ILLINOIS COMPREHENSIVE HEALTH INSURANCE PLAN

George H. Ryan
Governor

Jim Ryan
Attorney General

Nathaniel S. Shapo
Chairman of the Board

Richard W. Carlson
Executive Director

2001 ANNUAL REPORT AND FINANCIAL SUMMARIES

ICHIP
Illinois Comprehensive Health Insurance Plan

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
320 WEST WASHINGTON STREET
SPRINGFIELD, ILLINOIS 62767-0001

GEORGE H. RYAN
GOVERNOR

NATHANIEL S. SHAPO
DIRECTOR

September 30, 2002

To the Honorable Members
of the 91st General Assembly

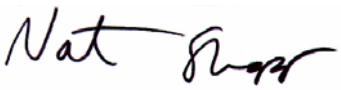
On behalf of the Board of Directors of the Comprehensive Health Insurance Plan, which I am privileged to Chair, and over 13,500 Illinois residents who are currently participating in this state program, I am pleased to present its Annual Report and Financial Summaries for Calendar Year 2001. This report is completed in accordance with the requirements of the Comprehensive Health Insurance Plan Act (215 ILCS 105/1 et seq.) and contains significant information concerning CHIP participants, benefits, operations, and cost containment activities.

The past year has been both a challenging and rewarding one for all of State government, including the CHIP program. We began calendar year 2001 with new enrollment in the state-funded or Traditional CHIP program closed and a growing waiting list of those needing this coverage. As a result, the CHIP Board approved a number of cost containment measures, and sought and received a supplemental appropriation of $10 million. This allowed the Board to reopen enrollment in this CHIP pool in April of 2001, and eliminated a waiting list for the next year. A regular appropriation of $32 million for Fiscal Year 2002 was also approved at that time by the Governor and the General Assembly, which has allowed CHIP to continue to maintain a level enrollment of nearly 5,700.

CHIP did not fare as well in the current budget, and ended up receiving no appropriation for fiscal year 2003. Because of the nearly $2 billion deficit in this year's state budget, transfers from a number of special funds to the General Revenue Fund were approved as part of this budget. Conceptually, this included CHIP funds which are currently held in reserve for future losses. As a result, CHIP will now have to use part or all of these reserves to fund the current year's deficit for the Traditional CHIP pool. We have been assured that this was an extraordinary "one-time only" cash management technique, and that its approval does not reflect any lack of commitment by the Governor and General Assembly to continuing to fund CHIP at its current enrollment level of 5,700 participants.

Since July 1, 1997, Illinois also has continued to use CHIP to comply with the individual requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). This HIPAA-CHIP program (Section 15) has brought Illinois into compliance with federal mandates by successfully providing insurance to thousands of displaced consumers, including former employees and retirees of a number of Illinois employers who have gone out of business during the past year. This other program continues to grow, has no limitation on enrollment, and requires no state funds. The deficit for HIPAA-CHIP is funded by a broad-based assessment which is levied against all health insurers and health maintenance organizations doing business in Illinois.

Respectfully submitted,



Nathaniel S. Shapo
Director of Insurance and
Chairman of the Board of Directors

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September 30, 2002

The Honorable George H. Ryan
Governor
State of Illinois
Room 207, State House
Springfield, IL 62706

Dear Governor Ryan:

On behalf of our Board of Directors, I am pleased to present its Thirteenth Annual Report and Financial Summaries outlining major activities of the Comprehensive Health Insurance Plan (CHIP) for calendar year 2001.

The original CHIP program is now more than thirteen years old and continues to be funded in part by appropriated funds which the CHIP Board receives from the State's General Revenue Fund. Since its inception, CHIP has served more than 32,000 Illinois residents from every county in Illinois who qualified for this coverage, and has paid more than $678 million in benefits on behalf of these CHIP participants.

In the beginning of calendar year 2001, CHIP needed and received a supplemental appropriation of $10 million for the first time in its history. This allowed the CHIP Board to reopen enrollment in the Traditional CHIP program on April 3, 2001, and eliminate the waiting list which had developed. Fortunately, with your approval of Senate Bill 962, CHIP was also able to provide coverage with no limitation on preexisting conditions for approximately 150 former policy-holders of Illinois Healthcare Insurance Company who were left without coverage when that company became insolvent.

In response to legislative requests that the CHIP Board also take steps to contain costs and increase premiums, our Board also approved several important changes in the benefits provided by CHIP that were designed to maximize the amount of provider discounts which both CHIP and its participants are able to receive through our Administrative Agreement with Blue Cross/Blue Shield of Illinois. Existing preferred provider organization (PPO) options were expanded to include both hospitals and physicians; the previous standard "indemnity" options were discontinued; and a prescription drug card program was implemented with the new administrative agreement which the Board approved last year after an extensive competitive bidding process. In addition, the CHIP Board determined that two premium rate increases, averaging 11.1% effective February 1, 2001 and 12.9% effective August 1, 2001, were necessary.

As difficult as all of these decisions were for our Board to make, I am pleased to report that they have now produced the desired savings and have helped to significantly reduce the deficits which have been incurred by this important state-funded health insurance program during the last two fiscal years. After total losses for this pool increased from $16 million in FY1999 to $28.5 million in FY2000, the deficits for the fiscal years 2001 and 2002 have been reduced to $21.4 million and $12.5 million respectively. As a result, our actuaries are now projecting that the deficit for the Traditional CHIP or Section 7 pool for Fiscal Year 2003 will be approximately $17.5 million, which again is significantly less than previous projections.

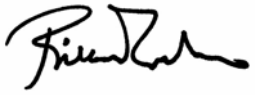
The approval and implementation in 1997 of a major new program for us in response to the enactment of the federal Health Insurance and Portability Act of 1996 (HIPAA) continues to be of major significance for CHIP. This important legislation gave individual states the choice of requiring insurance companies in the individual market to guarantee issue their own policies, or of selecting an alternative mechanism, such as CHIP, to satisfy this federal requirement. Illinois has continued to receive national recognition of its use of CHIP for this purpose, and it clearly has been the right decision for Illinois. To date nearly 13,500 "federally eligible individuals" have been covered by Illinois' HIPAA-CHIP program, and current enrollment is now close to 8,000. As a result, HIPAA-CHIP is the larger of the two programs which CHIP currently offers.

By using a broad based assessment, it has been possible to spread the cost of insurance for these eligible individuals across the entire health insurance industry in our state, with nearly $12 billion in direct Illinois premiums reported to the Department of Insurance for Calendar Year 2001. The assessment which our Board recently approved for Fiscal Year 2003 was $19.6 million, which represents about 16/100ths of 1% of this total direct Illinois premium. Consequently, the Illinois individual health insurance market, which is very price sensitive and amounts to approximately $800 million in annual premiums, has not been forced to fully absorb and subsidize these costs.

The existence of CHIP has been a valuable safety net for many Illinois residents, and demand for this state program is at an all-time high. Given the current economic situation, CHIP is needed now, more than ever before, to allow eligible Illinois residents to lead productive lives without the fear that they will be left without insurance and a sudden medical crisis might then result in personal bankruptcy or cause them to end up on Medical Assistance. CHIP continues to allow individuals with serious medical conditions to purchase health insurance and secure needed medical treatment without worrying whether their bills will be paid. Without CHIP, these devastating medical expenses would be cost-shifted, making both the medical care and health insurance more expensive for everyone, even causing more people to become uninsured as a result of being priced out of the market.

Thank you for your leadership and the strong support which we have received from you for this important and successful program. We look forward to continuing to help meet the health care needs of this very special segment of our population.

Respectfully submitted,



Richard W. Carlson
Executive Director

Introduction to the CHIP Program

Section 7 - Traditional CHIP

The original or Traditional Comprehensive Health Insurance Plan (CHIP), now more than 13 years old, continues to be very successful in carrying out its original mission. For thousands of eligible Illinois residents with serious medical conditions who have found themselves uninsurable in the private market, CHIP has given them the ability to purchase health insurance and secure needed medical treatment. Since its inception, the Traditional CHIP program has provided "freedom from fear" for almost 19,000 eligible residents from every county in Illinois who qualified under Section 7 of the Comprehensive Health Insurance Plan Act.

Total benefits paid on behalf of these CHIP participants exceeded $467 million by the end of 2001, while the premiums paid by these individuals have only covered approximately 50% of the cost of providing this coverage. The resulting deficits continue to be funded in part by state funds appropriated from the General Revenue Fund.

Enrollment was originally limited to 4,000 and then increased to 4,500. When this was not adequate to satisfy the demand for CHIP coverage in the early years, a waiting list had to be established. This enrollment cap was subsequently increased on five separate occasions over the next ten years, and is currently set at 5,700. The need for a waiting list was eliminated from October, 1994 to September, 2000, and again from April, 2001 to April of 2002.

The number of Section 7 applications received during 2001 totaled 1,928, down 20% from the 2,424 received in 2000. This downturn in application activity can primarily be attributed to new enrollment in this pool being closed from September of 2000 to April of 2001. Enrollment in the Section 7 pool at the end of calendar year 2001 was 5,602, compared to 5,351 at the end of 2000 – an increase of 5%. A total of 1,353 new Section 7 participants were added in 2001, compared to 1,237 in 2000, an increase of 9.4%.

For the first time in its history, the Traditional CHIP program sought and received a supplemental appropriation of $10 million in Fiscal Year 2001. As a result, CHIP was again able to begin extending new offers of coverage under the Section 7 CHIP pool in April of 2001. The waiting list that had developed was also then eliminated for most of the next year.

At that time, Plan 1 was no longer offered to new participants, and was discontinued as of December 31, 2001. Benefits for Plan 3 were also changed to include an expanded preferred provider option (PPO) for determining the level of benefits that applied for all hospital and medical services, drugs, and supplies. Participants can still go to providers they choose, but maximum benefits are only available if participating hospitals and physicians are utilized. Annual savings from these changes were estimated to be worth millions of dollars, which were fully realized in fiscal year 2002.

After a lengthy competitive bid process, Blue Cross Blue Shield of Illinois was awarded a new five-year contract to serve as Plan Administrator effective January 1, 2002. With this new contract, the CHIP Board was able to add a prescription drug card program for all Plan 3 participants. These participants now pay a separate 20% co-pay, subject to certain minimums, maximums, and other limitations, on all covered generic and brand prescriptions with no deductible or out-of-pocket maximum.

As a result of these and other actions approved by the CHIP Board during calendar year 2001, the total deficits for the Section 7 pool were reduced from $28.5 million for fiscal year 2000 to $21.4 million for fiscal year 2001 and $12.5 million for fiscal year 2002.

Section 15 - HIPAA-CHIP

A second program for CHIP was approved and implemented in 1997 in response to the enactment of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

This federal legislation gave the individual states, like Illinois, several options for ensuring that "eligible individuals" have access to individual health insurance on a guarantee-issue basis with no preexisting condition exclusions. States could either require insurance companies in the individual market to guarantee issue or could approve an alternative mechanism, such as CHIP, to satisfy this requirement.

Senate Bill 802 was subsequently approved in the 1997 legislative session to bring the CHIP Act in compliance with HIPAA and allow CHIP to qualify as this type of alternative mechanism.

As a result, CHIP is able to offer an alternative health benefit plan (Plan 5), with a choice of four different deductible options, to federally eligible individuals. Since 1997, more than thirteen thousand of these eligible Illinois residents, who have exhausted their right to continue prior group coverage and have run out of options for securing their own individual policy, have obtained and enjoyed comprehensive medical coverage with CHIP without any exclusions for preexisting conditions.

