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NEWS

ROD R. BLAGOJEVICH - GOVERNOR

FOR IMMEDIATE RELEASE

July 12, 2007

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Gov. Blagojevich uses executive authority to prevent insurance companies from pricing sick people out of their health coverage

New rules will prohibit drastic premium increases based on health status and require full rate disclosure from insurance companies

CHICAGO – Governor Rod R. Blagojevich today announced new rules his administration is filing to address urgent health insurance problems for the growing number of Illinois families without job-based health insurance. The rules will prohibit insurance companies from basing premium increases on health status for individual policies and will require them to disclose to state regulators detailed information on premiums and expenses. The rules announced today complement the long-term goal of the Governor’s comprehensive Illinois Covered plan, which would help individuals and small businesses in Illinois afford and maintain quality affordable health coverage – regardless of health status.

“There’s something so fundamentally unfair about a person being priced out of their health insurance after they’ve consistently paid premiums year after year -- especially if it happens at a time when they really need medical care,” said Gov. Blagojevich. “This year, we have an opportunity to pass the most comprehensive healthcare plan in the country that would give every family and small business in our state access to affordable health coverage – even if they have a sickness or health condition. While we continue to work with lawmakers in Springfield to pass Illinois Covered and put a long-term solution in place, we’re going to do what we can now to help rein-in insurance costs and protect coverage for people who have it.”

Gov. Blagojevich ordered the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Insurance, to file two rules. The first rule prevents insurance companies from considering health status when setting a premium on a renewed individual health insurance policy. Insurance companies will only be permitted to consider demographics and medical cost inflation when setting premiums for renewing individual policies. The new rule will protect consumers from being priced out of coverage after they’ve experienced an illness or injury.

Individual or family insurance purchased on the private market is significantly more expensive than either small or large group insurance, costing on average \$6,046 annually for an individual and \$15,534 annually for a family. More than one million Illinoisans purchase their health insurance directly from insurance companies, according to U.S. Census estimates. Currently, companies offering individual plans are able to raise rates with virtually no constraints.

“The cost of healthcare has really weighed on me. You know when you work, you pay \$25 or \$30 on healthcare every two weeks. But I stepped out of the system and my insurance increased to \$400 a month for me and my granddaughter. You don't have a choice, you have to have health coverage. Now it's gone up to almost \$700 dollars this month. I am just trying to keep up,” said Jo Ann Dean, a retired nurse who is the guardian of her 17-year old granddaughter. Ms. Dean recently took a part-time nursing job to help make ends meet.

In many cases, families that buy their health insurance on the private individual market do not have the option of finding a new insurance company if rates skyrocket due to illness or injury. If they were to go to a different company, the illness that caused the rate increase would be deemed “a pre-existing condition” and care and treatment costs would be withheld from coverage.

“In 2004, when I was running my own business and supplying healthcare for myself and my family, I was paying over \$1800 a month for healthcare. Business was good, but that monthly premium was overwhelming. And every time it came time to renew, the price would go up 40 percent. Later that year, I had to take a staff job elsewhere and cut back on my business primarily due to the cost of healthcare. What made this more precarious is that I have a blood disorder that needs constant attention so I don't have an option to drop to a minimal health care plan to bring down the premium cost,” said Roy Bocchieri.

The second provision that was filed as an emergency rule today will, for the first time, require health insurance companies to report quarterly how much they collect in premiums and how much is spent on healthcare claims, starting September 30, 2007. The new reporting requirements will provide the state the information necessary to more stringently regulate rates.

“When the statewide Adequate Healthcare Task Force looked at the challenges and problems in our existing health insurance system, one major point we noted was the lack of information about what insurance companies charge and whether or not those rates are fair. The Governor's new rule directly addresses that issue. It's about consumer protection, accountability and transparency,” said Salim Al Nurridin a member of the Adequate Healthcare Task Force, created by Gov. Blagojevich in 2004.