

BULLETIN

MEMORANDUM

**To: Payers and Hospitals Participating in the
HSCRC Current Financing Program**

**Re: Application of the Prompt Payment Statute When
A Payer Advances Working Capital to a Hospital**

Date: September 24, 1999

Bulletin: Life and Health 99-19

Section 15-1005 of the Insurance Article and § 19-712.1 of the Health-General Article, Annotated Code of Maryland, require payment of a claim within thirty (30) days after receipt, or if additional documentation is necessary to adjudicate the claim, within thirty (30) days after receiving all reasonable and necessary documentation. The law establishes a schedule for interest payments on claims not paid when due. The purpose of the prompt pay rule is twofold: first, to encourage the prompt payment of claims, and second, to provide interest to Providers to make up for potential losses caused by late payments.

Several payers participate in the working capital differential program, established by regulation by the Health Services Cost Review Commission (HSCRC). The program permits a discount in HSCRC rates for each hospital for whom the payer establishes an account to provide current financing. The amount of current financing and the discount permitted are calculated in accordance with the provisions of COMAR § 10.37.10.26B.

It is the position of the Maryland Insurance Administration that a payer who complies with regulations governing the working capital differential program has complied with the prompt pay rule, and no interest accrues on payments past due. Although no interest accrues on payments past due, a payer who otherwise violates § 15-1005, refuses to pay a claim, or unreasonably delays payment of a claim is subject to the following enforcement provisions and penalties: COMAR § 31.10.23; § 4-133 of the Insurance Article; Title 15, Subtitle 10A, *Complaint Process for Adverse Decisions or Grievances*, of the Insurance Article; Title 27, Subtitle 3, *Unfair Claims Settlement Practices*, of the Insurance Article; and § 19-730 of the Health General Article.

If you have any questions about this bulletin, please contact the Maryland Insurance Administration at 410-468-2170.

Donna B. Imhoff
Associate Commissioner