Benefits and premiums for Plan 5 are similar to the PPO option (Plan 3) for Traditional CHIP, except that there is no exclusion for preexisting conditions, and benefits for inpatient treatment of mental illness are limited to 45 days per calendar year for all hospitals. Also, Plan 5 will never have a waiting list.

Effective May 1, 2001, benefits for all HIPAA-CHIP participants were changed to include an expanded preferred provider option (PPO) for determining the level of benefits for all hospital and medical services, drugs, and supplies. Although these participants can still go to the providers they choose, maximum benefits are only available if participating hospitals and physicians are utilized. Annual savings as a result of these benefit changes were estimated to be worth several millions of dollars, and began to be fully realized in fiscal year 2002.

A prescription drug card program was also added for Plan 5 participants effective January 1, 2002. These participants now pay a separate 20% co-pay, subject to certain minimums, maximums, and other limitations, on all covered generic and brand prescriptions with no deductible and no out-of-pocket maximum for these prescription card benefits.

The deficits resulting from this coverage provided to federally eligible individuals under Section 15 are covered by a broad-based assessment levied against health insurers, health maintenance organizations, and voluntary health service corporations doing business in Illinois. For the fourth and fifth years of this program, Fiscal Years 2001 and 2002, assessments for the HIPAA-CHIP pool remained at $18.5 million for each year, which amounted to less than $2/10^{ths}$ of 1% of total direct Illinois premiums for calendar years 1999 and 2000.

The HIPAA-CHIP program received 4,369 applications for calendar year 2001, 4% higher than the year previous. The total in-force enrollment was 6,220 on December 31, 2001, which represented an increase of 30% over the 4,769 who were actively enrolled in this pool on December 31, 2000.

The demand for HIPAA-CHIP, or the Section 15 pool, has continued to grow. Enrollment in the HIPAA-CHIP pool totaled 7,435 on June 30, 2002, and increased by an average of 203 per month for each of the previous six months.

The use of CHIP to comply with the individual requirements of HIPAA has clearly been the right decision for Illinois. By using a broad-based assessment, it has been possible to spread the cost of insurance for these higher risk individuals across the entire health insurance industry in Illinois. As a result, the individual health insurance market in Illinois, which is very price sensitive and amounts to approximately $800 million in annual premiums, has not been forced to fully absorb and subsidize these costs.

Program Funding

Premiums paid by CHIP participants historically have provided approximately 50% of the funding necessary to operate the Plan. The resulting deficits are addressed differently for the Traditional CHIP program and the HIPAA-CHIP program.

Section 7 – Traditional CHIP

The Traditional CHIP pool has been funded partly by premiums paid by participants and, to the extent that premiums do not meet anticipated expenses, by an appropriation from the state's General Revenue Fund.

Prior to July 1, 1997, the law required premiums to be set at 135%. The CHIP Act was amended five years ago to allow the premiums charged for CHIP coverage to be between 125% to 150% of the average rates charged individuals for comparable coverage by five or more of the largest insurance companies in the individual health insurance market in Illinois. The percentage used in determining premiums for this pool continued to be 135% until it was increased to 143% in 2001.

The average annualized premium paid by participants in the Traditional CHIP program during 2001 was $4,207, 12% higher than the average of $3,756 paid in 2000.

The CHIP Board of Directors understands that cost continues to be the number one barrier to individuals obtaining health insurance today, whether from CHIP or from the private market. A state health benefits risk pool, such as CHIP, would do relatively little to increase access to health insurance for the medically uninsurable if premiums for this program were priced according to each individual's actual risk based on his or her health status.

Premiums in that case would have to be at least twice their current level. CHIP premiums must, therefore, be subsidized by the state. This state subsidy allows the cost of insuring the uninsurable in Illinois to be spread across a broad segment of our population and helps keep everyone's insurance rates down by pooling the cost of treating these high-risk individuals.

Due to unexpected increases in claim costs in 2000, the Board anticipated that the deficit for the Traditional CHIP (Section 7) for the fiscal year ending June 30, 2001 would be significantly higher than the $17.3 million appropriation that the Board initially received from the State's General Revenue Fund to fund that year's anticipated deficit.

As a result, the CHIP Board took immediate action in early September 2000 to suspend extending any new offers of coverage in the Section 7 pool until the General Assembly had the opportunity to review this situation and find a solution to this budget crisis. While recognizing that this would cause problems for those who still needed access to this program, the Board determined that this action was necessary in order to meet its statutory obligations to current Section 7 participants, and to avoid committing the General Assembly to providing unlimited additional funding which it had not previously considered.

In the Spring 2001 legislative session, the General Assembly approved a $10 million supplemental appropriation for CHIP. This allowed the CHIP Board to reopen this pool and begin extending new offers of coverage again in April 2001. It also eliminated the need for a waiting list from the end of June 2001 through April of 2002. A regular appropriation of $32 million for Fiscal Year 2002 was also approved, which has allowed CHIP to maintain a level enrollment of nearly 5,700 since April of 2001.

Section 15 – HIPAA-CHIP

On July 1, 1997, CHIP began to enroll federally eligible individuals pursuant to Section 15 of the Illinois Comprehensive Health Insurance Plan (CHIP) Act.

As amended by Senate Bill 802 (Public Act 90-30), Section 12 of the CHIP Act now requires that the CHIP Board, during the first quarter of each fiscal year, assess all health insurers, health maintenance organizations, and voluntary health service plans for the amount of the anticipated deficit which it expects to be incurred during that fiscal year for all eligible individuals who have enrolled in CHIP under Section 15 of the CHIP Act.

The process for determining the amount of the anticipated deficit begins with a report and recommendation prepared by the Board's consulting actuary. This recommendation is reviewed by the Board's Actuarial Advisory Committee, which makes a report and recommendation to the Board's Finance Committee. The Finance Committee reviews this report and makes its own recommendation to the full Board for final approval.

The success of the Illinois HIPAA-CHIP program, which has maintained its premiums at 135% of the rate charged by five or more of the largest carriers in Illinois that provide similar individual coverage, is largely attributable to its ability, by statute, to assess a broad base of health insurance companies and health maintenance organizations doing business in Illinois.

The direct Illinois premium base for this purpose for calendar year 2001 amounted to slightly under $12 billion, allowing the assessment for Fiscal Year 2003 of $19.6 million to be less than 17/100^{ths} of 1% of this large direct Illinois premium base.

As a result, the individual health insurance market in this state, which is very price sensitive and amounts to approximately $800 million in annual premiums, has not been forced to absorb and fully subsidize the costs of these higher cost individuals. Thus, the individual health insurance market in our state has remained relatively stable and not experienced the significant increases in premiums or the mass exodus of insurers in this market that have occurred in most of the "federal fall-back" states that chose to implement the guarantee issue requirements in HIPAA.

Two similar reports that were released in 1999, one by the GAO and another by the Urban Institute, examined states' use of their high-risk pools for complying with the individual market requirements for HIPAA. Both studies concluded that the premiums being charged for individual policies in the 22 states, such as Illinois, that used high-risk pools as an alternative mechanism were well below what was being charged for similar coverage in the 14 other states that chose to implement these federal requirements.

Illinois CHIP was also prominently featured in another study by the Heartland Institute as a state "high-risk" health insurance program with "best practices" that should be used by other states in establishing similar programs.

The HIPAA-CHIP pool has also had an important impact on those enrolled in the Traditional CHIP pool. Because the premiums that CHIP is required by state law to charge are a function of the premiums charged by the largest individual health insurers in Illinois, all of our participants (in both pools) are directly benefiting from the increase in premiums in the private individual market being less than those for the group market, particularly small groups.

Participants in HIPAA-CHIP paid an average annualized premium of $4,696 in calendar year 2001. This amounted to a 13.5% increase over the average premium of $4,139 paid in 2000. It also reflects a generally older group of participants who have had prior group coverage, exhausted all of their COBRA rights, and are then frequently using HIPAA-CHIP as a bridge until they qualify for Medicare.

Who Qualifies for CHIP?

Section 7 – Traditional CHIP

Illinois residents can currently qualify for CHIP, unless otherwise ineligible, if they meet one of the following criteria:

- have applied for individual health insurance coverage and have been rejected because of a preexisting condition;
- have a very expensive existing individual policy that is substantially similar to CHIP and costs them personally more than they would pay under CHIP; or
- have one of the 31 presumptive medical conditions that do not require a rejection letter from an insurer (*see table*). These conditions are presumed to result in automatic rejections by all insurance companies. In these cases, the applicants may submit a letter from their attending physician.

Persons **not** eligible for CHIP are those who:

- have or obtain other health insurance that is substantially similar to or more comprehensive than CHIP or would be eligible for such coverage if they elected to obtain it (unless the rate they themselves would be required to pay exceeds what they would pay for CHIP);
- receive or are approved to receive medical assistance from the State of Illinois;
- are 65 years of age or older and are eligible for Parts A and B of Medicare;
- have voluntarily terminated coverage under CHIP within the past 12 months;
- have already received $1,000,000 in benefits paid under CHIP;
- are residents of a public institution;
- have their premium paid or reimbursed by a government agency or program, or by a health care provider;
- have remaining from a settlement or award as the result of an accident or injury involving third-party liability more than $100,000; or
- have committed or attempted to commit fraud in obtaining any insurance or benefits to which that person or any other person is not entitled.

Employees and their dependents who were previously covered under an employer's group health plan or policy are not eligible for CHIP if that employer has discontinued their coverage and continues to offer a group health plan to other employees.

Presumptive Medical Conditions
Acquired Immune Deficiency Syndrome (AIDS) or AIDS Related Complex (ARC)
Angina Pectoris
Arteriosclerosis Obliterans
Cerebrovascular Accident (Stroke)
Chemical Dependency
Cirrhosis of the Liver
Coronary Insufficiency
Coronary Occlusion
Cystic Fibrosis
Friedreich's Ataxia
Hemophilia (Classical)
Hodgkin's Disease
Huntington's Chorea
Juvenile Diabetes
Kidney Failure Requiring Dialysis
Leukemia
Lupus Erythematosus Disseminate
Metastatic Cancer
Multiple or Disseminated Sclerosis
Muscular Atrophy or Dystrophy
Myasthenia Gravis
Myotonia
Paraplegia or Quadriplegia
Parkinson's Disease
Poliomyelitis
Polycystic Kidney
Severe Traumatic Brain Injury
Sickle Cell Anemia
Silicosis Pneumoconiosis (Black Lung)
Syringomyelia
Wilson's Disease

Section 15 – HIPAA-CHIP

Applicants who meet the criteria to be federally eligible individuals and qualify for CHIP coverage under Section 15 of the CHIP Act can enroll in HIPAA-CHIP and will not have to satisfy a preexisting condition waiting period.

Federally eligible individuals are those individual residents of Illinois who, at the time they seek plan coverage under Section 15 of the CHIP Act, satisfy all of the following criteria:

- they must have accrued a total of 18 or more months of prior creditable coverage, and have no more than a 90-day break between periods of creditable coverage;
- their most recent creditable coverage must have been provided under a group health plan, government plan, or church plan;
- they must not be eligible for group health coverage, Medicare due to age or Medicaid, and must not have any other health insurance coverage;
- their most recent coverage must not have been terminated due to nonpayment of premium or fraud; and
- if offered continuation of coverage under federal COBRA requirements or state continuation laws, they must have elected and exhausted such continuation coverage.

