

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 639

(Delegate Kelly, *et al.*)

Health and Government Operations

Finance

Health Insurance - Provider Claims - Payment by Credit Card or Electronic
Funds Transfer Payment Method

This bill authorizes an insurer, nonprofit health service plan, or health maintenance organization (collectively known as carriers) as well as a managed care organization (MCO) to pay a clean claim for reimbursement or an undisputed portion of a claim using a “credit card” or an electronic funds transfer payment method that imposes a fee or charge on the provider under specified circumstances. “Credit card” means a credit, debit, or stored-value card used to make a payment through a private card network.

Fiscal Summary

State Effect: Although the bill applies to Medicaid MCOs, the Department of Health and Mental Hygiene advises that no MCOs currently provide payment via credit card or electronic funds transfer. The authorization to do so under specified circumstances does not materially affect State finances and operations.

Local Effect: None.

Small Business Effect: Potential meaningful beneficial impact for small business health care providers who currently receive reimbursement from carriers via credit card or electronic funds transfer subject to fees and would prefer to receive payment by an alternative method.

Analysis

Bill Summary: A carrier may pay a claim with a credit card or an electronic funds transfer payment method that imposes a fee or similar charge to process the payment if (1) the

carrier notifies the provider in advance that a fee or similar charge will apply and the provider will need to consult the provider's merchant processor or financial institution for the specific rates; (2) the carrier offers the provider an alternative payment method that does not impose a fee or charge; and (3) the provider (or the provider's designee) elects to accept payment using the credit card or electronic funds transfer payment method.

If a provider participates on a carrier's provider panel, the acceptance by the provider (or the provider's designee) of payment by credit card or an electronic funds transfer method or an alternative payment method must apply to all claims paid for by the carrier unless otherwise notified by the provider (or the provider's designee).

Current Law: A "clean claim" is a properly submitted claim for reimbursement. A carrier has to give a provider at least 180 days from the date a covered service is rendered to submit a claim. Within 30 days of receipt, a carrier must pay the claim or send a notice of receipt with the status of the claim. If a carrier denies a claim, it must permit a provider at least 90 working days to appeal. If a carrier erroneously denies a claim and the provider notifies the carrier within one year, the carrier must reprocess the claim. If a carrier disputes a portion of a claim, it has to provide payment for any undisputed portion within 30 days of receipt of the claim. A carrier that does not pay clean claims must pay interest on the amount of the claim that remains unpaid 30 days after the claim is received. These clean claim provisions apply to MCOs as well.

Background: Some health insurers use credit cards or virtual credit cards for claims payments to providers. For each reimbursement received by a provider via this method, the provider may be charged 3% to 5% of the total payment amount in transaction fees. Insurers may receive cash-back incentives, including a portion of the transaction fees paid by the provider. In 2014, the American Medical Association asked the U.S. Department of Health and Human Services (HHS) to prohibit insurers from forcing physicians to accept this payment method and urged HHS to require insurers to provide full upfront disclosures of associated fees, obtain physician authorization prior to implementing virtual card payments, and provide an opt-out process for physicians that subsequently choose not to accept this method of payment.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): American Medical Association, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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