



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB2600

by Rep. David Harris

SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.12
30 ILCS 540/3-2
215 ILCS 5/368a

Amends the State Prompt Payment Act. Provides that after the effective date of the amendatory Act, if for any bill approved for payment under the Act and pursuant to a health benefit plan under the State Employees Group Insurance Act of 1971 or submitted under Article V of the Illinois Public Aid Code, except a bill for pharmacy or nursing facility services or goods, payment is not issued to the payee in a timely manner under the Section, an interest penalty of 8% per year of any amount approved and unpaid shall apply, applied pro rata for the amount of time the bill remains unpaid. Amends the Illinois Insurance Code. In provisions concerning timely payment for health care services, provides that the interest to be charged on late payments of periodic payments, payments by independent practice associations and physician-hospital organizations, and payments by health insurers, health maintenance organizations, managed care plans, health care plans, preferred provider organizations, and third party administrators shall be 8% per year. Amends the State Employees Group Insurance Act of 1971. Provides that the program of health benefits offered under the Act is subject to certain provisions of the Illinois Insurance Code concerning late payments and assignability except as otherwise provided. Effective January 1, 2018.

LRB100 09784 MLM 19954 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The State Employees Group Insurance Act of 1971
5 is amended by changing Section 6.12 as follows:

6 (5 ILCS 375/6.12)

7 Sec. 6.12. Payment for services. Except as otherwise
8 provided, the ~~The~~ program of health benefits is subject to the
9 provisions of Sections 368a and 370a of the Illinois Insurance
10 Code, provided that, if a covered member or covered dependent
11 assigns payments to a health care professional for covered
12 services, then the health care professional shall only collect
13 at point of service from that person the estimated amount not
14 expected to be paid by the plan.

15 (Source: P.A. 97-1086, eff. 8-24-12.)

16 Section 10. The State Prompt Payment Act is amended by
17 changing Section 3-2 as follows:

18 (30 ILCS 540/3-2)

19 Sec. 3-2. Beginning July 1, 1993, in any instance where a
20 State official or agency is late in payment of a vendor's bill
21 or invoice for goods or services furnished to the State, as

1 defined in Section 1, properly approved in accordance with
2 rules promulgated under Section 3-3, the State official or
3 agency shall pay interest to the vendor in accordance with the
4 following:

5 (1) Any bill, except a bill submitted under Article V
6 of the Illinois Public Aid Code and except as provided
7 under paragraph (1.05) of this Section, approved for
8 payment under this Section must be paid or the payment
9 issued to the payee within 60 days of receipt of a proper
10 bill or invoice. If payment is not issued to the payee
11 within this 60-day period, an interest penalty of 1.0% of
12 any amount approved and unpaid shall be added for each
13 month or fraction thereof after the end of this 60-day
14 period, until final payment is made. Any bill, except a
15 bill for pharmacy or nursing facility services or goods,
16 and except as provided under paragraph (1.05) of this
17 Section, submitted under Article V of the Illinois Public
18 Aid Code approved for payment under this Section must be
19 paid or the payment issued to the payee within 60 days
20 after receipt of a proper bill or invoice, and, if payment
21 is not issued to the payee within this 60-day period, an
22 interest penalty of 2.0% of any amount approved and unpaid
23 shall be added for each month or fraction thereof after the
24 end of this 60-day period, until final payment is made. Any
25 bill for pharmacy or nursing facility services or goods
26 submitted under Article V of the Illinois Public Aid Code,

1 except as provided under paragraph (1.05) of this Section,
2 and approved for payment under this Section must be paid or
3 the payment issued to the payee within 60 days of receipt
4 of a proper bill or invoice. If payment is not issued to
5 the payee within this 60-day period, an interest penalty of
6 1.0% of any amount approved and unpaid shall be added for
7 each month or fraction thereof after the end of this 60-day
8 period, until final payment is made.

9 (1.05) For State fiscal year 2012 and future fiscal
10 years, any bill approved for payment under this Section
11 must be paid or the payment issued to the payee within 90
12 days of receipt of a proper bill or invoice. If payment is
13 not issued to the payee within this 90-day period, an
14 interest penalty of 1.0% of any amount approved and unpaid
15 shall be added for each month, or 0.033% (one-thirtieth of
16 one percent) of any amount approved and unpaid for each
17 day, after the end of this 90-day period, until final
18 payment is made.

