

SENATE, No. 46

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1996

By Senators LITTELL and LaROSSA

1 AN ACT requiring prompt payment of health insurance claims,
2 supplementing P.L.1938, c.366 (C.17:48-1 et seq.), P.L.1940, c.74
3 (C.17:48A-1 et seq.) and P.L.1985, c.236 (C.17:48E-1 et seq.), and
4 amending P.L.1991, c.187.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. (New section) a. A hospital service corporation shall reimburse
10 all claims or any portion of any claim from a subscriber or a
11 subscriber's assignee, for payment under a group or individual hospital
12 service corporation contract, within 30 days after receipt of the claim
13 by the hospital service corporation. If a claim or a portion of a claim
14 is contested by the hospital service corporation, the subscriber or the
15 subscriber's assignee shall be notified in writing within 25 days after
16 receipt of the claim by the hospital service corporation, that the claim
17 is contested or denied; except that, the uncontested portion of the
18 claim shall be paid within 30 days after receipt of the claim by the
19 hospital service corporation. The notice that a claim is contested shall
20 identify the contested portion of the claim and the reasons for
21 contesting the claim.

22 A hospital service corporation, upon receipt of the additional
23 information requested from the subscriber or the subscriber's assignee,
24 shall pay or deny the contested claim or portion of the contested claim,
25 within 45 days.

26 Payment shall be treated as being made on the date a draft or other
27 valid instrument which is equivalent to payment was placed in the
28 United States mail in a properly addressed, postpaid envelope or, if
29 not so posted, on the date of delivery, or the date of electronic fund
30 transfer.

31 A subscriber or a subscriber's assignee shall provide written notice
32 of a claim to a hospital service corporation no later than 21 days
33 following the commencement of health care services, and every bill or
34 invoice shall be submitted to the hospital service corporation: (1) if

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 submitted by the subscriber's assignee, within 30 days of the date on
2 which any health care services included in the bill or invoice were
3 provided; or (2) if submitted by a subscriber, within 10 days of the
4 receipt of the bill or invoice from the provider of services.

5 b. An overdue payment shall bear simple interest, commencing on
6 the 31st day after the claim is submitted, at the periodic rate for any
7 calendar quarter which shall not exceed the prime rate as published in
8 the Wall Street Journal on the first business day of the immediately
9 preceding calendar quarter plus an additional 5%, rounded to the
10 nearest one quarter of 1%, per annum.

11 c. The Department of Insurance shall adopt rules and regulations
12 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
13 (C.52:14B-1 et seq.) to carry out the provisions of this section.

14
15 2. (New section) a. A medical service corporation shall reimburse
16 all claims or any portion of any claim from a subscriber or a
17 subscriber's assignee, for payment under a group or individual medical
18 service corporation contract, within 30 days after receipt of the claim
19 by the medical service corporation. If a claim or a portion of a claim
20 is contested by the medical service corporation, the subscriber or the
21 subscriber's assignee shall be notified in writing within 25 days after
22 receipt of the claim by the medical service corporation, that the claim
23 is contested or denied; except that, the uncontested portion of the
24 claim shall be paid within 30 days after receipt of the claim by the
25 medical service corporation. The notice that a claim is contested shall
26 identify the contested portion of the claim and the reasons for
27 contesting the claim.

28 A medical service corporation, upon receipt of the additional
29 information requested from the subscriber or the subscriber's assignee,
30 shall pay or deny the contested claim or portion of the contested claim,
31 within 45 days.

32 Payment shall be treated as being made on the date a draft or other
33 valid instrument which is equivalent to payment was placed in the
34 United States mail in a properly addressed, postpaid envelope or, if
35 not so posted, on the date of delivery, or the date of electronic fund
36 transfer.

