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Introduced and read first time: January 16, 2004  
Assigned to: Health and Government Operations

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: February 3, 2004

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CHAPTER 155

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.

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

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

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

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

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

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

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

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

24 (2) If an insurer, nonprofit health service plan, or health maintenance  
25 organization wholly or partially denies a claim for reimbursement, the insurer,  
26 nonprofit health service plan, or health maintenance organization shall permit a  
27 provider a minimum of 90 working days after the date of denial of the claim to appeal  
28 the denial.

29 (e) (1) If an insurer, nonprofit health service plan, or health maintenance  
30 organization provides notice under subsection (c)(2)(i) of this section, the insurer,  
31 nonprofit health service plan, or health maintenance organization shall [pay] MAIL  
32 OR OTHERWISE TRANSMIT PAYMENT FOR any undisputed portion of the claim within  
33 30 days of receipt of the claim, in accordance with this section.

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

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

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

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

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

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

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

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

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

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

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

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

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