
By: Delegates Barve and Goldwater

Introduced and read first time: January 31, 1996

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 Health Insurers - Appeal of Reimbursement Decisions - Nontermination Provision

3 FOR the purpose of requiring certain health insurers, including health maintenance
4 organizations, to give certain providers the opportunity to seek a reconsideration or
5 appeal of the insurer's or health maintenance organizations determination to refuse
6 to pay a claim or portion of a claim under certain circumstances; prohibiting certain
7 health insurers from terminating a provider from the insurer's provider panel
8 because the provider sought a reconsideration or appeal of the insurer's refusal to
9 pay a claim or portion of a claim; and generally relating to requiring certain health
10 insurers, including health maintenance organizations, to provide certain persons an
11 opportunity to seek a reconsideration or appeal of certain payment decisions.

12 BY repealing and reenacting, without amendments,
13 Article 48A - Insurance Code
14 Section 354Z(a), 470U(a), and 477AA(a)
15 Annotated Code of Maryland
16 (1994 Replacement Volume and 1995 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article 48A - Insurance Code
19 Section 354Z(b), 470U(b), 477AA(b), and 490CC(h)
20 Annotated Code of Maryland
21 (1994 Replacement Volume and 1995 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article - Health - General
24 Section 19-712.1
25 Annotated Code of Maryland
26 (1990 Replacement Volume and 1995 Supplement)

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

2

1 **Article 48A - Insurance Code**

2 354Z.

3 (a) Notwithstanding any provision of a group or individual policy or contract
4 issued by a nonprofit health service plan, or any certificate issued thereunder, of health,
5 sickness, accident, or disability insurance, delivered or issued for delivery within the
6 State, whenever such policy, contract, or certificate provides for reimbursement for any
7 service which is within the lawful scope of practice of a health care provider duly licensed
8 under the Health Occupations Article, the insured, or any other person covered by, or
9 entitled to reimbursement under, the policy, contract, or certificate, shall be entitled to
10 reimbursement for such service. The provisions of this section apply to all such policies,
11 contracts, or certificates issued, renewed, modified, altered, amended, or reissued on or
12 after July 1, 1984.

13 (b) (1) Within 30 days of receipt of a claim for reimbursement from any person
14 under subsection (a) of this section or any hospital or related institution as defined in §
15 19-301 of the Health - General Article, a nonprofit health service plan shall:

16 (i) Pay the claim in accordance with this subsection; or

17 (ii) Send a "notice of receipt and status of the claim" that states that
18 the plan:

19 1. Refuses to reimburse the claim, or a portion of the claim,
20 and provides the specific reasons for denying the claim, or a portion of the claim; or

21 2. Requires further information to make a determination on
22 reimbursement of the claim, or a portion of the claim, and states what specific additional
23 information is necessary to make the determination.

24 (2) (i) If a nonprofit health service plan fails to comply with paragraph
25 (1) of this subsection, the nonprofit health service plan shall pay interest on that amount
26 of the claim that remains unpaid 30 days after the filing of the claim.

27 (ii) 1. If a nonprofit health service plan fails to comply with
28 subparagraph (i) of this paragraph, the nonprofit health service plan shall pay interest on
29 the amount of the claim that remains unpaid 30 days after the filing of the claim.

30 2. The interest paid under this subparagraph shall bear the
31 monthly rate of:

32 A. 1.5 percent from the 31st day through the 60th day;

33 B. 2 percent from the 61st day through the 120th day; and

34 C. 2.5 percent after the 120th day.

35 3. The interest paid under this subparagraph shall be included
36 in any late reimbursement without the necessity for any claim for that interest to be made
37 by the person, hospital, or related institution filing the original claim.

38 (3) IF AN INSURER REFUSES TO PAY THE CLAIM, OR A PORTION OF THE
39 CLAIM, UNDER PARAGRAPH (2)(I)1 OF THIS SUBSECTION, THE INSURER SHALL

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1 PROVIDE THE PERSON, HOSPITAL, OR RELATED INSTITUTION WITH AN
2 OPPORTUNITY TO OBTAIN A RECONSIDERATION OR APPEAL OF THE DENIAL.

3 [(3)] (4) The provisions of this subsection do not apply to claims with
4 respect to which there is a good faith dispute regarding the legitimacy of the claim or the
5 appropriate amount of reimbursement.

6 [(4)] (5) To the extent consistent with the Employee Retirement Income
7 Security Act of 1974, 29 U.S.C. 1001, et seq., as amended, the provisions of this subsection
8 shall apply to a nonprofit health service plan acting as a third party administrator.

