Illinois Health & Welfare Plan and Insurance Law Changes in 2026

Over the past few years, the Illinois Legislature has passed several laws relating to required insurance benefits in the state. A number of these laws are effective for fully insured plans issued in Illinois on renewal after January 1, 2026, while others were effective in prior years.

Below is a summary of some of the most notable Illinois insurance law changes.

Illinois PBM Regulation - Illinois House Bill 1697: Fee Payment for Prescription Drug Affordability Act (PDAA)

On July 1, 2025, a new law was enacted that applies to state regulated insurance coverage and Pharmacy Benefit Managers (PBMs) operating in Illinois. This law seeks to reduce prescription drug costs by regulating PBMs.

SOME OF THE NEW REGULATIONS INCLUDE:

- Ban on spread pricing. Spread pricing occurs when the PBM negotiates a difference between the guaranteed price they collect from a health plan and the amount they pay the pharmacies. PBMs typically keep that spread in prices.
- Prohibition on steering patients to PBM-owned or affiliated pharmacies. This also applies to mail-order pharmacies and specialty pharmacies.
- Increased transparency by requiring PBMs to disclose pricing practices and contract terms that affect patient access and pharmacy reimbursement. Part of this will be enforced by annual audits by the Illinois Department of Insurance of contracts between the PBM, an insurance company, and health plan sponsors.

- Requirements in contracts with employers and group health plans must include provisions that allow them to annually audit PBMs, including disclosure of the amounts paid to pharmacies and amounts by manufacturers to the PBM.
- Creation of a $70 million fund to support independent pharmacy owners. This is funded by an annual fee of $15 per covered individual enrolled in a plan administered by a PBM that lives in Illinois. This fee began September 1, 2025.

The cost of the $15 fee, the cost of the annual PBM reporting, the loss of revenue from spread pricing and the loss of revenue generated by steering patients to PBM-owned pharmacies, will likely increase administrative fees, which may be passed on to health plans through their contracts with the PBMs. Not all populations are subject to the reporting and fee requirements.

Dependent Parent and Stepparent Coverage: Illinois House Bill 5258

Effective January 1, 2026, fully insured plans issued in Illinois that cover dependents are required to offer coverage to dependent parents or stepparents who:

1. Meet the definition of a qualifying relative under the tax code;
2. Live within the service area of the subscriber’s heath plan.

   Note: they do not have to live with the subscriber.

Many parents and stepparents will not meet the criteria to be covered as dependents because they will not be a qualifying relative as defined by the tax code. Regardless, employers should review their eligibility requirements in their plan documents to make sure this broader definition of a dependent is included, if applicable.

The following is a chart of these notable changes, when they are effective and the types of plans the laws apply to. This list is not exhaustive of every required change for all types of plans in Illinois beginning in 2026.

ILLINOIS LAW CHANGE	EFFECTIVE DATE	WHAT IT IS	WHO DOES IT APPLY TO?
HB 5258: Coverage for Dependent Parents	Date of renewal on or after 1/1/2026	Expands the definition of an eligible dependent to include the parent or stepparent of the employee that lives within the service area of the health plan if they meet the IRS definition of a qualifying relative.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
HB 5395: Healthcare Protection Act	1/1/2026 regardless of renewal date	Requires drug formularies to be posted in a specific, publicly accessible and searchable format and prohibits formularies from imposing step therapy requirements.	Applies to fully insured and non-ERISA ASO Municipality, County and State Employee plans*1 issued in Illinois. ERISA ASO plans are exempt.
HB 5295: Hormone Therapy for Menopause	Date of renewal on or after 1/1/2026	Requires coverage for hormonal and non-hormonal therapy treatment to treat menopause induced by hysterectomy or natural causes.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
HB 5282: Pregnancy and Postpartum Care	Date of renewal on or after 1/1/2026	Requires coverage of pregnancy and postpartum care following a miscarriage or stillbirth and for individuals with mental health or substance use disorder.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
HB 5142: Abortion Coverage	Date of renewal on or after 1/1/2026	Requires coverage for abortion care, specified pregnancy, postpartum and newborn care without cost sharing. Clarifies coverage for postpartum services includes covered services within 12 months following the end of a pregnancy, including prenatal and postpartum doula services.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt. Applies to qualified HDHP plans after deductible requirements are met.
SB 3599: Mobile Integrated Health	Date of renewal on or after 1/1/2026	Requires coverage for medically necessary mobile integrated health care services provided by emergency medical services providers operating under a mobile integrated health care model.	Applies to fully insured and non-ERISA ASO Municipality, County, School, Church and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
SB 3414: Continuous Glucose Monitors	Date of renewal on or after 1/1/2026	Requires coverage of continuous glucose monitors (CGMs), supplies and education.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
SB 3305: Medically Necessary Care for Major Injury to the Jaw	Date of renewal on or after 1/1/2026	Requires coverage of medically necessary care and treatment for major injury to the jaw due to accident or disease.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
SB 3203: Inhaler Coverage	Date of renewal on or after 1/1/2026	Establishes a maximum out-of-pocket cost of $25 for a 30-day supply of prescription inhalers for asthma and other life-threatening bronchial conditions.	Applies to fully insured and non-ERISA ASO State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
HB 3019: Behavioral Health Prior Authorization	1/1/2026 regardless of renewal date	Prohibits prior authorization for specified behavioral health levels of care.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
HB 3019: Behavioral Health Travel	Date of renewal on or after 1/1/2026	Requires reimbursement of specified travel expenses associated with mental health treatment.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
SB 2672: Generic Drug Shortage	Date of renewal on or after 1/1/2026	Requires coverage of a brand-name drug when the generic drug or a therapeutic equivalent is unavailable due to a supply issue.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
SB 2573: Wigs and Hair Prostheses	Date of renewal on or after 1/1/2026	Requires coverage for one wig or prosthetic hair every 12 months due to alopecia, chemo and radiation treatment.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.