19 (1.06) After the effective date of this amendatory Act
20 of the 100th General Assembly, for any bill approved for
21 payment under this Section and pursuant to a health benefit
22 plan under the State Employees Group Insurance Act of 1971
23 or submitted under Article V of the Illinois Public Aid
24 Code, except a bill for pharmacy or nursing facility
25 services or goods, if payment is not issued to the payee in
26 a timely manner under this Section, an interest penalty of

1 8% per year of any amount approved and unpaid shall apply,
2 applied pro rata for the amount of time the bill remains
3 unpaid.

4 (1.1) A State agency shall review in a timely manner
5 each bill or invoice after its receipt. If the State agency
6 determines that the bill or invoice contains a defect
7 making it unable to process the payment request, the agency
8 shall notify the vendor requesting payment as soon as
9 possible after discovering the defect pursuant to rules
10 promulgated under Section 3-3; provided, however, that the
11 notice for construction related bills or invoices must be
12 given not later than 30 days after the bill or invoice was
13 first submitted. The notice shall identify the defect and
14 any additional information necessary to correct the
15 defect. If one or more items on a construction related bill
16 or invoice are disapproved, but not the entire bill or
17 invoice, then the portion that is not disapproved shall be
18 paid.

19 (2) Where a State official or agency is late in payment
20 of a vendor's bill or invoice properly approved in
21 accordance with this Act, and different late payment terms
22 are not reduced to writing as a contractual agreement, the
23 State official or agency shall automatically pay interest
24 penalties required by this Section amounting to \$50 or more
25 to the appropriate vendor. Each agency shall be responsible
26 for determining whether an interest penalty is owed and for

1 paying the interest to the vendor. Except as provided in
2 paragraph (4), an individual interest payment amounting to
3 \$5 or less shall not be paid by the State. Interest due to
4 a vendor that amounts to greater than \$5 and less than \$50
5 shall not be paid but shall be accrued until all interest
6 due the vendor for all similar warrants exceeds \$50, at
7 which time the accrued interest shall be payable and
8 interest will begin accruing again, except that interest
9 accrued as of the end of the fiscal year that does not
10 exceed \$50 shall be payable at that time. In the event an
11 individual has paid a vendor for services in advance, the
12 provisions of this Section shall apply until payment is
13 made to that individual.

14 (3) The provisions of Public Act 96-1501 reducing the
15 interest rate on pharmacy claims under Article V of the
16 Illinois Public Aid Code to 1.0% per month shall apply to
17 any pharmacy bills for services and goods under Article V
18 of the Illinois Public Aid Code received on or after the
19 date 60 days before January 25, 2011 (the effective date of
20 Public Act 96-1501) except as provided under paragraph
21 (1.05) of this Section.

22 (4) Interest amounting to less than \$5 shall not be
23 paid by the State, except for claims (i) to the Department
24 of Healthcare and Family Services or the Department of
25 Human Services, (ii) pursuant to Article V of the Illinois
26 Public Aid Code, the Covering ALL KIDS Health Insurance

1 Act, or the Children's Health Insurance Program Act, and
2 (iii) made (A) by pharmacies for prescriptive services or
3 (B) by any federally qualified health center for
4 prescriptive services or any other services.

5 (Source: P.A. 96-555, eff. 8-18-09; 96-802, eff. 1-1-10;
6 96-959, eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1501, eff.
7 1-25-11; 96-1530, eff. 2-16-11; 97-72, eff. 7-1-11; 97-74, eff.
8 6-30-11; 97-348, eff. 8-12-11; 97-813, eff. 7-13-12; 97-932,
9 eff. 8-10-12; 97-1142, eff. 12-28-12.)

10 Section 15. The Illinois Insurance Code is amended by
11 changing Section 368a as follows:

12 (215 ILCS 5/368a)

13 Sec. 368a. Timely payment for health care services.

14 (a) This Section applies to insurers, health maintenance
15 organizations, managed care plans, health care plans,
16 preferred provider organizations, third party administrators,
17 independent practice associations, and physician-hospital
18 organizations (hereinafter referred to as "payors") that
19 provide periodic payments, which are payments not requiring a
20 claim, bill, capitation encounter data, or capitation
21 reconciliation reports, such as prospective capitation
22 payments, to health care professionals and health care
23 facilities to provide medical or health care services for
24 insureds or enrollees.

