
By: Delegate Frank

Introduced and read first time: February 2, 1996

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of altering the circumstances under which a nonprofit health service
4 plan, health insurer, or health maintenance organization is not required to pay
5 interest on certain unpaid claims; requiring a nonprofit health service plan, health
6 insurer, or health maintenance organization to pay interest on certain unpaid claims
7 under certain circumstances; and generally relating to the payment of interest on
8 claims by a nonprofit health service plan, health insurer, or health maintenance
9 organization.

10 BY repealing and reenacting, with amendments,
11 Article 48A - Insurance Code
12 Section 354Z(b), 470U(b), and 477AA(b)
13 Annotated Code of Maryland
14 (1994 Replacement Volume and 1995 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article - Health - General
17 Section 19-712.1
18 Annotated Code of Maryland
19 (1990 Replacement Volume and 1995 Supplement)

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

22 **Article 48A - Insurance Code**

23 354Z.

24 (b) (1) Within 30 days of receipt of a claim for reimbursement from any person
25 under subsection (a) of this section or any hospital or related institution as defined in §
26 19-301 of the Health - General Article, a nonprofit health service plan shall:

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

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

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

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

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

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

12 2. The interest paid under this subparagraph shall bear the
13 monthly rate of:

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

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

16 C. 2.5 percent after the 120th day.

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

20 (3) (I) The provisions of this subsection do not apply to claims with
21 respect to which there is a [good faith dispute regarding the legitimacy of the claim or the
22 appropriate amount of reimbursement] LEGITIMATE NEED FOR ADDITIONAL
23 INFORMATION.

24 (II) NO LATER THAN 10 DAYS AFTER THE MAILING TO THE
25 NONPROFIT HEALTH SERVICE PLAN OF ALL OF THE ADDITIONAL INFORMATION,
26 THE NONPROFIT HEALTH SERVICE PLAN SHALL:

27 1. PAY THE CLAIM IN ACCORDANCE WITH THIS
28 SUBSECTION; OR

29 2. SEND A WRITTEN NOTICE THAT STATES THAT THE
30 NONPROFIT HEALTH SERVICE PLAN REFUSES TO REIMBURSE THE CLAIM, OR A
31 PORTION OF THE CLAIM, AND PROVIDES THE SPECIFIC REASONS FOR DENYING THE
32 CLAIM, OR PORTION OF THE CLAIM.

33 (III) IF THE CLAIM REMAINS UNPAID AFTER 10 DAYS AS PROVIDED
34 IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, THEN THE NONPROFIT HEALTH
35 SERVICE PLAN SHALL PAY INTEREST ON THE AMOUNT UNPAID AS PROVIDED IN
36 PARAGRAPH (2)(II)2 OF THIS SUBSECTION.

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

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1 470U.

2 (b) (1) Within 30 days of receipt of a claim for reimbursement from any person
3 under subsection (a) of this section or any hospital or related institution as defined in §
4 19-301 of the Health - General Article, an insurer shall:

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

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

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

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

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

16 (ii) 1. If an insurer fails to comply with subparagraph (i) of this
17 paragraph, the insurer shall pay interest on the amount of the claim that remains unpaid
18 30 days after the filing of the claim.

19 2. The interest paid under this subparagraph shall bear the
20 monthly rate of:

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

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

23 C. 2.5 percent after the 120th day.

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

27 (3) (I) The provisions of this subsection do not apply to claims with
28 respect to which there is a [good faith dispute regarding the legitimacy of the claim or the
29 appropriate amount of reimbursement] LEGITIMATE NEED FOR ADDITIONAL
30 INFORMATION.

31 (II) NO LATER THAN 10 DAYS AFTER THE MAILING TO THE
32 INSURER OF ALL OF THE ADDITIONAL INFORMATION, THE INSURER SHALL:

33 1. PAY THE CLAIM IN ACCORDANCE WITH THIS
34 SUBSECTION; OR

35 2. SEND A WRITTEN NOTICE THAT STATES THAT THE
36 INSURER REFUSES TO REIMBURSE THE CLAIM, OR A PORTION OF THE CLAIM, AND
37 PROVIDES THE SPECIFIC REASONS FOR DENYING THE CLAIM, OR PORTION OF THE
38 CLAIM.

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1 (III) IF THE CLAIM REMAINS UNPAID AFTER 10 DAYS AS PROVIDED
2 IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, THEN THE INSURER SHALL PAY
3 INTEREST ON THE AMOUNT UNPAID AS PROVIDED IN PARAGRAPH (2)(II)2 OF THIS
4 SUBSECTION.

