

**HB**

**113**

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: C SHB 113(L&C)  
 (H) Publish Date: 3/7/01

Revision Date/Time (Note if correction): 02/23/2001 5:05p.m. Dept. Affected: DCED  
 Title: Health Care Insurance Payments BRU: Insurance Operations  
 Component: Insurance Operations  
 Sponsor: Representative Green  
 Requester: House Labor & Commerce Component Number: 354

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

POSITIONS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 The bill has no fiscal impact on this component

Prepared by: Robert A. Lohr, Director Phone 907-269-7900  
 Division: Insurance Date/Time 02/23/2001 5:05p.m.  
 Approved by: Commissioner Deborah B. Sedwick Date 2/23/2001  
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHB 113(L&C)  
(H) Publish Date: 3/7/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
Title: An Act relating to health care insurance BRU: Centralized Administrative Services  
payments for hospital or medical... Component: Retirement and Benefits  
Sponsor: Representative Green  
Requester: L&C Component Number: 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2001) cost: \_\_\_\_\_

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation requires an insurer to pay "clean claims" within 10 or 20 working days of receipt, depending on filing method. If not, interest is assessed. The bill would also require an insurer who mistakenly pays a member instead of the provider to make a second payment to the provider and then attempt recovery from the member. These changes could increase administrative overhead and claims costs. We currently require Aetna, our third party administrator, to pay 80% of claims within 12 calendar days. If not, penalties are assessed on Aetna for late payment. The penalties come to the plan (not providers).

Continued on page 2

Prepared by: Guy Bell, Director Phone 465-4471  
Division: Retirement and Benefits Date/Time February 23, 2001  
Approved by: Commissioner Jim Duncan Date February 23, 2001  
Agency: Department of Administration

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## **Fiscal Note HB 113 (L & C) – Continued**

In addition, the bill does not clearly define a "clean claim." Without a clear definition, we are concerned about added administrative overhead.

The State's contribution as an employer is capped by collective bargaining agreements and by statute for non covered employees. Any increase in cost will be borne by employees.

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 3  
 Bill Version: CSHB 113(HES)  
 (H) Publish Date: 4/10/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title: "An Act relating to health care insurance  
payments for hospital or medical..." BRU: Centralized Admin. Services  
 Sponsor: Representative Green Component: Retirement & Benefits  
 Requester: House Finance Component Number: 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (TRS 1034)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

CSHB113(HES) requires medical insurers to adjudicate claims within 30 calendar days of receipt. Currently the State of Alaska requires its third party administrator- Aetna - to pay 80% of claims within 12 calendar days. If it does not, penalties are assessed on Aetna for late payment. The penalties are paid to the plan. Although the state's medical plans are self-insured and the state is not legally bound to mandates and requirements set out in Title 21, the state has generally followed such mandates and requirements as a matter of public policy. Given the timelines set out in the committee substitute, the Department of Administration believes this legislation would have no fiscal impact on state administered medical plans.

Prepared by: Guy Bell, Director Phone 465-4471  
 Division: Retirement and Benefits Date/Time April 3, 2001  
 Approved by: Jim Duncan, Commissioner Date April 3, 2001  
 Agency: Department of Administration

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# SENATE COMMITTEE REPORT

DATE: 4/27/01

FURTHER:

DATE TURNED IN TO OFFICE: 05/05/01

HESS Committee considered CS FOR HOUSE BILL NO. 113(HES) am  
HEALTH CARE INSURANCE PAYMENTS

"An Act relating to health care insurance payments for hospital or medical services; and providing for an effective date."

and recommends:

- be replaced with SCS CS HB 113 (HES)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

- Senate Bill:**  
 same title  
 new title  
**House Bill:**  
 same title  
 technical title  
 new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DCED	3/7/01		x	1
Admin	4/10/01		x	3

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Wm. A. Heman</i>	✓			
<i>Betty Davis</i>	✓			
<i>Cory Keel</i>	✓			
CHAIR: <i>Lyle Green</i>			✓	

