SENATE BILL REPORT

ESSB 5812

As Passed Senate, March 11, 1999

Title: An act relating to the prompt payment of health care claims.

Brief Description: Requiring prompt payment of health care claims.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Thibaudeau, Deccio, Wojahn, Winsley, Gardner, Prentice and Costa).

Brief History:
Committee Activity: Health & Long-Term Care: 2/15/99, 3/1/99 [DPS].
Passed Senate, 3/11/99, 33-12.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5812 be substituted therefor, and the substitute bill do pass.

Signed by Senators Thibaudeau, Chair; Wojahn, Vice Chair; Costa, Franklin and Winsley.

Staff: Jonathan Seib (786-7427)

Background: Current state law requires that all fees and medical charges accrued under the worker's compensation program be paid within 60 days. Federal law requires that Medicare providers be paid within 30 days. Other than this, there are no laws which explicitly govern the timeliness of payments from insurers to health care providers. In the case of managed care organizations, the issue may be addressed in the contract between the organization and its affiliated providers.

Concern exists that the current law is insufficient and that increasingly payments owed health care providers by insurance entities are not being paid on a timely basis.

Summary of Bill: Time limits are established regarding when a payer, defined to include certain private and public health insurance entities, is required to pay a health care providers for services rendered to enrollees.

Clean claims are defined to mean the same as the Medicare standard. Conditions are established regarding handling of claims by the provider and the payer. Ninety-five percent of the volume of clean claims must be paid within 30 days. Ninety-five percent of the volume of all claims must be paid or denied within 60 days.

Any payer failing to pay a claim within the established standards must pay interest on the claims beginning with the 61st day on all claims. The interest is to be assessed at the rate of 1 percent per month.

Providers or payers may enforce the act through binding arbitration pursuant to current law, or may seek enforcement by the Department of Health. Upon a finding that a violation has occurred, the department is to refer the matter to the Office of Administrative Hearings for a hearing.

The Department of Health is to establish a seven-member oversight board to study and make recommendations to promote timely and accurate payment of health claims.

Payers are responsible for ensuring that any person acting on their behalf complies with the act.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Delinquent payments from insurance companies to health care providers are a severe problem that is getting worse. It is making it increasingly difficult for some providers to maintain their core functions. Addressing the issue diverts attention from their service delivery mission. It has a negative impact on access to care.

Testimony Against: Processing claims is a complex process that does not lend itself to simple timelines. Most claims are paid on a timely basis relative to the nature of the claim. These sorts of issues are better worked out in the contract between the payer and the individual providers.

Testified: PRO: Andy Davidson, Washington State Hospital Association; Mark Adams, Washington State Medical Association; CON: Ken Bertrand, Group Health; Mel Sorenson, Washington Physicians Service.