

SB3114 • Illinois

TRANSPARENCY IN DOWNCODING ACT

In Committee

Risk: Medium

Comprehensive

Effective: Oct 01, 2023 | Last Action (May 22, 2026): Added as Co-Sponsor Sen. Emil Jones, III

Summary

The Transparency in Downcoding Act regulates downcoding practices, prohibits discriminatory practices against certain health care professionals, and sets notification and dispute processes.

Business Impact

If you process health insurance claims, you must ensure a licensed physician reviews downcoding decisions by January 1, 2025, or face penalties.

Key Provisions

- Section 10: Applicability and scope of the Act, excluding employee or employer self-insured health benefit plans under ERISA and health care provided pursuant to the Workers' Compensation Act or the Workers' Occupational Diseases Act.
- Section 15: Permits automated claim identification for potential downcoding with human review.
- Section 20: Prohibition on diagnosis-based downcoding.
- Section 25: Notification requirements for downcoded claims.
- Section 30: Appeal process for downcoded claims.
- Section 35: Protections for patients with chronic conditions and targeting discriminatory practices against physicians treating such conditions.
- Section 40: Enforcement with the Department of Insurance responsible for enforcement. Home rule units are prohibited from regulating downcoding in policies issued, amended, delivered, or renewed on or after January 1, 2028. All managed care organizations must comply with the Act as per the amendment to the Illinois Public Aid Code.

Compliance Checklist

- Cease use of automated processes for downcoding claims. | Who: Health insurance issuers | Penalty: Potential fines and license suspension.

- Ensure downcoding decisions are made by qualified physicians. | Who: Health insurance issuers | Penalty: Monetary penalties for violations.
- Notify physicians of downcoded claims with required information. | Who: Health insurance issuers | Penalty: Fines for non-compliance.
- Implement a clear appeal process for downcoded claims. | Who: Health insurance issuers | Penalty: Fines and reprocessing orders.

Industries Affected

Healthcare

Employment

Finance

Topics

AI Healthcare

AI in Insurance

AI Transparency

Bill Sponsors

Name	Party	Role
David Koehler	D	Sponsor
Julie Morrison	D	Sponsor
Cristina Castro	D	Sponsor
Robert Peters	D	Sponsor
Laura Fine	D	Sponsor
Andrew Chesney	R	Sponsor
Christopher Belt	D	Sponsor
Graciela Guzman	D	Sponsor
Paul Faraci	D	Sponsor
Suzanne Glowiak Hilton	D	Sponsor
Linda Holmes	D	Sponsor
Ram Villivalam	D	Sponsor

Amendments

- Senate Amendment 001 — 2026-03-26 (Not Adopted)
- Senate Amendment 002 — 2026-05-06 (Not Adopted)

Related Bills

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- HB4735 (IL)

Official Source

<https://www.ilga.gov/Legislation/BillStatus?DocNum=3114&GAID;=18&DocTypeID;=SB&SessionID;=114&GA;=104>

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