



Ninety-Ninth Legislature - First Session - 2005
Introducer's Statement of Intent
LB 389

Chairperson: Mick Mines
Committee: Banking, Commerce and Insurance
Date of Hearing: February 8, 2005

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Legislative Bill 389 would require that health insurers pay claims submitted by health care providers on a timely basis. Nebraska's hospitals, physicians, dentists, and other health care providers have experienced problems when some health insurers have failed to process and pay claims within a reasonable time after they have been submitted. This practice adversely affects the providers' cash flow and overall business operations. Because of similar problems, other states have enacted prompt-payment laws and Nebraska is one of the few states without such legislation.

Legislative Bill 389 would adopt the Health Care Prompt Payment Act. Section 2 defines various terms, including "insurer," "clean claim," "repricer" and "unfair payment pattern." Section 3 establishes when a claim is deemed to be received by an insurer, depending upon whether it is submitted electronically or by mail.

Under Section 4, covered insurers would be required to pay each clean claim submitted or identify the additional information which is necessary to determine whether the claim will be reimbursed. If an insurer fails to pay a clean claim in electronic form within 30 calendar days of receipt (45 calendar days for paper claims) or take other required action within the times specified, Section 5 requires that the insurer pay interest at a rate of 12 % per annum on the amount ultimately allowed on the claim.

Section 6 provides an exemption for insurers who file a prompt payment act compliance statement with the Department of Insurance. This statement is a certification made in good faith that the company has paid, denied, or settled more than 90 % of its clean claims on a timely basis during the 24-month period ending on the preceding June 30.

Section 7 provides that the prompt payment requirements also apply if an insurer delegates its claims processing functions to a third party.

Section 8 permits the insureds, their representatives and health care providers to notify the Department of Insurance of any unfair payment patterns. The Department is required to compile a record of such notices; may conduct an examination to determine whether the insurer is complying with the prompt payment requirements; and may institute an enforcement proceeding if it appears that an insurer is not in compliance.

Section 9 exempts hospital indemnity, long-term care, disability and medicare supplement insurance from the act.

Section 10 authorizes the Director of Insurance to adopt regulations to implement the Health Care Prompt Payment Act.

Principal Introducer:

_____ **Senator Mick Mines**