

DEPARTMENTAL CORRESPONDENCE

TO: Rick Ginex, Village Manager
FROM: Mary LaLonde, Employee Benefits Coordinator
DATE: March 28, 2003
RE: Federal Health Insurance Portability and Accountability Act of 1996 and the Illinois Health Insurance Portability and Accountability Act

ACTION REQUESTED: Review information and authorize staff by motion to complete and file the necessary election document for the Village to opt out of the provisions of the Federal and Illinois Health Insurance Portability and Accountability Acts for the Village health plan beginning May 1, 2003.

The Village of Downers Grove has elected to opt out of compliance with phase one of the Health Insurance Portability and Accountability Act (HIPAA) since it was passed in 1996. The basis for this was that it was determined that compliance with phase one HIPAA could increase Village health care costs between two and four percent, an amount inconsistent with our cost control efforts.

The decision to opt out of this phase of HIPAA has proven to be of financial benefit to the Village of Downers Grove. Since the original decision was made in 1997, the Village has seen several significant cost factors, which have not become our expense due to opting out. Based on this experience it is our belief that it is in the best financial interest of our organization to once again elect to opt out of compliance with phase one of HIPAA effective with the plan year beginning on May 1, 2003.

Although electing to opt out of compliance with phase one of HIPAA we will, of course, continue to comply with the requirement of providing certification of health insurance to employees once their coverage with the Village ceases. We will also comply with phase two of HIPAA which addresses the privacy rights of individuals. As you are aware this phase was recently communicated to all Village employees, and becomes effective April 14. Finally, we will continue with the practice of annually noticing, in writing, all individuals covered under the Village of Downers Grove health insurance program as well as all new employees being enrolled in the plan.

Please contact me at your earliest convenience if I may provide additional information or if you should need any further clarification.

ml

cc: G. Zimmerman
E. Petarca

RESOLUTION NO. _____

**A RESOLUTION TO OPT-OUT OF COMPLIANCE
WITH THE PROVISIONS OF THE FEDERAL AND ILLINOIS
HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY
ACTS FOR THE VILLAGE HEALTH PLAN YEAR BEGINNING MAY 1, 2003**

WHEREAS, the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) requires that group health plans, including the Village's self-funded health insurance plan, comply with certain requirements including limits on preexisting condition exclusions (See 42 U.S.C. 300gg et seq. & 45 CFR 144.101 et seq.); and

WHEREAS, the Village's self-funded health insurance plan is a non-federal governmental plan as defined in HIPAA; and

WHEREAS, nonfederal governmental plans may elect to opt-out of compliance with most of the requirements of HIPAA including the limitations on preexisting condition exclusions; and

WHEREAS, the State of Illinois has also adopted a Health Insurance Portability and Accountability Act (IHIPAA) with provisions similar to HIPAA including the ability for nonfederal governmental plans to opt-out of compliance with most of the IHIPAA requirements (See 215 ILCS 97/1 et seq.); and

WHEREAS, the Village's Plan Administrator, has estimated that compliance with HIPAA and IHIPAA could increase the Village's health care costs between two to four percent each plan year; and

WHEREAS, to control health care costs and adequately maintain the self-funded health plan, the Village Council desires to opt-out of the requirements of HIPAA and IHIPAA,

NOW, THEREFORE, BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the provisions of the preamble are incorporated herein.
2. That the Village shall exercise its ability as a nonfederal government health plan to opt-out of compliance with the following provisions of HIPAA, and the corresponding provisions in IHIPAA, for the health plan year beginning May 1, 2003:
 - (a) Limitations on preexisting condition exclusion periods. (45 CFR 146.111)
 - (b) Special enrollment periods for individuals (and dependents) losing other coverage. (45 CFR 146.117)
 - (c) Prohibitions against discriminating against individual participants and beneficiaries based on health status. (45 CFR 146.121)

**NOTICE OF ELECTION OPTING OUT OF CERTAIN
PROVISIONS OF THE STATE AND FEDERAL HEALTH INSURANCE PORTABILITY
AND ACCOUNTABILITY ACTS**

In general, the state and federal Health Insurance Portability and Accountability Acts (Acts) require group health plans to provide the following:

1. Limitations on preexisting condition exclusion periods.
2. Special enrollment periods for individuals (and dependents) losing other coverage.
3. Prohibitions against discriminating against individual participants and beneficiaries based on health status.
4. Standards relating to benefits for mothers or newborns.
5. Parity in the application of certain limits to mental health benefits.

However, the Acts authorize non-federal governmental plans to elect out of these requirements. The Village's self-funded health insurance program is a nonfederal governmental plan. On April 15, 2003, the Village Council adopted Resolution _____ electing to opt-out of all the requirements set forth above for the health plan year beginning May 1, 2003.

**VILLAGE OF DOWNERS GROVE, DUPAGE COUNTY, ILLINOIS
ELECTION FOR EXEMPTION FROM THE PROVISIONS OF THE HEALTH INSURANCE
PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (HIPAA) AND THE
ILLINOIS HEALTH INSURANCE PORTABILITY
AND ACCOUNTABILITY ACT (IHIPAA)**

The Village of Downers Grove, an Illinois Municipal Corporation, with offices at 801 Burlington Avenue, Downers Grove, Illinois, operates a self-funded health insurance program which is administered by a third party administrator. Plan information is as follows:

Village of Downers Grove
Employee Benefit Plan

Administrator: Employers Health/Humana, Inc.
1100 Employers Blvd.
Green Bay, WI 54344-0001
(800) 558-4444

No portion of that program is provided through health insurance coverage. The health insurance program is a nonfederal governmental plan as defined in the Illinois Health Insurance Portability and Accountability Act (IHIPAA). (See 215 ILCS 97/5)

Under the authority of Section 2721(b)(2) of the Public Health Service (PHS) Act, and 45 CFR 146.180 of the Federal Regulations of HIPAA and the corresponding provisions in IHIPAA, the Village of Downers Grove elects to be exempt from the following provisions of Title XXVII of the PHS Act, the portions of Chapter 45 of HIPAA and the corresponding sections of IHIPAA:

1. Limitations on preexisting condition exclusion periods.
2. Special enrollment periods for individuals (and dependents) losing other coverage.
3. Prohibitions against discriminating against individual participants and beneficiaries based on health status.

Attached hereto and made a part hereof are the following documents:

1. Resolution adopted by the Downers Grove Village Council on April 15, 2003, electing to opt out of the provisions of HIPAA and IHIPAA as noted above for the group health plan year beginning May 1, 2003.
2. A copy of the notice to be provided to all plan participants at the time of enrollment in the plan and also on an annual basis as required under 215 ILCS 97/45(c).

As Mayor of the Village of Downers Grove and pursuant to the resolution adopted by the Downers Grove Village Council, I certify that I have the power and authority to execute this election document on behalf of the Village of Downers Grove.

Date: _____

Mayor Brian J. Krajewski
Village of Downers Grove

Attest: _____
Village Clerk

(d) Standards relating to benefits for mothers and newborns. (Section 2704 of the PHS Act)

(e) Parity in the application of certain limits to mental health benefits. (Section 2705 of the PHS Act)

3. The Village Manager and staff are authorized to draft and execute the necessary election documents to be submitted to the appropriate state and federal officials.

4. To the extent of any conflict with this resolution, all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

Mayor

Passed:

Attest: _____
Village Clerk

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