



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

HB4310

by Rep. Margo McDermed

#### SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.5

Amends the State Employees Group Insurance Act of 1971. For fiscal year 2017, provides that the premium for the major medical coverage health benefits program for a TRS benefit recipient who is at least 65 years old, who is not Medicare primary, who resides in Illinois, and for whom a managed care program is accessible shall not exceed 90% (now, 105%) of the premium actually charged in the previous fiscal year. Effective immediately.

LRB099 13153 JLK 37042 b

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 6.5 as follows:

6 (5 ILCS 375/6.5)

7 Sec. 6.5. Health benefits for TRS benefit recipients and  
8 TRS dependent beneficiaries.

9 (a) Purpose. It is the purpose of this amendatory Act of  
10 1995 to transfer the administration of the program of health  
11 benefits established for benefit recipients and their  
12 dependent beneficiaries under Article 16 of the Illinois  
13 Pension Code to the Department of Central Management Services.

14 (b) Transition provisions. The Board of Trustees of the  
15 Teachers' Retirement System shall continue to administer the  
16 health benefit program established under Article 16 of the  
17 Illinois Pension Code through December 31, 1995. Beginning  
18 January 1, 1996, the Department of Central Management Services  
19 shall be responsible for administering a program of health  
20 benefits for TRS benefit recipients and TRS dependent  
21 beneficiaries under this Section. The Department of Central  
22 Management Services and the Teachers' Retirement System shall  
23 cooperate in this endeavor and shall coordinate their

1 activities so as to ensure a smooth transition and  
2 uninterrupted health benefit coverage.

3 (c) Eligibility. All persons who were enrolled in the  
4 Article 16 program at the time of the transfer shall be  
5 eligible to participate in the program established under this  
6 Section without any interruption or delay in coverage or  
7 limitation as to pre-existing medical conditions. Eligibility  
8 to participate shall be determined by the Teachers' Retirement  
9 System. Eligibility information shall be communicated to the  
10 Department of Central Management Services in a format  
11 acceptable to the Department.

12 A TRS dependent beneficiary who is a child age 19 or over  
13 and mentally or physically disabled does not become ineligible  
14 to participate by reason of (i) becoming ineligible to be  
15 claimed as a dependent for Illinois or federal income tax  
16 purposes or (ii) receiving earned income, so long as those  
17 earnings are insufficient for the child to be fully  
18 self-sufficient.

19 (d) Coverage. The level of health benefits provided under  
20 this Section shall be similar to the level of benefits provided  
21 by the program previously established under Article 16 of the  
22 Illinois Pension Code.

23 Group life insurance benefits are not included in the  
24 benefits to be provided to TRS benefit recipients and TRS  
25 dependent beneficiaries under this Act.

26 The program of health benefits under this Section may

1 include any or all of the benefit limitations, including but  
2 not limited to a reduction in benefits based on eligibility for  
3 federal medicare benefits, that are provided under subsection  
4 (a) of Section 6 of this Act for other health benefit programs  
5 under this Act.

6 (e) Insurance rates and premiums. The Director shall  
7 determine the insurance rates and premiums for TRS benefit  
8 recipients and TRS dependent beneficiaries, and shall present  
9 to the Teachers' Retirement System of the State of Illinois, by  
10 April 15 of each calendar year, the rate-setting methodology  
11 (including but not limited to utilization levels and costs)  
12 used to determine the amount of the health care premiums.

13 For Fiscal Year 1996, the premium shall be equal to the  
14 premium actually charged in Fiscal Year 1995; in subsequent  
15 years, the premium shall never be lower than the premium  
16 charged in Fiscal Year 1995.

17 For Fiscal Year 2003, the premium shall not exceed 110%  
18 of the premium actually charged in Fiscal Year 2002.

19 For Fiscal Year 2004, the premium shall not exceed 112%  
20 of the premium actually charged in Fiscal Year 2003.

21 For Fiscal Year 2005, the premium shall not exceed a  
22 weighted average of 106.6% of the premium actually charged  
23 in Fiscal Year 2004.

24 For Fiscal Year 2006, the premium shall not exceed a  
25 weighted average of 109.1% of the premium actually charged  
26 in Fiscal Year 2005.

1           For Fiscal Year 2007, the premium shall not exceed a  
2           weighted average of 103.9% of the premium actually charged  
3           in Fiscal Year 2006.