37 A subscriber or a subscriber's assignee shall provide written notice
38 of a claim to a medical service corporation no later than 21 days
39 following the commencement of health care services, and every bill or
40 invoice shall be submitted to the medical service corporation: (1) if
41 submitted by the subscriber's assignee, within 30 days of the date on
42 which any health care services included in the bill or invoice were
43 provided; or (2) if submitted by a subscriber, within 10 days of the
44 receipt of the bill or invoice from the provider of services.

45 b. An overdue payment shall bear simple interest, commencing on
46 the 31st day after the claim is submitted, at the periodic rate for any

1 calendar quarter which shall not exceed the prime rate as published in
2 the Wall Street Journal on the first business day of the immediately
3 preceding calendar quarter plus an additional 5%, rounded to the
4 nearest one quarter of 1%, per annum.

5 c. The Department of Insurance shall adopt rules and regulations
6 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
7 (C.52:14B-1 et seq.) to carry out the provisions of this section.

8
9 3. (New section) a. A health service corporation shall reimburse
10 all claims or any portion of any claim from a subscriber or a
11 subscriber's assignee, for payment under a group or individual health
12 service corporation contract, within 30 days after receipt of the claim
13 by the health service corporation. If a claim or a portion of a claim is
14 contested by the health service corporation, the subscriber or the
15 subscriber's assignee shall be notified in writing within 25 days after
16 receipt of the claim by the health service corporation, that the claim is
17 contested or denied; except that, the uncontested portion of the claim
18 shall be paid within 30 days after receipt of the claim by the health
19 service corporation. The notice that a claim is contested shall identify
20 the contested portion of the claim and the reasons for contesting the
21 claim.

22 A health service corporation, upon receipt of the additional
23 information requested from the subscriber or the subscriber's assignee,
24 shall pay or deny the contested claim or portion of the contested claim,
25 within 45 days.

26 Payment shall be treated as being made on the date a draft or other
27 valid instrument which is equivalent to payment was placed in the
28 United States mail in a properly addressed, postpaid envelope or, if
29 not so posted, on the date of delivery, or the date of electronic fund
30 transfer.

31 A subscriber or a subscriber's assignee shall provide written notice
32 of a claim to a health service corporation no later than 21 days
33 following the commencement of health care services, and every bill or
34 invoice shall be submitted to the health service corporation: (1) if
35 submitted by the subscriber's assignee, within 30 days of the date on
36 which any health care services included in the bill or invoice were
37 provided; or (2) if submitted by a subscriber, within 10 days of the
38 receipt of the bill or invoice from the provider of services.

39 b. An overdue payment shall bear simple interest, commencing on
40 the 31st day after the claim is submitted, at the periodic rate for any
41 calendar quarter which shall not exceed the prime rate as published in
42 the Wall Street Journal on the first business day of the immediately
43 preceding calendar quarter plus an additional 5%, rounded to the
44 nearest one quarter of 1%, per annum.

45 c. The Department of Insurance shall adopt rules and regulations
46 pursuant to the "Administrative Procedure Act," P.L.1968, c.410

1 (C.52:14B-1 et seq.) to carry out the provisions of this section.

2

3 4. Section 78 of P.L.1991, c.187 (C.17B:26-12.1) is amended to
4 read as follows:

5 78. a. A health insurer shall reimburse all claims or any portion of
6 any claim from an insured or an insured's assignee, for payment under
7 a health insurance policy, within ~~[60]~~ 30 days after receipt of the claim
8 by the health insurer. If a claim or a portion of a claim is contested by
9 the health insurer, the insured or the insured's assignee shall be notified
10 in writing within ~~[45]~~ 25 days after receipt of the claim by the health
11 insurer, that the claim is contested or denied; except that, the
12 uncontested portion of the claim shall be paid within ~~[60]~~ 30 days after
13 receipt of the claim by the health insurer. The notice that a claim is
14 contested shall identify the contested portion of the claim and the
15 reasons for contesting the claim.

16 A health insurer, upon receipt of the additional information
17 requested from the insured or the insured's assignee, shall pay or deny
18 the contested claim or portion of the contested claim, within ~~[90]~~ 45
19 days.

