

**GUIDELINES FOR APPLYING FOR A LIMITED HEALTH SERVICE
ORGANIZATION (LHSO) CERTIFICATE OF AUTHORITY – Submission of an
LHSO Application to the Illinois Department of Insurance**

Applicable Illinois Laws and Regulations

215 ILCS 130/1001 et seq. (LHSO Act)

50 Ill. Adm. Code 851-854

50 Ill. Adm. Code 904

50 Ill. Adm. Code 916

Copies of Illinois Law and Regulations may be obtained from:

State of Illinois
Secretary of State
Index Department
Springfield, IL 62756
(217) 782-7017

Illinois Insurance Laws may also be accessed online at the following link:

<http://www.ilga.gov/legislation/ilcs/ilcs2.asp?ChapterID=22>

The Illinois Administrative Code may also be accessed online at the following link:

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

Organization must submit a non-refundable filing fee with the application.

Domestic LHSO Certificate of Authority application filing fee is \$2,000.00.

Foreign LHSO Certificate of Authority application filing fee is \$5,000.00.

One (1) **original** and two (2) copies of all documents must be submitted to:

Amy Stuart
Supervisor, LAH Corporate Regulatory Unit
Illinois Department of Insurance
320 West Washington Street, 4th Floor
Springfield, IL 62767-0001

Questions regarding this application should also be addressed to Amy Stuart at amy.stuart@illinois.gov or by phone at (217) 782-9694.

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.

Please complete the attached form, *Application for Certificate of Authority to Operate as a Limited Health Service Organization*. This Application form for an LHSO Certificate of Authority must be completed and contain original signatures, and should be included at the front of the LHSO application submission.

The following requirements are set forth in Section 2001(c) of the LHSO Act. Documentation set forth in Section 2001(c) must be a part of the filed application.

Subsection 1

Organization Documents -

For Domestic - a certified copy of the organization's Articles of Incorporation filed with the Illinois Secretary of State. Please note: an organization applying for an LHSO 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 LHSO Certificate of Authority in Illinois.

If the organization is a foreign corporation, include the following:

- A certified copy of the Articles of Incorporation from the state of domicile. Such Articles must state as the sole purpose for which the organization is organized "To make application to the Director of the (*insert state of domicile*) Department of Insurance, pursuant to (*insert state of domicile Code Section or Law*), or to other jurisdictions, to provide or arrange for one or more limited health care plans."
- A notarized statement by the organization's President or Chief Executive Officer that the organization **will cease any and all business other than prepaid business** that it currently conducts in other jurisdictions in which it is licensed.
- Evidence of registration as a foreign corporation with the Illinois Secretary of State.

Subsection 2

By-Laws – The fiscal year must be synonymous with the calendar year.

Subsection 3

Name, Address and Position(s) – Biographical Affidavits containing original signatures and should be notarized. The most current NAIC Biographical Affidavit (UCAA Form 11) can be obtained from the NAIC website at the following: http://www.naic.org/industry_ucaa.htm . **Additionally, see Company Bulletin CB# 2016-05 regarding Independent Third Party Background Investigation Reports on the DOI Website at <http://insurance.illinois.gov/cb/2016/CB2016-05.pdf>**

Conflict of Interest Statement - Original signature required (copy is attached) (Part 5421.90).

Include the **Holding Company Registration Statement** or the most recent Holding Company Statement filed in your home state.

Subsection 4

Service Area – List only the counties in which you are initially going to do business. Include a legible map of the service area by zip code to be served by the LHSO showing location of its office and facilities.

Corporate Plan of Operation – (see attached).

Subsection 5

Provider Contracts – Section 2008.

It is suggested to include a termination clause (generally these are 30 days with cause, 90 days without cause); also include that providers will assure availability and accessibility of limited health care services.

Subsection 6

Contracts with Related Parties

Subsection 7

Administrative and Miscellaneous Contracts

Subsection 8

Group Contracts and Evidences of Coverage - see attached “LHSO Review Checklist”.

Sections 3001; 3004; 3007; 3008

To facilitate flexibility in contract filing, group contracts and evidences of coverage may be filed on an insert page basis – each page being identified by a unique form number located in the lower left-hand corner (not to exceed 15 characters). These insert pages may then be replaced as required by other approved pages. If the contract is not numbered in such a fashion and a modification is required, then the entire contract must be refiled for approval. When forms are to be approved in this manner, the letter of submittal must list each page as a policy form.

Subsection 9

Audited Financial Information

Subsection 10

Statutory Deposit – (Section 2006).

Financial Information – **The organization must have a minimum \$100,000 net worth** before the application will be reviewed.