PROMPT PAYMENT LAWS

\* = contained in state Unfair Business Practice Act

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Alabama	Yes Code of Ala. §27-1-19	No	No	25 working days after receipt	Same	Insurer must: 1) Notify within 2 weeks of receipt; 2) specify which items are in dispute; 3) pay undisputed portion within 30 days of receipt of claim	1.5% per month	--	Permits assignability of benefits
Alaska	No	--	--	--	--	--	--	--	--
Arizona	Yes A.R.S. § 20-3101	Yes	No	30 days after receipt, or as specified in contract	Same	Insurer must: 1) Send written request for additional information within 30 days of receipt; 2) specify reasons for delay in processing; 3) approve/deny claim within 30 days after receipt of additional info., or as specified in contract.	Legal rate	Insurers must provide semi-annually to director report of grievance resolutions. Director may examine insurers with significant numbers of unresolved grievances.	Specifically applies to third party intermediaries
Arkansas	No	--	--	--	--	--	--	--	--
California	Yes Cal Health & Saf Code § 1371	No	No	30 working days after receipt (45 days for HMOs)	Same	Plan must: 1) Notify within 30 days of receipt if contested/denied (45 days for HMOs); 2) pay undisputed portion of the claim; 3) identify portion of claim that is contested and reasons for contesting/denying; 4) pay within 30 days (45 for HMOs) after receipt of necessary info.	10% per annum	--	Defines a "reasonably contested" claim

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Colorado	Yes CRS § 10-16-106.5	Yes	Yes	45 calendar days after receipt	30 calendar days after receipt	Carrier must: 1) Notify within 30 calendar days of receipt; 2) explain what info. is needed; 3) dispense of claim within 90 calendar days of initial receipt	10% per annum	3% of total claim if originally contested/incomplete claim not paid within 90 days of receipt; Ins. Commissioner may assess additional penalties	Retroactive denials allowed in certain cases; carrier may deny claim if info. requested is not received within 30 days of request
Connecticut *	Yes Conn. Gen. Stat. § 38a-816	No	No	45 days, or as stipulated by contract, after receipt	Same	--	15% per annum	Penalties assessed pursuant to Unfair Business Practice Act	--
Delaware *	Yes 18 Del. C. § 2304 et seq.	No	No	45 days after receipt	Same	Insurer must notify within 30 days of receipt if claim is denied	Maximum allowed by law	Insurance Commissioner may assess penalties under Unfair Business Practice Act	--
District of Columbia	No	--	--	--	--	--	--	--	--
Florida	Yes Fla. Stat. § 627.613	No	No	45 days after receipt	Same	Insurer must: 1) Notify within 45 days of receipt; 2) pay within 60 days of receipt of necessary information; 3) pay/deny all claims within 120 days of receipt	10% per annum	--	Permits retroactive denials if insurer finds that provider improperly billed patient

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Georgia	Yes O.C.G.A. §§ 33-20A 6; 33-24-59.5	No	No	15 working days of receipt	Same	Insurer must: 1) Notify within 15 days of receipt; 2) state reasons for failure to pay; 3) itemize documents needed to process; 4) pay undisputed part of claim; 5) pay/deny claim within 15 working days of receiving necessary info.	18% per annum	Penalties may be assessed under general insurance laws	Insurance Commissioner requires all insurers to file data on the speed of claims handling with their quarterly reports
Hawaii	Yes HRS §§ 431:13-108; 431:13-201	No	No	30 days after receipt	15 days after receipt	Insurer must: 1) Notify within 15 days (7 days for electronic); 2) identify contested portion and reason for contesting/ denying claim and may request additional information; 3) pay within 30 days (7 days for electronic) after receiving information	15% per annum; may be suspended by Insurance Commissioner in certain cases	In determining gravity of penalty, Insurance Commissioner may consider relevant factors bearing upon violation.	--
Idaho	No	--	--	--	--	--	--	--	--
Illinois	Yes 215 ILCS 5/356y	No	No	30 days after receipt	Same	Insurer must notify of any known failure to provide sufficient documentation within 30 days after receipt	9% per year; must be paid within 30 days of the claim payment	Insurance Dept. may enforce the act pursuant to its general enforcement powers	--
Indiana	No	--	--	--	--	--	--	--	--
Iowa	No	--	--	--	--	--	--	--	--
Kansas	No	--	--	--	--	--	--	--	--
Kentucky	No	--	--	--	--	--	--	--	--

