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BULLETIN 19-07

DATE: July 8, 2019

TO: Insurers, Nonprofit Health Service Plans, Health Maintenance Organizations (“HMOs”), Managed Care Organizations (“MCOs”), and Delegated Agents

RE: The Calculation of Interest under § 15-1005(g)

The purpose of this Bulletin is to provide guidance to insurers, nonprofit health service plans, health maintenance organizations, managed care organizations, and delegated entities regarding how to calculate the interest payment owed on a clean claim not paid within 30 days after receipt.

Statutory Authority

Insurance Article § 15-1005(g), Annotated Code of Maryland, provides:

- (1) If an insurer, nonprofit health service plan, or health maintenance organization fails to pay a clean claim for reimbursement or otherwise violates any provision of this section, the insurer, nonprofit health service plan, or health maintenance organization shall pay interest on the amount of the claim that remains unpaid 30 days after receipt of the initial clean claim for reimbursement at the monthly rate of
 - (i) 1.5% from the 31st day through the 60th day;
 - (ii) 2% from the 61st day through the 120th day; and
 - (iii) 2.5% after the 120th day.
- (2) The interest paid under this subsection shall be included in any late reimbursement without the necessity for the person that filed the original claim to make an additional claim for that interest.

The Calculation of Interest

The calculation of interest under Insurance Article § 15-1005(g), Annotated Code of Maryland, shall be applied in increments of 30 day periods.¹ Interest is owed to a person entitled to reimbursement, at the rate of 1.5% from the 31st day through the 60th day, which amounts to a single 30-day period; at the rate of 2% from the 61st day through the 120th day, which amounts to two 30-day periods; and at the rate of 2.5% beginning on the 121st day onward in intervals of 30-day periods.

To determine the applicable interest rate for each day, divide the monthly interest rates of 1.5%, 2%, and 2.5% by 30 days. This results in interest rates of .05% for each day between the 31st through the 60th day; .066667% for each day between the 61st through the 120th day; and .083333% for each day beginning on day 121 and for each day thereafter. In order to calculate the interest owed on a clean claim, first calculate the number of days past 30 days after receipt of the initial clean claim. Next, convert the daily interest rate to a decimal (.0005; .00066667; .00083333) and multiply the dollar amount of the clean claim by the number of days. For example, calculate the interest owed on a \$340 clean claim paid on the 128th day from receipt of the initial clean claim as follows:

Sample Interest Calculation on \$340 Claim Paid on 128th Day

$$\begin{aligned} 1 \text{ full period of 30 Days} &= 1 \times (.015 \times \$340) + \\ 2 \text{ full periods of 30 days} &= 2 \times (.02 \times \$340) + \\ 8 \text{ days of daily interest} &= 8 \times (.00083333 \times \$340) = \$2.27 \\ &= \$5.10 + \$13.60 + \$2.27 \end{aligned}$$

The total interest owed on this claim is \$20.97.

Calculation of Interest Using Annualized Daily Rate is Noncompliant

Annualizing the 30 day interest rates yields daily rates that are lower than are provided by statute and are therefore noncompliant.

Questions about this Bulletin may be directed to the Compliance and Enforcement Unit of the Maryland Insurance Administration at mc_filings.mia@maryland.gov.

AL REDMER, JR.
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By: 

Erica J. Bailey
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Compliance & Enforcement

¹ See *Opert v. Criminal Injuries*, 403 Md 587, 593 (2008)