Notwithstanding any of the above, HIPAA-CHIP coverage is not available to any individuals:

- who have or would be eligible for any group health insurance coverage, if they elected to obtain it;
- who have or obtain any other health insurance coverage, including an individual conversion policy;
- who receive or are approved to receive medical assistance from the State of Illinois;
- who are eligible for Medicare Parts A & B due to age;
- whose most recent coverage terminated due to nonpayment of premium or fraud;
- whose Section 15 Eligibility and Enrollment Form is received by the CHIP Board office more than 90 days after the termination of their most recent group health insurance coverage;
- who have their premium paid or reimbursed by a government agency or program, or by a health care provider; or
- whose $1 million lifetime maximum in benefits has been paid under CHIP.

Creditable coverage means, with respect to an individual, coverage of the individual under any of the following types of plans:

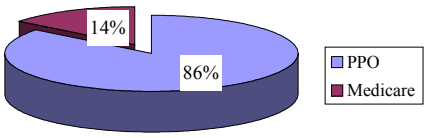
- a group health plan;
- health insurance coverage (including group health insurance coverage);
- Medicare;
- Medical Assistance or Medicaid;
- CHAMPUS, Tricare or any other health benefit plans for the uniformed services of the United States;
- a medical care program of the Indian Health Service of tribal organizations;
- a state health benefits risk pool such as CHIP;
- the Federal Employees Health Benefits program;
- a public health plan established or maintained by a state, county, or other political subdivision of a state that provides health insurance coverage to individuals; or
- a health benefit plan under the Peace Corps Act.

Coverage Options

Section 7 – Traditional CHIP

Traditional CHIP participants who are not eligible for Medicare can enroll in a preferred provider (PPO) option (Plan 3) that was expanded in 2001 to include physicians as well as hospitals. To receive maximum benefits under this plan, a designated PPO provider must be used. If a participant in Plan 3 uses a non-PPO provider, the rate of reimbursement is lower and those charges are subject to a separate out-of-network expense limitation, in addition to the deductible and out-of-pocket expense amount.

Distribution by Plan Type -- Traditional CHIP

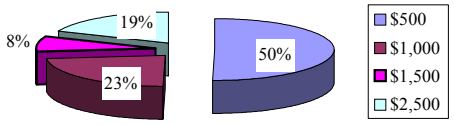


CHIP also offers an alternate plan (Plan 2) that is available only for persons who are under 65 years of age and who are eligible for and enrolled in Parts A & B of Medicare due to a disabling condition. This alternative CHIP plan is NOT, however, a standard Medicare Supplement policy.

Persons 65 and older are not eligible for CHIP because of the guarantee issue of private Medicare supplement insurance. CHIP premiums for persons on Medicare are less because benefits are reduced by benefits received from Medicare. Plan deductibles and coinsurance both apply to benefits received.

All plans offer deductible options of $500, $1,000, $1,500, and $2,500, which must be met in each calendar year. If two or more members of a family are covered under the same CHIP benefit plan, a family annual deductible of $1,000, $2,000, $3,000, or $5,000 is available.

Distribution by Deductible -- Traditional CHIP



After the annual deductible is met, benefits are payable at a percentage (which can vary by provider, PPO or non-PPO) of usual and customary eligible charges for covered services. After a participant accumulates an out-of-pocket expense limit (which varies depending on the type of plan and deductible amount), the plan pays benefits at 100% of covered charges for dates of service prior to the beginning of the next calendar year. All benefits are subject to the $1 million lifetime maximum.

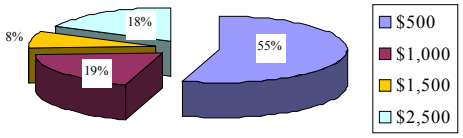
A prescription drug card program was implemented for Plan 3 participants effective January 1, 2002. These participants now pay a separate 20% co-pay, subject to certain minimums, maximums, and other limitations, on all covered generic and branded prescriptions with no deductible or out-of-pocket maximum.

At the time of enrollment or marriage, participants may also purchase an optional maternity indemnity rider in $500 increments.

Section 15 – HIPAA-CHIP

One of the requirements in the federal HIPAA legislation requires states to provide a choice of portability plans for federally eligible persons seeking individual coverage. The Board has authorized Plan 5, with four different deductible options, to be offered under the HIPAA-CHIP pool.

Distribution by Deductible -- HIPAA CHIP



Plan 5 is a preferred provider organization (PPO) plan with a choice of deductibles of $500, $1,000, $1,500, and $2,500. It is available to federally eligible individuals who qualify under Section 15 of the CHIP Act. The benefits are similar to Plan 3 except there is no preexisting condition limitation, and benefits for inpatient treatment of mental illness are limited to 45 days per calendar year. After the deductible has been met, the plan participant pays 20%, and CHIP pays 80% of usual and customary expenses.

Effective May 1, 2001, benefits for Plan 5 participants were changed to include an expanded preferred provider option (PPO) for determining the level of benefits that applied for all hospital and medical services, drugs, and supplies. Although these participants can still go to the providers they chose, maximum benefits are only available if participating providers are utilized. If a non-PPO provider is used, the applicable co-payment increases to 40%.

Also effective May 1, 2001, paper claims for prescription drugs on behalf of CHIP participants were no longer accepted and all such claims had to be submitted electronically by a participating network pharmacy in our administrator's "BlueScript" program in order to receive any benefits or reimbursements for any covered prescription drugs.

A prescription drug card program for all Plan 5 participants was subsequently implemented effective January 1, 2002. These participants now pay a separate 20% co-pay, subject to certain minimums, maximums, and other limitations, on all covered generic and branded prescriptions with no deductible or out-of-pocket maximum for these prescription card benefits.

Annual savings as a result of these benefit changes were estimated to total several millions of dollars, and began to be fully realized in fiscal year 2002.

Maternity coverage in increments of $500, up to a maximum that varies depending upon the age and geographic area in which the participant lives, is also available to be purchased upon initial enrollment or marriage.

Premiums

Section 7 – Traditional CHIP

Prior to the passage of Senate Bill 802 in 1997, CHIP premiums were set at 135% of applicable standard rates. Amendments to the CHIP Act in 1997 allowed premiums for CHIP coverage to be between 125% to 150% of the average rates charged individuals for comparable coverage by five or more of the largest insurers in the individual health insurance market in Illinois. In 2001, the multiplier used in setting CHIP was increased from 135% to 143%.

In order to develop premiums in accordance with this 125% to 150% statutory requirement, CHIP's consulting actuaries average the premiums charged by the five or more largest insurers offering individual comprehensive major medical policies in Illinois, adjusting for differences in coverage and effective dates of each company's rates. Actuaries from the Illinois Department of Insurance and the Board's Actuarial Advisory Committee review their recommendations before they are presented to the Board's Finance Committee and, later, to the entire Board for final approval.

Based on such reviews, the overall average rates for the CHIP Plans 2 and 3 increased by 11.1% effective February 1, 2001, and 12.9% (7.6% for Plan 3 after adjustments for change in PPO benefits) effective August 1, 2001.

Premiums paid by CHIP participants vary depending on one's age, sex, where he or she lives within the state, the deductible amount, and whether it is Plan 2, 3 or 5.

Optional family coverage is available only in cases where two or more family members of the same household each *qualify* for and are enrolled in the same CHIP benefit plan. The oldest qualified family member pays premiums at 100% of the stated rate, and all other family members pay premiums at 80% of the stated rates.

For rating purposes, the state is divided into four geographic rate areas that reflect the relative differences in the cost of medical care in those areas. The basis for area rating is the participant's county of residence, except for the City of Chicago.

Rate Area A

The City of Chicago. This is the area where health care costs are highest and, consequently, premiums are the highest.

Rate Area B

Suburban Cook, and all of DuPage, Kane, Lake, McHenry and Will Counties.

Rate Area C

All of Boone, Champaign, DeKalb, Grundy, Kankakee, Kendall, Madison, Peoria, Rock Island, Sangamon, St. Clair, Tazewell, and Winnebago Counties.

Rate Area D

The remaining 83 counties in downstate Illinois. This rate area has the lowest premiums and is predominantly rural in nature.

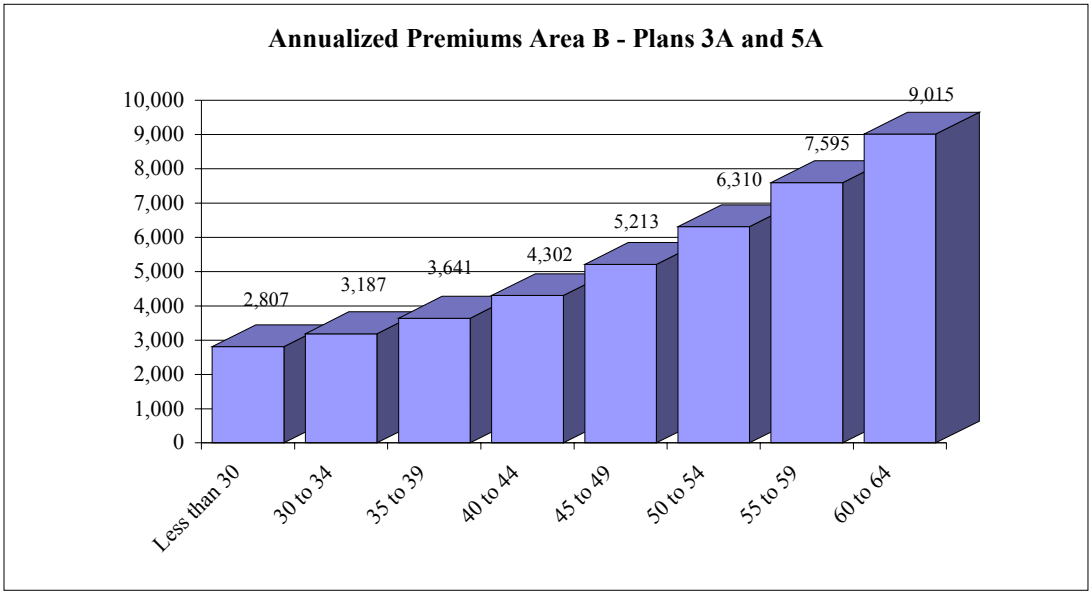
For calendar year 2001, the $22.8 million in earned premiums paid by the participants in the Section 7 pool covered approximately 54% of the total cost of $41.7 million for providing coverage to the participants in this Traditional CHIP pool for that year.

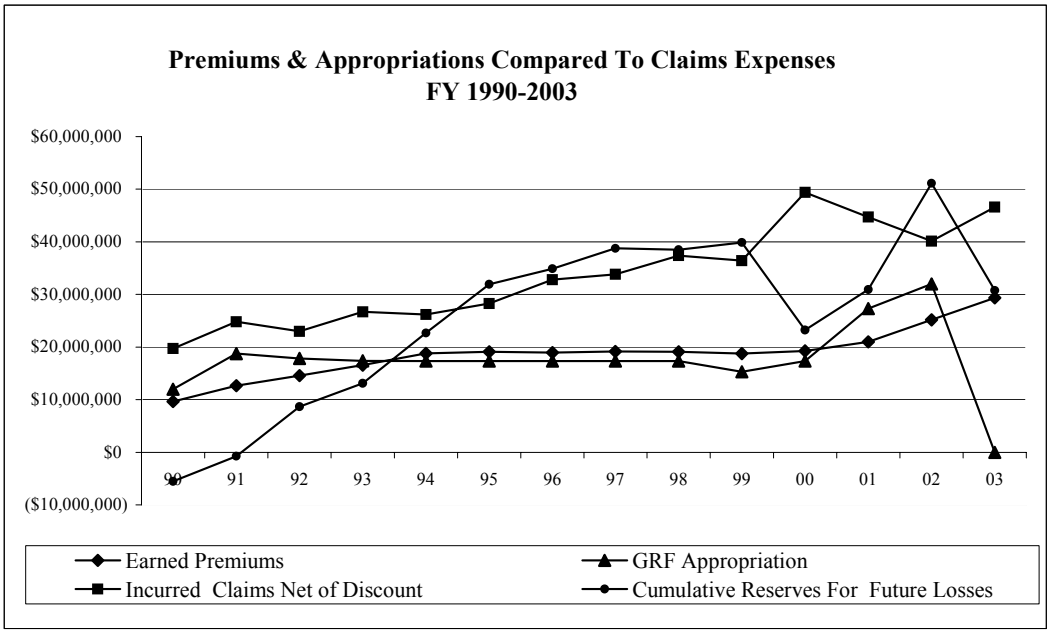
Section 15 – HIPAA-CHIP

The Board establishes the premiums for coverage in the HIPAA-CHIP plans within the same 125% to 150% range that is applicable to the Traditional CHIP plans. The same rate methodology is used for this pool as the Traditional CHIP pool. Currently rates are set at 135%.