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Louisiana	Yes R.S. 22:250:31 et seq.	No	Yes	45 days after receipt, if submitted within 45 days of the date of service; 60 days after receipt if submitted after 45 days	25 days after a correctly completed uniform claim form is transmitted	Non-electronic: Insurer must review claim within a reasonable time of receipt; if incomplete, notice must be given within 3 business days (2 business days for electronically submitted claims) of review	12% per annum	Monetary penalties, suspension/revocation of cert. of authority	--
Maine	Yes 24-A M.R.S. § 2436	No	No	30 days after receipt and ascertainment of the loss is made	Same	Insurer must: 1) Notify claimant within 30 days of receipt that additional info. is required; 2) pay within 30 days of receipt of such information	18% per annum	Reasonable attorney fees paid by insurer if overdue benefits are recovered in an action against insurer or if overdue benefits are paid after receipt of notice of the attorney's representation	--
Maryland	Yes Md. Ins. Code § 15-1005; Md. Health Code § 15-102.3	No	No	30 days after receipt	Same	Insurer must: 1) Send notice of refusal to reimburse within 2 weeks of receipt; 2) include reason for refusal/ what info. is necessary; 3) reimburse within 30 days after receipt of necessary documentation	1.5% for 31 <sup>st</sup> through 60 <sup>th</sup> day; 2% from 61 <sup>st</sup> through 120 <sup>th</sup> day; 2.5% after 120 <sup>th</sup> day	--	Insurer may retroactively deny reimbursement up to 6 months after claim payment is made
Massachusetts	No	--	--	--	--	--	--	--	--

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State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Michigan	Yes  MSA § 24.12006	No	No	30 days after receipt	Same	Insurer must: 1) Specify materials constituting satisfactory proof of loss within 30 days after receipt; 2) pay supported portion of claim within 60 days after receipt; 3) pay remainder of claim within 60 days of receipt of information	12% per annum	--	--
Minnesota	Yes  2000 SPS 2767  (eff. 1/1/01)	Yes	No	30 days after receipt	Same	--	1.5% per month	Commissioner may not assess a financial administrative penalty against a plan for violation of the law	Plan must itemize interest payments made separately from other payments; plan may require provider to bill plan or TPA for interest
Mississippi	Yes  Miss. Code Ann. § 83-9-5	No	No	45 days after receipt	Same	Payment is overdue if not made within 45 days after necessary information is received; if necessary information is not supplied for the entire claim, the amount supported by reasonable proof is overdue if not paid within 45 days of receipt of such proof	18% per annum	Person entitled to benefits may bring action to recover benefits, interest and any other damages allowable by law	--
Missouri	Yes  § 376.383 R.S. Mo	No	No	45 days after receipt	Same	Insurer must: 1) Send notice of refusal to pay and include reason for refusal or state that more info. is necessary; 2) pay or deny within 10 days after additional info. is received	12% per annum	--	--

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Montana *	Yes  Mont. Code Ann. § 33-18-32.	No	No	30 days after receipt of a proof of loss	Same	Insurer must pay or notify the insured or assignee of the reasons for failure to pay in full and/or request additional information within 30 days. If the insurer fails to do this, the insured/assignee may report the delay to the Commissioner of Insurance. The Commissioner may investigate to determine if the insurer has failed to pay without good reason, and whether the delay is a general course of business practice.	Upon a determination that a delay is a general course of business practice and for a year thereafter, claims not paid within 30 days without good reason will incur interest at 18% per annum	--	--
Nebraska	No	--	--	--	--	--	--	--	--
Nevada	Yes  NRS 683A	No	No	30 days of approval of claim (must be approved within 30 days of receipt)	Same	If additional info. is needed, insurer must notify within 20 days; approve/deny within 30 days after receiving additional info.	Rate of interest established pursuant to law	--	--
New Hampshire	No	--	--	--	--	--	--	--	--
New Jersey	Yes  N.J. Stat. § 17B:27-44.2	No	Yes	40 calendar days after receipt	30 calendar days after receipt or time allowed under medicare, whichever is shorter	Insurer must: 1) Notify within 30 days of reason for denial, what info. is needed to process; 2) pay undisputed portion of claim; 3) pay within 40 days (30 for electronic) of receipt of necessary info.	10% per annum	TPA must demonstrate that it will comply with the law, as condition of continued authorization to do business	Payers must maintain claims information that is audited and submit annually to Commissioner, Governor and Legislature; Commissioner may act further if info. warrants

