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By: **Delegate Brown**  
Introduced and read first time: January 30, 2002  
Assigned to: Judiciary

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A BILL ENTITLED

1 AN ACT concerning

2 **Civil Actions - Enforcement of Prompt Payment of Claims**

3 FOR the purpose of clarifying that a certain provision of law requiring payment of  
4 interest on certain claims that remain unpaid after a certain period of time may  
5 be enforced by filing certain civil actions; prohibiting a person that files a  
6 certain action from filing a certain complaint with the Insurance Commissioner;  
7 requiring the award of certain attorney fees; and generally relating to civil  
8 remedies.

9 BY repealing and reenacting, with amendments,  
10 Article - Insurance  
11 Section 15-1005  
12 Annotated Code of Maryland  
13 (1997 Volume and 2001 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,  
22 nonprofit health service plan, or health maintenance organization that acts as a third  
23 party administrator.

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

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

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

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

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

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

11       (d)       (1)       An insurer, nonprofit health service plan, or health maintenance  
12 organization shall permit a provider a minimum of 180 days from the date a covered  
13 service is rendered to submit a claim for reimbursement for the service.

14           (2)       If an insurer, nonprofit health service plan, or health maintenance  
15 organization wholly or partially denies a claim for reimbursement, the insurer,  
16 nonprofit health service plan, or health maintenance organization shall permit a  
17 provider a minimum of 90 working days after the date of denial of the claim to appeal  
18 the denial.

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

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

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

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

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

36       (f)       (1)       If an insurer, nonprofit health service plan, or health maintenance  
37 organization fails to comply with subsection (c) of this section, the insurer, nonprofit  
38 health service plan, or health maintenance organization shall pay interest on the

1 amount of the claim that remains unpaid 30 days after the claim is received at the  
2 monthly rate of:

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

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

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

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

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

15 (H) (1) IN ADDITION TO ANY OTHER REMEDY, THE PROVISIONS OF  
16 SUBSECTION (F) OF THIS SECTION MAY BE ENFORCED BY FILING AN ACTION AT LAW  
17 OR IN EQUITY IN A COURT OF COMPETENT JURISDICTION.

18 (2) IF A PERSON FILES AN ACTION UNDER THIS SUBSECTION, THE  
19 PERSON MAY NOT FILE A COMPLAINT WITH THE COMMISSIONER ARISING FROM THE  
20 SAME VIOLATION OF SUBSECTION (F) OF THIS SECTION.

21 (3) THE COURT SHALL AWARD REASONABLE ATTORNEY FEES IF THE  
22 ACTION UNDER THIS SUBSECTION IS SUSTAINED.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 October 1, 2002.