Comment: Annualized premium chart updated June 9. See Average premiums.xls in this subdirectory.

For calendar year 2001, the $26.5 million in earned premiums paid by the participants in the Section 15 pool covered approximately 63% of the total cost of $41.8 million for providing coverage to the participants in this HIPAA-CHIP pool for that year.


Annualized Premiums Area B - Plans 3A and 5A
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,807
3,187
3,641
4,302
5,213
6,310
7,595
9,015
Less than 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64


Premiums & Appropriations Compared To Claims Expenses
FY 1990-2003
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
($10,000,000)
90
91
92
93
94
95
96
97
98
99
00
01
02
03
Earned Premiums
GRF Appropriation
Incurred Claims Net of Discount
Cumulative Reserves For Future Losses

Enrollment

Section 7 – Traditional CHIP

Each year, the Board of Directors is required by law to estimate the number of new participants it believes it has the financial capacity to enroll during the year. The Board must then take the necessary steps to ensure that plan enrollment does not exceed the number of Illinois residents that it has estimated can be covered at any one time. For this reason, enrollment was initially limited to 4,000, and later raised to 4,500 in late 1989, a limit that was first met in February of 1990. Subsequently, the Board has incrementally raised this limit on another five occasions. The current limitation on enrollment is 5,700.

As a result, a waiting list was not needed between October of 1994 and September of 2000. Due to an unexpected sharp increase in claim costs in calendar years 1999 and 2000, the CHIP Board took action to suspend extending any more offers of enrollment between September 1, 2000 and April 1, 2001. The resulting waiting list then grew to 868 by the end of March 2001, and was subsequently eliminated when a supplemental appropriation of $10 million was approved.

Since CHIP became operational in May 1989, the total number of persons who have been covered by Traditional CHIP through the end of calendar year 2001 has been almost 19,000.

Applications for the Traditional CHIP program during 2001 totaled 1,928, a decrease of 20% from the 2,424 applications in 2000. New participants added to Traditional CHIP for 2001 totaled 1,353, which was 9.4% over 2000 when there were 1,237 new participants. Coverage for a total of 1,039 Traditional CHIP participants terminated during 2001. The largest percentage of terminations resulted from participants lapsing their coverage due to non-payment of premium. Participants turning age 65 was the second major cause of termination.

Persistency of policies issued by CHIP remains strong, with 88% of policies issued in 2001 still in force at the end of the year. *Nine percent of those who enrolled in CHIP when the program first began in 1989 are still covered by the program.*

Section 15 – HIPAA-CHIP

There is no limitation on enrollment in HIPAA-CHIP, and under state and federal law there can never be a waiting list for federally eligible individuals who qualify under Section 15 of the CHIP Act.

Applications for HIPAA-CHIP again increased during calendar year 2001, and totaled 4,369. This represented an increase of 4% over the 4,196 applications which were received in 2000 (which was an 81% increase over 1999). New participants added to HIPAA-CHIP in 2001 totaled 3,110, which was 4% less than the 3,249 who were added in 2000. Coverage for a total of 1,588 HIPAA-CHIP participants terminated during 2001. Enrollment in this pool has continued to increase to 6,220 at the end of calendar year 2001, and to 7,435 at the end of June 2002. As a result, HIPAA-CHIP continues to be the larger of the two CHIP pools.

At the end of calendar year 2001, total enrollment in CHIP (for both Sections 7 and 15) was up 17% over 2000, with 11,822 participants. Nine months later, total enrollment is now over 13,500.

Additional emphasis continued to be placed on consumer education and awareness of both the Traditional CHIP and HIPAA-CHIP programs in 2001. Our activities in this area have continued to receive national recognition, including, among others, from both the U.S. Centers for Medicare and Medicaid Services and the General Accounting Office.

Application and Enrollment Activity January 1 – December 31, 2001	CHIP	HIPAA	Total
New Applications Entered	1,928	4,369	6,297
New Participants Added	1,353	3,110	4,463
Applications Rejected	508	456	964
Applications Withdrawn	305	573	878
Participants Terminated	1,039	1,588	2,627
Enrolled and Subsequently Rescinded	9	30	39
Active Enrollment Year End	5,602	6,220	11,822

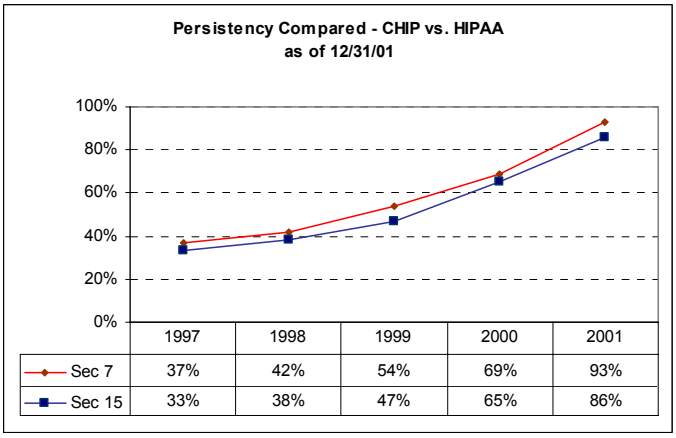
Traditional CHIP Enrollment at Month End	1997	1998	1999	2000	2001	2002
January	5,018	5,095	5,021	5,255	5,208	5,573
February	5,083	5,064	5,066	5,254	5,129	5,589
March	5,113	5,080	5,024	5,300	5,039	5,671
April	5,167	5,066	5,070	5,344	5,180	5,663
May	5,213	5,060	5,117	5,429	5,406	5,669
June	5,210	5,028	5,120	5,466	5,540	5,688
July	5,222	5,027	5,161	5,508	5,564	5,678
August	5,207	5,051	5,165	5,554	5,566	5,704
September	5,175	5,023	5,163	5,558	5,609	5,696
October	5,161	5,022	5,145	5,486	5,613	
November	5,153	5,006	5,146	5,425	5,611	
December	5,062	5,017	5,150	5,351	5,602	

HIPAA-CHIP Enrollment at Month End	1997	1998	1999	2000	2001	2002
January		501	1,662	2,832	5,017	6,397
February		590	1,741	2,947	5,101	6,644
March		717	1,822	3,156	5,279	6,933
April		849	1,929	3,270	5,339	7,107
May		916	2,017	3,461	5,422	7,262
June		1,010	2,079	3,633	5,572	7,435
July	68	1,098	2,198	3,817	5,716	7,631
August	111	1,201	2,270	4,069	5,850	7,794
September	148	1,276	2,379	4,201	5,953	7,909
October	242	1,349	2,467	4,402	6,015	
November	319	1,434	2,545	4,601	6,124	
December	377	1,544	2,647	4,769	6,220	

Participant Terminations by Reason				
Reason for Termination	CHIP	HIPAA	Grand Total	Percent
Other Coverage	194	506	700	27%
Age 65	215	395	610	23%
Non-Payment - Lapsed	243	214	457	17%
Insured's Request	126	150	276	11%
Death	60	46	106	4%
NSF Check	44	26	70	3%
Non-Resident	40	40	80	3%
Need Verification from Adm				
Medicaid	27	17	44	2%
Medicare	5	32	37	1%
Premium too high				
10-Day Free Look	9	25	34	1%
Maximum Age for Dependent	0	2	2	0%
Grand Total	**1,039**	**1,588**	**2,627**	**100%**

In-Force Enrollment by Plan Type as of December 31, 2001				
	Plan	Deductible	Number	Percent
Traditional CHIP	2A	$ 500	614	5%
	2B	$1,000	119	1%
	2C	$1,500	27	0%
	2D	$2,500	42	0%
	3A	$ 500	2,195	19%
	3B	$1,000	1,174	10%
	3C	$1,500	428	4%
	3D	$2,500	1,003	8%
Subtotal Section 7			5,602	47%
HIPAA-CHIP	5A	$ 500	3,401	29%
	5B	$1,000	1,195	10%
	5C	$1,500	521	5%
	5D	$2,500	1,103	9%
Subtotal Section 15			6,220	53%
Grand Total			**11,822**	**100%**

Active Participants by Rate Area				
Area	**CHIP**	**HIPAA**	**Total**	**Percent**
A	621	599	1,220	10.32%
B	2,538	3,091	5,629	47.61%
C	825	885	1,710	14.46%
D	1,618	1,645	3,263	27.60%
Total	**5,602**	**6,220**	**11,822**	**100.00%**



Plan Persistency 1989-2001				
Year		**Issued**	**In Force**	**Percent**
1989		4,513	418	9%
1990		1,350	111	10%
1991		1,016	148	17%
1992		981	166	20%
1993		1,262	221	21%
1994		1,079	191	21%
1995		1,122	322	34%
1996		1,248	347	36%
1997		1,713	613	36%
1998		2,486	989	40%
1999		2,902	1,463	50%
2000		4,360	2,872	66%
2001	Jan	423	352	
	Feb	207	161	
	Mar	249	204	
	Apr	551	571	
	May	482	409	
	Jun	459	399	
	Jul	427	371	
	Aug	415	358	
	Sep	286	270	
	Oct	381	366	
	Nov	331	323	
	Dec	284	280	
		4,495	3,964	88%
Adjustment			(3)	
Total		28,518	11,822	

Age-Gender Distribution

Section 7 – Traditional CHIP

At the end of 2001, the largest group of Traditional CHIP participants (39%) was again between the ages of 55 and 64. The next largest age groups enrolled in CHIP were ages 45 to 54 (28%); ages 35 to 44 (17%); ages 30 to 34 (5%); and ages 0 to 29 (11%). Less than 1% of CHIP enrollees were age 65 or older.

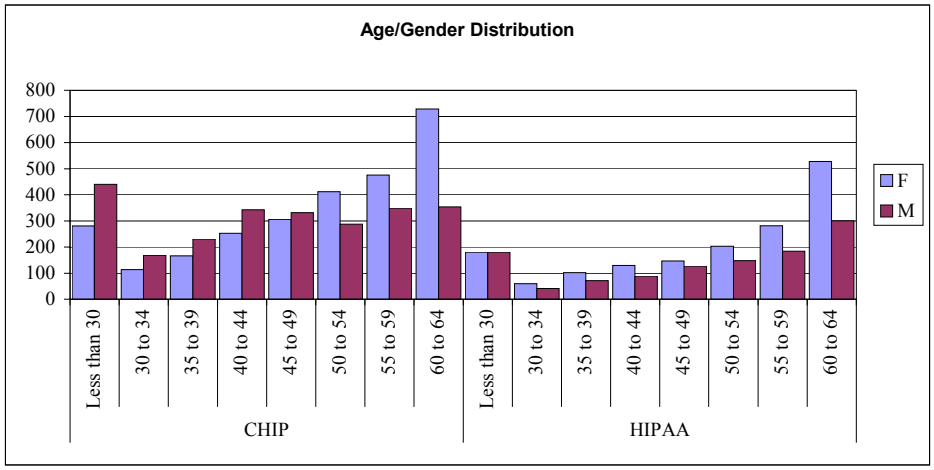
Many of those in the under age 30 category are children who have serious medical conditions, many of whom require constant care, and who have been unable to obtain insurance coverage elsewhere. For the age 65 and older category, ample choices for supplemental coverage are available in the private market when persons become eligible for Medicare. CHIP is appropriate at this age only if a person is ineligible for Medicare.