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State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Complete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
New Mexico	Yes SB 164 (2000)	Yes	Yes	45 days after receipt	30 days after receipt	If plan is unable to determine liability for or refuses to pay a claim within specified timeframes, the plan must make a good faith effort to notify the participating provider within 30 days (45 for manual submission) of reasons for denial or specific information required to determine liability	18% per annum	--	Prohibits contractual hold harmless agreements
New York	Yes	No	Yes	45 days after receipt	Same	--	12% per annum or the rate set by the tax commissioner for corporate taxes	--	--
North Carolina	Yes N.C. Gen. Stat. § 58-3-100	No	No	30 days to acknowledge claim, but only if it contains sufficient info. for the insurer to identify the specific coverage involved	--	--	--	Commissioner may invoke civil penalty for violation	--
North Dakota	No	--	--	--	--	--	--	--	--

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Ohio	Yes ORC Ann § 3901.38	No	No	24 days of a completed claim form, or as specified in contract	Same	--	As agreed to by the parties, or as specified in statute	Aggrieved party may file written complaint; Superior/county court may issue cease and desist order and may require penalties as specified by law	--
Oklahoma *	Yes 36 Okl. St. § 1219	No	No	30 days after receipt to notify policyholder of the cause for delay in payment; 60 days to pay before interest is incurred	Same	--	T-Bill rate plus 2%	--	--
Oregon	No	--	--	--	--	--	--	--	--
Pennsylvania	Yes 40 P.S. §§ 991.2101, 991.2166	Yes	No	45 days after receipt	Same	--	10% per annum	--	--
Rhode Island	No	--	--	--	--	--	--	--	--
South Carolina	No	--	--	--	--	--	--	--	--
South Dakota	No	--	--	--	--	--	--	--	--

State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Tennessee	Yes (TennCare HMOs)  Tenn. Code Ann. § 56-32-226	No	No	90% of claims must be paid within 30 days of receipt; 99.5% must be processed within 60 days of receipt	Same	HMO must notify provider that claim has been denied and specify reasons; provider has 60 days to request reconsideration and must submit additional documentation, if necessary, within 60 days; if HMO doesn't respond within 60 days, provider may request that denial be independently reviewed	--	Provider may pursue contractual and legal action if he does not request independent review	--
Texas	Yes  Tex. Stat. Ann. Art. 20A.15a	Yes	No	45 days after receipt	Same (21 days for submission of prescription benefit claim)	Insurer must: 1) pay the total amount of the claim; 2) pay the portion of the claim not in dispute and notify the physician why the remaining portion is in dispute; or 3) notify the physician why the claim will not be paid., within 45 days of receipt	18% per annum	Penalties of up to \$1000 per day	Attorney's fees may be recovered
Utah *	Yes  R590-89-7	No	No	30 days after receipt	Same	--	--	Penalties may be imposed under general unfair business practices act	--
Vermont	Yes  18 VSA § 9418	No	No	45 days after receipt	Same	Insurer must: 1) Notify claimant that claim is contested or denied; 2) include specific reasons and describe information necessary to process; 3) pay within 45 days after receipt of information	12% per annum (may be suspended by Commissioner in certain cases)	Commissioner may impose penalty, not to exceed \$500 per violation, if a pattern of denial is established	--

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Virginia	Yes Va. Code Ann. § 38.2- 3407.15	Yes	No	40 days after receipt	Same	Carrier has 30 days after receipt to request info. and documentation necessary to process or determine if claim is clean	As established by law	Penalties under unfair trade practice law	Retractive denials permitted, with restrictions
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State	Prompt Pay Law	"Clean Claim" Defined	Uniform Claim Form	Timeframe: Non-Electronic	Timeframe: Electronic	Notice/Timeframe for Incomplete/ Contested Claim	Interest Incurred	Enforcement and Penalties	Other
Washington	Yes (reg.)  WAC § 284- 43-321	Yes	No	95% of the monthly volume of clean claims must be paid within 30 days of receipt; 95% of the monthly volume of all claims must be paid or denied within 60 days of receipt	Same	Denial must include specific reason why the claim was denied. In cases of denials based on medical necessity, the carrier must disclose the basis for the decision.	12% per annum; interest must be added to the amount of the unpaid claim	--	--
West Virginia	No	--	--	--	--	--	--	--	--
Wisconsin	Yes  Wis. Stat. § 628.46	No	No	30 days after receipt	Same	Insurer must pay any partial amount supported by written notice of claim	12% per annum	--	--
Wyoming	Yes  Wyo. Stat. § 26-15-124	No	No	45 days after receipt of proof of loss and supporting evidence	Same	Exceptions to the 45 day rule shall be made if there is any question as to the validity or amount of the claim.	10 % per year	Attorney fees may be awarded	--

