Illinois Insurance Facts

Illinois Department of Insurance

National Health Insurance Reform – Comparison to Current Illinois Law

June 1, 2010

Note: This information was developed to provide consumers with general information and guidance about insurance coverage and laws. It is not intended to provide a formal, definitive description or interpretation of Department policy. For specific Department policy on any issue, regulated entities (insurance industry) and interested parties should contact the Department.

The health care reform legislation signed by President Obama on March 23, 2010 (known as the Patient Protection and Affordable Care Act, or "PPACA") will improve the performance, transparency and accountability of health insurers and health insurance products in Illinois. The national health care reforms will also modify existing Federal law and enhance consumer protections for those insured through a self-insured plan, and will significantly change the insurance marketplace in Illinois.

"While interested parties fuel unfounded opposition to health insurance reform, Illinois families and businesses will experience an insurance market better suited to consumer needs," Director Michael T. McRaith said. "Coverage and claim denials, rescissions, volatile premiums and other frequent issues for Illinois consumers will be reduced, if not eliminated."

The chart below compares current Illinois insurance law and the parallel improvement resulting from national reform. Many of the reforms will not take effect until January 1, 2014. However, some new protections must be implemented when plans renew after September 23, 2010.

For a more comprehensive and detailed chart comparing current Illinois law with the provisions of national health reform, please see this fact sheet available on the Department's website at http://insurance.illinois.gov/hiric/.

Issue	**Current Illinois Law**	**National Health Care Reform**
Discrimination against Illinois families based on preexisting conditions	Individual/Family Policies - **NONE** • Under current Illinois law, an individual can be denied health insurance for any reason other than "race, color, religion, or national origin." *(215 ILCS 5/424)* o In 2009, one healthy mother was denied coverage because she sought grief counseling after the death of her husband. • Health insurance companies may permanently exclude coverage for a specific condition, or deny claims for otherwise covered medical treatments on the grounds that a condition was preexisting.	**2010** • Health insurance companies will be prohibited from denying claims for covered children under age 19 due to the presence of a preexisting condition. o The U.S. Department of Health and Human Services will provide guidance as to whether PPACA requires health insurance companies to provide coverage to all dependent children under age 19 regardless of health status. **2014** • Health insurance companies will be required to accept every employer and every individual that applies for

	Group Policies • State and federal laws require insurance companies to accept every small employer (2-50 employees) that applies for coverage. o Employers with 51 or more employees do not benefit from the same protection. *(215 ILCS 97/40)* • State and federal laws provide some protections against preexisting condition exclusions, but employees and family members enrolled in a group policy may still have claims reduced or denied for preexisting conditions. *(215 ILCS 97/20)*	coverage, regardless of health status. • Health insurance companies will be prohibited from denying claims for any enrollee based on a preexisting condition. • Health insurance companies will not be able to charge more or less based on health status.
Price equity	Individual/Family Policies - **NONE** • Currently, Illinois law allows health insurance companies unrestricted range when charging an individual more due to health status, gender, policy duration, and other factors. o Current Illinois law does not limit the gender disparity in premium cost. Women are charged as much as 57% more than a man of the same age, health status and geography – exclusive of maternity benefits. o Price increases need not be justified. Group Policies • Small businesses (50 or fewer employees) receive limited rating protections under current Illinois law, but are still penalized for having older or less healthy employees. *(215 ILCS 93)*	**2014** • Health insurance companies will be prohibited from charging higher premiums based on a person's gender or health status. o Premiums will vary only based on age (3:1 maximum), geography, tobacco use (1.5:1 maximum), and whether the coverage is for an individual or family.
Price stability	Individual/Family Policies – **NONE** • Illinois law does not restrict health insurance rate increases. o Current Illinois law does not vest in the Department rate review or approval authority for major medical health insurance plans. o The Individual Major Medical Health Policy Rate Filing Report posted on the Department's website reveals rate increases of up to 60% in 2009.	**2010** • The Department of Insurance, in conjunction with the U.S. Department of Health and Human Services (HHS), will review "unreasonable" premium increases before the increases take effect. • Health insurance companies must post information justifying premium increases on company websites. **2014** • Health insurance companies with a pattern of unreasonable premium

