



An Update on the State's Timely Payment Laws

By Reesa Wilkie, CMA Senior Reimbursement Analyst

Legislation sponsored by CMA has strengthened and expanded existing state law to prevent unfair payment practices.

CALIFORNIA'S TIMELY PAYMENT LAWS under Health and Safety Code §1371 state that health plans (and their subcontracting IPAs and medical groups) must pay a claim no later than 30 working days after receipt of the claims, or no later than 45 days if the plan is an HMO. When a payer violates the law, a physician may charge interest on the claim.

Still, lack of enforcement and various tactics — such as downcoding and bundling of services that managed care organizations employ to circumvent penalties — frustrate physicians, who often receive payments later than they should and without interest. Compounding the problem are health plans' inadequate mechanisms for resolving payment disputes.

CMA-sponsored legislation passed last year strengthened and expanded existing state law to prevent unfair payment practices, and required plans to create fair, fast, and cost-effective dispute-resolution mechanisms.

The new law prohibits health plans from engaging in unfair payment patterns, including using systems for reviewing and processing claims that result in payment delay, reduce the amount of payment, deny complete and accurate claims, fail to pay the uncontested portion of the claim, and fail to include interest automatically on late payments.

The law permits physicians to report such conduct to the Department of Managed Health Care (DMHC), and it requires the Department to investigate reports of unfair payment patterns. The DMHC may impose fines or require a plan to reimburse claims in a shorter time frame.

Features of the new law

Effective January 1, 2001, the interest on claims paid after the statutory time limit increased from 10 percent to 15 percent, and must be automatically included with payment for the claim. Physicians may charge a plan that fails to automatically include interest an additional \$10 per claim.

Plans must pay a late payment interest of 15 percent or \$15 per year, whichever is greater, on emergency services.

Payment for services provided in a hospital may not be denied when: services are related to services that were previously authorized, the plan has no system for responding within 30 minutes of a request for authorization, and the services were provided after a plan's normal business hours.

Health plans must ensure that their dispute resolution mechanism is available to non-contracting physicians.

Effective January 1, 2002, plans must submit an annual report to DMHC regarding the dispute mechanism, which includes the number of physicians who used it and the

disposition of disputes.

Health plans may report “unfair billing patterns” by physicians, such as engaging in a demonstrable pattern of unjustifiable unbundling and upcoding of claims.

DMHC must define “unfair payment patterns,” “unfair billing patterns,” and the term “complete and accurate claim” and identify the acceptable attachments, supplemental information and documentation.

CMA has submitted detailed implementation recommendations to DMHC. They can be viewed at www.cmanet.org under “For Your Information” by selecting “CMA Advises DMHC on Unfair Payment Laws.” For additional information, access CMA On-Call document #0124 (free from the Members-Only section of the web site), which also contains sample appeal letters.

Physicians can report patterns of unfair payment practices to the DMHC Office of Plans & Provider Relations by completing the Provider Report form at the DMHC Web site www.dmhc.ca.gov/hpp/pr/problem.asp or by e-mail to plans-providers@dmhc.ca.gov. DMHC’s toll free provider line is 877/525-1295. Please copy CMA, Attn. Reesa Wilkie, P.O. Box 7690, San Francisco, CA, 94120-7690, on reports sent to the DMHC.

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