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Advocacy Resource Center  
April 2000

**ALASKA  
PULMONARY  
CLINIC, LLC**

Suite C-402  
2741 DeBarr Rd  
Anchorage, AK 99508  
(907) 274- LUNG (5864)  
(907) 274- 5860 (FAX)  
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February 28, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Re: HB 113 – The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in Internal Medicine and Lung disease. I practice at Alaska Regional and Providence Hospital, as well as being on the consulting staff at Seward, Soldotna, Juneau and Wrangell Hospitals. I am writing to ask for your support of HB 113 for the following reasons:

- 1) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments have been an on-going problem for my practice for many years.
- 2) Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paper work
- 3) This increased cost of overhead (to cope with insurance company delays) has to be passed on to other "consumers"

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- 4) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement process since it is in their benefit to retain the money as long as possible. HB 113's interest penalties should help motivate them to expedite the process. This will ultimately reduce the cost burden to Alaska's medical consumers.

Thank you for your assistance.

Sincerely yours,

George L Stewart, MD



## Dwight M. Ellerbe, MD

Facial Plastic & Reconstructive Surgery  
Pediatric and Adult Otolaryngology

Diplomate:  
American Board of Facial Plastic  
and Reconstructive Surgery

American Board of  
Otolaryngology/Head and Neck  
Surgery

American Board of Pediatrics

February 28, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Re: HB113-The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in ENT. I practice in Anchorage, Alaska at Providence Medical Center and Alaska Regional Hospital. I am writing to ask for your support of HB113 for the following reasons:

1. Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments have been an ongoing problem for my practice for years.
2. Delayed claims by payors can run as much as 6 months behind with tactics like "incorrect code," or "you unbundled this code," and my favorite "we lost your claim, you'll have to start over." I employ a certified medical coder as my office manager, and have also attended numerous coding courses myself. Our actual error rate on insurance coding is very near zero. Our experience has been that the insurance companies make frequent errors, but we pay the price in delayed payments.
3. Nearly every bill that I receive from the vendors who serve me give me a grace period of 30 days before charging interest. I'm sure you find the same to be true in your business and home affairs. I feel I should be treated similarly when I submit bills for payment.
4. Insurance companies are not known for giving their customers (our patients) the option of delaying payment or "loosing" statements without applying penalties or threatening to drop coverage.
5. The inaccuracy and delayed payment of claims have resulted in my having to hire additional office staff just to handle and monitor the increased paperwork.

2841 DeBarr Road, Suite 43 ♦ Anchorage, Alaska 99508  
907-279-8800 Fax 907-279-8810

6. The additional staff has to be paid for by someone, and unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
7. Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.
8. Our letters of appeal go unanswered for extended periods of time, and many are returned with requests for information that we have already provided them. We know what documentation is usually required or requested, and make sure we submit it with the initial bill.

Sincerely,



Dwight M. Ellerbe, MD

Cc: Alaska State Medical Association  
Alaska Physicians & Surgeons



"Promot Thorough Concerned"

Diplomates American Board of Family Practice

2211 EAST NORTHERN LIGHTS BOULEVARD, ANCHORAGE ALASKA 99508

F. LELAND JONES M.D.  
KENNETH S. LAUFER M.D.  
R. MATISON WHITE, JR., M.D.  
RICHARD R. TAYLOR, JR., M.D.  
CHARLES L. AARONS M.D.

GLENN J. SCHULTES M.D.  
GARY I. CHILD, D.O.  
TIMOTHY COALWELL, M.D.  
MARIO A. LANZA, M.D.  
MICHELE A. CHASE, M.D.  
DARREN B. LEWIS, M.D.