FOR A NEW CORPORATION

A copy of an executed escrow agreement with an Illinois Bank or other Financial Institution in Illinois, restricting access to funds on deposit until a Certificate of Authority is issued by the Department or until certification is denied or such application is withdrawn. Escrowed funds must be on deposit within the State of Illinois. A dated balance sheet reflecting a net worth for

the organization of not less than \$100,000. Provide debt agreements which meet the requirements of Section 2009 *if* part or all of the initial capital will be provided through subordinated debt.

FOREIGN CORPORATION CURRENTLY OPERATING AS AN LHSO

Copies of annual financial statements filed in the organization's state of domicile (or state where certified the longest) for the past three (3) years.

Quarterly financial statements for any quarters that have elapsed since the last annual statement's reporting date. *THE CORPORATION MUST HAVE A NET WORTH OF NOT LESS THAN \$100,000 AS OF THE MOST RECENT REPORTING DATE.*

A Statement from the agency charged with regulation of the corporation to the effect that it is currently in compliance with applicable laws and regulations which the agency is charged to enforce.

A Statement from the organization stating that they are aware of the investment limitations and admitted assets section of the Illinois LHSO Act and will be in compliance with these sections when computing the financial statements.

Subsection 11

Rate Methodology

Subsection 12

Marketing – see attached checklist.

Subsection 13

Registered Agent - Please 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 14

Complaint Procedures – see attached checklist.

Subsection 15

Quality Assessment and Utilization and Review

Subsection 16

Filing Fee – The filing fee must be included with the filing of the application and supporting documents. This fee is non-refundable. Domestic application filing fee for admission is \$2,000.00. Foreign application filing fee for admission is \$5,000.00.

Subsection 17

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

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS

Application for LHSO Certificate of Authority

To: Director of Insurance

_____, an
organization incorporated on _____ under the
_____, existing under and
by virtue of the laws of the State of _____; hereby makes application for a
Certificate of Authority to operate a limited health service organization under the
Limited Health Service Organization Act.

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

in its name by its _____

(Title Officer)

and attested by its _____

(Title Officer)

this ____ day of _____ A.D. 20 ____.

(Name of Organization)

BY: _____

Attest: _____

The attached materials are made a part of this application.

CORPORATE PLAN OF OPERATION IN ILLINOIS

(Project items (3) years into the future, where possible)

Use the following outline as a minimum reporting basis:

- (a) Limited Health Services – types of Limited Health Services to be offered
 - (1) Projected volume for each type of limited health service
 - (2) Expected market penetration
 - (3) Description of policies
 - (4) Size of premium per policy
- (b) Marketing Strategy
 - (1) Method of solicitation (agency, brokers, direct mail, etc.)
 - (2) Expenses of procuring business
 - (3) Agent/broker compensation (first year, other years)
 - (4) Definition of market (who and where in Illinois)
- (c) Breakdown of Operating Expenses
 - (1) Ratios of expenses to premiums by type of limited health service
 - (2) Solicitation, general expenses, other large sub-items
- (d) Business Expectations
 - (1) Profit margins, writing ratios and loss ratios
 - (2) Comment on difference between experience in other states and expectations in Illinois
- (e) Corporate Plans
 - (1) What, if anything, is unique or exceptional concerning the manner the company plans to service enrollees
 - (2) What exceptional contribution can the company make to the Illinois marketplace
 - (3) How will company's premium rates compare to known premium rates in Illinois

CONFLICT OF INTEREST STATEMENT - LHSO

NAME: _____ LHSO: _____

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 LHSO, otherwise than in the normal capacity of performing duties for the LHSO; 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 LHSO or is engaged in a business in competition with the LHSO; 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 LHSO 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 LHSO:

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

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

State your salary and any other compensation you will receive from the LHSO 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 SIGNATURES REQUIRED

(Rev. 2/2015)

Limited Health Service Organization (LHSO) - Requirements Review Checklist

<u>Review Requirements</u>	<u>Reference</u>	<u>Description of Review Standards Requirements</u>
Prior Approval of Forms	215 ILCS 130/3007	Final action within 60 days May request an additional 30 days upon written request
	215 ILCS 130/3001	Initial period of coverage - 12 months Renewed annually unless 31 days written notice given
Form Filing Requirements	IL Adm. Code 50 Part 916	In duplicate Unique form numbers (lower left hand corner) PEDS Information
	215 ILCS 130/3008(b)	Order takes effect 30 days from mailing. May be stayed if a hearing is requested within initial 30 days.
Requirements for Group Contracts, Evidences of Coverage and Individual	215 ILCS 130/3001	Contract or evidence of coverage - issued within 30 days
	215 ILCS 130/3008(1)	Statement of: Limited health services to which enrollee is entitled
	215 ILCS 130/3008(2)	Eligibility requirements
	215 ILCS 130/3008(3)	Limitation of services or benefits to be provided and exclusions, copayments, or other charges
	215 ILCS 130/3008(4)	Cancellation or termination

