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By: ~~Delegate Bromwell~~ Delegates Bromwell, Benson, Boutin, Costa, Donoghue, Elliott, Frank, Goldwater, Hammen, Hubbard, Hurson, Kullen, Mandel, McDonough, Morhaim, Murray, Nathan-Pulliam, Oaks, Pendergrass, Rudolph, V. Turner, and Weldon

Rules suspended

Introduced and read first time: March 10, 2005

Assigned to: Rules and Executive Nominations

Re-referred to: Health and Government Operations, March 14, 2005

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 25, 2005

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Health Insurance - Payment of Claims for Reimbursement - Erroneous**  
 3 **Denial of Provider's Claim**

4 FOR the purpose of requiring certain insurers, nonprofit health service plans, and  
 5 health maintenance organizations to ~~automatically~~ reprocess certain claims for  
 6 reimbursement submitted by certain health care providers under certain  
 7 circumstances; providing for the application of this Act; and generally relating to  
 8 payment of providers' claims for reimbursement by health insurance carriers.

9 BY repealing and reenacting, with amendments,  
 10 Article - Insurance  
 11 Section 15-1005  
 12 Annotated Code of Maryland  
 13 (2002 Replacement Volume and 2004 Supplement)

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

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**Article - Insurance**

2 15-1005.

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

5 (b) To the extent consistent with the Employee Retirement Income Security  
6 Act of 1974 (ERISA), 29 U.S.C. 1001, et seq., this section applies to an insurer,  
7 nonprofit health service plan, or health maintenance organization that acts as a third  
8 party administrator.

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

13 (1) mail or otherwise transmit payment for the claim in accordance with  
14 this section; or

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

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

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

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

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

28 (2) If an insurer, nonprofit health service plan, or health maintenance  
29 organization wholly or partially denies a claim for reimbursement, the insurer,  
30 nonprofit health service plan, or health maintenance organization shall permit a  
31 provider a minimum of 90 working days after the date of denial of the claim to appeal  
32 the denial.

33 (3) IF AN INSURER, NONPROFIT HEALTH SERVICE PLAN, OR HEALTH  
34 MAINTENANCE ORGANIZATION ERRONEOUSLY DENIES A PROVIDER'S CLAIM FOR  
35 REIMBURSEMENT SUBMITTED WITHIN THE TIME PERIOD SPECIFIED IN PARAGRAPH  
36 (1) OF THIS SUBSECTION BECAUSE OF A CLAIMS PROCESSING ERROR, THE INSURER,  
37 NONPROFIT HEALTH SERVICE PLAN, OR HEALTH MAINTENANCE ORGANIZATION, ON  
38 DISCOVERY OF THE ERROR, SHALL REPROCESS THE PROVIDER'S CLAIM

1 ~~AUTOMATICALLY~~, WITHOUT THE NECESSITY FOR THE PROVIDER TO RESUBMIT THE  
2 CLAIM, AND WITHOUT REGARD TO TIMELY SUBMISSION DEADLINES.

3 (e) (1) If an insurer, nonprofit health service plan, or health maintenance  
4 organization provides notice under subsection (c)(2)(i) of this section, the insurer,  
5 nonprofit health service plan, or health maintenance organization shall mail or  
6 otherwise transmit payment for any undisputed portion of the claim within 30 days of  
7 receipt of the claim, in accordance with this section.

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

11 (i) mail or otherwise transmit payment for any undisputed portion  
12 of the claim in accordance with this section; and

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

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

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

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

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

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

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

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

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

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

1     SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be  
2 construed prospectively to apply only to claims for reimbursement submitted on or  
3 after the effective date of this Act.

4     SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take  
5 effect October 1, 2005.