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

8 477AA.

9 (b) (1) Within 30 days of receipt of a claim for reimbursement from any person
10 under subsection (a) of this section or any hospital or related institution as defined in §
11 19-301 of the Health - General Article, an insurer shall:

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

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

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

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

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

23 (ii) 1. If an insurer fails to comply with subparagraph (i) of this
24 paragraph, the insurer shall pay interest on the amount of the claim that remains unpaid
25 30 days after the filing of the claim.

26 2. The interest paid under this subparagraph shall bear the
27 monthly rate of:

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

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

30 C. 2.5 percent after the 120th day.

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

34 (3) (I) The provisions of this subsection do not apply to claims with
35 respect to which there is a [good faith dispute regarding the legitimacy of the claim or the
36 appropriate amount of reimbursement] LEGITIMATE NEED FOR ADDITIONAL
37 INFORMATION.

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1 (II) NO LATER THAN 10 DAYS AFTER THE MAILING TO THE
2 INSURER OF ALL OF THE ADDITIONAL INFORMATION, THE INSURER SHALL:

3 1. PAY THE CLAIM IN ACCORDANCE WITH THIS
4 SUBSECTION; OR

5 2. SEND A WRITTEN NOTICE THAT STATES THAT THE
6 INSURER REFUSES TO REIMBURSE THE CLAIM, OR A PORTION OF THE CLAIM, AND
7 PROVIDES THE SPECIFIC REASONS FOR DENYING THE CLAIM, OR PORTION OF THE
8 CLAIM.

9 (III) IF THE CLAIM REMAINS UNPAID AFTER 10 DAYS AS PROVIDED
10 IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, THEN THE INSURER SHALL PAY
11 INTEREST ON THE AMOUNT UNPAID AS PROVIDED IN PARAGRAPH (2)(II)2 OF THIS
12 SUBSECTION.

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

16 **Article - Health - General**

17 19-712.1.

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

21 (b) (1) If a health maintenance organization fails to comply with subsection (a)
22 of this section, the health maintenance organization shall pay interest beginning with the
23 31st day on the amount of the claim that remains unpaid after 30 days following the
24 receipt of the claim.

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

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

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

32 (1) There is a [good faith dispute regarding:

33 (i) The legitimacy of the claim; or

34 (ii) The appropriate amount of reimbursement] LEGITIMATE NEED
35 FOR ADDITIONAL INFORMATION; and

36 (2) The health maintenance organization:

6

1 (i) Notifies the provider within 2 weeks of the receipt of the claim
2 that [the legitimacy of the claim or the appropriate amount of reimbursement is in
3 dispute] THERE IS A LEGITIMATE NEED FOR ADDITIONAL INFORMATION;

4 (ii) Supplies in writing to the provider the specific reasons why [the
5 legitimacy of the claim, or a portion of the claim, or the appropriate amount of
6 reimbursement is in dispute] THERE IS A LEGITIMATE NEED FOR ADDITIONAL
7 INFORMATION;

8 (iii) Pays any undisputed portion of the claim within 30 days of the
9 receipt of the claim; and

10 (iv) Makes a good faith, timely effort to resolve the dispute.

11 (D) (1) NO LATER THAN 10 DAYS AFTER THE MAILING TO THE HEALTH
12 MAINTENANCE ORGANIZATION OF ALL OF THE ADDITIONAL INFORMATION
13 PURSUANT TO A DISPUTE UNDER SUBSECTION (C) OF THIS SECTION, THE HEALTH
14 MAINTENANCE ORGANIZATION SHALL:

15 (I) PAY THE CLAIM IN ACCORDANCE WITH THIS SECTION; OR

16 (II) SEND A WRITTEN NOTICE THAT STATES THAT THE HEALTH
17 MAINTENANCE ORGANIZATION REFUSES TO PAY THE CLAIM, OR A PORTION OF THE
18 CLAIM, AND PROVIDES THE SPECIFIC REASONS FOR DENYING THE CLAIM, OR
19 PORTION OF THE CLAIM.

20 (2) IF THE CLAIM REMAINS UNPAID AFTER 10 DAYS AS PROVIDED IN
21 PARAGRAPH (1) OF THIS SUBSECTION, THEN THE HEALTH MAINTENANCE
22 ORGANIZATION SHALL PAY INTEREST AS PROVIDED IN PARAGRAPH (B)(2) OF THIS
23 SECTION.

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