20 Payment shall be treated as being made on the date a draft or other
21 valid instrument which is equivalent to payment was placed in the
22 United States mail in a properly addressed, postpaid envelope or, if
23 not so posted, on the date of delivery, or the date of electronic fund
24 transfer.

25 An insured or an insured's assignee shall provide written notice of
26 a claim to a health insurer no later than 21 days following the
27 commencement of health care services, and every bill or invoice shall
28 be submitted to the health insurer: (1) if submitted by the insured's
29 assignee, within 30 days of the date on which any health care services
30 included in the bill or invoice were provided; or (2) if submitted by an
31 insured, within 10 days of the receipt of the bill or invoice from the
32 provider of services.

33 b. An overdue payment shall bear simple interest [at the rate of
34 10% per year], commencing on the 31st day after the claim is
35 submitted, at the periodic rate for any calendar quarter which shall not
36 exceed the prime rate as published in the Wall Street Journal on the
37 first business day of the immediately preceding calendar quarter plus
38 an additional 5%, rounded to the nearest one quarter of 1%, per
39 annum.

40 c. For the purposes of this section, "health insurer" means an
41 insurer authorized to provide health insurance on an individual basis
42 pursuant to chapter 26 of Title 17B of the New Jersey Statutes.

43 d. The Department of Insurance shall adopt rules and regulations
44 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
45 (C.52:14B-1 et seq.) to carry out the provisions of this section.

46 (cf: P.L.1991, c.187, s.78)

1 5. Section 79 of P.L.1991, c.187 (C.17B:27-44.1) is amended to
2 read as follows:

3 79. a. A health insurer shall reimburse all claims or any portion of
4 any claim from an insured or an insured's assignee, for payment under
5 a health insurance policy, within ~~[60]~~ 30 days after receipt of the claim
6 by the health insurer. If a claim or a portion of a claim is contested by
7 the health insurer, the insured or the insured's assignee shall be notified
8 in writing within ~~[45]~~ 25 days after receipt of the claim by the health
9 insurer, that the claim is contested or denied; except that, the
10 uncontested portion of the claim shall be paid within ~~[60]~~ 30 days after
11 receipt of the claim by the health insurer. The notice that a claim is
12 contested shall identify the contested portion of the claim and the
13 reasons for contesting the claim.

14 A health insurer, upon receipt of the additional information
15 requested from the insured or the insured's assignee, shall pay or deny
16 the contested claim or portion of the contested claim, within ~~[90]~~ 45
17 days.

18 Payment shall be treated as being made on the date a draft or other
19 valid instrument which is equivalent to payment was placed in the
20 United States mail in a properly addressed, postpaid envelope or, if
21 not so posted, on the date of delivery, or the date of electronic fund
22 transfer.

23 An insured or an insured's assignee shall provide written notice of
24 a claim to a health insurer no later than 21 days following the
25 commencement of health care services, and every bill or invoice shall
26 be submitted to the health insurer: (1) if submitted by the insured's
27 assignee, within 30 days of the date on which any health care services
28 included in the bill or invoice were provided; or (2) if submitted by an
29 insured, within 10 days of the receipt of the bill or invoice from the
30 provider of services.

31 b. An overdue payment shall bear simple interest [at the rate of
32 10% per year], commencing on the 31st day after the claim is
33 submitted, at the periodic rate for any calendar quarter which shall not
34 exceed the prime rate as published in the Wall Street Journal on the
35 first business day of the immediately preceding calendar quarter plus
36 an additional 5%, rounded to the nearest one quarter of 1%, per
37 annum.

38 c. For the purposes of this section, "health insurer" means an
39 insurer authorized to provide health insurance on a group basis
40 pursuant to chapter 27 of Title 17B of the New Jersey Statutes.

41 d. The Department of Insurance shall adopt rules and regulations
42 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
43 (C.52:14B-1 et seq.) to carry out the provisions of this section.