4           For Fiscal Year 2016 ~~2008~~ and thereafter, the premium  
5           in each fiscal year shall not exceed 105% of the premium  
6           actually charged in the previous fiscal year; except that  
7           for Fiscal Year 2017, for a TRS benefit recipient who is at  
8           least 65 years old, who is not Medicare primary, who has  
9           been a legal resident of Illinois since at least July 1,  
10          2015, and who selects the major medical coverage program  
11          when a managed care program is accessible, the premium  
12          shall not exceed 90% of the premium actually charged in  
13          Fiscal Year 2016.

14          Rates and premiums may be based in part on age and  
15          eligibility for federal medicare coverage. However, the cost of  
16          participation for a TRS dependent beneficiary who is an  
17          unmarried child age 19 or over and mentally or physically  
18          disabled shall not exceed the cost for a TRS dependent  
19          beneficiary who is an unmarried child under age 19 and  
20          participates in the same major medical or managed care program.

21          The cost of health benefits under the program shall be paid  
22          as follows:

23                 (1) For a TRS benefit recipient selecting a managed  
24                 care program, up to 75% of the total insurance rate shall  
25                 be paid from the Teacher Health Insurance Security Fund.  
26                 Effective with Fiscal Year 2007 and thereafter, for a TRS

1 benefit recipient selecting a managed care program, 75% of  
2 the total insurance rate shall be paid from the Teacher  
3 Health Insurance Security Fund.

4 (2) For a TRS benefit recipient selecting the major  
5 medical coverage program, up to 50% of the total insurance  
6 rate shall be paid from the Teacher Health Insurance  
7 Security Fund if a managed care program is accessible, as  
8 determined by the Teachers' Retirement System. Effective  
9 with Fiscal Year 2007 and thereafter, for a TRS benefit  
10 recipient selecting the major medical coverage program,  
11 50% of the total insurance rate shall be paid from the  
12 Teacher Health Insurance Security Fund if a managed care  
13 program is accessible, as determined by the Department of  
14 Central Management Services.

15 (3) For a TRS benefit recipient selecting the major  
16 medical coverage program, up to 75% of the total insurance  
17 rate shall be paid from the Teacher Health Insurance  
18 Security Fund if a managed care program is not accessible,  
19 as determined by the Teachers' Retirement System.  
20 Effective with Fiscal Year 2007 and thereafter, for a TRS  
21 benefit recipient selecting the major medical coverage  
22 program, 75% of the total insurance rate shall be paid from  
23 the Teacher Health Insurance Security Fund if a managed  
24 care program is not accessible, as determined by the  
25 Department of Central Management Services.

26 (3.1) For a TRS dependent beneficiary who is Medicare

1 primary and enrolled in a managed care plan, or the major  
2 medical coverage program if a managed care plan is not  
3 available, 25% of the total insurance rate shall be paid  
4 from the Teacher Health Security Fund as determined by the  
5 Department of Central Management Services. For the purpose  
6 of this item (3.1), the term "TRS dependent beneficiary who  
7 is Medicare primary" means a TRS dependent beneficiary who  
8 is participating in Medicare Parts A and B.

9 (4) Except as otherwise provided in item (3.1), the  
10 balance of the rate of insurance, including the entire  
11 premium of any coverage for TRS dependent beneficiaries  
12 that has been elected, shall be paid by deductions  
13 authorized by the TRS benefit recipient to be withheld from  
14 his or her monthly annuity or benefit payment from the  
15 Teachers' Retirement System; except that (i) if the balance  
16 of the cost of coverage exceeds the amount of the monthly  
17 annuity or benefit payment, the difference shall be paid  
18 directly to the Teachers' Retirement System by the TRS  
19 benefit recipient, and (ii) all or part of the balance of  
20 the cost of coverage may, at the school board's option, be  
21 paid to the Teachers' Retirement System by the school board  
22 of the school district from which the TRS benefit recipient  
23 retired, in accordance with Section 10-22.3b of the School  
24 Code. The Teachers' Retirement System shall promptly  
25 deposit all moneys withheld by or paid to it under this  
26 subdivision (e)(4) into the Teacher Health Insurance

1 Security Fund. These moneys shall not be considered assets  
2 of the Retirement System.

3 (f) Financing. Beginning July 1, 1995, all revenues arising  
4 from the administration of the health benefit programs  
5 established under Article 16 of the Illinois Pension Code or  
6 this Section shall be deposited into the Teacher Health  
7 Insurance Security Fund, which is hereby created as a  
8 nonappropriated trust fund to be held outside the State  
9 Treasury, with the State Treasurer as custodian. Any interest  
10 earned on moneys in the Teacher Health Insurance Security Fund  
11 shall be deposited into the Fund.