Plan-wide, the split between the sexes remained nearly even, with 52% female and 48% male. Participation by females was lower in the younger years, evened up in the middle-aged category, and then exceeded males in the older age groups. Female participation increased by age group: they comprised 38% of the *under-30* age category, 51% of the *45-54* age category, and 62% *of the 55-64 age* category. This is consistent with prior years' experience for the Traditional CHIP population.

Section 15 – HIPAA-CHIP

As a group, the HIPAA-CHIP participants are generally older than those in Traditional CHIP. HIPAA-CHIP also has a larger percentage of female participants than Traditional CHIP. At the end of 2001, 48% of HIPAA-CHIP participants were between the ages of 55 and 64. The next largest age groups enrolled in HIPAA-CHIP were ages 45 to 54 (25%); ages 35 to 44 (13%); ages 30 to 34 (3%); and ages 0 to 29 (11%).

The split between the sexes for HIPAA-CHIP was 59% female and 41% male. Female participation also increased by age group: they comprised 47% of the *under-30* age category, 57% of the *45-54* age group, and 64*% of the 55-64 age category*.


Age/Gender Distribution
800
700
600
500
400
300
200
100
0
F
M
Less than 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
Less than 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
CHIP
HIPAA

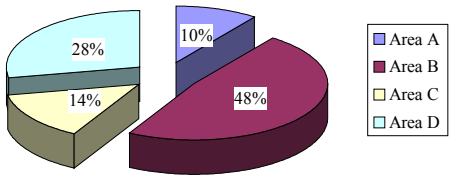
Geographical Distribution

Chicago and the suburban or "collar" counties (*areas A and B, respectively)* are home to 58% of the people enrolled in CHIP. The next largest group lives in rural, downstate Illinois *(area D)*. This area accounted for 28% of the people enrolled in CHIP at the end of 2001. CHIP is continuing to serve individuals from throughout Illinois, and there was at least one person from all but one (Hardin) of the 102 counties in Illinois enrolled in CHIP at year-end 2001.

Due to the economic downturn experienced in Illinois during 2001, coupled with the aftermath of the September 11 tragedy, several large downstate Illinois employers either filed for bankruptcy or closed their doors, which resulted in additional demand for access to the CHIP program. In Whiteside County, approximately 6,000 persons were affected by employers who decided to close their doors, and in Madison County another approximately 2,000 persons were affected due to a large employer's filing for bankruptcy. In response to this increased need, CHIP staff partnered with other state and local agencies by conducting nearly twenty outreach seminars during 2001 to provide information about the program to displaced workers and retirees.

As evidenced by the increases in CHIP participants, in Whiteside and Madison counties of 288% and 23%, respectively, for the twelve months ending 2001 compared to 2000, these outreach seminars represented a highly effective response to the needs of these Illinois citizens who found themselves in an immediate need for access to health insurance coverage.

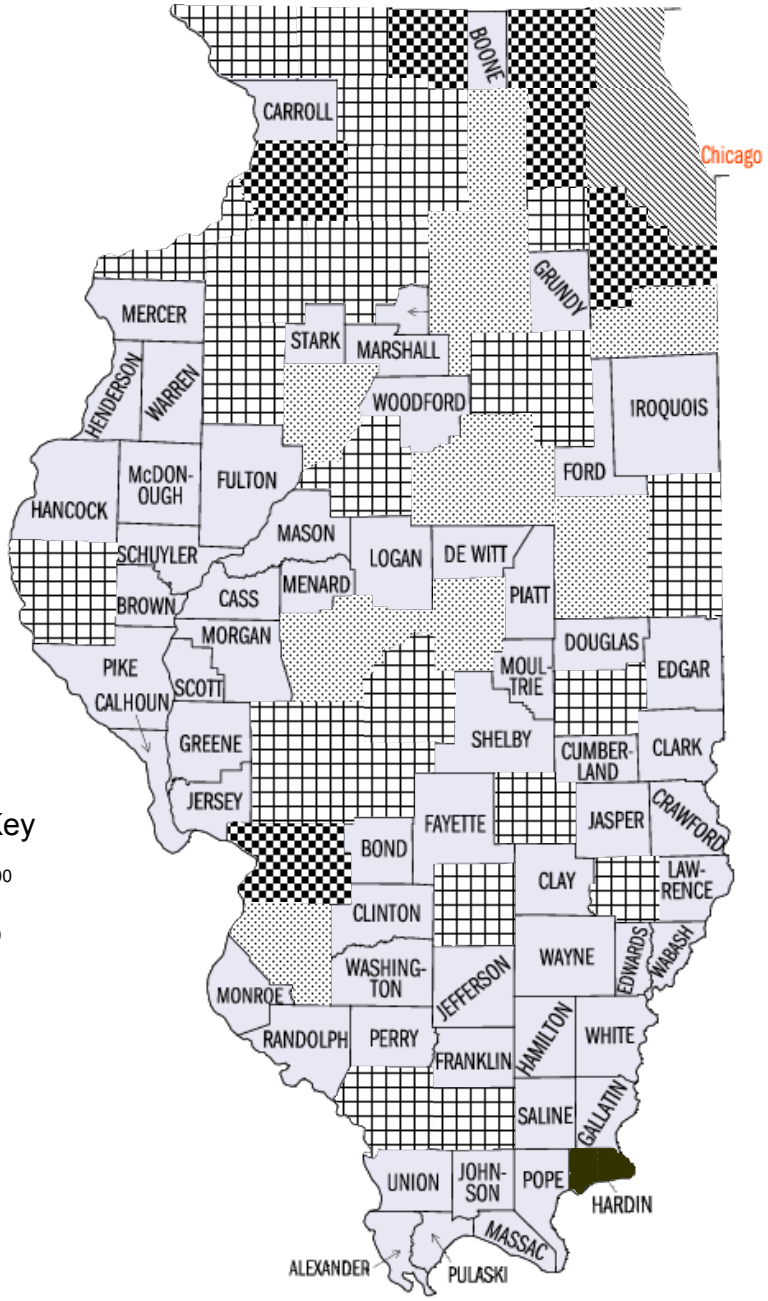
WHERE DO THEY LIVE



Most Populous Counties[1]			
County	**CHIP**	**HIPAA**	**TOTAL**
Cook	1,858	2,042	3,900
DuPage	469	617	1,086
Lake	395	531	926
Kane	163	195	358
Will	147	172	319
McHenry	133	141	274
Winnebago	131	141	272
Whiteside	43	186	229
Madison	101	120	221
Sangamon	108	77	185
Peoria	83	94	177
St. Clair	79	95	174
Macon	69	81	150
McLean	87	59	146
LaSalle	87	55	142
Kankakee	52	74	126
Champaign	64	62	126
DeKalb	53	68	121
Tazewell	46	41	87
Rock Island	39	42	81
Ogle	36	41	77
Bureau	33	43	76
Adams	31	45	76
Henry	34	41	75
Jackson	37	37	74
Stephenson	37	36	73
Vermillion	34	38	72
Williamson	34	37	71
Kendall	33	37	70
Marion	32	35	67
Livingston	36	31	67
Christian	23	43	66
Effingham	36	29	65
Lee	31	27	58
Macoupin	29	27	56
Knox	28	25	53
Montgomery	26	27	53
Coles	27	25	52
Jo Daviess	23	28	51
Clinton	28	21	49
Franklin	24	20	44
Shelby	20	24	44
Iroquois	23	21	44
Richland	14	28	42
Morgan	30	11	41
Jefferson	28	11	39
Fulton	25	14	39
Boone	20	18	38
Subtotal	*5,019*	*5,713*	*10,732*
Other Counties	583	507	1,090
TOTAL	**5,602**	**6,220**	**11,822**

[1] Source: Monthly Reports provided by BCBSI to the CHIP Board Office

Distribution of Participants by County



Participation Key

- 900 - 4,000
- 200 – 400
- 100 - 200
- 50 - 100
- 1- 50
- 0

Benefits Paid to Participants

A health insurance plan experiences a *lag* between the time a participant receives medical services and the time bills for these services are submitted and finally processed for payment. Because of this lag, the claims paid by the end of any given month do not represent all the claims that were incurred prior to the end of that month which will eventually result in payment. For this reason, in recognition of claims that have been *incurred but not reported*, a *reserve* must be established.

Section 7 – Traditional CHIP

During calendar year 2001, gross paid losses for the Section 7 pool amounted to almost $56 million. In anticipation of claims that were not submitted by year-end, a reserve of $10.0 million was established for this Traditional CHIP pool.

Given that CHIP is by its very purpose providing coverage for individuals with histories of serious and chronic illness, a small percentage of participants still accounts for a significant percentage of these total claims. In calendar year 2001, a total of 239 Section 7 participants had claims paid in excess of $50,000 each, and as a group accounted for a total of $25.7 million in claims. This means that 4% of the Section 7 participants accounted for 46% of this pool's total gross paid claims for calendar year 2001. The comparable figures for the previous calendar year were 280 participants accounted for a total of $32.2 million in claims; and 5% of the participants accounted for 51% of the total gross paid claims.

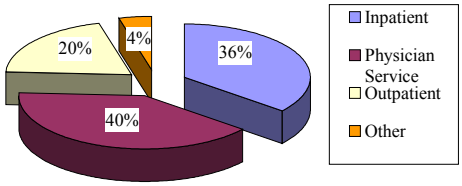
Section 15 – HIPAA-CHIP

During calendar year 2001, paid losses for the Section 15 pool were over $53.2 million. In anticipation of claims that were not submitted by year-end, a reserve of $6.6 million was established for the HIPAA-CHIP pool.

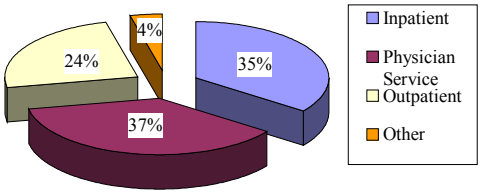
A total of 233 Section 15 participants incurred claims in excess of $50,000 each during calendar year 2001. Again, while this group only represented 4% of the Section 15 participants, they accounted for 46% of this pool's total gross paid claims for calendar year 2001.

The following pie charts summarize paid claims by major categories.