March 1, 2001

Representative Joe Green  
State of Alaska  
House of Representative  
State Capitol  
Juneau, AK 99801-1182

RE: HB 113 - The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in Family Practice. I practice in Anchorage, AK with privileges at both ARH and PAMC. I am writing to ask for your support of HB113 for the following reasons:

- 1) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
- 2) Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paper work.
- 3) The additional staff has to be paid for by someone and, unfortunately, patients in the State of Alaska are currently shouldering this burden in the form of higher medical costs.
- 4) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures. HB 113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely,

  
Charles Aarons, MD

February 27, 2001

Representative Joe Green  
 State of Alaska  
 House of Representatives  
 State Capitol  
 Juneau, AK 99801-1182

Re: HB113 – The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in ophthalmology practice in Anchorage, AK at Providence hospital. I am writing to ask for your support of HB113 for the following reasons:

- 1.) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
- 2.) Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paper work.
- 3.) The additional staff has to be paid for by someone, and unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
- 4.) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely,

Edward H. [Signature], MD

# Mark E. Richey, M.D., P.C.

*Obstetrics, Gynecology & Infertility*

February 28, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, Alaska  
99801-1182

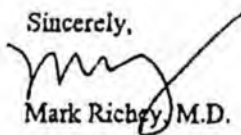
RE: HB113- The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in Obstetrics and Gynecology. I practice in Anchorage, Alaska at both Providence and Alaska Regional Hospitals. I am writing to ask for your support of HB113 for the following reasons:

1. Delayed, inaccurate, and denied third party payor claims payments have been an ongoing problem in my practice for years.
2. Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paperwork.
3. The additional staff has to be paid for by someone, and, unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
4. Currently, third party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.


Sincerely,

  
Mark Richey, M.D.

1200 Airport Heights, Suite 205  
Anchorage, Alaska 99508



Phone 1-(907) 272-4443  
Fax 1-(907) 272-2262



3200 Providence Drive  
P.O. Box 196504  
Anchorage, Alaska  
99519 5604

1e 907.562.2211

February 28, 2001

Rep. Joe Green  
Alaska State Capitol  
Juneau, AK 99801-1182

FAX: (907) 465-4316

Dear Representative Green,

On behalf of the Providence Health System in Alaska, I am writing this letter to urge your support of House Bill 113, relating to health care insurance payments for hospital or medical services, and to ask you to review one section of this bill for clarification.

This proposal would ultimately ensure health organizations, such as ourselves, receive timely payment from insurance carriers and we truly support the spirit behind this effort.

However, we would like clarification of one statement within this legislation prior to its advancement through committee. We feel the paragraph in Section 1 (e) where it states: "*The policy may not contain a provision requiring that services be provided by a particular hospital or person, except as applicable to a health maintenance organization under AS 21.86*" needs further explanation to ensure it does not affect organizations that have preferred provider agreements with insurance carriers.

We thank you for your commitment to ensuring Alaskans receive the highest quality of medical care available. Your support of legislation that helps the medical community directly positively impacts the healthcare of all Alaskans.

If you have any questions or comments, please feel free to call me at (907) 261-3055 or Jerome Selby, Regional Director of Planning and Development and Government Relations, at (907) 261-3134.

Sincerely,



Doug Bruce  
Chief Executive Officer  
Providence Health System in Alaska

CC: Gene O'Hara  
Rebecca Parker



# Fairbanks Clinic

Quality Care Since 1932

February 23, 2001

SENT VIA FAX 907-561-2063 (Jim Jordan)

Representative Joe Green  
House of Representatives  
State Capitol, Room 403  
Juneau, AK 99801-1182

Dear Representative Green:

Dr. Lawrason asked me to provide you with the following information:

As a rule it takes 40-60 days before we receive payments from insurance companies—I feel it is a trend! For example, if several charges are billed on the same form the smaller ones are paid very quickly whereas the larger amounts are being set aside, often with no explanation for the delay. They often engage/hire a third party to negotiate a lesser amount with us. There are several weeks of phone calls back and forth and/or checking of any preexisting status even though we had obtained prior authorization. The slowdown in payments commonly worsens when their insurance companies' fiscal year is at an end—then different delay tactics are used.

Please feel free to contact me for any further information. You may reach me on my direct line at (907) 451-4200.

I applaud your efforts to give us "a cloud" to speed up the time of reimbursement for our services.

Sincerely,

Dita De Boer  
Clinic Manager



# Alaska Ear Nose & Throat, Inc.

William R. Fell, MD  
Jerome List, DDS, MD  
Deborah Kiley, ANP

Tel: (907) 261-3096  
Fax: (907) 261-3094

February 23, 2001

Representative Joe Green  
House of Representatives  
State Capitol Room 403  
Juneau, Alaska 99801-1182

Dear Representative Green:

This letter is written in an effort to describe the on-going difficulties that our office is experiencing in prompt payment of claims for services rendered by our physicians. This time consuming problem requires a full-time employee to provide follow-up of claims filed with insurance companies for our two physicians and part-time nurse practitioner.