	215 ILCS 130/3008(5)	Where and in what manner information is available as to where and how services may be obtained
	215 ILCS 130/3008(6) and 215 ILCS 130/3002	Complaint resolution.
Requirements for Group Contracts, Evidences of Coverage and Individual (continued)	215 ILCS 130/4003 and 215 ILCS 5/355.2	Disclosure of dental coverage payments: - Notify prospective policyholder that information regarding usual and customary is available - Frequency of determination of U&C fee - General description of methodology used - Percentile that determines maximum benefit
	215 ILCS 130/4003 and 215 ILCS 5/355.2	All employee benefit descriptions must notify employee that information regarding U&C is available
	215 ILCS 130/1002	Essential hospital services, medical, surgical or ER services shall be covered unless specifically excluded
Advertising	215 ILCS 130/2001(12) and 215 ILCS 130/3004	Prior approval - Certificate of Authority Standards - solicitation of enrollees
Insurance Code Provisions	215 ILCS 5/133 215 ILCS 5/134	Books and records Falsification of Records
	215 ILCS 5/137 215 ILCS 5/140	Securities and Exchange Commission statement or report - Copy Vouchers for Disbursements
	215 ILCS 5/141.1 215 ILCS 5/141.2 215 ILCS 5/141.3	Management contracts and service agreements Disapproval of management contracts Supplements to annual statement
	215 ILCS 5/143C	Notice of Department Health Products Division and company complaint department addresses/contact info.

215 ILCS 5/147	Deceptive statements as to assets prohibited
215 ILCS 5/148	Advertising - financial condition
215 ILCS 5/149	Misrepresentation and Defamation - prohibited
215 ILCS 5/151	Rebates prohibited

**Insurance Code
Provisions (*continued*)**

215 ILCS 5/152	Rebates - Penalties
215 ILCS 5/153	Rebates - Immunity from prosecution
215 ILCS 5/154	Misrepresentation and false warranties
215 ILCS 5/154.5	Improper claims practices
215 ILCS 5/154.6	Acts constituting improper claims practice
215 ILCS 5/154.7	Statement of charges
215 ILCS 5/154.8	Cease & Desist Order - Suspension - Civil Penalty - Judicial Review
215 ILCS 5/155.04	Standards for companies and officials
215 ILCS 5/355.2	Dental coverage reimbursement rates
215 ILCS 5/401	General powers of the Director
215 ILCS 5/401.1	Cease & Desist Orders
215 ILCS 5/402	Examinations and hearings
215 ILCS 5/403	Power to subpoena and examine witnesses
215 ILCS 5/403a	Notice of apparent liability - forfeiture liability
215 ILCS 5/408	Fees and charges (filing fees)
215 ILCS 5/408.2	Statistical services
215 ILCS 5/412	Refunds - Penalties - Collection
Article VIII 1/2	Insurance Holding Company Systems
Article XII	Domestication of Foreign and Alien Companies
Article XII 1/2	Corrective Orders
Article XIII	Rehabilitation, Liquidation, Conservation, and Dissolution of Companies
Article XIII 1/2	Uniform Provisions for Liquidation
Article XXVI	Unfair Methods of Competition and Unfair and Deceptive Acts and Practices
215 ILCS 97/1 et seq.	Illinois Health Insurance Portability and Accountability Act

Point Of Service (POS) - LHSO

Requirements for POS Contracts and Evidence of Coverage

215 ILCS 130/3009(1)	In-plan covered services - minimally all services required by law for LHSOs
215 ILCS 130/3009(2)	Incentives for enrollees to use in-plan covered services
215 ILCS 130/3009(3)	Cannot offer out-of-plan services which are not offered in-plan
215 ILCS 130/3009(4)	May limit or exclude specific types of services from coverage when obtained out-of-plan
215 ILCS 130/3009(5)	Annual out-of-pocket limits and lifetime maximum benefit allowances for out-of-plan services may be separate from those limits and maximums for in-plan services
215 ILCS 130/3009(6)	Annual maximum benefit allowance not to exceed \$2,500 per year that is separate from any limits or allowances applied to in-plan services
215 ILCS 130/3009(7)	May limit groups to whom POS is offered; however, must offer product to all eligible members in group, when LHSO provider is available
215 ILCS 130/3009(8)	ER services, authorized referral services, non-routine services obtained out of service area SHALL NOT be considered POS services
215 ILCS 130/3009(9)	May treat as out-of-plan services, those services that an enrollee obtains from a participating provider, but for which the proper authorization was not given by the LHSO