9 470U.

10 (a) Notwithstanding any provision of a group or individual policy or contract,
11 including profit and nonprofit health plans, or any certificate issued thereunder, of
12 health, sickness, accident, or disability insurance, delivered or issued for delivery within
13 the State, whenever such policy, contract, or certificate provides for reimbursement for
14 any service which is within the lawful scope of practice of a health care provider duly
15 licensed under the Health Occupations Article, the insured, or any other person covered
16 by, or entitled to reimbursement under, the policy, contract, or certificate, shall be
17 entitled to reimbursement for such service. The provisions of this section apply to all such
18 policies, contracts, or certificates issued, renewed, modified, altered, amended, or
19 reissued on or after July 1, 1984.

20 (b) (1) Within 30 days of receipt of a claim for reimbursement from any person
21 under subsection (a) of this section or any hospital or related institution as defined in §
22 19-301 of the Health - General Article, an insurer shall:

23 (i) Pay the claim in accordance with this subsection; or

24 (ii) Send a "notice of receipt and status of the claim" that states that
25 the insurer:

26 1. Refuses to reimburse the claim, or a portion of the claim,
27 and provides the specific reasons for denying the claim, or a portion of the claim; or

28 2. Requires further information to make a determination on
29 reimbursement of the claim, or a portion of the claim, and states what specific additional
30 information is necessary to make the determination.

31 (2) (i) If an insurer fails to comply with paragraph (1) of this subsection,
32 the insurer shall pay interest on the amount of the claim that remains unpaid 30 days
33 after the filing of the claim.

34 (ii) 1. If an insurer fails to comply with subparagraph (i) of this
35 paragraph, the insurer shall pay interest on the amount of the claim that remains unpaid
36 30 days after the filing of the claim.

37 2. The interest paid under this subparagraph shall bear the
38 monthly rate of:

39 A. 1.5 percent from the 31st day through the 60th day;

40 B. 2 percent from the 61st day through the 120th day; and

4

1 C. 2.5 percent after the 120th day.

2 3. The interest paid under this subparagraph shall be included
3 in any late reimbursement without the necessity for any claim for that interest to be made
4 by the person, hospital, or related institution filing the original claim.

5 (3) IF AN INSURER REFUSES TO PAY THE CLAIM, OR A PORTION OF THE
6 CLAIM, UNDER PARAGRAPH (2)(II)1 OF THIS SUBSECTION, THE INSURER SHALL
7 PROVIDE THE PERSON, HOSPITAL, OR RELATED INSTITUTION WITH AN
8 OPPORTUNITY TO OBTAIN A RECONSIDERATION OR APPEAL OF THE DENIAL.

9 [(3)] (4) The provisions of this subsection do not apply to claims with
10 respect to which there is a good faith dispute regarding the legitimacy of the claim or the
11 appropriate amount of reimbursement.

12 [(4)] (5) To the extent consistent with the Employee Retirement Income
13 Security Act of 1974, 29 U.S.C. 1001, et seq., as amended, the provisions of this subsection
14 shall apply to an insurer acting as a third party administrator.

15 477AA.

16 (a) Notwithstanding any provision of a group or individual policy or contract,
17 including profit and nonprofit health plans, or any certificate issued thereunder, of
18 health, sickness, accident, or disability insurance, delivered or issued for delivery within
19 the State, whenever such policy, contract, or certificate provides for reimbursement for
20 any service which is within the lawful scope of practice of a health care provider duly
21 licensed under the Health Occupations Article, the insured, or any other person covered
22 by, or entitled to reimbursement under, the policy, contract, or certificate, shall be
23 entitled to reimbursement for such service. The provisions of this section apply to all such
24 policies, contracts, or certificates issued, renewed, modified, altered, amended, or
25 reissued on or after July 1, 1984.

26 (b) (1) Within 30 days of receipt of a claim for reimbursement from any person
27 under subsection (a) of this section or any hospital or related institution as defined in §
28 19-301 of the Health - General Article, an insurer shall:

29 (i) Pay the claim in accordance with this subsection; or

30 (ii) Send a "notice of receipt and status of the claim" that states that
31 the insurer:

32 1. Refuses to reimburse the claim, or a portion of the claim,
33 and provides the specific reasons for denying the claim, or a portion of the claim; or

34 2. Requires further information to make a determination on
35 reimbursement of the claim, or a portion of the claim, and states what specific additional
36 information is necessary to make the determination.