Of particular concern are claims for surgical procedures. 80% of all claims over \$3000.00 are not paid according to provisions of Alaska State Statute 3 AAC 26.070, which requires payment or written notice of denial "within 15 working days after receipt of properly executed claim". Costly claims are routinely "pending for further information" without request for this information in a timely manner.

Our office responds the same day to an insurance request for further information, and our requests for acknowledgment of receipt of this information are consistently ignored. It is not unusual that a request for "additional documentation" is responded to several times, with the insurance company stating that they "never received the material". This seems to be a consistent response whether the documents are sent by fax or U.S. Mail.

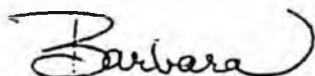
Another concerning problem is the practice of some insurance companies to employ the services of an "independent business" to negotiate fees. These companies contact our office by telephone or fax, and request a reduction in the fee for services, in return for "prompt payment" usually stating a check will be sent "within 24 hours". Additionally, they request that there be no "balance billing" to the patient, including exclusion of the patient's co-pay. I find this practice to be a form of extortion, and I know from experience, that when this offer is denied, payment is further delayed.

3340 Providence Drive, Suite 357 • Anchorage, Alaska 99508

I am hoping that some sort of legislation will take place to hold insurance companies responsible for prompt payment of what they term "clean claims". At the very least, interest should be paid on claims held over 30 days.

Please feel free to contact me should you have any questions or if you would like any further information.

Respectfully,

A handwritten signature in cursive script that reads "Barbara".

Barbara Starr  
Office Manager

February 27, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Re: HB113 - The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in PEDIATRIC EYE. I practice in Anchorage, AK at ProV/ARW hospital. I am writing to ask for your support of HB113 for the following reasons:

- 1.) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
- 2.) Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paper work.
- 3.) The additional staff has to be paid for by someone, and unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
- 4.) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely,

Robert W Smith, MD

February 27, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Re: HB113 – The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in Ophthalmology. I practice in Anchorage, AK at Providence hospital. I am writing to ask for your support of HB113 for the following reasons:

*These are all very real problems.*  
*BS*

- 1.) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
- 2.) Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paper work.
- 3.) The additional staff has to be paid for by someone, and unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
- 4.) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely, Griff Steiner, MD

  
MD



## Women's Care of Alaska

A Professional Corporation

OBSTETRICS AND GYNECOLOGY

Wynd Counts, M.D.

February 28, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

RE: HB 113 – The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in OB/GYN. I practice in Anchorage, Alaska at both Alaska Regional Hospital and Providence Medical Center. I am writing to ask for your support of HB 113 for the following reasons:

- Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
- Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paperwork.
- The addition staff has to be paid for by someone, and unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
- Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB 113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely,

Wynd Counts, M.D.

# *Action Memo*

Date: Tuesday, February 27, 2001  
To: Alaska Physicians & Surgeons Members  
From: Michael Haugen  
Re: HB113 Prompt Pay Bill

Dear APS Member:

The Alaska Prompt Pay Bill HB113 is currently before the House Labor & Commerce Committee. HB113 will force 3<sup>rd</sup> party payors to pay "clean claims" within 20 business days, or face possible interest penalties. Attached is a form letter of support addressed to the representative in your district who currently sits on the Labor & Commerce Committee.

Faxing the support letter to your representative will let him know that the physician community is paying attention, and should help keep the momentum building in support of the bill.

To fax your support letter to Representative Joe Green call the following number:  
907- 465-4316.

