

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE

Health Benefit Plans Prompt Payment of Claims
Denied and Disputed Claims

Proposed Amendment: N.J.A.C. 11:22-1.6

Authorized By: Holly C. Bakke, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, 17:1-15e, 17B:30-13.1, 17:29B-4(9); 17B:26-9.1; 17B:30-13.1;
17B:30-23 et seq., 26:2J-15b

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2005 –26

Submit comments by March 19, 2005 to:

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The agency proposal follows:

Summary

N.J.A.C. 11:22 sets forth the standards for the prompt payment of claims relating to health benefit plans and dental plans. N.J.A.C. 11:22-1.6(c) governs the payment of interest on clean claims that are not timely paid. The rule permits carriers, with the consent of the provider, to aggregate interest payments up to \$25.00. The Department proposes to amend N.J.A.C. 11:22-1.6(c) to permit automatic aggregation of interest payments up to \$25.00 in all cases. The carrier will no longer need to obtain the consent of the provider.

A 60-day comment period is provided for this proposed amendment. Therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The proposed amendment should have a positive social impact on both carriers and providers as it will reduce their administrative burdens and, as a result, should put downward pressure on rates for policyholders. The proposed amendment will relieve carriers from having to obtain the consent of providers to the aggregation of interest payments up to \$25.00 on untimely paid clean claims. Currently, carriers must contact each provider, determine if aggregation of interest is permissible, and establish separate administrative processes for those providers who consent to aggregation and those who do not. Carriers must also issue separate checks for each interest payment to any provider who does not consent to aggregation. This often results in the issuance of checks in very small amounts, which creates an administrative burden for carriers and providers alike. The proposed amendment will alleviate the burden on both carriers and providers in those situations in which carriers choose to aggregate claims.

Economic Impact

The proposed amendment should have a positive economic impact on carriers, who no longer will need to obtain the consent of a provider before aggregating interest amounts up to \$25.00 on clean claims that are not timely paid. Carriers who aggregate claims will be relieved of the responsibility to write numerous checks for very small amounts and the attendant recordkeeping burden. Providers should likewise experience savings when carriers choose to

aggregate claims because they will not have to receive, deposit and account for checks for very small amounts at costs that are often greater than the face value of the check. These savings should put downward pressure on rates for policyholders.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendment is not subject to any Federal standards or requirements.

Jobs Impact

The Department does not anticipate that the proposed amendment will result in the generation or loss of jobs.

Agriculture Industry Impact

The Department does not expect any impact on the agriculture industry from the proposed amendment.

Regulatory Flexibility Statement

The proposed amendment may apply to some carriers that constitute “small businesses” as that term is defined in the New Jersey Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The Department does not believe that it would be appropriate to reduce, alter, or eliminate the requirement of the proposed amendment based on the size of the carrier involved. Carriers of all sizes enter into contracts with providers. When payment of a clean claim does not occur in a timely manner, the Department believes that a uniform standard of interest aggregation should

apply. Therefore, no relaxation of the proposed amendment based on business size has been provided.

Moreover, if adopted, the proposed amendment will reduce the compliance burden imposed by the current rule upon all carriers, including small businesses, who choose to aggregate interest payments.

Smart Growth Impact

The proposed amendment will have no impact on the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (deletion indicated in brackets [thus]):

11:22-1.6 Denied and disputed claims

(a) – (b) (No change.)

(c) If the carrier or its agent fails to pay a clean claim within the time limits set forth in N.J.A.C. 11:22-1.5, the carrier shall include simple interest on the claim amount at the rate of 10 percent per year and shall either add the interest amount to the claim amount when paying the claim or issue an interest payment within 14 days of the payment of the claim. Interest shall accrue beginning 30 or 40 days, as applicable, from the date all information and documentation required to process the claim is received by the carrier. The carrier may aggregate interest amounts up to \$25.00[, with the consent of the provider].

(d) – (f) (No change.)

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