Traditional CHIP Distribution



HIPAA CHIP Distribution



Gross Paid Claims by Month (Traditional CHIP)					
Cumulative = $513,760,151.12					
	1998	**1999**	**2000**	**2001**	**2002**
January	$ 4,015,267.69	$ 4,027,785.25	$ 5,273,689.00	$ 5,041,449.11	$ 6,181,962.59
February	4,094,803.83	2,421,801.43	3,479,362.16	4,905,745.21	4,420,690.02
March	3,570,073.65	3,929,158.86	4,358,283.75	4,559,146.15	5,329,861.36
April	3,943,861.40	3,486,546.37	5,189,750.95	3,985,091.95	4,541,543.19
May	3,054,420.22	3,469,880.55	7,203,208.87	4,851,714.05	4,741,686.81
June	4,035,080.43	3,223,536.04	6,117,154.21	4,548,678.82	4,985,220.35
July	3,573,422.15	4,536,450.70	4,609,693.88	4,771,031.05	5,473,269.82
August	3,353,943.23	4,344,949.55	5,517,508.86	4,738,074.84	5,578,990.64
September	3,542,161.28	2,927,903.30	5,067,113.23	4,127,685.32	5,153,169.86
October	3,796,128.90	4,097,749.01	5,693,073.60	5,555,815.05	
November	3,439,221.95	4,390,346.11	5,239,573.53	4,450,562.15	
December	4,304,620.65	6,026,020.67	5,530,002.82	4,270,337.60	
Total	**$ 44,723,005.38**	**$ 46,882,127.84**	**$ 63,278,414.86**	**$ 55,805,331.30**	**$ 46,406,394.64**
Thru period	$301,387,882.47	$348,270,010.31	$411,548,425.17	$467,353,756.48	$513,760,151.12

Gross Paid Claims by Month (HIPAA-CHIP)					
Cumulative = $164,803,731.75					
	1998	**1999**	**2000**	**2001**	**2002**
January	$ 103,783.68	$ 835,775.65	$ 1,792,858.57	$ 3,612,261.16	$ 6,331,759.91
February	106,247.74	792,573.39	1,592,482.97	3,340,565.90	4,430,469.38
March	460,953.63	1,124,899.38	2,209,069.01	3,866,670.01	5,930,324.19
April	524,457.41	1,349,762.87	2,527,561.71	3,950,273.51	6,013,249.00
May	329,581.23	1,163,748.38	3,422,218.24	5,079,941.28	6,491,482.68
June	687,187.38	1,435,309.42	2,836,434.06	4,516,057.05	6,229,145.35
July	511,881.14	1,502,016.34	3,018,998.13	4,188,796.85	5,606,617.85
August	471,857.88	1,729,232.35	3,494,495.37	4,890,613.29	5,841,186.84
September	735,961.22	1,719,883.71	3,794,122.52	4,298,534.68	5,672,231.42
October	786,958.20	1,497,111.61	3,891,184.14	5,690,194.30	
November	571,170.36	1,494,085.43	3,278,241.73	4,955,625.60	
December	1,312,017.32	2,022,732.77	3,658,675.93	4,874,699.24	
Total	**$6,602,057.19**	**$16,667,131.30**	**$35,516,342.38**	**$53,264,232.87**	**$ 52,546,466.62**
Thru period	$6,809,558.58	$23,476,689.88	$58,993,032.26	$92,438,211.31	$164,803,731.75

Preexisting Conditions

Section 7 – Traditional CHIP

Persons enrolling in CHIP who are not federally eligible and qualify for CHIP under Section 7 of the CHIP Act are still subject to a six-month exclusion on coverage for preexisting conditions.

Section 8(f) of the CHIP Act was amended in June of 2000 by House Bill 4433 to remove the "prudent person" requirement concerning this six-month preexisting condition exclusion that was previously in the CHIP Act. This brought the definition used in the CHIP Act into compliance with the requirements in HIPAA.

As amended, the CHIP Act now provides that benefits are not payable by CHIP for medical care received by a participant *during the first six months of coverage under the program* for any condition or illness for which medical advice, diagnosis, care, or treatment was recommended or received by a participant *during the six month period prior to the effective date of coverage.* After CHIP coverage has been in force for six months, benefits for conditions that preexisted the effective date of that coverage are treated the same as any other illness.

A rider waiving the entire preexisting condition limitation was previously available for purchase in a limited number of cases. Legislation repealing the authority for CHIP to offer this type of preexisting condition waiver rider to qualifying Section 7 participants was effective on August 20, 1999.

The availability of the new HIPAA-CHIP option beginning July 1, 1997, virtually eliminated the number of applicants who qualified for this waiver under Section 7 after that date. Most of these individuals have now been able to qualify for coverage under Section 15 with no preexisting condition limitation and at no additional cost.

Under recent legislation, effective May 1, 2001 and later amended in 2002, any eligible person who has been covered by, and satisfied the preexisting condition exclusion under, an individual health insurance policy that was involuntarily terminated due to the insolvency of the issuer of that policy, and who has applied for CHIP coverage within 90 days following the involuntary termination of that prior individual coverage, is now eligible for a waiver of this limitation. This change in the CHIP Act resulted in 145 new Section 7 participants qualifying for and enrolling with this type of waiver in 2001.

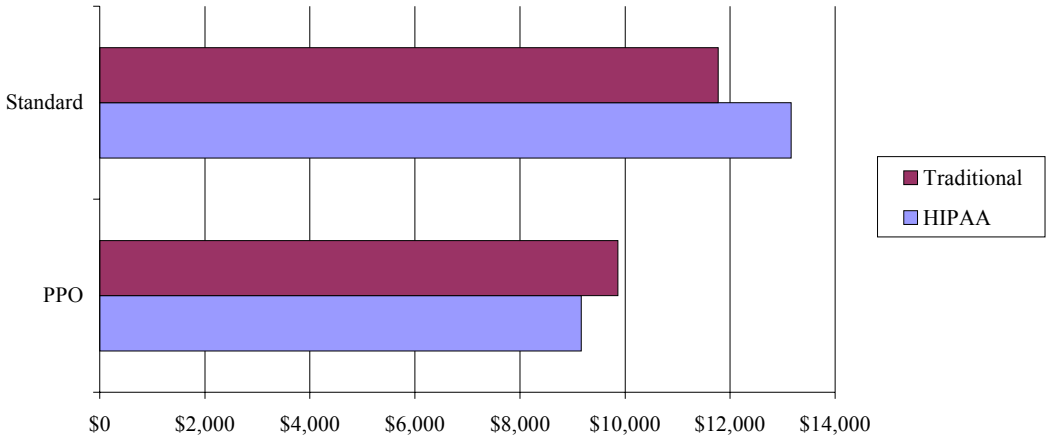
Section 15 – HIPAA-CHIP

The absence of any limitations on preexisting conditions is an important distinguishing characteristic between Traditional CHIP (Plans 2-3) and HIPAA-CHIP (Plan 5). Plan 5, for federally eligible individuals who qualify for CHIP coverage under Section 15 of the CHIP Act, has no exclusions or limitations on preexisting conditions.

Summaries of Charges by Major Diagnosis Categories for Calendar Year 2001

Claims Paid in 2001 by Plan Type and Average Experience[1]							
	CHIP[2]			HIPAA[3]			
Description	Non-PPO	PPO	CHIP Total	Non-PPO	PPO	HIPAA Total	Total/All
Physician Service	$ 7,632,591	$14,778,724	$22,411,315	$2,423,513	$17,547,194	$19,970,707	$ 42,382,022
Inpatient	3,570,949	16,378,421	19,949,370	1,205,546	17,604,080	18,809,626	38,758,996
Outpatient	2,085,537	9,056,758	11,142,295	1,642,818	11,314,803	12,957,621	24,099,915
Major Medical[4]	612,836	661,499	1,274,335	66,819	573,849	640,667	1,915,002
Coord. Home Care	173,913	335,026	508,939	56,891	432,036	488,926	997,865
ECF/SNF	133,178	362,347	495,525	787	394,816	395,604	891,129
Loose Bills[5]	752	(1,011)	(259)	0	1,082	1,082	824
Medicare Deductible	23,812	0	23,812	0	0	0	23,812
Grand Total	**$14,233,567**	**$41,571,764**	**$55,805,331**	**$5,396,374**	**$47,867,859**	**$53,264,233**	**$109,069,564**
Average Enrollment	1,209	4,215	5,424	410	5,222	5,632	11,056
Average Claim Cost	$ 11,773	$ 9,863	$ 10,289	$ 13,162	$ 9,167	$ 9,457	$ 9,865

Average Claim Cost Comparison



[1] Source: Claim tapes provided to the CHIP Board Office by Blue Cross Blue Shield of Illinois for calendar year 2001.
[2] Traditional CHIP (Section 7) for CHIP participants enrolled in Plans 1, 2 and 3 in CY2001.
[3] HIPAA-CHIP (Section 15) for CHIP participants enrolled in Plans 4 and 5 in CY2001.
[4] *Major Medical* refers to claims submitted for any types of services by the participant with a Major Medical claim form attached. Most other items represent claims filed by the providers. Hence, major medical may include services for inpatient, outpatient, and physician services.
[5] This means precisely what it says: loose bills submitted by anyone (participant, provider, etc.) without a claim form.

Summaries of Charges by Major Diagnosis Categories for Calendar Year 2001

Inpatient Utilization by Major Diagnostic Categories Calendar Year 2001[2]										
Major Diagnostic Category	**Total Admin**	**Pct of Total Adm**	**Total Charges**	**Pct of Total Chgs**	**Avg Chg Per Adm**	**Avg Chg Per Day**	**Total Amt Paid**	**Pct of Total Paid**	**Avg Pd Per Adm**	**Avg Paid Per Day**
05 D&D Circulatory System	440	22.46	$ 9,590,963	25.03	$21,798	$5,699	$ 3,989,259	25.79	$ 9,066	$2,370
06 D&D Digestive System	227	11.59	3,267,177	8.53	14,393	3,257	1,160,245	7.50	5,111	1,157
08 D&D Musculoskeletal Sys. Con Tissue	187	9.55	5,562,908	14.52	29,748	5,313	2,377,999	15.37	12,717	2,271
01 D&D Nervous System	164	8.37	2,914,454	7.61	17,771	3,960	1,016,201	6.57	6,196	1,381
04 D&D Respiratory System	163	8.32	3,179,535	8.30	19,506	3,008	1,241,623	8.03	7,617	1,175
10 Endocrine, Nutrit. & Metabolic D&D	98	5.00	1,234,787	3.22	12,600	3,430	485,704	3.14	4,956	1,349
19 Mental Diseases & Disorders	93	4.75	1,285,796	3.36	13,826	1,453	458,463	2.96	4,930	518
07 D&D Hepatobiliary Sys. & Pancreas	77	3.93	1,529,340	3.99	19,862	4,025	576,367	3.73	7,485	1,517
09 D&D Skin, Subcutan. Tissue & Breast	65	3.32	1,100,318	2.87	16,928	3,217	434,971	2.81	6,692	1,272
11 D&D Kidney & Urinary Tract	65	3.32	815,407	2.13	12,545	3,561	294,066	1.90	4,524	1,284
99 Non-Classified	49	2.50	909,598	2.37	18,563	3,169	390,309	2.52	7,965	1,360
13 D&D Female Reproductive System	47	2.40	669,834	1.75	14,252	4,466	246,006	1.59	5,234	1,640
18 Infectious & Parasitic Diseases	46	2.35	1,333,331	3.48	28,985	3,556	538,624	3.48	11,709	1,436
20 Sub Use/Induced Organic Mental Dis.	44	2.25	341,348	0.89	7,758	1,181	140,550	0.91	3,194	486
17 Myeloproliferative Disorders	32	1.63	724,024	1.89	22,626	3,415	264,300	1.71	8,259	1,247
14 Pregnancy, Childbirth & Puerperium	30	1.53	618,885	1.61	20,630	3,557	239,823	1.55	7,994	1,378
16 D&D Blood & Blood Forming Organs	29	1.48	264,084	1.21	15,934	4,239	163,373	1.06	5,634	1,499
21 Injy./Poisoning/Toxic Efct. Of Drug	24	1.23	286,571	0.75	11,940	2,729	95,050	0.61	3,960	905
23 Factors Inflcg. Heth. Stats/Othr. Cont.	24	1.23	964,495	2.52	40,187	2,854	354,592	2.29	14,775	1,049
03 D&D Ear, Nose, Mouth & Throat	23	1.17	337,111	0.88	14,657	4,322	124,810	0.81	5,427	1,600
12 D&D Male Reproductive System	11	0.56	137,843	0.36	12,531	5,302	56,967	0.37	5,179	2,191
25 Human Immunodeficiency Virus Infect.	10	0.51	136,670	0.36	13,667	2,680	62,660	0.41	6,266	1,229
15 Newborns/Neonates Perinatal Conds.	5	0.26	118,212	0.31	23,642	1,299	48,657	0.31	9,731	535
02 D&D Eye	3	0.15	32,352	0.08	10,784	4,622	9,849	0.06	3,283	1,407
24 Multiple Significant Trauma	2	0.10	33,899	0.09	16,950	5,650	13,656	0.09	6,828	2,276
22 Burns	1	0.05	734,135	1.92	734,135	4,560	683,776	4.42	683,776	4,247
Total	**1,959**	**100.00**	**$38,123,077**	**100.00**	**$ 19,562**	**$3,764**	**$15,467,900**	**100.00**	**$ 7,896**	**$1,519**

[1] The charts on this page were derived from the PROBE reports provided by BCBSI.

