



Illinois Covered Proposal

May 2007

Where Did the State's Coverage Expansion Efforts Start?

Illinois began its recent coverage expansion efforts with the All Kids program, which it implemented in 2006. Under this program, any child in Illinois who has been uninsured for at least one year or whose family has lost its insurance due to job loss or changes in family composition can now get health insurance.

The state recognized, however, that expanding coverage to children addressed only part of the problem: About 1.4 million adults in Illinois are uninsured—about 18 percent of the population between the ages of 19 and 64. The Illinois Covered proposal is designed to expand coverage to this group.

Who Will Be Eligible for the Proposed Coverage Expansions?

The Illinois Covered proposal will expand coverage through both public programs and private plans.

Expansion of Public Programs

The state will expand coverage to certain groups of low-income adults, including childless adults and some immigrants. For these groups, Illinois will pay for coverage that is similar to Medicaid. Some of these beneficiaries will be required to pay the premiums associated with this coverage. However, adults with incomes up to 400 percent of poverty (\$82,600 a year for a family of four in 2007) will receive some assistance in paying these premiums.

The following groups will be eligible for coverage under Medicaid or public programs similar to Medicaid:

- Parents and caretakers of children in the All Kids program who do not have health coverage through their jobs and who have incomes under 400 percent of poverty (\$82,600 for a family of four in 2007) will receive coverage similar to Medicaid. Currently, the income eligibility level for parents is 185 percent of poverty (\$38,202 for a family of four in 2007).
- Childless adults who do not have health coverage through their jobs and who have incomes below the poverty level (\$10,210 a year for an individual in 2007) will receive coverage that is identical to Medicaid, except that they will not be eligible for long-term care services, chiropractic care, or transportation to medical care. Currently, childless adults under the age of 65 are not eligible for any public coverage unless they have permanent disabilities.

- Legal residents who are currently banned from receiving federal Medicaid coverage for a period of five years will be able to receive coverage through state-funded programs. These groups include children, parents, pregnant women, and people with disabilities who have incomes low enough to qualify for Medicaid.
- Working people with disabilities will be able to buy Medicaid coverage on a sliding fee scale if their incomes are no higher than 350 percent of poverty (\$35,735 for an individual in 2007). Currently, the income eligibility level for working adults with disabilities is 200 percent of poverty (\$20,420 for an individual in 2007). Note: For working adults with disabilities with incomes between 100 and 350 percent of poverty, Medicaid will pay for job-based coverage when it is available. When it is not available, Medicaid will pay for coverage through the Covered Choice program (see below).

Creating Affordable Private Coverage

In addition to the expansion of public programs described above, all Illinois managed care plans will be required to offer a product called Illinois Covered Choice. Covered Choice will be comprised of plans designed to be affordable and available to small businesses and individuals, including individuals who are not eligible for public programs. Premium assistance for the program will be based on a sliding scale. During the first year of the program, most individuals (excluding veterans) must have incomes under 400 percent of poverty to be eligible to purchase Covered Choice plans. In subsequent years, there will be no income limit.

People eligible for *individual coverage* under the Covered Choice program include the following:

- People whose employers did not offer employer-sponsored coverage for the last 18 months;
- People who lost their employer-sponsored coverage during the last 18 months due to involuntary loss of employment, death of the family member who was the policyholder, or a move, separation, or divorce;
- Veterans;
- Unemployed Illinois residents; and
- Self-employed residents.

In addition, certain small businesses will be able to purchase *group coverage* under the Covered Choice program: Small businesses with fewer than 25 employees can buy Covered Choice policies for their employees (as long as at least half of the employees participate). In the first year, the program will be restricted to businesses in which two-thirds of the employees have incomes below 400 percent of poverty. There are no income limits in subsequent years. Eligible employers will be required to pay a yet-to-be-determined percentage of employee premiums.

Other provisions that will help strengthen private coverage include the following:

- Adults who are offered job-based health insurance and who have incomes below 400 percent of poverty (\$40,840 for an individual in 2007) will be eligible to receive “rebates” to help them pay the premiums.
- Young adults who are not married and who have no dependents can remain as dependents on their parents’ health plan up to the age of 30.

How Much Will People Pay for Private Coverage?

Premium assistance for people with job-based coverage or Covered Choice policies will be based on a sliding scale. However, the income scale for premium assistance is not specifically outlined in the Illinois Covered proposal. After the proposal passes, the Department of Healthcare and Family Services will promulgate rules that will further define the income requirements and rates for premium assistance.

In separate documents, however, the governor has outlined a scale for premium assistance for the following groups:

- For people with incomes under the federal poverty level (\$20,650 for a family of four in 2007), premiums will be fully covered.
- For people with incomes between 100 and 250 percent of poverty (between \$20,650 and \$51,625 for a family of four in 2007), individual premiums will be capped at 1.5 percent of income, and family premiums will be capped at 3 percent of income.
- For people with incomes between 250 and 400 percent of poverty (between \$51,625 and \$82,600 for a family of four in 2007), individual premiums will be capped at 2.5 percent of income, and family premiums will be capped at 5 percent of income.
- People with incomes over 400 percent of poverty (\$82,600 for a family of four in 2007) will pay the full cost of premiums, which are estimated at \$10,020 annually for a family of four in the Covered Choice program.

