

# HOUSE BILL 440

C3

9lr2062  
CF SB 439

---

By: **Delegate Bromwell**

Introduced and read first time: February 3, 2009

Assigned to: Health and Government Operations

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance – Prompt Pay – Modifications and Clarifications**

3 FOR the purpose of requiring an insurer, nonprofit health service plan, or health  
4 maintenance organization to comply with certain requirements when  
5 reprocessing a claim; clarifying that, notwithstanding compliance with certain  
6 notice requirements, if an insurer, nonprofit health service plan, or health  
7 maintenance organization fails to pay a certain claim or otherwise violates  
8 certain provisions of law, the insurer, nonprofit health service plan, or health  
9 maintenance organization shall pay interest on a certain amount; and generally  
10 relating to modifications and clarifications of prompt pay requirements for  
11 health insurance.

12 BY repealing and reenacting, with amendments,  
13 Article – Insurance  
14 Section 15–1005  
15 Annotated Code of Maryland  
16 (2006 Replacement Volume and 2008 Supplement)

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

19 **Article – Insurance**

20 15–1005.

21 (a) In this section, “clean claim” means a claim for reimbursement, as  
22 defined in regulations adopted by the Commissioner under § 15–1003 of this subtitle.

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

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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) mail or otherwise transmit payment for the claim in accordance  
8 with this section; or

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

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

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

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

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

22 (2) If an insurer, nonprofit health service plan, or health maintenance  
23 organization wholly or partially denies a claim for reimbursement, the insurer,  
24 nonprofit health service plan, or health maintenance organization shall permit a  
25 provider a minimum of 90 working days after the date of denial of the claim to appeal  
26 the denial.

27 (3) If an insurer, nonprofit health service plan, or health maintenance  
28 organization erroneously denies a provider's claim for reimbursement submitted  
29 within the time period specified in paragraph (1) of this subsection because of a claims  
30 processing error, and the provider notifies the insurer, nonprofit health service plan,  
31 or health maintenance organization of the potential error within 1 year of the claim  
32 denial, the insurer, nonprofit health service plan, or health maintenance organization,  
33 on discovery of the error, shall reprocess the provider's claim without the necessity for  
34 the provider to resubmit the claim, and without regard to timely submission deadlines.

35 (4) **AN INSURER, NONPROFIT HEALTH SERVICE PLAN, OR HEALTH**  
36 **MAINTENANCE ORGANIZATION SHALL COMPLY WITH SUBSECTION (C) OF THIS**  
37 **SECTION WHEN REPROCESSING A CLAIM.**

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

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

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

11 (ii) comply with subsection (c)(1) or (2)(i) of this section within  
12 30 days after receipt of the requested additional information.

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

18 (f) (1) **[If] NOTWITHSTANDING COMPLIANCE WITH THE NOTICE**  
19 **REQUIREMENTS UNDER SUBSECTION (C) OF THIS SECTION, IF** an insurer,  
20 nonprofit health service plan, or health maintenance organization fails to [comply  
21 with subsection (c) of this section] **PAY A CLEAN CLAIM FOR REIMBURSEMENT OR**  
22 **OTHERWISE VIOLATES ANY PROVISION OF THIS SECTION,** the insurer, nonprofit  
23 health service plan, or health maintenance organization shall pay interest on the  
24 amount of the claim that remains unpaid 30 days after [the claim is received]  
25 **RECEIPT OF THE INITIAL CLAIM FOR REIMBURSEMENT** at the monthly rate of:

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

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

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

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

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

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

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

3                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
4 October 1, 2009.