

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 123

(Delegate Morhaim, *et al.*)

Health and Government Operations

Finance

Health Insurance - Prompt Payment of Claims

This bill specifies that a health insurer, nonprofit health service plan, or HMO (carrier) must mail or otherwise transmit payment, as opposed to pay, for an undisputed claim for reimbursement of service within current law time frames.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: None. The bill specifies when prompt payments must be made and is consistent with how the Maryland Insurance Administration interprets and enforces the statute.

Local Effect: None.

Small Business Effect: Potential minimal. Small business health care providers currently experiencing severe delays in reimbursements from carriers would receive monies more quickly.

Analysis

Current Law: In general, a carrier, within 30 days of receipt, must either pay a claim for reimbursement or send notice of the receipt and status of the claim, including specified reasons for refusal to pay all or part of the claim. A carrier must pay any undisputed portion of the claim within 30 days of receipt. Failure to comply with prompt payment claim provisions subjects a carrier to a fine not exceeding \$500 for each violation that is

arbitrary and capricious, and if committed with a frequency that indicates a general business practice, the carrier is subject to a fine of \$100 to \$125,000 for each violation. In addition, a carrier who fails to pay a claim as required must pay interest on any unpaid portion of a claim.

Background: Some carriers have written checks for reimbursement to health care providers, but have neglected to actually mail or transmit them to providers within the 30-day time frame. For internal accounting purposes these claims have been paid within 30 days; however, health care providers have not received actual payments in a timely manner.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid, Maryland Health Care Commission), Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - January 23, 2004
ncs/jr

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