37 (2) (i) If an insurer fails to comply with paragraph (1) of this subsection,
38 the insurer shall pay interest on the amount of the claim that remains unpaid 30 days
39 after the filing of the claim.

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1 (ii) 1. If an insurer fails to comply with subparagraph (i) of this
2 paragraph, the insurer shall pay interest on the amount of the claim that remains unpaid
3 30 days after the filing of the claim.

4 2. The interest paid under this subparagraph shall bear the
5 monthly rate of:

6 A. 1.5 percent from the 31st day through the 60th day;

7 B. 2 percent from the 61st day through the 120th day; and

8 C. 2.5 percent after the 120th day.

9 3. The interest paid under this subparagraph shall be included
10 in any late reimbursement without the necessity for any claim for that interest to be made
11 by the person, hospital, or related institution filing the original claim.

12 (3) IF AN INSURER REFUSES TO PAY THE CLAIM, OR A PORTION OF THE
13 CLAIM, UNDER PARAGRAPH (2)(I)1 OF THIS SUBSECTION, THE INSURER SHALL
14 PROVIDE THE PERSON, HOSPITAL, OR RELATED INSTITUTION WITH AN
15 OPPORTUNITY TO SEEK A RECONSIDERATION OR APPEAL OF THE DENIAL.

16 [(3)] (4) The provisions of this subsection do not apply to claims with
17 respect to which there is a good faith dispute regarding the legitimacy of the claim or the
18 appropriate amount of reimbursement.

19 [(4)] (5) To the extent consistent with the Employee Retirement Income
20 Security Act of 1974, 29 U.S.C. 1001, et seq., as amended, the provisions of this subsection
21 shall apply to an insurer acting as a third party administrator.

22 490CC.

23 (h) A carrier may not terminate a provider from participation in the carrier's
24 provider panel, or otherwise penalize a provider, for:

25 (1) Advocating the interest of a patient through the carrier's internal review
26 system; [or]

27 (2) Filing an appeal under the provisions of Title 19, Subtitle 13 of the
28 Health - General Article; OR

29 (3) SEEKING A RECONSIDERATION OR APPEAL OF A DENIAL OF
30 REIMBURSEMENT OF A CLAIM OR PORTION OF A CLAIM UNDER ARTICLE 48A, §§
31 354Z, 470U, OR 477AA OF THE CODE OR § 19-712.1 OF THE HEALTH - GENERAL
32 ARTICLE.

33 **Article - Health - General**

34 19-712.1.

35 (a) For covered services rendered to its members, a health maintenance
36 organization shall reimburse any provider within 30 days after receipt of a claim that is
37 accompanied by all reasonable and necessary documentation.

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1 (b) (1) If a health maintenance organization fails to comply with subsection (a)
2 of this section, the health maintenance organization shall pay interest beginning with the
3 31st day on the amount of the claim that remains unpaid after 30 days following the
4 receipt of the claim.

5 (2) The interest payable shall be at the rate of 1.5 percent per month simple
6 interest prorated for any portion of a month.

7 (3) Except as provided in subsection (c) of this section, when paying a claim
8 more than 30 days after its receipt, the health maintenance organization shall add the
9 interest payable to the amount of the unpaid claim without the necessity for any claim for
10 that interest to be made by the provider filing the original claim.

11 (c) The provisions of this section do not apply to claims where:

12 (1) There is a good faith dispute regarding:

13 (i) The legitimacy of the claim; or

14 (ii) The appropriate amount of reimbursement; and

15 (2) The health maintenance organization:

16 (i) Notifies the provider within 2 weeks of the receipt of the claim that
17 the legitimacy of the claim or the appropriate amount of reimbursement is in dispute;

18 (ii) Supplies in writing to the provider the specific reasons why the
19 legitimacy of the claim, or a portion of the claim, or the appropriate amount of
20 reimbursement is in dispute;

21 (iii) Pays any undisputed portion of the claim within 30 days of the
22 receipt of the claim; [and]

23 (iv) Makes a good faith, timely effort to resolve the dispute; AND

24 (V) GIVES THE PROVIDER THE OPPORTUNITY TO SEEK A
25 RECONSIDERATION OR APPEAL OF ANY DECISION MADE BY THE HEALTH
26 MAINTENANCE ORGANIZATION TO REFUSE TO PAY THE CLAIM, OR A PORTION OF
27 THE CLAIM, THAT WAS IN DISPUTE.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 1996.