** The information on the applicability of this law to non-ERISA ASO plans has been provided by an insurance carrier and includes all references to non-ERISA ASO Municipality, County, School, Church and State Employee plans.*

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HB 2385: Colonoscopy Coverage	Date of renewal on or after 1/1/2026	Requires coverage of medically necessary colonoscopies without age restrictions and cost sharing.	Applies to fully insured and non-ERISA ASO Municipality and County plans* issued in Illinois. ERISA ASO plans are exempt.
HB 2464: Neonatal Cost Share	1/1/2026 regardless of renewal date	Requires in-network benefit coverage for neonatal intensive care emergency services regardless of the provider's network status and clarifies surprise billing protections apply.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
HB 1697: PBM Regulation	Date of renewal on or after 1/1/2026	Imposes a per covered individual enrolled tax on pharmacy benefit managers whose members are residents of Illinois, bans spread pricing and increases PBM transparency.	Applies to PBMs with Illinois residents. PBMs can pass new tax and cost of administration onto their clients. The fee applies to: 1. ERISA plans domiciled in Illinois and 2. Non-ERISA plans where the state law organizing the governmental unit incorporates the PBM code by reference.
HB 1141: Anesthesia Time	Date of renewal on or after 1/1/2026	Requires coverage of medically necessary anesthesia, regardless of duration, for any service covered by the plan. Prohibits insurers from denying payment for anesthesia solely because it exceeded the preset time limit.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
SB 773: Infertility and Menopause Coverage	Date of renewal on or after 1/1/2026	Requires coverage of that plans that provide pregnancy coverage must also include coverage for the diagnosis and treatment of infertility, including specified procedures. Requires plans that cover more than 25 employees provide coverage for an annual menopause health visit for individuals 45 years of age or older.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
SB 3538: Mental Health Coverage for First Responders	6/1/2025 regardless of renewal date	Requires coverage for mental health counseling without cost sharing to first responders and emergency medical personnel dispatched by 911 calls.	Applies to non-ERISA ASO Municipality and County plans* in Illinois.
HB 3639: EpiPen Cap	1/1/2025 regardless of renewal date	Establishes a maximum out-of-pocket cost of $60 for a twin-pack of EpiPens.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
SB 2697: Genetic Testing	Date of renewal on or after 1/1/2025	Requires coverage for clinical genetic testing for individuals with an inherited gene mutation and history of cancer. Establishes a maximum out-of-pocket cost of $50 for genetic testing.	Applies to all fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt. Applies to qualified HDHP plans after deductible requirements are met.
HB 2443: Hearing Aid Changes	Date of renewal on or after 1/1/2025	Requires coverage for medically necessary hearing aids and supplies without age limits prescribed by a hearing care professional.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt. Applies to qualified HDHP plans after deductible requirements are met.
SB 2195: Prosthetic Device Coverage for Physical Activities	1/1/2025 regardless of renewal date	Requires coverage for prosthetic or custom orthotic devices determined medically necessary by the enrollee's provider to perform physical activities.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.

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SB 1282: Liver Disease Screening	Date of renewal on or after 1/1/2025	Requires coverage for preventive liver screenings and related services for individuals age 35 - 65 deemed high-risk for liver disease without cost sharing.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
HB 1565: Vaginal Estrogen	1/1/2024 regardless of renewal date	Requires coverage of one or more therapeutic equivalent versions of vaginal estrogen and any erectile dysfunction prescription in their formularies without cost sharing.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.
SB 1527: Compression Sleeves	Date of renewal on or after 1/1/2024	Requires coverage for medically necessary compression sleeves for lymphedema.	Applies to fully insured and non-ERISA ASO Municipality, County, School and State Employee plans* issued in Illinois. ERISA ASO plans are exempt.
HB 4664: Elective Abortion	1/1/2024 regardless of renewal date	Requires coverage pregnancy-related benefits including abortions (elective and medical therapeutic) without cost sharing in-network. Protects Illinois health care providers.	Applies to fully insured plans issued in Illinois. May apply to non-ERISA ASO plans in Illinois. ERISA ASO plans are exempt.

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About Alera Group

Alera Group is an independent financial services firm with approximately $1.6 billion in gross revenue, offering comprehensive property and casualty insurance, employee benefits, wealth services and retirement plan solutions to clients nationwide. Working collaboratively across specialties and across the country, Alera Group's team of more than 4,600 colleagues offer unique solutions, personalized services and proactive insights to help ensure each client's business and personal success. For more information, visit **aleragroup.com** and follow us on **LinkedIn**.

*STATISTICS ACCURATE AS OF DECEMBER 31, 2025.

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