1 (1) A payor shall make periodic payments in accordance
2 with item (3). Failure to make periodic payments within the
3 period of time specified in item (3) shall entitle the
4 health care professional or health care facility to
5 interest at the rate of 9% per year from the date payment
6 was required to be made to the date of the late payment,
7 provided that interest amounting to less than \$1 need not
8 be paid. For periodic payments due on or after the
9 effective date of this amendatory Act of the 100th General
10 Assembly, failure to make periodic payments within the
11 period of time specified in item (3) shall entitle the
12 health care professional or health care facility to an
13 interest penalty of 8.0% per year of any amount approved
14 and unpaid, applied pro rata for the amount of time the
15 bill remains unpaid. Any required interest payments shall
16 be made within 30 days after the payment.

17 (2) When a payor requires selection of a health care
18 professional or health care facility, the selection shall
19 be completed by the insured or enrollee no later than 30
20 days after enrollment. The payor shall provide written
21 notice of this requirement to all insureds and enrollees.
22 Nothing in this Section shall be construed to require a
23 payor to select a health care professional or health care
24 facility for an insured or enrollee.

25 (3) A payor shall provide the health care professional
26 or health care facility with notice of the selection as a

1 health care professional or health care facility by an
2 insured or enrollee and the effective date of the selection
3 within 60 calendar days after the selection. No later than
4 the 60th day following the date an insured or enrollee has
5 selected a health care professional or health care facility
6 or the date that selection becomes effective, whichever is
7 later, or in cases of retrospective enrollment only, 30
8 days after notice by an employer to the payor of the
9 selection, a payor shall begin periodic payment of the
10 required amounts to the insured's or enrollee's health care
11 professional or health care facility, or the designee of
12 either, calculated from the date of selection or the date
13 the selection becomes effective, whichever is later. All
14 subsequent payments shall be made in accordance with a
15 monthly periodic cycle.

16 (b) Notwithstanding any other provision of this Section,
17 independent practice associations and physician-hospital
18 organizations shall make periodic payment of the required
19 amounts in accordance with a monthly periodic schedule after an
20 insured or enrollee has selected a health care professional or
21 health care facility or after that selection becomes effective,
22 whichever is later.

23 Notwithstanding any other provision of this Section,
24 independent practice associations and physician-hospital
25 organizations shall make all other payments for health services
26 within 30 days after receipt of due proof of loss. Independent

1 practice associations and physician-hospital organizations
2 shall notify the insured, insured's assignee, health care
3 professional, or health care facility of any failure to provide
4 sufficient documentation for a due proof of loss within 30 days
5 after receipt of the claim for health services.

6 Failure to pay within the required time period shall
7 entitle the payee to interest at the rate of 9% per year from
8 the date the payment is due to the date of the late payment,
9 provided that interest amounting to less than \$1 need not be
10 paid. For any periodic payments or other payments due on or
11 after the effective date of this amendatory Act of the 100th
12 General Assembly, failure to pay within the required time
13 period shall entitle the payee to interest at the rate of 8.0%
14 per year from the date the payment is due to the date of the
15 late payment, provided that interest amounting to less than \$1
16 need not be paid. Any required interest payments shall be made
17 within 30 days after the payment.

18 (c) All insurers, health maintenance organizations,
19 managed care plans, health care plans, preferred provider
20 organizations, and third party administrators shall ensure
21 that all claims and indemnities concerning health care services
22 other than for any periodic payment shall be paid within 30
23 days after receipt of due written proof of such loss. An
24 insured, insured's assignee, health care professional, or
25 health care facility shall be notified of any known failure to
26 provide sufficient documentation for a due proof of loss within

1 30 days after receipt of the claim for health care services.
2 Failure to pay within such period shall entitle the payee to
3 interest at the rate of 9% per year from the 30th day after
4 receipt of such proof of loss to the date of late payment,
5 provided that interest amounting to less than one dollar need
6 not be paid. For any claims and indemnities due on or after the
7 effective date of this amendatory Act of the 100th General
8 Assembly, failure to pay within such period shall entitle the
9 payee to interest at the rate of 8.0% per year from the 30th
10 day after receipt of such proof of loss to the date of late
11 payment, provided that interest amounting to less than one
12 dollar need not be paid. Any required interest payments shall
13 be made within 30 days after the payment.

14 (d) The Department shall enforce the provisions of this
15 Section pursuant to the enforcement powers granted to it by
16 law.

17 (e) The Department is hereby granted specific authority to
18 issue a cease and desist order, fine, or otherwise penalize
19 independent practice associations and physician-hospital
20 organizations that violate this Section. The Department shall
21 adopt reasonable rules to enforce compliance with this Section
22 by independent practice associations and physician-hospital
23 organizations.

24 (Source: P.A. 97-813, eff. 7-13-12.)

25 Section 99. Effective date. This Act takes effect January
26 1, 2018.