

Illinois Department of Insurance Highlights Near-Term Changes Resulting from National Health Insurance Reform

CHICAGO—March 24, 2010. The [Patient Protection and Affordable Care Act](#) (the "Act") signed by President Obama on March 23, 2010, will fundamentally improve the performance, transparency and accountability of health insurers and health insurance products in Illinois. Many significant reforms—including the requirement that health insurance companies cover all individuals regardless of health status—will not become effective until 2014. Several meaningful reforms will take effect in the immediate or near future.

"Illinois businesses and families, struggling daily with soaring health care costs and coverage problems, are most interested in the immediate impacts from this legislation," Director Michael T. McRaith said. "As always, the Department of Insurance stands ready to assist Illinois consumers through all stages of the Act's implementation."

Through its web site (<http://insurance.illinois.gov>) and the Office of Consumer Health Insurance hotline (877-527-9431), the Department will continue to provide detailed information, fact sheets, and other resources to inform Illinois consumers. Listed below are brief descriptions of some of the immediate changes resulting from the Act.

Changes Effective Upon Enactment (March 23, 2010)

Protection against premium increases

- 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 are required to post information justifying premium increases on their websites.

Benefits for small businesses

- The Act provides tax credits for small businesses that contribute at least 50% of the premium cost for health coverage provided to employees.
- Businesses with 25 or fewer full-time employees and average annual wages of \$50,000 or less will be eligible for tax credits of up to 35% of premium costs beginning with the 2010 taxable year.
- To clarify, businesses with 50 or fewer employees will not, at any time, be penalized for failing to offer health insurance to employees.

Changes to benefit seniors

- The Act begins to close the Medicare Part D "doughnut hole."
- Beginning in 2010, Medicare Part D recipients who hit the "doughnut hole" will be eligible for a \$250 rebate.
- Beginning in 2011, recipients will be eligible for a 50% discount on brand-name prescription drugs in the "doughnut hole."

Changes Within 90 Days After Enactment

Coverage for individuals with preexisting conditions

- Uninsured individuals with preexisting medical conditions will have increased access to coverage through a "high-risk" health insurance pool administered by the State and funded by the U.S. Department of Health and Human Services.
- The high-risk pool will complement the Illinois Comprehensive Health Insurance Plan (ICHIP), but may provide more affordable coverage options.
- To be eligible for coverage under the high-risk pool, individuals must be uninsured for 6 months before applying and have a qualifying preexisting condition.

Reduced employer health care costs

- Employers will be allowed to reduce health care costs through a temporary "reinsurance" program for early retirees (age 55 years or older and ineligible for Medicare).
- Participating employers, including State and local governments, will be reimbursed for 80% of medical claims between \$15,000 and \$90,000 incurred by retired employees.

Changes Effective 6 Months After Enactment – September 23, 2010

- Policies issued on or after September 23, 2010, will have to immediately comply with the reforms below.
- For policies issued between March 23, 2010, and September 22, 2010, the reforms below will apply as soon as the policies are amended or renewed after September 23, 2010.
- Policies that were issued prior to March 23, 2010, are considered "grandfathered" plans. Some of the reforms below will not apply to grandfathered plans.

Prohibition against unwarranted rescissions

- Current Illinois law allows health insurance companies broad discretion to retroactively cancel, or "rescind," an individual's health insurance policy.
- Health insurance rescissions will be prohibited except for instances of fraud.

Applies to grandfathered plans? YES

Applies to self-insured plans? YES, although self-insured plans are employer-based group plans and, unlike individual or family policies, are much less susceptible to rescissions.

Coverage for preventive services

- All health insurance plans will be required to provide first-dollar coverage for a defined set of preventive benefits. In other words, insurers will be required to include wellness and prevention benefits such as immunizations and screenings, without cost to the policyholder.

Applies to grandfathered plans? NO

Applies to self-insured plans? YES

Elimination of lifetime dollar limits

- Health insurance plans will be prohibited from imposing lifetime dollar limits.

Applies to grandfathered plans? YES

Applies to self-insured plans? YES

- A health insurance company's ability to impose annual dollar limits will also be restricted (annual dollar limits will be prohibited entirely beginning in 2014).

Applies to grandfathered plans? Group plans – YES; Individual plans – NO

Applies to self-insured plans? YES

Appeal rights

- Effective July 1, 2010, pursuant to Illinois law, all Illinoisans with health insurance are guaranteed the right to an independent, external review of claims denied by a health insurance company on the basis of a determination of "medical necessity." Illinoisans receiving health coverage through a self-insured employer, however, do not have the right to an independent review because such plans are exempt from the State's insurance laws.
- The Act will require all plans, including self-insured plans, to provide an independent, external review of denied health insurance claims.

Applies to grandfathered plans? NO

Applies to self-insured plans? YES

Improved coverage for children

- Current Illinois law allows health insurance companies to deny an application for insurance coverage based on past or present medical conditions. In addition, 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.

- Health insurance companies will, at a minimum, be prohibited from denying claims for covered children under the age of 19 due to the presence of a preexisting condition. The U.S. Department of Health and Human Services will be providing guidance as to whether the Act requires health insurance companies to accept all applications for coverage of children under the age of 19.

Applies to grandfathered plans? Group plans – YES; Individual plans – NO

Applies to self-insured plans? YES

- Young adult children, up to age 26, will be able to receive coverage through a parent's health insurance policy. Illinois law already requires health insurance plans that provide coverage for dependents to allow adult children to remain on a parent's plan until the age of 26 (or age 30 for military veterans). Self-insured plans, which are exempt from this State law, will now be required to allow coverage for adult children under age 26 if the plan provides coverage for dependents.

*Applies to grandfathered plans? YES**

Applies to self-insured plans? YES

** Grandfathered group plans must allow coverage for adult children under age 26 only if the adult child is not eligible for other employer-based coverage.*

Easier access to health care providers

- Consistent with current Illinois law, insurance companies will be prohibited from requiring "preauthorization" for emergency health services. A patient cannot be penalized for visiting a hospital outside of a plan's network for emergency services, and the insurance company cannot charge the patient a higher co-payment than if the emergency care were provided by an in network hospital.
- Women may receive treatment from a network obstetrician or gynecologist without first having to obtain a preauthorization or referral from her primary care provider.

Applies to grandfathered plans? NO

Applies to self-insured plans? YES

Additional information for consumers

- Health insurance companies will be required to publish detailed information about the percentage of each premium dollar the company spends on health care (called a "medical loss ratio").

Applies to grandfathered plans? YES

Applies to self-insured plans? N/A

- Health insurance companies will be required to publish additional information regarding the company's claims payment policies and practices, including the number of claims the company denies, as well as information regarding cost-sharing and payments for out-of-network coverage.

Changes Effective January 1, 2011

Premium value and transparency

- Health insurance companies that spend less than a certain percentage of premium dollars on health care will be required to rebate excess premiums to policyholders.
- For plans sold to individuals and small employers, health insurance companies will be required to spend 80% of premium dollars on health care. For plans sold to employers with more than 50 employees, health insurance companies will be required to spend 85%.

Applies to grandfathered plans? YES

Applies to self-insured plans? N/A

More Information

Call the Office of Consumer Health Insurance toll free at (877) 527-9431 or visit us on our website at <http://insurance.illinois.gov>.