
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

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 16, 1999

CHAPTER _____

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~~ repealing certain provisions of law relating to the
7 payment of certain claims for reimbursement by health maintenance
8 organizations and managed care organizations; making certain provisions of law
9 relating to payment of claims that are applicable to insurers and nonprofit
10 health service plans also applicable to health maintenance organizations and
11 managed care organizations; and generally relating to payment of claims ~~under~~
12 ~~health insurance by insurers, nonprofit health service plans, health~~
13 maintenance organizations, and managed care organizations.

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 15-1005
17 Annotated Code of Maryland
18 (1997 Volume and 1998 Supplement)

19 BY repealing and reenacting, with amendments,
20 Article - Health - General
21 Section 15-102.3(b)
22 Annotated Code of Maryland
23 (1994 Replacement Volume and 1998 Supplement)

1 BY adding to
 2 Article - Health - General
 3 Section 19-706(ff)
 4 Annotated Code of Maryland
 5 (1996 Replacement Volume and 1998 Supplement)

6 BY repealing
 7 Article - Health - General
 8 Section 19-712.1
 9 Annotated Code of Maryland
 10 (1996 Replacement Volume and 1998 Supplement)

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

13 **Article - Insurance**

14 15-1005.

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

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

21 (c) ~~AN INSURER, NONPROFIT SERVICE PLAN, OR HEALTH MAINTENANCE~~
 22 ~~ORGANIZATION:~~

23 ~~(1)~~ ~~{Within}~~ ~~WITHIN~~ 30 days after receipt of a claim for reimbursement
 24 from a person entitled to reimbursement under § 15-701(a) of this title or from a
 25 hospital or related institution, as those terms are defined in § 19-301 of the Health -
 26 General Article, ~~f~~ an insurer ~~or~~ nonprofit health service plan, OR HEALTH
 27 MAINTENANCE ORGANIZATION shall:

28 (1) ~~1~~ pay the claim in accordance with this section; or

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

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

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

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

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

10 (2) If an insurer [or], nonprofit health service plan, OR HEALTH
11 MAINTENANCE ORGANIZATION fails to comply with the requirements of paragraph
12 (1) of this subsection, the insurer [or], nonprofit health service plan, OR HEALTH
13 MAINTENANCE ORGANIZATION shall pay interest in accordance with the
14 requirements of subsection (f) of this section.

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

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

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

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

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

26 **Article - Health - General**

27 15-102.3.

28 (b) The provisions of [§ 19-712.1 of this article (Prompt payment)] § 15-1005
29 OF THE INSURANCE ARTICLE shall apply to managed care organizations in the same
30 manner they apply to health maintenance organizations.

31 19-706.

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

1 [19-712.1.

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

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

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

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

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

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

17 (i) The legitimacy of the claim; or

18 (ii) The appropriate amount of reimbursement; and

19 (2) The health maintenance organization:

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

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

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

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

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

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

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

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