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**BILL ANALYSIS**

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Senate Bill 938 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Senator Joel D. Gougeon

Committee: Families, Mental Health and Human Services

## **CONTENT**

The bill would amend the Social Welfare Act to require the Insurance Commissioner to establish a timely claims payment procedure to be used by health professionals and facilities in billing for, and by qualified health plans (QHPs) in paying claims for, Medicaid services rendered. The bill identifies what the timely claims payment procedure would have to provide for, including a requirement that a "clean claim" be paid within 45 days after receipt by the QHP or bear interest at a rate of 12% per year; notification and correction of defects in a claim; a dispute resolution process; and penalties for failing to adhere to the timely claims payment procedure.

Among other things, the timely claims payment procedure also would have to provide for a universal system of coding to be used for all Medicaid claims submitted to QHPs; require that a claim be transmitted electronically or as otherwise specified by the Commissioner; and specify the number of days after a service was provided within which a health professional and facility would have to bill a QHP for the claim and the number of days within which a QHP would have to pay a claim after correction of a claim defect. By October 1, 2000, the Department of Community Health (DCH) could not contract with a QHP unless the plan agreed to follow the procedure established under the bill and required health professionals and facilities under contract with the plan to follow the procedure.

The bill also would prohibit the DCH from contracting with a QHP unless it demonstrated the ability to provide required Medicaid services to the estimated number of enrollees on a regional basis; met the criteria for delivering the comprehensive package of services under the DCH's comprehensive health plan; and satisfied other conditions.

MCL 400.111a et al.

Legislative Analyst: P. Affholter

## **FISCAL IMPACT**

The bill would codify a claims resolution process similar to that contained in boilerplate language in Public Act 114 of 1999, the FY 1999-2000 DCH budget. The inclusion of a specific interest penalty (12%) would not, in and of itself, result in direct costs to the DCH as the penalty apparently would apply to QHPs. It should be noted that this provision may not be consistent with Federal Medicaid laws and regulations.

The bill would require the Department of Consumer and Industry Services to set up a dispute resolution process and perform additional claims administration responsibilities, as well as compile and present a report to the Legislature. These functions would require the hiring of additional staff. The costs would probably be covered from fee revenues already collected by the Insurance Bureau for other insurance regulatory purposes and penalty revenue that could be collected pursuant to this bill.

Date Completed: 2-16-00

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Analysis available @ <http://www.michiganlegislature.org>

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