service area of the HMO should be approved by the Illinois Department of Public Health.

### **Subsection 4.a. - Corporate Plan of Operation in Illinois – Narrative**

(Project items 3 years into the future, where possible.) **Narrative MUST RESPOND TO ALL OF THESE COMPONENTS BULLETED IN THIS OUTLINE:**

#### **HMO products and health services to be offered in Illinois:**

- HMO projected volume and HMO expected market penetration
- Describe the applicant's proposed HMO policies to be offered in Illinois
- Describe the applicant's HMO referral system – HMOs licensed in Illinois shall operate with Primary Care Physicians providing referrals to Specialists or other Health Care Providers to coordinate care of the Illinois HMO Enrollees
- Size of premium per HMO policy in Illinois

#### **HMO Marketing Strategy**

- Describe method of solicitation (agency, brokers, direct mail, etc.)
- Expenses of procuring business
- Agent/broker compensation (first year, other years)
- Define the HMO's proposed market (who and where in Illinois)

#### **Breakdown of Operating Expenses**

- Ratios of expenses to premiums
- Solicitation, general expenses, other large sub-items

#### **HMO Business Expectations**

- Profit margins, writing ratios and loss ratios
- Comment on difference between any HMO experience in other states and expectations in Illinois

#### **HMO Corporate Plans**

- What, if anything, is unique or exceptional concerning the manner in which the applicant company plans to service its HMO enrollees?
- How will the applicant's HMO premium rates compare to known premium rates of other HMOs licensed in Illinois?
- **Illinois Life and Health Insurance Guaranty Association** - Acknowledge that your organization is aware of the membership requirements of the Illinois Life and Health Insurance Guaranty Association if and when this organization receives an HMO Certificate of Authority in Illinois. The Association's Website address is <https://www.ilhiga.org/>

**4.b. Three Year Pro-Forma Projections** To provide Three Year Pro-Forma Financial Projections, the organization should utilize the NAIC UCAA Pro-Forma Financial Statements (Health blank) Excel Spreadsheet available at the NAIC UCAA Website page at the following link : [http://www.naic.org/industry\\_ucaa.htm](http://www.naic.org/industry_ucaa.htm) The organization should fully complete each tab of the spreadsheet for the future three years. Applicant should also provide all Assumptions that were utilized by the Actuarial Firm or Actuary to produce the Pro-Forma Financial Projections. Risk Based Capital projections of at least 300% RBC is the minimum RBC % permitted to be set forth in the three-year proforma. **After licensure, the HMO must maintain 300% RBC or it will be subject to regulatory action.**

### Subsection 5

Provider Contracts – Sample template provider contracts must be in compliance with the Health Maintenance Organization Act and the applicable Illinois Administrative Code Rules.

### Subsection 6

Contracts with Related Parties

### Subsection 7

Administrative and Miscellaneous Contracts

**Subsection 8 - HMO Products/Policy Forms (Small Group and Individual) -** the Review Requirements Checklist is available in its most current format at the following link on the Department's website: [http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)  
**If applicant plans to only transact government HMO business such as Medicare Advantage HMO business in this state, the applicant is still required to submit Sample/Template Commercial HMO products/policy forms within the HMO application, in addition to providing the proposed government HMO products for the application.**

Group Contracts and Evidences of Coverage - the Review Requirements Checklist is available in its most current format at the following link on the Department's website:  
[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

If the applicant plans to transact Large Group HMO business in Illinois, see Large Group Checklist for Large Group HMO filings on the Department's website:  
[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

### Subsection 9

Grievance Procedures - the Review Requirements Checklist is available in its most current format at the following link on the Department's website:  
[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

### Subsection 10

Audited Financial Statements – if a foreign corporation, provide copy of the applicant's most recent audited financial statement including the Accountants Letter of Qualifications. An Illinois domestic corporation is required to provide a copy of its parent company's and of its Ultimate Controlling

Parent(s) (UCPs) most recent audited financial statements, including the Accountants Letter of Qualifications for such audited financial statements. Individual persons that meet the definition of UCP of such applicant HMO, will be required to submit personal financial statements as required by the Department of Insurance, if such UCP does not have audited financial statements.

