

## ACT 99

S.B. NO. 830

A Bill for an Act Relating to Health Insurance Reimbursement.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to establish minimum reimbursement requirements for health care insurance and to establish contested claims procedures.

SECTION 2. Chapter 431, Hawaii Revised Statutes, is amended by adding a new section to article 13 to be appropriately designated and to read as follows:

**“§431:13- Reimbursement for health insurance benefits.** (a) This section applies to accident and sickness insurance providers under part I of article 10A of chapter 431, mutual benefit societies under article 1 of chapter 432, dental service corporations under chapter 423, and health maintenance organizations under chapter 432D.

(b) Unless shorter payment timeframes are otherwise specified in a contract, an entity shall reimburse a claim that is not contested or denied not more than thirty calendar days after receiving the claim filed in writing, or fifteen calendar days after receiving the claim filed electronically, as appropriate.

(c) If a claim is contested or denied or requires more time for review by an entity, the entity shall notify the health care provider in writing or electronically not more than fifteen calendar days after receiving a claim filed in writing, or not more than seven calendar days after receiving a claim filed electronically, as appropriate. The notice shall identify the contested portion of the claim and the specific reason for contesting or denying the claim, and may request additional information.

(d) If information received pursuant to a request for additional information is satisfactory to warrant paying the claim, the claim shall be paid not more than thirty

calendar days after receiving the additional information in writing, or not more than seven calendar days after receiving the additional information filed electronically, as appropriate.

(e) Payment of a claim under this section shall be effective upon the date of the postmark of the mailing of the payment, or the date of the electronic transfer of the payment, as applicable.

(f) Notwithstanding section 478-2 to the contrary, interest shall be allowed at a rate of fifteen per cent a year for money owed by an entity on payment of a claim exceeding the applicable time limitations under this section, as follows:

- (1) For an uncontested claim:
  - (A) Filed in writing, interest from the first calendar day after the thirty-day period in subsection (b); or
  - (B) Filed electronically, interest from the first calendar day after the fifteen-day period in subsection (b);
- (2) For a contested claim filed in writing:
  - (A) For which notice was provided under subsection (c), interest from the first calendar day thirty days after the date the additional information is received; or
  - (B) For which notice was not provided within the time specified under subsection (c), interest from the first calendar day after the claim is received;

or

- (3) For a contested claim filed electronically:
  - (A) For which notice was provided under subsection (c), interest from the first calendar day fifteen days after the additional information is received; or
  - (B) For which notice was not provided within the time specified under subsection (c), interest from the first calendar date after the claim is received.

The commissioner may suspend the accrual of interest if the commissioner determines that the entity's failure to pay a claim within the applicable time limitations was the result of a major disaster or of an unanticipated major computer system failure.

(g) Any interest that accrues on delayed clean claims in this section shall be automatically added by the entity to the amount of the unpaid claim due the provider.

(h) In determining the penalties under section 431:13-201 for a violation of this section, the commissioner shall consider:

- (1) The appropriateness of the penalty in relation to the financial resources and good faith of the entity;
- (2) The gravity of the violation;
- (3) The history of the entity for previous similar violations;
- (4) The economic benefit to be derived by the entity and the economic impact upon the health care facility or health care provider resulting from the violation; and
- (5) Any other relevant factors bearing upon the violation.

(i) As used in this section:

“Claim” means any claim, bill, or request for payment for all or any portion of health care services provided by a health care provider of services submitted by an individual or pursuant to a contract or agreement with an entity.

“Contest”, “contesting”, or “contested” means the circumstances under which an entity was not provided with, or did not have reasonable access to, sufficient information needed to determine payment liability or basis for payment of the claim.

“Deny”, “denying”, or “denied” means the assertion by an entity that it has no liability to pay a claim based upon eligibility of the patient, coverage of a service, medical necessity of a service, liability of another payer, or other grounds.

“Entity” means accident and sickness insurance providers under part I of article 10A of chapter 431, mutual benefit societies under article I of chapter 432, dental service corporations under chapter 423, and health maintenance organizations under chapter 432D.

“Health care facility” shall have the same meaning as in section 327D-2.

“Health care provider” means a Hawaii health care facility, physician, nurse, or any other provider of health care services covered by an entity.”

SECTION 3. Section 478-8, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) The provisions of this chapter (except for this section and section 478-3) shall not apply to any:

- (1) Indebtedness [which] that is secured by a first mortgage lien on real property, and is agreed to or incurred after May 30, 1980; [or]
- (2) Consumer credit agreement of sale made after May 30, 1980, under which a vendor agrees to sell real property to a vendee but retains legal title to the real property and in which the rate of interest or the manner in which such rate shall be determined is clearly stated. As used in this paragraph, [agreement of sale] “agreement of sale” includes subagreement of sale or other subsequent subagreement of sale made on or after June 18, 1982. Notwithstanding the first sentence of this paragraph, with respect to any consumer credit agreement of sale made on or after July 1, 1985, upon extension at maturity or renegotiation thereof, the maximum rate of interest charged thereafter shall not be more than the greater of the rate of interest payable under the agreement of sale immediately prior to such maturity or renegotiation or four percentage points above the highest weekly average yield on United States Treasury securities adjusted to a constant maturity of three years, as made available by the Federal Reserve Board within sixty days prior to the time of extension or renegotiation; [or]
- (3) Indebtedness [which] that is secured by a purchase-money junior mortgage lien on real property that is agreed to and incurred after June 18, 1982; provided that purchase-money junior mortgage lien means a mortgage that is subordinate in lien priority to an existing mortgage on the same real property [which] that is given to the seller as part of the buyer’s consideration for the purchase of real property and delivered at the same time that the real property is transferred as a simultaneous part of the transaction; [or]
- (4) [Any transaction] Transaction for the sale of goods, services, or both, by a seller in the business of selling such goods or services, if the transaction is subject to chapter 476 or the rate of interest charged by the seller in the transaction does not exceed eighteen per cent a year; provided that this paragraph shall not apply to any transaction regulated by chapter 412 or 431 or to any transaction for the sale of financial services. This paragraph shall not be deemed to limit any seller’s right to charge interest under section 478-2[.]; or
- (5) Payment of any claim under section 431:13- . . .”

SECTION 4. Statutory material to be repealed is bracketed. New statutory material is underscored.<sup>1</sup>

## **ACT 99**

**SECTION 5.** This Act shall take effect on July 1, 2000, and shall be repealed on July 1, 2002; provided that section 478-8(b), Hawaii Revised Statutes, shall be reenacted in the form in which it read on June 30, 2000.

(Approved June 24, 1999.)

### **Note**

1. Edited pursuant to HRS §23G-16.5.