

INTEREST RATE FOR FAILURE TO PAY A CLEAN CLAIM

This Bulletin is directed to all insurers issuing accident and sickness insurance policies, as defined at IC 27-8-5.7-1, all HMOs as defined at IC 27-13-36.2-2, and all health care providers submitting claims to those insurers and HMOs. The purpose of this Bulletin is to clarify provisions of the statutory provisions commonly referred to as the Clean Claims Laws, IC 27-8-5.7 and IC 27-13-36.2.

Indiana's Clean Claims Laws provide that interest shall be paid "at a rate that is the percentage rounded to the nearest whole number that equals the average investment yield on state money for the state's previous fiscal year, excluding pension fund investments, as published in the auditor of state's comprehensive annual financial report." The statute does not specify the frequency of the rate; however, the investment yield on state money referenced in the Clean Claims Laws is an annual rate. Therefore, the interest rate should be calculated as an annual rate, as well.

This year's Auditor's Comprehensive Annual Financial Report ("CAFR") has not yet been published and, according to the Auditor of State's web site, will not be available until January 2014. However, the Auditor's web site identifies the "average yield on the total investment of all funds, except for pension trust funds" for the fiscal year ending June 30, 2014, as 0.50%. Thus, the rate to be paid for calendar year 2015 is One Percent (1%) per year. The Department is notifying companies that the 1% rate will take effect beginning Thursday, January 1, 2015.

Insurers and HMOs should not consider the low interest rate as a license to become relaxed about prompt payment of clean claims. In accordance with IC 27-8-5.7 and IC 27-13-36.2-6, companies failing to promptly pay clean claims could be subject to administrative action.

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INDIANA DEPARTMENT OF INSURANCE



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