
By: **Delegates Morhaim, Elliott, and Hammen**
Introduced and read first time: January 16, 2004
Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Prompt Payment of Claims**

3 FOR the purpose of requiring an insurer, nonprofit health service plan, and health
4 maintenance organization to mail or otherwise transmit payment for a claim, or
5 undisputed portion of a claim, for reimbursement from certain persons within a
6 certain number of days after receipt of the claim or certain information relating
7 to the claim; and generally relating to payment of claims for reimbursement by
8 insurers, nonprofit health service plans, and health maintenance organizations.

9 BY repealing and reenacting, with amendments,
10 Article - Insurance
11 Section 15-1005
12 Annotated Code of Maryland
13 (2002 Replacement Volume and 2003 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article - Insurance**

17 15-1005.

18 (a) In this section, "clean claim" means a claim for reimbursement, as defined
19 in regulations adopted by the Commissioner under § 15-1003 of this subtitle.

20 (b) To the extent consistent with the Employee Retirement Income Security
21 Act of 1974 (ERISA), 29 U.S.C. 1001, et seq., this section applies to an insurer,
22 nonprofit health service plan, or health maintenance organization that acts as a third
23 party administrator.

24 (c) Within 30 days after receipt of a claim for reimbursement from a person
25 entitled to reimbursement under § 15-701(a) of this title or from a hospital or related
26 institution, as those terms are defined in § 19-301 of the Health - General Article, an
27 insurer, nonprofit health service plan, or health maintenance organization shall:

1 (1) [pay] MAIL OR OTHERWISE TRANSMIT PAYMENT FOR the claim in
2 accordance with this section; or

3 (2) send a notice of receipt and status of the claim that states:

4 (i) that the insurer, nonprofit health service plan, or health
5 maintenance organization refuses to reimburse all or part of the claim and the reason
6 for the refusal;

7 (ii) that, in accordance with § 15-1003(d)(1)(ii) of this subtitle, the
8 legitimacy of the claim or the appropriate amount of reimbursement is in dispute and
9 additional information is necessary to determine if all or part of the claim will be
10 reimbursed and what specific additional information is necessary; or

11 (iii) that the claim is not clean and the specific additional
12 information necessary for the claim to be considered a clean claim.

13 (d) (1) An insurer, nonprofit health service plan, or health maintenance
14 organization shall permit a provider a minimum of 180 days from the date a covered
15 service is rendered to submit a claim for reimbursement for the service.

16 (2) If an insurer, nonprofit health service plan, or health maintenance
17 organization wholly or partially denies a claim for reimbursement, the insurer,
18 nonprofit health service plan, or health maintenance organization shall permit a
19 provider a minimum of 90 working days after the date of denial of the claim to appeal
20 the denial.

21 (e) (1) If an insurer, nonprofit health service plan, or health maintenance
22 organization provides notice under subsection (c)(2)(i) of this section, the insurer,
23 nonprofit health service plan, or health maintenance organization shall [pay] MAIL
24 OR OTHERWISE TRANSMIT PAYMENT FOR any undisputed portion of the claim within
25 30 days of receipt of the claim, in accordance with this section.

26 (2) If an insurer, nonprofit health service plan, or health maintenance
27 organization provides notice under subsection (c)(2)(ii) of this section, the insurer,
28 nonprofit health service plan, or health maintenance organization shall:

29 (i) [pay] MAIL OR OTHERWISE TRANSMIT PAYMENT FOR any
30 undisputed portion of the claim in accordance with this section; and

31 (ii) comply with subsection (c)(1) or (2)(i) of this section within 30
32 days after receipt of the requested additional information.

33 (3) If an insurer, nonprofit health service plan, or health maintenance
34 organization provides notice under subsection (c)(2)(iii) of this section, the insurer,
35 nonprofit health service plan, or health maintenance organization shall comply with
36 subsection (c)(1) or (2)(i) of this section within 30 days after receipt of the requested
37 additional information.

1 (f) (1) If an insurer, nonprofit health service plan, or health maintenance
2 organization fails to comply with subsection (c) of this section, the insurer, nonprofit
3 health service plan, or health maintenance organization shall pay interest on the
4 amount of the claim that remains unpaid 30 days after the claim is received at the
5 monthly rate of:

6 (i) 1.5% from the 31st day through the 60th day;

7 (ii) 2% from the 61st day through the 120th day; and

8 (iii) 2.5% after the 120th day.

9 (2) The interest paid under this subsection shall be included in any late
10 reimbursement without the necessity for the person that filed the original claim to
11 make an additional claim for that interest.

12 (g) An insurer, nonprofit health service plan, or health maintenance
13 organization that violates a provision of this section is subject to:

14 (1) a fine not exceeding \$500 for each violation that is arbitrary and
15 capricious, based on all available information; and

16 (2) the penalties prescribed under § 4-113(d) of this article for violations
17 committed with a frequency that indicates a general business practice.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 June 1, 2004.