TO:    The Honorable Thomas M. Middleton, Chairman
       Members, Senate Finance Committee
       The Honorable Catherine E. Pugh

FROM:  Joseph A. Schwartz, III
       Pamela Metz Kasemeyer
       J. Steven Wise

DATE:  February 23, 2011

RE:     SUPPORT – Senate Bill 561 – Health Insurance– Health Care Providers –
         Payment of Claims for Reimbursement by Carriers

The Maryland State Medical Society (MedChi), which represents over 7,300
Maryland physicians and their patients, supports Senate Bill 561.

Senate Bill 561 applies three separate Maryland laws which apply to “in state”
insurance companies to “out of state” insurance companies when their members are
treated in Maryland by a Maryland doctor. These three laws have been on the books for
many years and curb the abuses of insurance payers with respect to medical services
which have been delivered by physicians.

The first law is codified in the Insurance Article §15-1005 and requires insurance
companies to pay “interest” if a doctor remains unpaid after he or she has submitted a
“clean claim.” The insurance company is given 30-days to pay a clean claim but, if
unpaid, is required to pay statutory interest. Senate Bill 561 will make out-of-state
insurance companies subject to this same rule with respect to the payment of interest. In
other words, the BlueCross affiliate in Virginia, West Virginia or Delaware would be
subject to the same rule as the BlueCross affiliate in Maryland.

The second law is codified in Insurance Article §15-1008 and limits an insurance
company’s “take back” of previous payments to a doctor. The insurance company is not
allowed to take back payment after six months in the absence of fraud or improper
activity.
Finally, Insurance Article §15-1009 and provides that where an insurance company has “preauthorized” a particular medical service or procedure, it cannot refuse to pay for that service or procedure after the doctor has performed the service or procedure in reliance upon the insurance company’s representation.

There are certain national insurance companies which comply with laws such as §15-1005 but MedChi has discovered multiple instances where BlueCross affiliates in foreign states refuse compliance.

MedChi would urge a favorable report on Senate Bill 561.

For more information call:
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