### **Subsection 11**

**Statutory Deposit** - (Section 2-6). Nearing the finalization of the HMO Certificate of Authority application review process, the organization will be instructed by the Department to place a minimum statutory deposit of at least \$300,000 in acceptable securities with the Illinois Department of Insurance at the custodial bank of the Department, for the benefit and protection of all policyholders and creditors. The statutory deposit is held as an admitted asset of the HMO.

**Financial Information** – **The organization must have minimum \$2,000,000 net worth** before the application will be reviewed. After licensure, the HMO must have a minimum of \$1,500,000 net worth at all times, to maintain its HMO Certificate of Authority in our State.

#### **A. FOR A NEW ILLINOIS DOMESTIC CORPORATION:**

1. **A copy of an Escrow Agreement** between the organization and an Illinois-licensed bank or trust company **located in Illinois**, and such escrow agreement should set forth a restrictions of access to funds on deposit (\$2,000,000) until a Certificate of Authority is issued by the Department of Insurance, certification is denied, or the application is withdrawn. Funds deposited into the Escrow Account shall be unencumbered funds. **The Escrow Agreement shall set forth that the \$2,000,000 funds on deposit shall consist of acceptable securities – acceptable securities are U.S. Treasury Bills or U.S. Treasury Notes only. The Escrow Account holding the funds shall be located at an Illinois licensed bank or trust company located within the State of Illinois.**
2. A current dated balance sheet reflecting a net worth of the organization of not less than \$2,000,000.

#### **B. FOREIGN CORPORATION CURRENTLY OPERATING AS AN HMO:**

1. **Copies of annual financial statements filed in the organization's state of domicile (or state where certified the longest) for the past three years of operations as an HMO.**
2. Quarterly statements for any quarters that have elapsed since the last annual statement's reporting date. **THE CORPORATION MUST HAVE A MINIMUM NET WORTH OF \$2,000,000 AS OF THE MOST RECENT REPORTING DATE.**
3. **Provide a Certificate of Compliance** from the organization's domestic regulatory agency charged with regulation of the Health Maintenance Organization. **The Certificate of Compliance should indicate that the organization is currently operating as an HMO in its home state and that it is currently in compliance with applicable laws and regulations which such domestic regulatory agency is charged to enforce.**
4. A statement from the organization stating they are aware of the investment limitations and admitted assets sections of the Illinois HMO Act and will be in compliance with these sections when computing the financial statements.

**Subsection 12**

Rate Methodology – applicant should provide the HMO rate methodology for any commercial HMO products, and/or for any government HMO products to be offered (Medicare or Medicaid).

**Subsection 13**

Marketing – the Review Requirements Checklist is available in its most current format at the following link on the Department’s website:

[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

**Subsection 14**

Registered Agent – Provide a copy of every filing made with the Illinois Secretary of State which relates to the applicant’s registered agent or registered office.

**Subsection 15**

Complaint Procedures – the Review Requirements Checklist is available in its most current format at the following link on the Department’s website:

[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

**Subsection 16**

Quality Assessment and Utilization and Review - Questions regarding this Subsection should be directed to:

Karen Senger, Division Chief  
Division of Health Care Facilities and Programs  
Illinois Department of Public Health  
525 West Jefferson  
Springfield, IL 62761  
(217) 782-0381  
[Karen.Senger@illinois.gov](mailto:Karen.Senger@illinois.gov)

**Subsection 17**

Filing Fee – The filing fee must be included with the filing of the application and supporting documents. This fee is non-refundable. **Make check payable to the Illinois Department of Insurance.**

- a. Domestic HMO Certificate of Authority Application filing fee is \$2,000.00.
- b. Foreign HMO Certificate of Authority Application filing fee is \$5,000.00.

**Subsection 18**

Supply the Federal Employers Identification Number (FEIN) assigned to the organization.