Summaries of Charges by Major Diagnosis Categories for Calendar Year 2001

Outpatient Utilization by Major Diagnostic Categories Calendar Year 2001[3]			
	Total Cases	Total Charges	Average Charge
Factors Influencing Health Status	4,027	$ 2,052,963	$ 509
Signs & Symptoms & Ill-Defined Conditions	3,669	3,225,115	879
Benign And Malignant Neoplasms	3,252	5,572,667	1,713
Musculoskeletal & Connect. Tissue Disease	2,932	2,836,742	967
Diseases of the Circulatory System	2,507	2,711,986	1,081
Endocrine And Immunity Disorders	2,246	874,989	389
Diseases of the Genitourinary System	1,881	2,596,262	1,380
Diseases of the Digestive System	1,285	1,983,864	1,543
Injury and Poisoning	1,245	1,320,038	1,060
Dis. Of Nervous System & Sense Organs	1,014	1,256,793	1,239
Diseases of the Respiratory System	940	584,817	622
Dis. Of Blood and Blood Forming Organs	491	612,971	1,248
Mental Illness	486	263,608	542
Infectious and Parasitic Diseases	416	248,378	597
Diseases of Skin & Subcutaneous Tissue	379	217,581	574
Congenital Anomalies	203	277,269	1,365
Substance Abuse/Chemical Dependency	108	104,475	967
Pregnancy, Childbirth And Puerperium	82	56,887	693
Perinatal Conditions	11	1,651	150
Total	**27,174**	**$26,799,056**	**$ 986**

[3] The charts on this page were derived from the PROBE reports provided by BCBSI.

Cost Containment

Section 7 – Traditional CHIP and Section 15 – HIPAA-CHIP

Cost containment measures are critical for a state-subsidized health care program because they allow more eligible Illinois residents to participate within the amount of deficit funding available to the Plan.

The PPO option, which was first offered in 1995, has helped manage the increases in claim costs experienced by the program since its implementation. This option, as originally offered, allowed participants to pay a lower premium and receive the same level of benefits if network hospitals were used. The success of this hospital PPO option allowed the Board to explore a more extensive use of PPO providers during the past year, and resulted in the implementation of an expanded hospital/doctor PPO option for all participants, except for those who are eligible for Medicare for reasons other than age, effective May 1, 2001.

Drug benefits for all CHIP participants were also modified as of May 1, 2001 to require use of the BlueScript program offered by the Plan's Administrator, Blue Cross Blue Shield of Illinois. Participants' claims for prescriptions were electronically submitted to the Administrator whenever a prescription was filled at a participating pharmacy, reducing the processing time of their claims.

Additional cost containment benefits are available to CHIP under its new contract with its Plan Administrator. This contract was competitively re-bid as required by state law during calendar year 2001. The resulting new agreement with Blue Cross Blue Shield of Illinois, effective January 1, 2002, continues to provide for the Administrator to be paid a fixed administrative fee per participant per month. CHIP participants are issued CHIP/Blue Cross Blue Shield identification cards, which facilitates quick admission to hospitals under contract with Blue Cross Blue Shield.

As claims are processed, both CHIP and its participants benefit from most of the discounts that the Administrator has negotiated and receives from various providers. Discounts vary based on the region in which services are provided, the type of service provided, and the place of treatment. Thus, the plan's claim liability is less, in some cases substantially less, than it would have been were it not able to participate in these discount arrangements. The discounts also reduce the participants' liability for their medical care costs and the amount of paid claims that are charged against their lifetime maximum benefits.

CHIP participants in Plans 3 and 5 also now benefit from the discounts that are available under a prescription drug card program that was added with CHIP's new contract with its Plan Administrator effective January 1, 2002. These participants now pay a separate 20% co-pay, subject to certain minimums, maximums, and other limitations, with no deductible or out-of-pocket maximum for all covered prescriptions.

These discount arrangements have been in place since 1992 and to date have saved both the state and CHIP participants a total over $120 million. For fiscal year 2002, these claim discounts are estimated to have totaled approximately $14.8 million for Traditional CHIP and $18.7 million for HIPAA-CHIP, almost $9 million more than the previous year.

CHIP also requires pre-admission review of all hospital and skilled nursing facility confinements, and medical management of all large cases. This pre-certification is done by the Plan Administrator. Penalties for non-compliance with this pre-admission review requirement may involve benefit reductions or denial of payment for hospital charges.

Prior approval is also required before purchase or receipt of services in order to receive any benefits for certain durable medical equipment, hospice and home health care services, and specified organ transplants.

Program Administration

CHIP is governed by a seventeen-member Board of Directors, which by statute includes the Director of Insurance as Chairman, the Attorney General, the Chairperson of the Health Care Cost Containment Council (replaced by the Director of the Bureau of the Budget in July of 2002), ten public members appointed by the Governor (at least two of whom must be consumers), and four legislative members.

Claims processing, premium billing, and customer services are provided under a contract with an administrative carrier. Since January 1, 1992, Health Care Service Corporation, which does business as Blue Cross Blue Shield of Illinois (BCBSI), has served in this capacity.

The Board's activities are supported and managed by a small and experienced staff based in Springfield, headed by its Executive Director, **Richard W. Carlson**. Mr. Carlson has served in his current position since December 1, 1989. He also is a past Board Member and Treasurer of the National Association of State Comprehensive Health Insurance Plans. Mr. Carlson formerly served as Assistant Director of the Illinois Department of Insurance (1981-1989) and as Superintendent of the Illinois State Lottery (1977-1981). Mr. Carlson was on the legislative staff for the Illinois State Senate from 1969 to 1977. He was named as a Charter Member of the Samuel K. Gove Legislative Staff Intern Hall of Fame for outstanding public service by Illinois Issues magazine. Mr. Carlson is the co-author of An Introduction to the Illinois General Assembly, and is past President of the Central Illinois Chapter of the American Society for Public Administration. Mr. Carlson received his B.A. (with honors) in Political Science from Coe College. He also has both an M.B.A. and an M.A. in Political Science from the University of Illinois at Urbana-Champaign.

Robert E. Wagner, an attorney and former President of Robert E. Wagner and Associates, serves as legal counsel for the Department of Insurance and the CHIP Board of Directors. He was formerly an Assistant Attorney General and continues to serve as a Special Assistant Attorney General. He is a member of the United States and Illinois Supreme Court bars and received his Juris Doctor from the University of Kentucky School of Law.

Ronald M. Wolf serves as the Board's outside consulting actuary. Mr. Wolf is Principal of Tillinghast-Towers Perrin in St. Louis. He is a Fellow of the Society of Actuaries (F.S.A.), a Member of the American Academy of Actuaries (M.A.A.A.), and a Fellow of the Conference of Consulting Actuaries. He has served as a member of the American Academy of Actuaries Committee on Health Insurance, as Chairman of the Health Committee of the Actuarial Standards Board, and as a member of the Health Section Council of the Society of Actuaries. Mr. Wolf has a B.S. in Mathematics from Valparaiso University and an M.A. in Actuarial Science from Northeastern University.

The Board also receives actuarial support from an **Actuarial Advisory Committee** comprised of five prominent life and health actuaries. This committee meets periodically to review, with Mr. Wolf and members of the Board's Finance Committee, the results of his work and any recommendations he plans on making on rate adjustments, deficit projections, reserves, and other actuarial matters prior to their submission to the Board. The committee's contribution has been very generous and helpful in assuring the long-term financial stability and success of CHIP.

Board of Directors of the Illinois Comprehensive Health Insurance Plan

Statutory Members

Nathaniel S. (Nat) Shapo, Esq., Chicago, Chairman. Appointed Director of the Illinois Department of Insurance by Governor George H. Ryan on January 12, 1999. He was named a "Renaissance Regulator" by Best's Review magazine in a cover story on national regulatory leaders, was chosen by Crain's Chicago Business for its "Forty Under Forty" list of "newsmakers and groundbreakers," and was described by the Chicago Tribune as a "rising star." Director Shapo is the elected Secretary-Treasurer of the National Association of Insurance Commissioners. He has been a leader in regulatory financial modernization efforts, having consulted with Congress and Federal Bank Regulators on the Gramm-Leach-Bliley (Financial Services Modernization) Act, and having helped draft the NAIC's Statement of Intent for the Future of Insurance Regulation. He is Chair of the NAIC's Functional Regulation Working Group (which negotiates jurisdictional issues with federal bank regulators) and Chair of the International Holocaust Task Force (which seeks fair settlements for unpaid Holocaust-era policies written by European companies with American subsidiaries). In March 2000, he represented the NAIC in Tokyo during trade talks between the U.S. Trade Representative and Japanese regulators. Director Shapo promulgated rules and regulations to implement Illinois' Managed Care Reform and Patient Rights Act of 1999, which established an Office of Consumer Health Insurance within the Department of Insurance, and which guarantees patients new rights in the areas of emergency room care, access to specialists, appeals of health plan decisions, and obtaining plan information. He chaired the Illinois Insurance Fraud Task Force, which reported to the Governor and the General Assembly with recommendations on combating this costly crime. He also successfully lobbied the Illinois General Assembly for a significant increase in Department staffing in order to keep pace with the regulatory demands posed by a growing and changing industry. Prior to his appointment as Director, Nat Shapo was Research Director for George Ryan's successful 1998 gubernatorial campaign and co-counsel to the Ryan transition team. A member of the Illinois Bar, he is a graduate of both The Law School (J.D. with honors, 1998) and The College (B.A. with honors, 1990) of the University of Chicago.

Honorable Jim Ryan, Esq., Bensenville. Elected Attorney General of the State of Illinois in 1994; reelected in 1998 by more than two million votes. Elected DuPage County State's Attorney in March 1984, and reelected by overwhelming margins in 1988 and 1992. Previous trial lawyer in the criminal division of DuPage County State's Attorney's Office; first Assistant State's Attorney; in private practice. Past President for the Illinois State's Attorneys Association; presented with the 1994 Special Distinction Award by the Illinois Department of Public Aid in recognition of his outstanding management of the Child Support Enforcement Program in DuPage County. B.A. in political science from Illinois Benedictine College; Law degree from Chicago-Kent College of Law, Illinois Institute for Technology.