Sincerely,  
Michael Haugen  
Executive Director

CONFIDENTIAL

February 27, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Re: HB113 - The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in Ophthalmology. I practice in Anchorage, AK at Providence hospital. I am writing to ask for your support of HB113 for the following reasons:

- 1.) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
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- 4.) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely,

  
\_\_\_\_\_, MD

February 27, 2001

Representative Joe Green  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

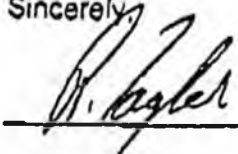
Re: HB113 - The Alaska Prompt Pay Bill

Dear Representative Green:

I am a private practice physician specializing in Family Practice practice in Anchorage, AK at Providence hospital. I am writing to ask for your support of HB113 for the following reasons:

- 1.) Delayed, inaccurate and denied 3<sup>rd</sup> party payor claims payments, has been an on-going problem for my practice for years.
- 2.) Delayed and inaccurate claims payments have resulted in my having to hire additional office staff just to handle and monitor the increased paper work.
- 3.) The additional staff has to be paid for by someone, and unfortunately, patients in the state of Alaska are currently shouldering this burden in the form of higher medical costs.
- 4.) Currently 3<sup>rd</sup> party payors have little incentive to streamline their claims reimbursement procedures, and HB113's interest penalties should help motivate them to expedite the process and ultimately reduce costs to Alaska's medical consumers.

Sincerely,

  
MD

**Richard R. Taylor, M.D.**  
Medical Park Family Care  
2211 E. Northern Lights Blvd.  
Anchorage, AK 99508-4142  
Ph 907-279-8486 / Fax. 907-279-3149

# ALASKA STATE MEDICAL ASSOCIATION

4107 Laurel Street Anchorage, Alaska 99508 (907) 562-0304 (907) 561-2063 (fax)

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March 20, 2001

Honorable Fred Dyson  
Chairman House Education and Social Services Committee  
House of Representatives  
State Capitol, Room 104  
Juneau, AK 99801-1182

RE: CS HB 113 (L&C)

Dear Representative Dyson,

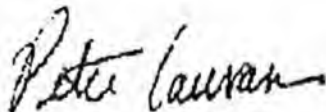
The Alaska State Medical Association (ASMA) represents Alaska's patients and the physicians who care for them.

Simply put, CS HB 113 establishes a parameter of 30 calendar days in which a health insurer must pay a "clean claim" or provide a description of any deficient items. If this doesn't happen, interest accrues on the unpaid amounts. This measure applies to all covered claims for hospital, nursing, medical, dental, and surgical services.

Obviously a key element to this bill is the definition of a "clean claim". The definition of a "clean claim" in AS 21.54.020 (1) (2), page 3 lines 23-25 is patterned after the Medicare definition. It is anticipated that regulations will be adopted that will identify those items on the industry standard claim form (HCFA 1500) that will need to be completed fully for a claim to be "clean". This standard is expected to be a national standard and is currently being developed via the promulgation process for adopting the HIPAA confidentiality for medical information standards. (Determination of the minimum amount of confidential medical information necessary for the payment of a health insurance claim is the key element.)

ASMA supports CS HB 113 (L&C) and urges you to support it as well. We feel it establishes realistic standards for prompt payment of health insurance claims in today's environment.

Sincerely,



BY: Peter Lawrason MD, President  
FOR: Alaska State Medical Association

# Alaska State Legislature

WHILE IN SESSION  
CAPITOL BUILDING  
JUNEAU, ALASKA 99801-1102  
(907) 465-4931  
1-800-870-4931  
(907) 465-4316 FAX

INTERIM ADDRESS  
716 WEST 4TH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 269-0123  
(907) 269-0124 FAX



CHAIRMAN, LEGISLATIVE COUNCIL  
VICE CHAIR, ECONOMIC DEVELOPMENT  
TRADE & TOURISM  
MEMBER, RESOURCES  
MEMBER, ETHICS  
MEMBER, MILITARY & VETERANS AFFAIRS

BUDGET SUBCOMMITTEES  
ALASKA COURT SYSTEM  
DEPT. OF CORRECTIONS  
DEPT. OF LAW

## Representative Joe Green

District 10

### SPONSOR STATEMENT

#### HOUSE BILL 113

“An Act relating to health care insurance payments for hospital or medical services; and providing for an effective date.”

House Bill 113 builds upon a national trend to develop fair payment provisions that enable health insurance companies to make sound business decisions while ensuring that patients receive benefit payments in an appropriate time frame. This concept of "prompt pay" legislation has been successfully adopted and implemented by 39 states.

House Bill 113 requires health insurers to pay benefits within twenty working days of receiving a "clean claim" if the claim is submitted in a traditional paper method or ten working days if made electronically. If a payment is not made on time the insurer is charged interest on the outstanding claim. HB 113 also establishes a definition for "clean claim" that recognizes an insurance company's need to make payment decisions based upon complete and accurate information.