

# HB4735 • Illinois

## TRANSPARENCY IN DOWNCODING ACT

Introduced

Risk: High

Comprehensive

Effective: Oct 01, 2023 | Last Action (Mar 27, 2026): Rule 19(a) / Re-referred to Rules Committee

### Summary

IL HB4735: TRANSPARENCY IN DOWNCODING ACT excludes self-insured plans under ERISA and Workers' Compensation-related health care.

### Business Impact

If you are a health insurance issuer in Illinois, you must ensure downcoding decisions are made by licensed physicians or face penalties.

### Key Provisions

- Prohibits automated downcoding of claims by health insurance issuers.
- Requires downcoding decisions to be made by licensed physicians.
- Mandates notification of downcoded claims with specific reasons and physician credentials.
- Establishes an appeal process for downcoded claims.
- Prohibits discriminatory downcoding practices against physicians treating complex conditions.
- Imposes penalties for violations, including fines, restitution, and license suspension.
- Excludes employee or employer self-insured health benefit plans under ERISA and health care under Workers' Compensation Acts.

### Compliance Checklist

- Ensure downcoding decisions are made by licensed physicians. | Who: Health insurance issuers. | Penalty: Fines up to \$50,000 per violation.
- Provide clear notifications for downcoded claims. | Who: Health insurance issuers. | Penalty: Potential enforcement actions by the Department of Insurance.

### Industries Affected

Employment

Healthcare  
Providers

Healthcare

Insurance

Health  
Insurance

Finance

## Topics

AI Healthcare

AI in Insurance

AI Transparency

## Bill Sponsors

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## Related Bills

- SB3114 (IL)

## Official Source

<https://www.ilga.gov/Legislation/BillStatus?DocNum=4735&GAID;=18&DocTypeID;=HB&SessionID;=114&GA;=104>

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