Frank Gramm, Esq., C.L.U., Libertyville. Chair, Illinois Health Care Cost Containment Council (IHCCCC). Senior Vice President, General Counsel and Corporate Secretary, Trustmark Insurance Company. Vice Chair, Illinois Life and Health Insurance Guaranty Association, Member Legal Advisory Committee of the Health Insurance Association of America and the Legislative Committee of the Illinois Life Insurance Council. B.A., University of Illinois; Juris Doctor, Loyola University School of Law. (IHCCCC was abolished and its representation on the CHIP Board was repealed by legislation effective July 1, 2002.)

Legislative Members

Honorable David Leitch, Peoria. State Representative, 93rd District; Assistant Minority Leader, Illinois House of Representatives; Member, House Committees on Appropriations - Human Services, and Urban Revitalization; Special Committee on Electric Utility Deregulation; Ex-officio Member on all House Committees; and Member, Pension Laws Commission. Received the 1998 American Medical Association Dr. Nathan Davis Award (awarded to the state legislator of the year in the U.S.). In 1993, recipient of the National Government Achievement Award from the National Hemophilia Foundation; Vice-President, Area Development, National City Corp, N.A.; B.A. in History, Kalamazoo College, Kalamazoo, Michigan.

Honorable Terry Link, Vernon Hills. State Senator, 30th District; Minority Spokesman, State Government Operations Committee; Member, Senate Local Government and Financial Institutions Committee; Member, Economic Development Board; Member, Toll Highway Financial Restructuring Committee.

Honorable Frank J. Mautino, Spring Valley. State Representative, 76th District; Chair, House Committee on Insurance; Vice-chair of Appropriations - Public Safety, and Revenue Committees; Member of Local Government Committee; Economic and Fiscal Commission and Legislative Audit Commission; full-time legislator; received Outstanding Legislator of the Year Award from Illinois Health Care Association, 1998. B.S. in Marketing from Illinois State University.

Honorable Thomas J. Walsh, LaGrange Park. State Senator, 22nd District; Chairman, Insurance & Pensions Committee; Co-Chairman, Legislative Audit Commission; Member, Financial Institutions Committee; Member, State Government Operations;. B.A. in Business Administration, Loras College, Dubuque, IA. (Resigned July 3, 2002)

Public Members

Howard J. Bolnick, F.S.A., Chicago. Chair, Finance Committee. Chairman and CEO, InFocus Financial Group; Adjunct Professor, Kellogg Graduate School of Business, Northwestern University; Former President, Celtic Life Insurance Company; former Partner, Coopers & Lybrand; Fellow of the Society of Actuaries; Past-President, Society of Actuaries; Honorary Fellow, Institute of Actuaries (U.K.); Member of the American Academy of Actuaries; M.B.A., University of Chicago.

Sharon K. Heaton, **CIC**, Graymont. Owner of Heaton Agency, Inc., in Pontiac; Member, National Independent Insurance Agents Association and Professional Independent Insurance Agents of Illinois; Board Member, Insurance Education Foundation; Board Member, Heartland Community College Foundation; Board Member, Delta Dental Insurance Plan of Illinois.

Richard F. Kotz, Esq., Glencoe. Secretary. Consultant and Attorney; former Vice-President - Law and Deputy General Counsel of Sears, Roebuck and Co.; former Member, Dykema Gossett Law Firm. Member, Illinois Assembly; immediate Past President and Executive Committee and Board Member, Mental Health Association in Illinois; Board Member and Advocacy Chair, Mental Health Association of the North Shore; Board Member, SSI Coalition for a Responsible Safety Net; former consultant to National Institute of Mental Health; former Glencoe Village Trustee; former President and Board Member of Midwest Regional Group, and former National Board Member, of the American Society of Corporate Secretaries. Member of the American and Chicago Bar Associations, including former Chairman of the Securities Law Committee of the Chicago Bar Association; graduate of the Wharton School of Finance and Commerce of the University of Pennsylvania, and of the University of Pennsylvania Law School; M.B.A. from The American University.

Johanna Lund, Ph.D., Rockford. Consumer Member and Chair, Personnel Committee. Former Chair, Illinois Health Care Cost Containment Council; Chairman & CEO, Health Care Consultants, Inc.; Member Dean's Council, UIC of Medicine at Rockford; Faculty Appointments at UIC College of Medicine at Rockford and Luther Bible College; Healthcare Advisory Committee, Congressman Donald Manzullo; Healthcare Advisory Committee, Representatives Ron Wait and Dave Winters; Founder and Chairman of Eagle Institute; Public Safety Commissioner, Winnebago County Sheriff's Department.

James M. Meyer, Naperville. Chair, Underwriting & Carrier Oversight Committee. Managing Director, Near North Insurance Brokerage, Inc.; Member of the Board of Directors, Worksite Wellness Council of Illinois; Member, International Foundation of Employee Benefits; B.S. in Business and Economics, University of Wisconsin.

Saul J. Morse, Esq., Springfield. Treasurer and Consumer Member. Chair, Grievance Committee. Vice President and General Counsel, Illinois State Medical Society and Illinois State Medical Insurance Services, Inc.; former member, Illinois Human Rights Commission, 1985-1991; 1985 Disabled Advocate of the Year, Illinois Department of Rehabilitation Services; 1990 Susan Suter Award as outstanding disabled Illinoisan, Illinois State Easter Seal and United Cerebral Palsy Association; 1995 Outstanding Board Member, United Cerebral Palsy, Land of Lincoln; Vice President, Administration, and Board Member, United Cerebral Palsy, Land of Lincoln; Board Member, Hope School; Board Member, International Polio Network and Chancellor's Community Advisory Committee, University of Illinois at Springfield; Vice Chairman, Executive Committee, American Medical Association/State Medical Societies Litigation Center; Treasurer, City of Leland Grove, Illinois; President, Springfield Professional Baseball, LLC; Member, Sangamon County, Illinois, and American Bar Associations; Member, American Society of Medical Association Counsel; Member, American Health Lawyers Association; B.A., University of Illinois; Juris Doctor, College of Law, University of Illinois.

Jay R. Naftzger, Esq., Naperville. Vice President, Legal, WellPoint Health Networks Inc.; Member of the Board of Directors and Chair, Illinois Health Maintenance Organization Guaranty Association; Past Director and Past Secretary, Illinois Association of HMOs; Past-Chair of the Health Insurance Law Committee of the Tort and Insurance Practice Section of the American Bar Association. Admitted to practice in Illinois and Minnesota. B.B.A. and Juris Doctor, University of Iowa; Master of Management, Northwestern University.

Robert E. Schaaf, C.L.U., Ch.F.C., Springfield. President, Insurance Management Services, Inc.; Chairman, Springfield Housing Authority; Chairman and President, Capitol City Coalition, Inc.; Past Instructor, NAIC Financial Examiners and Insurance Department Staff Education programs; past Director of National Association of Life Companies; past President and Director of Illinois Association of Life Companies and the Central Illinois Chapter of Chartered Life Underwriters Association; past Director of Illinois Life and Health Guaranty Association; Chartered Life Underwriter; Chartered Financial Consultant; Fellow, Life Management Institute; B.B.A. from the University of Wisconsin.

Bryan W. Swank, C.L.U. Waukegan. Chair, Communications Committee. President, Swank Insurance Agency; Board Member, District 15 (Lake & McHenry Counties), Professional Independent Insurance Agents of Illinois. Board Member, Statewide Insurance Company, Waukegan, Illinois. B.S. in Finance from Northern Illinois University.

Actuarial Advisory Committee

Charles J. Sherfey, F.S.A., M.A.A.A., Chair, is a self-employed consulting actuary. Mr. Sherfey is a Fellow of the Society of Actuaries, a Fellow of the Canadian Institute of Actuaries, a Member of the American Academy of Actuaries, a Chartered Life Underwriter, and a Past-President of the Chicago Actuarial Association. He has a B.A. in economics from the University of Nebraska and is a former member of the Board of Pensions of the Presbyterian Church (USA).

Michael S. Abroe, F.S.A., M.A.A.A., is a principal in the Chicago office of Milliman USA, and is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. His area of expertise is health insurance. He has assisted a variety of clients with administration and management, strategic planning and acquisitions, as well as marketing and pricing. Mr. Abroe has advised many types of organizations, such as hospitals, insurance companies, Blues Plans, HMOs and PPOs. Before joining Milliman & Robertson, Mr. Abroe was Vice President and Health Actuary at Bankers Life and Casualty, where he was responsible for actuarial aspects of their individual and small group health lines of business.

Dale C. Griffin, F.S.A., M.A.A.A., is the pricing actuary for Direct Markets with Blue Cross and Blue Shield of Illinois, and a past President of the Chicago Actuarial Association (1998-1999). He is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. He has specialized in health insurance since 1982, including consulting to the Michigan Bureau of Insurance in its regulation of health maintenance organizations and Blue Cross and Blue Shield of Michigan. Mr. Griffin received a Bachelor of Science degree in Mathematics with high distinction from the University of Michigan.

Paul W. Janus, F.S.A., M.A.A.A., is the retired Senior Vice President and Chief Actuary for Bankers Life and Casualty Company. He is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. He has served as President of the Chicago Actuarial Association and as Chairman of the Health Insurance Association of America's Individual Insurance Committee. He is a graduate of Knox College, Galesburg, Illinois.

Richard J. Ruppel, A.S.A., M.A.A.A., is Vice President and Actuary for the Golden Rule Insurance Company in Lawrenceville, a position he has held since 1967. He is a member of the Society of Actuaries and the American Academy of Actuaries. He is a graduate of St. Meinrad College, St. Meinrad, Indiana and holds an M.S. degree from Butler University, Indianapolis, Indiana.

Illinois Comprehensive Health Insurance Plan
Financial Summary Data
Section 7 Traditional CHIP
Year Ended December 31, 2001 (unaudited)*

Plan Income:		
Net Written Premiums	$23,632,125	
Change in Unearned Premiums	(821,210)	
Net Earned Premiums		$22,810,915
Investment Income		4,736,717
Total Plan Income		**$ 27,547,632**
Plan Expenses:		
Paid Losses	$42,779,724	
Change in Incurred But Not Reported	(3,500,000)	
Total Incurred Losses		**$39,279,724**
Agent Referral Fees	$ 28,600	
Administrator Fees	1,292,905	
CHIP Board Office Expenses	1,098,283	
Total Administration Expense		**$2,419,788**
Total Plan Expenses		**$41,699,512**
Plan Deficit, January 1, 2001 – December 31, 2001		**($14,151,880)**

*CHIP Plan Financial Statements are audited annually on a fiscal year basis ending June 30.

Illinois Comprehensive Health Insurance Plan
Financial Summary Data
Section 15 HIPAA-CHIP
Year Ended December 31, 2001 (unaudited)*

Plan Income:		
Net Written Premiums	$27,789,719	
Change in Unearned Premiums	(1,333,189)	
Net Earned Premiums		$26,456,530
Investment Income		1,018,186
Total Plan Income		**$27,474,716**
Plan Expenses:		
Paid Losses	$38,757,757	
Change in Incurred But Not Reported	200,000	
Total Incurred Losses		**$38,957,757**
Agent Referral Fees	$50,900	
Administrator Fees	1,453,004	
CHIP Board Office Expenses	1,317,386	
Total Administration Expense		**$2,821,290**
Total Plan Expenses		**$41,779,047**
Plan Deficit, January 1, 2001 – December 31, 2001		**($14,304,331)**

*CHIP Plan Financial Statements are audited annually on a fiscal year basis ending June 30.

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For further information about CHIP coverage, rates and how to apply, call, write or visit our worldwide web site:

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Administrator

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