What Benefits Will People Receive in the Covered Choice Program?

Illinois Covered Choice enrollees will receive “major medical” benefits, including coverage for mental health care. Enrollees will be able to purchase coverage for vision and dental care for an additional fee. Long-term care and infertility treatments will not be covered. After the Illinois Covered proposal passes, the Department of Healthcare and Family Services will promulgate rules that will further define “major medical benefits.”

Who Will Offer Covered Choice Plans?

All managed care organizations that are licensed to do business in Illinois must offer Covered Choice plans. Companies that sell policies to small businesses must offer a Covered Choice plan as one of their small business products, and companies that sell policies to individuals must offer a Covered Choice plan as one of their individual market products. Doctors and other health care providers that participate in any network offered by the managed care organization must also serve Covered Choice enrollees.

What Incentives or Mandates Will Encourage Participation in This Expansion?

■ Business Credits

Under the Illinois Covered bill, businesses with 10 or more employees will pay a new tax assessment. The assessment will be 3 percent of employee wages, up to a maximum of \$7,500 per employee, to be paid in quarterly tax filings. However, if these businesses provide health coverage to their workers, they can receive a credit to offset this assessment:

- If a business's health care expenditures exceed 4 percent of wages, that business will get a credit of 3 percent, fully offsetting the new assessment.
- If a business's health care expenditures are between 2.5 and 4 percent of wages, the business will receive a smaller credit that will partially offset the new assessment.¹
- If a business's health care expenditures are less than 2.5 percent of wages, it receives no credit.

■ Individual Mandate to Be Considered

By 2009, a task force appointed by the governor will make a recommendation to the General Assembly on whether to require individuals to purchase health insurance. The task force must consider how an individual mandate would affect health care costs, access, affordability, and quality of care. If the number of uninsured residents is 500,000 or more in 2010, the General Assembly must consider the task force's recommendation.

How Will Illinois Covered Be Financed?

Illinois's proposed expansion will be funded partly by obtaining federal matching funds for expanding Medicaid and SCHIP. Funds to support the expansion will also be obtained from general state revenues, the new business assessment, and a new gross receipts tax proposed by the governor.

Would the Proposal Reform Insurance Regulations?

While the proposal would not change the rules that apply to all commercial insurers, it would establish some requirements aimed at achieving access and affordability in the Covered Choice plans:

- Covered Choice plans must use adjusted community rating. That is, they cannot charge people higher premiums based on their health, and there are specific limits on how much premiums can vary based on other factors. For example, premiums can vary by only 25 percent based on age, 30 percent based on geography, and 25 percent based on employer size. People who participate in wellness activities or chronic care management may receive 10 percent discounts on premiums.
- Insurers must submit their proposed premium rates to the state insurance department for review and approval.
- The insurance department can set provider payment rates, but these rates cannot be lower than Medicare payment rates.
- The state will pay for stop-loss insurance (insurance that protects health plans against catastrophic claims), but details about this provision are yet to be determined.
- The plans must sell Covered Choice policies to eligible individuals and small businesses during annual open enrollment periods.

What Other Major Reforms Does the Proposal Make?

The Illinois Covered proposal strengthens consumer protections regarding insurance by:

- Setting stricter rules about how insurers can consider health information in insurance applications and when insurers can exclude coverage for preexisting health conditions;
- Requiring plans to rely on the judgment of mental health professionals to determine whether mental health treatment will be approved or denied;
- Improving procedures for the external review of health plan decisions; and
- Establishing an Office of Patient Protection in the insurance department to assist consumers with health insurance problems.

The proposal also seeks to improve the state health care system by:

- Creating systems for electronic health information and proposing simplifications in administrative systems used by public and private insurers;
- Increasing cultural competency and minority participation;
- Establishing a loan repayment program for dentists who agree to serve the uninsured or practice in underserved areas; and
- Providing a roadmap for improvements in health and chronic care, including rewards for disease management, use of best practices, data collection, and wellness initiatives.

For more information, see:

- Illinois Senate Bill 5 (the proposal is contained in an amendment filed on March 20, 2007), available online at <http://www.ilga.gov/legislation/95/SB/PDF/09500SB0005sam001.pdf>.
- Governor Blagojevich's Illinois Covered Web site at <http://www.illinoiscovered.com/>.
- Campaign for Better Health Care Web site at <http://www.cbhconline.org/>.
- Health and Disability Advocates fact sheets, available online at <http://www.hdadvocates.org/accesstohealth/Materials/index.htm>.

¹ To calculate the tax credit for businesses whose health care expenditures are between 2.5 and 4 percent of wages, subtract 2.5 percent from the percent of wages that the business spent on health care, and then subtract that difference from the maximum credit of 3 percent. For example, if the business spent 3.5 percent of wages on health care, its credit would be 3 percent: (3.5 percent - 2.5 percent) = 2 percent.



1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005
Phone: 202-628-3030 ■ E-mail: info@familiesusa.org
www.familiesusa.org