December 30, 2013

Bulletin 203

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.

The rate published in the Auditor's Comprehensive Annual Financial Report ("CAFR") as the "average yield on investments, except for the pension trust funds" does not include yield on dedicated funds. When contemplating the average yield on all state money, the average yield for the fiscal year ending June 30, 2013, was 0.54%. Thus, the rate to be paid for calendar year 2014 is One Percent (1%) per year. The Department is notifying companies that the 1% rate will take effect beginning Wednesday, January 1, 2014.

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.

Questions regarding this Bulletin should be directed to Tina Korty, General Counsel, at 317.232.2417 or *tkorty@idoi.IN.gov*.

INDIANA DEPARTMENT OF INSURANCE

Stephen W. Robertson,
Insurance Commissioner