	<u>Group Policies</u> • Small businesses (50 or fewer employees) receive limited rate increase protections under current Illinois law, but remain vulnerable to unpredictable and unaffordable premium increases upon renewal. *(215 ILCS 93)*	increases may be prohibited from selling policies on the State-based Health Insurance Exchange.
Premium value	**NONE** • Current Illinois law does not require health insurance companies to expend on health care a defined percentage of hard-earned premium dollars paid by families and employers. o Illinois currently has an exclusively for-profit health insurance market. • Beginning January 1, 2011, health insurance companies in Illinois will have to report information regarding premiums and expenditures for major medical health insurance plans. o The information will be publicly available on the Department's website. *(215 ILCS 5/359c)*	**2010** • Health insurance companies will be required to report detailed information about the percentage of premium dollars spent on health care (known as a "medical loss ratio"). o The data will be publicly available on the Department's website. **2011** • Health insurance companies selling individual/family policies and policies to small employers (50 or fewer employees) will be required to spend at least 80% of each premium dollar on health care. • Health insurance companies selling policies to larger employers will be required to spend at least 85% of each premium dollar on health care. • Health insurance companies that fail to meet these minimum requirements will have to provide rebates to policyholders.
Prohibition against unwarranted rescissions	• Current Illinois law allows health insurance companies to rescind an individual or family policy for virtually any "material" reason within the first 2 years. o By pure volume, Illinois has far more rescissions than any state in the United States and, per capita, is second only to New Mexico. o One teenager's dependent coverage was rescinded due to failure to disclose that she had a "congenital deformity": braces.	**2010** • Health insurance companies will be prohibited from rescinding policies except for instances of fraud or material misrepresentation.
Annual and lifetime dollar limits	**NONE** • Current Illinois law does not prohibit a non-HMO plan from establishing annual or lifetime dollar limits for covered benefits.	**2010** • Health insurance companies will be prohibited from establishing lifetime dollar limits for essential health benefits.

		• Prior to 2014, companies will be allowed to establish "restricted" dollar limits for essential benefits.
Comprehensive coverage	• Illinois law requires insurers and HMOs to provide certain mandated benefits, including coverage for the treatment of autism and preventive benefits such as mammograms and other cancer screenings. See here for a comprehensive list of mandated benefits. • Many other benefits—such as maternity benefits and mental health services—may not be covered by a health insurance policy, or may be subject to significant deductibles, co-pays or co-insurance amounts.	**2010** • Health insurance companies will be required to provide first-dollar coverage for a defined list of preventive health services. o In other words, insurers will be required to include wellness and prevention benefits such as immunizations and screenings, without cost to the policyholder. **2014** • Health insurance companies will be required to provide coverage for a minimum package of "essential health benefits," which will include benefits in at least the following categories: o Ambulatory patient services; o Emergency services; o Hospitalization; o Maternity and newborn care; o Mental health and substance use disorder services, including behavioral health treatment; o Prescription drugs; o Rehabilitative and habilitative services and devices; o Laboratory services; and o Pediatric services, including oral and vision care.
Out-of-pocket limits	• Current Illinois law limits annual out-of-pocket costs for HMO plans, but non-HMO plans can include deductible, co-pay and other cost-shifts to consumers without regard to the financial burden shifted to a family. • Two-thirds of personal bankruptcies result from unanticipated medical expenses. Of those individuals who file bankruptcy due to medical expenses, 75% actually have "insurance."	**2014** • Health insurance companies will be required to ensure that annual cost-sharing requirements—including co-pays, deductibles, and coinsurance amounts—do not exceed the dollar amounts applicable to Health Savings Accounts, adjusted annually (currently $5,950 for individuals and $11,900 for families). • Group plans may not have deductibles greater than $2,000 for single coverage and $4,000 for family coverage.

Marketplace transparency (state-based exchange)	**NONE** • Currently in Illinois, shopping for health insurance can involve the completion of many different applications for different companies resulting in a comparison of different benefit packages. Consumers are disadvantaged because an apple with one insurer is an orange with another.	**2014** • National health insurance reform will establish state-based insurance exchanges that include baseline coverage packages, standardized forms, and transparent insurer comparisons.
Appeal Rights	• Beginning July 1, 2010, all health insurance policies must provide the right to an independent, external review of denied health insurance claims. *(215 ILCS 180)* • Self-insured employer plans are not required to provide an independent, external review.	**2010** • All individual and group plans, including self-insured employer plans, must provide internal appeal and independent external review procedures that meet minimum consumer protection standards.

For More Information

Call the Department of Insurance Consumer Services Section at (312) 814-2427 or
our Office of Consumer Health Insurance toll free at (877) 527-9431
or visit us on our website at http://insurance.illinois.gov