
By: **Delegate Brown**

Introduced and read first time: January 29, 2003

Assigned to: Economic Matters

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 (2002 Replacement Volume and 2002 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, 2003.