

Department of Legislative Services

Maryland General Assembly

2020 Session

FISCAL AND POLICY NOTE

First Reader

House Bill 729

(Delegate Hill)

Health and Government Operations

Health Insurance - Payment of Clean Claims - Time Limit

This bill reduces the time period within which an insurer, nonprofit health service plan, health maintenance organization, or a Medicaid managed care organization (MCO) must pay a clean claim (a properly submitted claim for reimbursement) and take other specified actions from within 30 days to within 3 days. The bill also requires payment of interest on an unpaid clean claim beginning on the 4th day rather than the 31st day.

Fiscal Summary

State Effect: Medicaid expenditures (50% general funds, 50% federal funds) increase by an indeterminate but significant amount (likely at least \$30 million annually, as discussed below) beginning in FY 2021 to meet the bill's requirements. Federal fund revenues increase accordingly. **This bill increases the cost of an entitlement program beginning in FY 2021.**

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary/Current Law: Under current law, a carrier must give a provider at least 180 days from the date a covered service is rendered to submit a claim. Within 30 days of receipt, a carrier must pay a clean claim or send a notice of receipt with the status of the claim. If a carrier disputes a portion of a claim, it must provide payment for any undisputed portion within 30 days of receipt of the claim. If a carrier requests specific additional

information necessary for the claim to be considered clean, the carrier must pay the claim within 30 days after receipt of the requested information. Under the bill, the number of days within which a carrier must take these actions is reduced from within 30 days to within 3 days.

A carrier that does not pay a clean claim (or violates any other related requirements) must pay interest on the amount of the claim that remains unpaid 30 days after the claim is received at a monthly rate of 1.5% from the 31st day through the 60th day (increasing to 2.5% after the 120th day). Under the bill, interest on a clean claim unpaid 3 days after the claim is received begins to accrue from the 4th day after the claim is received.

Under Maryland regulations (COMAR 31.10.11.14), third-party payors must submit to the Insurance Commissioner biannually a claims data filing that documents the payment and denial practices for claims, including the number of claims received; the number of claims received that were clean; the number of claims for which additional information was requested; and compliance or noncompliance with the payment timeframe for all claims received, including any interest paid for clean claims paid more than 30 days after receipt. The Commissioner must use the claims data filing to determine the general business practices of third-party payors and any entities to which claims processing has been delegated.

Background: All 50 states and the District of Columbia have prompt payment laws for health care providers. The vast majority of states require payment within 30 days or subject the payor to a fine. Some states have different payment timeframes depending on whether a claim is submitted electronically or via paper. A few states require payment within a timeframe less than 30 days but none less than 15 days: Georgia (15 days for electronic claims); Hawaii (15 days for non-Medicaid electronic claims); Mississippi (25 days for electronic claims); New Hampshire (15 days for electronic claims); North Dakota (15 days for all claim types); and Tennessee (21 days for electronic claims).

The May 2019 [report](#) of the Health Record and Payment Integration Program Advisory Committee noted that the Maryland Insurance Administration has not identified concerns regarding noncompliance with prompt payment requirements, private payors report that most electronic claims are processed in near real time, and provider concerns exist around changing the statutory provision that allows a provider 180 days from the date of service to submit a claim. The advisory committee concluded that most claims are processed in significantly less time than required, and payors and providers are satisfied with the current approach. The committee did not recommend any action on this issue at this time.

State Fiscal Effect: Existing clean claims payment requirements do not apply to the Medicaid fee-for-service program, but they do apply to the nine Medicaid MCOs. The Maryland Department of Health (MDH) advises that MCOs currently pay 97% of claims

within 30 days and report an average claims processing time of between 15 and 20 days. However, MCOs do not currently have the capability to process claims within 3 days as required under the bill.

Thus, in order to comply with the bill's requirement that clean claims be paid within three days, MCO expenditures increase significantly beginning in fiscal 2021 to make payment system changes necessary to facilitate claims processing within three days or less and for enhanced staffing to accelerate claims processing and utilization review, additional mailings and paperwork, and increased interest payments for those claims not paid within the three-day timeframe. MCOs also cited concerns that expedited processing times may prevent use of current prepayment review processes utilized to prevent potential fraud, waste, and abuse.

Based on feedback from the MCOs, MDH estimates that at least \$30 million (50% general funds, 50% federal funds) would need to be built into MCO rates to offset these new expenditures as part of calendar 2021 MCO rate setting.

Small Business Effect: Small business health care providers will receive payment for clean claims sooner than under current law and likely receive additional interest payments on claims not submitted within the timeframe required under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

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