

1 AN ACT relating to insurance.

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

4 Section 5. The Health Maintenance Organization Act is
5 amended by changing Sections 2-3 and 2-4 and adding Section
6 5-3.7 as follows:

7 (215 ILCS 125/2-3) (from Ch. 111 1/2, par. 1405)

8 Sec. 2-3. Powers of health maintenance organizations.
9 The powers of a health maintenance organization include, but
10 are not limited to the following:

11 (a) The purchase, lease, construction, renovation,
12 operation, or maintenance of hospitals, medical facilities or
13 both, and their ancillary equipment, and such property as may
14 reasonably be required for its principal office or for such
15 other purposes as may be necessary in the transaction of the
16 business of the organization.

17 (b) The making of loans to a medical group under
18 contract with it and in furtherance of its program or the
19 making of loans to a corporation or corporations under its
20 control for the purpose of acquiring or constructing medical
21 facilities at hospitals or in furtherance of a program
22 providing health care services for enrollees.

23 (c) The furnishing of health care services through
24 providers which are under contract with or employed by the
25 health maintenance organization.

26 (d) The contracting with any person for the performance
27 on its behalf of certain functions such as marketing,
28 enrollment and administration.

29 (e) The contracting with an insurance company licensed
30 in this State, or with a hospital, medical, dental, vision or
31 pharmaceutical service corporation authorized to do business

1 in this State, for the provision of insurance, indemnity, or
2 reimbursement against the cost of health care service
3 provided by the health maintenance organization.

4 (f) The offering, in addition to basic health care
5 services, of (1) health care services, (2) indemnity benefits
6 covering out of area or emergency services, and (3) indemnity
7 benefits provided through insurers or hospital, medical,
8 dental, vision, or pharmaceutical service corporations, and
9 (4) point-of-service benefits as permitted under the Limited
10 Health Service Organization Act.

11 (g) Rendering services related to the functions involved
12 in the operating of its health maintenance organization
13 business including but not limited to providing health
14 services, data processing, accounting, or claims.

15 (g-5) Indemnification for services provided to a child
16 as required under subdivision (e)(3) of Section 4-2.

17 (h) Any other business activity reasonably complementary
18 or supplementary to its health maintenance organization
19 business to the extent approved by the Director.

20 (Source: P.A. 89-183, eff. 1-1-96.)

21 (215 ILCS 125/2-4) (from Ch. 111 1/2, par. 1406)

22 Sec. 2-4. Required minimum net worth-Special contingent
23 reserve-Deficiency-Impairment.

24 (a) A health maintenance organization issued a
25 certificate of authority on or after the effective date of
26 this amendatory Act of 1987 shall have and at all times
27 maintain net worth of not less than \$1,500,000. As an
28 allocation of net worth, organizations certified prior to the
29 effective date of this amendatory Act of 1987 shall maintain
30 a special contingent reserve. The special contingent reserve
31 for an organization certified between January 1, 1986 and the
32 effective date of this amendatory Act of 1987 shall be equal
33 to 5% of its net earned subscription revenue for health care

1 services through December 31st of the year in which
2 certified. In subsequent years such organization shall
3 accumulate additions to the contingent reserve in an amount
4 which is equal to 2% of its net earned subscription revenue
5 for each calendar year. For purposes of this Section, net
6 earned subscription revenue means premium minus reinsurance
7 expenses. Maintenance of the contingent reserve requires
8 that net worth equals or exceeds the contingent reserve at
9 any balance sheet date.

10 (b) Additional accumulations under subsection (a) will
11 no longer be required at such time that the total special
12 contingent reserve required by subsection (a) is equal to
13 \$1,500,000.

14 (c) A deficiency in meeting amounts required in
15 subsections (a), (b), and (d), and (d-5) will require (1)
16 filing with the Director a plan for correction of the
17 deficiency, acceptable to the Director and (2) correction of
18 the deficiency within a reasonable time, not to exceed 60
19 days unless an extension of time, not to exceed 60 additional
20 days, is granted by the Director. Such a deficiency will be
21 deemed an impairment, and failure to correct the deficiency
22 in the prescribed time shall be grounds for suspension or
23 revocation pursuant to subsection (h) of Section 5-5.

24 (d) All health maintenance organizations issued a
25 certificate of authority on or prior to December 31, 1985 and
26 regulated under this Act must have and at all times maintain,
27 prior to December 31, 1988, the net worth and special
28 contingent reserve that was required for that particular
29 organization at the time it was certified. All such
30 organizations must have by December 31, 1988 and thereafter
31 maintain at all times, net worth of not less than \$300,000
32 and a special contingent reserve calculated and accumulated
33 in the same manner as required of a health maintenance
34 organization issued a certificate of authority on or between

1 January 1, 1986 and the effective date of this amendatory Act
2 of 1987. Such calculation shall commence with the financial
3 reporting period first following certification.

4 All organizations issued a certificate of authority
5 between January 1, 1986 and the effective date of this
6 amendatory Act of 1987 must have and at all times maintain
7 the net worth and special contingent reserve that was
8 required for that particular organization at the time it was
9 certified.

10 (d-5) A health maintenance organization that offers a
11 point-of-service product must:

12 (1) maintain capital and surplus of not less than
13 300% of the "authorized control level" as determined
14 using Model HMO Risk-Based Capital calculations;

15 (2) post and maintain a surety bond in favor of the
16 Director in an amount that is not less than 125% of the
17 health maintenance organization's annual out-of-network
18 point-of-service claims;

19 (3) maintain cash and cash equivalents in an amount
20 sufficient to fully liquidate 10 days' average claim
21 payments; and

22 (4) maintain reinsurance coverage protecting
23 against catastrophic losses on out-of-network
24 point-of-service services.

25 Deductibles may not exceed \$100,000 per covered enrollee
26 per year, and the portion of risk retained by the health
27 maintenance organization after deductibles have been
28 satisfied may not exceed 20%. Reinsurance must be placed with
29 licensed, authorized insurers qualified to do business in
30 this State.

31 (e) Unless allowed by the Director, no health
32 maintenance organization, officer, director, trustee,
33 producer, or employee of such organization may renew, issue,
34 or deliver, or cause to be renewed, issued or delivered, any

1 certificate, agreement, or contract of coverage in this
2 State, for which a premium is charged or collected, when the
3 organization writing such coverage is insolvent or impaired,
4 and the fact of such insolvency or impairment is known to the
5 organization, officer, director, trustee, producer, or
6 employee of such organization. An organization is impaired
7 when a deficiency exists in meeting the amounts required in
8 subsections(a), (b), and (d), and (d-5) of Section 2-4.

9 However, the existence of an impairment does not prevent
10 the issuance or renewal of a certificate, agreement or
11 contract when the enrollee exercises an option granted under
12 the plan to obtain new, renewed or converted coverage.

13 Any organization, officer, director, trustee, producer,
14 or employee of such organization violating this subsection
15 shall be guilty of a Class A misdemeanor.

16 (Source: P.A. 85-20.)

17 (215 ILCS 125/5-3.7 new)

18 Sec. 5-3.7. Point of service products; benefit
19 allowance. A health maintenance organization that offers a
20 point-of-service product may include an annual maximum
21 benefit allowance different than that specified under the
22 Limited Health Service Organization Act that is separate from
23 any limits or allowances applied to in-plan services.