

SENATE BILL 591

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2001 Regular Session
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By: **Senator Teitelbaum**

Introduced and read first time: February 2, 2001

Assigned to: Finance

Committee Report: Favorable

Senate action: Adopted

Read second time: March 14, 2001

CHAPTER_____

1 AN ACT concerning

2 **Health Insurance - Appealing Denials of Claims for Reimbursement of**
3 **Health Care Services Rendered**

4 FOR the purpose of requiring an insurer, nonprofit health service plan, or health
5 maintenance organization to permit a provider to appeal a certain denial of a
6 claim for reimbursement of health care services rendered within a certain period
7 of time; and generally relating to appealing denials of claims for reimbursement
8 of health care services rendered under health insurance.

9 BY repealing and reenacting, with amendments,
10 Article - Insurance
11 Section 15-1005
12 Annotated Code of Maryland
13 (1997 Volume and 2000 Supplement)

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

16 **Article - Insurance**

17 15-1005.

18 (a) In this section, "clean claim" means a claim for reimbursement, as defined
19 in regulations adopted by the Commissioner under § 15-1003 of this subtitle.

20 (b) To the extent consistent with the Employee Retirement Income Security
21 Act of 1974 (ERISA), 29 U.S.C. 1001, et seq., this section applies to an insurer,

1 nonprofit health service plan, or health maintenance organization that acts as a third
2 party administrator.

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

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

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

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

12 (ii) that, in accordance with § 15-1003(d)(1)(ii) of this subtitle, the
13 legitimacy of the claim or the appropriate amount of reimbursement is in dispute and
14 additional information is necessary to determine if all or part of the claim will be
15 reimbursed and what specific additional information is necessary; or

16 (iii) that the claim is not clean and the specific additional
17 information necessary for the claim to be considered a clean claim.

18 (d) (1) An insurer, nonprofit health service plan, or health maintenance
19 organization shall permit a provider a minimum of 6 months from the date a covered
20 service is rendered to submit a claim for reimbursement for the service.

21 (2) IF AN INSURER, NONPROFIT HEALTH SERVICE PLAN, OR HEALTH
22 MAINTENANCE ORGANIZATION WHOLLY OR PARTIALLY DENIES A CLAIM FOR
23 REIMBURSEMENT, THE INSURER, NONPROFIT HEALTH SERVICE PLAN, OR HEALTH
24 MAINTENANCE ORGANIZATION SHALL PERMIT A PROVIDER A MINIMUM OF 6
25 MONTHS AFTER THE DATE OF DENIAL OF THE CLAIM TO APPEAL THE DENIAL.

26 (e) (1) If an insurer, nonprofit health service plan, or health maintenance
27 organization provides notice under subsection (c)(2)(i) of this section, the insurer,
28 nonprofit health service plan, or health maintenance organization shall pay any
29 undisputed portion of the claim within 30 days of receipt of the claim, in accordance
30 with this section.

31 (2) If an insurer, nonprofit health service plan, or health maintenance
32 organization provides notice under subsection (c)(2)(ii) of this section, the insurer,
33 nonprofit health service plan, or health maintenance organization shall:

34 (i) pay any undisputed portion of the claim in accordance with this
35 section; and

36 (ii) comply with subsection (c)(1) or (2)(i) of this section within 30
37 days after receipt of the requested additional information.

1 (3) If an insurer, nonprofit health service plan, or health maintenance
2 organization provides notice under subsection (c)(2)(iii) of this section, the insurer,
3 nonprofit health service plan, or health maintenance organization shall comply with
4 subsection (c)(1) or (2)(i) of this section within 30 days after receipt of the requested
5 additional information.

6 (f) (1) If an insurer, nonprofit health service plan, or health maintenance
7 organization fails to comply with subsection (c) of this section, the insurer, nonprofit
8 health service plan, or health maintenance organization shall pay interest on the
9 amount of the claim that remains unpaid 30 days after the claim is received at the
10 monthly rate of:

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

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

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

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

17 (g) An insurer, nonprofit health service plan, or health maintenance
18 organization that violates a provision of this section is subject to:

19 (1) a fine not exceeding \$500 for each violation that is arbitrary and
20 capricious, based on all available information; and

21 (2) the penalties prescribed under § 4-113(d) of this article for violations
22 committed with a frequency that indicates a general business practice.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 October 1, 2001.