12 Moneys in the Teacher Health Insurance Security Fund shall  
13 be used only to pay the costs of the health benefit program  
14 established under this Section, including associated  
15 administrative costs, and the costs associated with the health  
16 benefit program established under Article 16 of the Illinois  
17 Pension Code, as authorized in this Section. Beginning July 1,  
18 1995, the Department of Central Management Services may make  
19 expenditures from the Teacher Health Insurance Security Fund  
20 for those costs.

21 After other funds authorized for the payment of the costs  
22 of the health benefit program established under Article 16 of  
23 the Illinois Pension Code are exhausted and until January 1,  
24 1996 (or such later date as may be agreed upon by the Director  
25 of Central Management Services and the Secretary of the  
26 Teachers' Retirement System), the Secretary of the Teachers'



1 Retirement System may make expenditures from the Teacher Health  
2 Insurance Security Fund as necessary to pay up to 75% of the  
3 cost of providing health coverage to eligible benefit  
4 recipients (as defined in Sections 16-153.1 and 16-153.3 of the  
5 Illinois Pension Code) who are enrolled in the Article 16  
6 health benefit program and to facilitate the transfer of  
7 administration of the health benefit program to the Department  
8 of Central Management Services.

9 The Department of Central Management Services, or any  
10 successor agency designated to procure healthcare contracts  
11 pursuant to this Act, is authorized to establish funds,  
12 separate accounts provided by any bank or banks as defined by  
13 the Illinois Banking Act, or separate accounts provided by any  
14 savings and loan association or associations as defined by the  
15 Illinois Savings and Loan Act of 1985 to be held by the  
16 Director, outside the State treasury, for the purpose of  
17 receiving the transfer of moneys from the Teacher Health  
18 Insurance Security Fund. The Department may promulgate rules  
19 further defining the methodology for the transfers. Any  
20 interest earned by moneys in the funds or accounts shall inure  
21 to the Teacher Health Insurance Security Fund. The transferred  
22 moneys, and interest accrued thereon, shall be used exclusively  
23 for transfers to administrative service organizations or their  
24 financial institutions for payments of claims to claimants and  
25 providers under the self-insurance health plan. The  
26 transferred moneys, and interest accrued thereon, shall not be

1 used for any other purpose including, but not limited to,  
2 reimbursement of administration fees due the administrative  
3 service organization pursuant to its contract or contracts with  
4 the Department.

5 (g) Contract for benefits. The Director shall by contract,  
6 self-insurance, or otherwise make available the program of  
7 health benefits for TRS benefit recipients and their TRS  
8 dependent beneficiaries that is provided for in this Section.  
9 The contract or other arrangement for the provision of these  
10 health benefits shall be on terms deemed by the Director to be  
11 in the best interest of the State of Illinois and the TRS  
12 benefit recipients based on, but not limited to, such criteria  
13 as administrative cost, service capabilities of the carrier or  
14 other contractor, and the costs of the benefits.

15 (g-5) Committee. A Teacher Retirement Insurance Program  
16 Committee shall be established, to consist of 10 persons  
17 appointed by the Governor.

18 The Committee shall convene at least 4 times each year, and  
19 shall consider and make recommendations on issues affecting the  
20 program of health benefits provided under this Section.  
21 Recommendations of the Committee shall be based on a consensus  
22 of the members of the Committee.

23 If the Teacher Health Insurance Security Fund experiences a  
24 deficit balance based upon the contribution and subsidy rates  
25 established in this Section and Section 6.6 for Fiscal Year  
26 2008 or thereafter, the Committee shall make recommendations

1 for adjustments to the funding sources established under these  
2 Sections.

3 In addition, the Committee shall identify proposed  
4 solutions to the funding shortfalls that are affecting the  
5 Teacher Health Insurance Security Fund, and it shall report  
6 those solutions to the Governor and the General Assembly within  
7 6 months after August 15, 2011 (the effective date of Public  
8 Act 97-386).

9 (h) Continuation of program. It is the intention of the  
10 General Assembly that the program of health benefits provided  
11 under this Section be maintained on an ongoing, affordable  
12 basis.

13 The program of health benefits provided under this Section  
14 may be amended by the State and is not intended to be a pension  
15 or retirement benefit subject to protection under Article XIII,  
16 Section 5 of the Illinois Constitution.

17 (i) Repeal. (Blank).

18 (Source: P.A. 97-386, eff. 8-15-11; 97-813, eff. 7-13-12;  
19 98-488, eff. 8-16-13.)

20 Section 99. Effective date. This Act takes effect upon  
21 becoming law.