

Illinois Department of Insurance Highlights Changes Resulting From National Health Insurance Reform

Changes in insurance laws would alter performance, transparency, accountability of health insurers in Illinois

CHICAGO—March 22, 2010. The health care reform legislation passed yesterday by Congress will change the performance, transparency and accountability of health insurers and health insurance products in Illinois. To inform Illinois families and businesses of the potential reforms, the Illinois Department of Insurance is providing a "Top Ten" list. 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 speculation and mythology have fueled questions about the impact of national 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 Department's "Top Ten" list of changes resulting from national health insurance reform is not comprehensive but illustrative. For example, the list does not describe the tax credits available to families and small businesses. While certain changes will be implemented almost immediately, this "Top Ten" list includes those improvements that will be effective upon full implementation, or January 1, 2014.

1. **Eliminate preexisting conditions as basis for denial or exclusion**

- Under current Illinois law, an individual can be denied health insurance for any reason other than "race, color, religion, or national origin."
- With national health insurance reform, Illinois' current law will be preempted and individuals and families will not be denied health insurance simply because of a current or prior illness, or the prospect of an illness in the future.
- Coverage of certain ailments or injuries will not be excluded from a policy.
- Individuals will be able to pursue personal talent and ambition, through self-employment or by opening a small business, without fear of losing access to health insurance.

2. **Price equity**

- Currently, Illinois law allows health insurers unrestricted range when charging an individual more due to health status, gender or policy duration.

- Current Illinois law does not limit the gender disparity in premium cost. Some companies charge women as much as 57% more than a man of the same age, health status and geography—exclusive of maternity benefits.
- With national health insurance reform, health insurance companies will be prohibited from charging higher premiums based on a person's gender or health status. Premiums will vary only based on age, geography, and tobacco use.

3. Price stability

- Current Illinois law does not restrict health insurance rate increases.
- Current Illinois law does not vest in the Department any rate review or approval authority, and non-HMOs are required to provide the Department with rate changes or rate amounts only for individual policies.
 - The "[Individual Major Medical Health Policy Rate Filing Report](#)" released recently by the Department reveals rate increases of up to 60% in 2009.
- Current Illinois law gives small businesses (2-50 employees) limited rate increase protections, but small businesses remain vulnerable to volatile rate increases depending upon the health of the employees.
- National health insurance reform will not only restrict the bases upon which a premium may change but, also, provide the Department with rate oversight authority.

4. Premium value

- Current Illinois law does not require insurers to expend on health care a defined percentage of hard-earned premium dollars paid by families and employers. Illinois currently has an exclusively for-profit health insurance market.
- National health insurance reform will not only impose heightened reporting requirements on insurers but also require health insurance companies to expend defined percentages of each premium dollar on health care. Insurers that fail to meet this minimum requirement will have to provide rebates to policyholders.

5. Prohibition against unwarranted rescissions

- Current Illinois law allows a health insurer to rescind an individual or family policy if a claim filed within two (2) years of the policy issuance would have resulted in either:
 - denial of the application,
 - exclusion of a preexisting condition, or
 - charging more to the policyholder.
- By pure volume, Illinois has more rescissions than any state in the United States and, per capita, is second only to New Mexico.
- Current Illinois law allows a rescission in the absence of a medical nexus between the claim and the historical event (e.g. claim for heart attack leads to discovery of a knee problem). One teenager's dependent coverage was rescinded due to failure to disclose that she had a "congenital deformity": braces.
- National health insurance reform will prohibit the rescission of a health insurance policy except for instances of fraud.

6. Family financial security

- Current Illinois law allows insurers to impose annual and lifetime benefit limits on any individual, either through a group plan or an individual policy.
- National health insurance reform will eliminate annual and lifetime limits.

7. Health care affordability

- 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."
- National health insurance reform will limit out-of-pocket costs for policies sold on an exchange. Maximum individual exposure each year will be \$5,950 and maximum family exposure will be \$11,900.

8. Marketplace transparency (state-based exchange)

- 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.
- National health insurance reform will establish state-based insurance exchanges that include baseline coverage packages, standardized forms and transparent insurer comparisons.
- National health insurance reform will allow families and businesses to choose from a suite of approved insurance products. The exchange will foster free market forces that will allow insurers to compete to cover individual, family and employer clients.

9. Health care based on medical necessity

- Illinois health insurance consumers are often forced to debate with an insurer regarding the propriety of a health care service recommended by a treating physician. Approximately one-third of Illinois families receive coverage through a self-insured plan—exempt from state law—and lack the guarantee of an independent, external review.
- National health insurance reform will require that self-insured plans also implement an independent, external review of any claim denied due to medical necessity. The review process will be similar if not identical to the independent, external process required of insurance plans in Illinois.

10. Health care, not "sick care"

- Current Illinois law requires health insurance policies to cover certain preventive benefits such as mammograms and other cancer screenings. Other important preventive services may not be covered or may be subject to significant co-pays or co-insurance amounts.
- National health insurance reform will require all health insurance policies to provide immediate first-dollar coverage for a defined set of preventive benefits. In other words, insurers will be required to include these wellness and prevention benefits without cost to the policyholder.

More Information

The Department's mission is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace. The Department assists consumers with all insurance complaints, including health, auto, life, and homeowners. Consumers in need of information or assistance should visit the Department's Web site at insurance.illinois.gov or call our toll-free hotline at (866) 445-5364.