**Application for HMO Certificate of Authority**

**TO: ILLINOIS DIRECTOR OF INSURANCE**

\_\_\_\_\_,  
 an organization incorporated on \_\_\_\_\_ under the  
 \_\_\_\_\_ and existing under  
 and by virtue of the laws of the State of \_\_\_\_\_ hereby makes application for a  
 Certificate of Authority to operate a Health Maintenance Organization under the Health Maintenance  
 Organization Act (215 ILCS 125/1-1 et seq.), and such organization is aware that it shall not offer any  
 products to Illinois residents that are not set forth explicitly as permitted products authorized for an  
 organization licensed as an HMO pursuant to the HMO Act. The organization is also aware that no  
 product shall be marketed, offered or issued to Illinoisans by an HMO, without explicit prior approval of  
 such HMO products, filed for approval after licensure via SERFF and approved by the Illinois  
 Department of Insurance.

IN WITNESS WHEREOF, the undersigned organization  
has caused this application to be executed in its name

by \_\_\_\_\_,  
(Name) (Title)

and attested by

\_\_\_\_\_,  
(Name)

\_\_\_\_\_

this \_\_\_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_\_\_.

\_\_\_\_\_  
(Name of Organization)

BY: \_\_\_\_\_

Attest: \_\_\_\_\_

The attached materials are made a part of this application.



**CONFLICT OF INTEREST STATEMENT - HMO**

NAME: \_\_\_\_\_ HMO: \_\_\_\_\_

This is to certify that, except as described below, neither I nor, to my knowledge, any members of my family (including relatives by marriage) have or will:

1. engage, directly or indirectly, in any transaction for the purchase or sale of securities, materials or other property, or services by or to the HMO, otherwise than in the normal capacity of performing duties for the HMO; or
2. be an office, director, trustee, partner or employee of or consultant to any person, corporation, partnership or other organization which, to my knowledge, will engage in any transaction with the HMO or is engaged in a business in competition with the HMO; or
3. be interested monetarily, directly or indirectly, in any person or organization described in paragraph (2) above; or
4. be a recipient, directly or indirectly, of any payments or loans or gifts of any kind (other than reasonable travel expense and entertainment necessary as a normal part of business activity) or any free services, discounts or other favors from or on behalf of any person or organization described in paragraph (2) above (unless by way of dividends); or
5. engage, directly or indirectly, in disclosure of confidential HMO information for the personal benefit or advantage of any person; or
6. engage, directly or indirectly, in any other activity which could be questioned on the ground of conflict of interest.

Any exceptions to (1), (2), (3), (4), (5), (6) above are stated below, with a full description of the transactions and of the interest, whether direct or indirect, which I or any member of my immediate family had in the person or organization having such transactions or competing with the HMO:

---



---

The Department of Insurance must be notified in writing of any changes in your status as reported above during your employment with the HMO.

Please state and describe your job position with the HMO company:

---



---

State your salary and any other compensation you will receive from the HMO or any of its affiliates:

---

(If additional space is needed to complete any of the above, please continue on reverse side and initial.)

Date \_\_\_\_\_

Signature \_\_\_\_\_

**ORIGINAL SIGNATURE REQUIRED**

**AFFIDAVIT TO IDENTIFY QUALIFIED INDIVIDUALS AT THE APPLICANT ORGANIZATION; AND TO IDENTIFY ANY FIRM THAT WILL BE UTILIZED TO PREPARE ANNUAL AND QUARTERLY STATUTORY FINANCIAL STATEMENTS (HEALTH) FOR THE APPLICANT**

List names; proposed titles/positions; and the credentials and qualifications of the persons at the applicant organization with regulatory experience, and/or with statutory accounting experience in the preparation of statutory financial statements:

---

---

---

List the name(s) of any firm(s) that the applicant organization will be utilizing to prepare annual and quarterly statutory financial health statements for the applicant. Credentials and qualifications of the firm(s) should also be listed:

---

---

---

IN WITNESS WHEREOF, the undersigned organization has caused this Affidavit to be executed in its name

by \_\_\_\_\_, \_\_\_\_\_  
(Name) (Title)

and attested by

\_\_\_\_\_,  
(Name)

\_\_\_\_\_

this \_\_\_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_\_\_.

\_\_\_\_\_  
(Name of Organization)

BY: \_\_\_\_\_

Attest: \_\_\_\_\_

The attached materials are made a part of this HMO application. If any changes in above referenced staff or firms are made during the licensure review process, please provide an updated Affidavit to the attention of Amy Stuart at the Illinois Department of Insurance.