44 (cf: P.L.1991, c.187, s.79)

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46 6. Section 80 of P.L.1991, c.187 (C.26:2J-5.1) is amended to read

1 as follows:

2 80. a. A health maintenance organization shall reimburse all claims
3 or any portion of any claim from an enrollee or an enrollee's assignee,
4 for payment under health maintenance organization coverage, within
5 ~~[60]~~ 30 days after receipt of the claim by the health maintenance
6 organization. If a claim or a portion of a claim is contested by the
7 health maintenance organization, the enrollee or the enrollee's assignee
8 shall be notified in writing within ~~[45]~~ 25 days after receipt of the
9 claim by the health maintenance organization, that the claim is
10 contested or denied; except that, the uncontested portion of the claim
11 shall be paid within ~~[60]~~ 30 days after receipt of the claim by the
12 health maintenance organization. The notice that a claim is contested
13 shall identify the contested portion of the claim and the reasons for
14 contesting the claim.

15 A health maintenance organization, upon receipt of the additional
16 information requested from the enrollee or the enrollee's assignee, shall
17 pay or deny the contested claim or portion of the contested claim,
18 within ~~[90]~~ 45 days.

19 Payment shall be treated as being made on the date a draft or other
20 valid instrument which is equivalent to payment was placed in the
21 United States mail in a properly addressed, postpaid envelope or, if
22 not so posted, on the date of delivery, or the date of electronic fund
23 transfer.

24 An enrollee or an enrollee's assignee shall provide written notice of
25 a claim to a health maintenance organization no later than 21 days
26 following the commencement of health care services, and every bill or
27 invoice shall be submitted to the health maintenance organization: (1)
28 if submitted by the enrollee's assignee, within 30 days of the date on
29 which any health care services included in the bill or invoice were
30 provided; or (2) if submitted by an enrollee, within 10 days of the
31 receipt of the bill or invoice from the provider of services.

32 b. An overdue payment shall bear simple interest [at the rate of
33 10% per year], commencing on the 31st day after the claim is
34 submitted, at the periodic rate for any calendar quarter which shall not
35 exceed the prime rate as published in the Wall Street Journal on the
36 first business day of the immediately preceding calendar quarter plus
37 an additional 5%, rounded to the nearest one quarter of 1%, per
38 annum.

39 c. For the purposes of this section, "health maintenance
40 organization" means a health maintenance organization authorized
41 pursuant to the provisions of P.L.1973, c.337 (C.26:2J-1 et seq.).

42 d. The Department of Health shall adopt rules and regulations
43 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
44 (C.52:14B-1 et seq.) to carry out the provisions of this section.
45 (cf: P.L.1991, c.187, s.80)

1 7. This act shall take effect immediately.

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STATEMENT

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6 This bill amends the "prompt payment" requirements of the "Health
7 Care Cost Reduction Act," P.L.1991, c.187 (C.26:2H-18.24 et al.) to
8 require that all uncontested health insurance claims be paid by
9 commercial health insurers and health maintenance organizations
10 (HMO's) within 30 days (rather than 60 days as the law currently
11 provides). The bill would also implement these prompt payment
12 requirements for other carriers. In addition, the bill requires that
13 written notice of a claim be provided to a carrier no later than 21 days
14 following the commencement of health care services, and further
15 requires timely submission of bills and invoices to the carrier.

16 This bill is intended to motivate health insurers and HMO's to
17 implement electronic claims processing systems, which will result in
18 administrative savings for health insurers and HMO's by reducing their
19 claim processing costs and for health care providers by improving their
20 cash flow. The bill is part of a legislative package designed to
21 effectuate the recommendations of the Healthcare Information
22 Networks and Technologies (HINT) report to the Legislature under
23 the joint auspices of Thomas Edison State College and the New Jersey
24 Institute of Technology.

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29 Requires payment of health insurance claims in 30 days.