
By: Delegates Frank, Exum, Love, Workman, and Morhaim

Introduced and read first time: January 30, 1997

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

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

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 - Insurance

12 Section 15-1005

13 Annotated Code of Maryland

14 (1995 Volume and 1996 Supplement)

15 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of

16 1997)

17 BY repealing and reenacting, with amendments,

18 Article - Health - General

19 Section 19-712.1

20 Annotated Code of Maryland

21 (1996 Replacement Volume and 1996 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article - Insurance**

25 15-1005.

26 (a) [This section does] EXCEPT AS OTHERWISE PROVIDED, SUBSECTIONS (C)

27 AND (D) OF THIS SECTION DO not apply when there is a [good faith dispute about the

28 legitimacy of a claim or the appropriate amount of reimbursement] LEGITIMATE NEED

29 FOR ADDITIONAL INFORMATION.

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

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

8 (1) pay the claim in accordance with this section; or

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

10 (i) that the insurer or nonprofit health service plan refuses to
11 reimburse all or part of the claim and the reason for the refusal; or

12 (ii) that additional information is necessary to determine if all or part
13 of the claim will be reimbursed and what specific additional information is necessary.

14 (d) (1) If an insurer or nonprofit health service plan fails to comply with
15 subsection (c) of this section, the insurer or nonprofit health service plan shall pay
16 interest on the amount of the claim that remains unpaid 30 days after the claim is filed at
17 the monthly rate of:

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

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

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

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

24 (E) (1) WITHIN 10 DAYS AFTER THE DAY ON WHICH ALL ADDITIONAL
25 INFORMATION IS MAILED TO AN INSURER OR NONPROFIT HEALTH SERVICE PLAN,
26 IT SHALL:

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

28 (II) SEND A WRITTEN NOTICE THAT:

29 1. STATES REFUSAL TO REIMBURSE THE CLAIM OR ANY
30 PART OF THE CLAIM; AND

31 2. SPECIFIES EACH REASON FOR DENIAL.

32 (2) AN INSURER OR NONPROFIT HEALTH SERVICE PLAN THAT FAILS TO
33 COMPLY WITH PARAGRAPH (1) OF THIS SUBSECTION SHALL PAY INTEREST ON ANY
34 AMOUNT OF THE CLAIM THAT REMAINS UNPAID IN ACCORDANCE WITH
35 SUBSECTION (D) OF THIS SECTION.

3

1 **Article - Health - General**

2 19-712.1.

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

6 (b) (1) If a health maintenance organization fails to comply with subsection (a)
7 of this section, the health maintenance organization shall pay interest beginning with the
8 31st day on the amount of the claim that remains unpaid after 30 days following the
9 receipt of the claim.

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

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

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

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

18 (i) The legitimacy of the claim; or

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

21 (2) The health maintenance organization:

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

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

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

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

32 (D) (1) WITHIN 10 DAYS AFTER THE DAY ON WHICH ALL ADDITIONAL
33 INFORMATION IS MAILED TO A HEALTH MAINTENANCE ORGANIZATION, IT SHALL:

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

35 (II) SEND A WRITTEN NOTICE THAT:

36 1. STATES REFUSAL TO REIMBURSE THE CLAIM OR ANY
37 PART OF THE CLAIM; AND

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2. SPECIFIES EACH REASON FOR DENIAL.

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(2) A HEALTH MAINTENANCE ORGANIZATION THAT FAILS TO COMPLY
3 WITH PARAGRAPH (1) OF THIS SUBSECTION SHALL PAY INTEREST ON ANY AMOUNT
4 OF THE CLAIM THAT REMAINS UNPAID IN ACCORDANCE WITH SUBSECTION (B)(2) OF
5 THIS SECTION.

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SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 1997.