

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 549 (Delegate McHale, *et al.*)
Economic Matters

**Claims for Reimbursement of Health Care Services Rendered - Interest on
Unpaid Claims**

This bill provides that an insurer, nonprofit health service plan, or HMO (carrier) that fails to pay all or part of a claim from a health care provider and the unpaid amount is determined to be due under the claim, the carrier must pay interest on the amount of the claim that remains unpaid 30 days after the claim is received.

Fiscal Summary

State Effect: Any additional complaints received by the Maryland Insurance Administration (MIA) could be handled with existing budgeted resources. The civil penalty provisions of this bill are not expected to significantly affect State finances or operations.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Revenues would not be affected.

Small Business Effect: Potential minimal. Expenditures for small business employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements.

Analysis

Current Law: Within 30 days after receipt of a claim for reimbursement from a health care provider, a carrier must either: (1) pay the claim; or (2) send a notice of receipt and

the status of the claim. If a carrier fails to do either of the above, the carrier must pay interest on the amount of the claim that remains unpaid 30 days after the claim is received. In addition, a carrier that violates these provisions is subject to a fine not exceeding \$500 for each violation that is arbitrary and capricious and is subject to a maximum \$125,000 fine if the violations are committed with a frequency that indicates a general business practice.

State Fiscal Effect: Currently, a carrier does not have to pay interest on an unpaid claim if the carrier: (1) refuses to pay the claim, has questions about the legitimacy of a claim, or requires additional information in order to process the claim; and (2) has given proper notice of receipt of the claim and the reasons for questioning the claim to the provider that submitted the claim for reimbursement. Under the bill's provisions, if a provider grieves the carrier's refusal to pay a claim, and it is later determined that the carrier should have paid the claim, the carrier must pay interest on any unpaid amount of the claim. The bill's provisions could generate additional complaints to the MIA; however, any additional complaints could be handled with existing resources. In addition, carriers that violate the bill's requirements are subject to fines up to \$125,000. The civil penalty provisions are not expected to significantly affect State finances or operations.

Expenditures for the State Employee Health Benefits Plan could increase to the extent carriers pass on their additional administrative costs as higher premiums. Any increase is expected to be negligible.

Additional Information

Prior Introductions: None.

Cross File: SB 285 (Senator Astle, *et al.*) – Finance.

Information Source(s): Maryland Insurance Administration, CareFirst BlueCross BlueShield of MD, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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ef/jr

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