

March 8,  
2000

To: Company Presidents  
All Companies Writing Health Insurance Business (Indemnity and HMO)

From: Nathaniel S. Shapo, Director

Re: **(CB 2000-02) Bulletin regarding Effective Date of 215 ILCS 93 Small Employer Health Insurance Rating Act**  
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For those carriers writing small employer group health contracts situated in the State of Illinois, the recent passage of 215 ILCS 93 (House Bill 2271, Public Act 91-0510) has raised an issue which needs to be clarified.

The issue concerns plans already in effect prior to the effective date of the Act. In the Applicability and Scope Section (Section 15), the Act is specifically applied to plans "delivered, issued for delivery, renewed or continued in this State after July 1, 2000." However, there is also an Effective Date Section (Section 99) which has a January 1, 2000 date.

Section 25(5) of the Act provides for a three year transition period for existing plans, but only those plans issued prior to the effective date of the Act (Section 99 - January 1, 2000.). There is no transition period provided for policies issued from January 1, 2000 through July 1, 2000.

This difference between the Effective Date of the Act (January 1, 2000) and the Applicability and Scope date for the rating requirements (July 2, 2000) means that plans issued from January 1 through July 1, 2000 are not subject to the rating requirements at the time of issue. Further, they are not allowed a transition period, Therefore, as of July 2, 2000, plans issued from January 1 through July 1, 2000 would be immediately required to come into compliance with the rating requirements whereas, plans issued prior to January 1, 2000 be allowed a transition period.

The Act provides a mechanism which allows the Director to correct this inconsistency. Section 35 of the Act grants the Director the power to suspend all or part of Section 25, upon a filing by a small employer carrier, in order to "enhance the efficiency and fairness of the small employer health insurance marketplace". Such filings have been made.

The Director accordingly issues a one year suspension of the applicability of Section 25(a)(5) for policies issued from January 1, 2000 through July 1, 2000, only to "health benefit plans delivered or issued for delivery prior to the effective date of this Act" (January 1, 2000). Therefore all health benefit plans delivered or issued for delivery prior to July 2, 2000 (the Applicability Date imposed by Section 15) will be allowed a transition period

ending December 31, 2002. This one year suspension will be reviewed again next year to determine if it continues to be necessary for the fairness and efficiency of the small group market in Illinois.

Note that the conflicting effective date issue has the effect of shortening the transition period allowed in Section 25 (a)(5) from three years to 2½ years in that the rating requirements section fall under the "after July 1, 2000" effective/applicability date language, while the transition period language in Section 25 (a)(5) specifically refers to the January 1, 2000 effective date. Therefore, the transition period will be from January 1, 2000 through December 31, 2002, regardless of the fact that the rating standards will not become applicable/effective until July 2, 2000. The Director has the power to suspend all or any part of Section 25, but not the authority to amend that Section. An amendment to the Act would be required in order to address this issue.

This Bulletin, and any future communications regarding 215 ILCS 93 Small Employer Health Insurance Rating Act which are deemed relevant to the industry will be posted on the Department's web site, <http://insurance.illinois.gov/lifeactuarial.asp>.

The Department will mail notice of any future additions to the data contained in the web site to plan personnel or independent actuaries concerned with 215 ILCS 93 compliance, who send a request to be added to the mailing list. The request should be submitted to Lynn Shanklin at the E-mail address listed on the "Reply to" line. The request should contain the full name and E-mail address for the person/entity wishing to be added to the mailing list.

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