
By: **Delegates Goldwater, Barve, Benson, Bronrott, Brown, Eckardt,
Hubbard, Love, Kopp, Nathan-Pulliam, and Pendergrass**

Introduced and read first time: February 11, 1999

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Payment of Claims**

3 FOR the purpose of requiring insurers, nonprofit health service plans, and health
4 maintenance organizations, for certain claims for reimbursement, to send
5 certain notice of receipt and status of the claim within a certain period of time
6 after receipt of the claim; making certain provisions of law relating to payment
7 of claims that are applicable to insurers and nonprofit health service plans also
8 applicable to health maintenance organizations; and generally relating to
9 payment of claims under health insurance.

10 BY repealing and reenacting, with amendments,

11 Article - Insurance
12 Section 15-1005
13 Annotated Code of Maryland
14 (1997 Volume and 1998 Supplement)

15 BY adding to

16 Article - Health - General
17 Section 19-706(ff)
18 Annotated Code of Maryland
19 (1996 Replacement Volume and 1998 Supplement)

20 BY repealing

21 Article - Health - General
22 Section 19-712.1
23 Annotated Code of Maryland
24 (1996 Replacement Volume and 1998 Supplement)

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

1 **Article - Insurance**

2 15-1005.

3 (a) This section does not apply when there is a good faith dispute about the
4 legitimacy of a claim or the appropriate amount of reimbursement.

5 (b) To the extent consistent with the Employee Retirement Income Security
6 Act of 1974 (ERISA), 29 U.S.C. 1001, et seq., this section applies to an insurer [or],
7 nonprofit health service plan, OR HEALTH MAINTENANCE ORGANIZATION that acts as
8 a third party administrator.

9 (c) AN INSURER, NONPROFIT SERVICE PLAN, OR HEALTH MAINTENANCE
10 ORGANIZATION:

11 (1) [Within] WITHIN 30 days after receipt of a claim for reimbursement
12 from a person entitled to reimbursement under § 15-701(a) of this title or from a
13 hospital or related institution, as those terms are defined in § 19-301 of the Health -
14 General Article,[an insurer or nonprofit health service plan] shall[:

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

16 (2) WITHIN 2 WEEKS AFTER RECEIPT OF THE CLAIM, SHALL send a
17 notice of receipt and status of the claim that states:

18 (i) that the insurer [or], nonprofit health service plan, OR HEALTH
19 MAINTENANCE ORGANIZATION refuses to reimburse all or part of the claim and the
20 reason for the refusal; or

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

24 (d) An insurer [or a], nonprofit health service plan, OR HEALTH
25 MAINTENANCE ORGANIZATION shall permit a provider a minimum of 6 months from
26 the date a covered service is rendered to submit a claim for reimbursement for the
27 service.

28 (e) (1) If an insurer [or], nonprofit health service plan, OR HEALTH
29 MAINTENANCE ORGANIZATION notifies a provider that additional documentation is
30 necessary to adjudicate a claim, the insurer [or], nonprofit health service plan, OR
31 HEALTH MAINTENANCE ORGANIZATION shall reimburse the provider for covered
32 services within 30 days after receipt of all reasonable and necessary documentation.

33 (2) If an insurer [or], nonprofit health service plan, OR HEALTH
34 MAINTENANCE ORGANIZATION fails to comply with the requirements of paragraph
35 (1) of this subsection, the insurer [or], nonprofit health service plan, OR HEALTH
36 MAINTENANCE ORGANIZATION shall pay interest in accordance with the
37 requirements of subsection (f) of this section.

1 (f) (1) If an insurer [or], nonprofit health service plan, OR HEALTH
2 MAINTENANCE ORGANIZATION fails to comply with subsection (c) of this section, the
3 insurer [or], nonprofit health service plan, OR HEALTH MAINTENANCE
4 ORGANIZATION shall pay interest on the amount of the claim that remains unpaid 30
5 days after the claim is filed at the monthly rate of:

- 6 (i) 1.5% from the 31st day through the 60th day;
7 (ii) 2% from the 61st day through the 120th day; and
8 (iii) 2.5% after the 120th day.

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

12 **Article - Health - General**

13 19-706.

14 (FF) THE PROVISIONS OF § 15-1005 OF THE INSURANCE ARTICLE APPLY TO
15 HEALTH MAINTENANCE ORGANIZATIONS.

16 [19-712.1.

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

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

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

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

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

- 31 (1) There is a good faith dispute regarding:
32 (i) The legitimacy of the claim; or
33 (ii) The appropriate amount of reimbursement; and
34 (2) The health maintenance organization:

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;

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;

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

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

10 (d) A health maintenance organization shall permit a provider a minimum of 6
11 months from the date a covered service is rendered to submit a claim for
12 reimbursement for the service.

13 (e) (1) If a health maintenance organization notifies a provider that
14 additional documentation is necessary to adjudicate a claim, the health maintenance
15 organization shall reimburse the provider for covered services within 30 days after
16 receipt of all reasonable and necessary documentation.

17 (2) If a health maintenance organization fails to comply with the
18 requirements of paragraph (1) of this subsection, the health maintenance
19 organization shall pay interest in accordance with the requirements of subsection (b)
20 of this section.]

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 1999.