

**Prompt Payment Regulations Testimony**  
**by**  
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**Kansas Department of Health and Environment**

**Testimony Presented to the**  
**Joint Committee on Administrative Rules and Regulations**  
**March 13, 2015**

Good afternoon. Thank you for the opportunity to appear before the committee today. My name is Michael G. Smith, and I am Associate Chief Counsel for KDHE providing legal support to the Division of Health Care Finance.

As you know, HB 2552 was passed by the Legislature last session and signed into law by Governor Brownback. Among the many provisions of that bill were the prompt claims payment requirements placed on the managed care organizations providing Medicaid services to Kansas beneficiaries under KanCare. These prompt payment provisions have been codified into Kansas statutes as K.S.A. 39-709f. Essentially, this statute requires the KanCare managed care organizations, also known as MCOs, to pay provider claims within specified periods of time, e.g., 30 days for a clean claim or 90 days for all claims. Further, the statute also requires the MCOs to include provisions in the contracts with their providers that the MCOs will be subject to a claim for interest at the rate of 12% per annum for all claims that remain unpaid within the time prescribed in the statute. Subsection (c) of K.S.A. 39-709f further requires KDHE to adopt rules and regulations to carry out the provisions of this statute, and the regulations before you today are the product of that legislative mandate.

The public hearing notice for proposed K.A.R. 129-5-10 through 129-5-21 was published in the Kansas Register on February 19, 2015. The public hearing is scheduled for April 24, 2015.

These regulations address a number of questions that are not expressly stated in the statute. Various details addressed by these regulations include: (1) The definition of a "claim" and a "clean claim;" (2) the application of the act to claims submitted in paper and electronic format; (3) the dates on which claims are deemed to be received by the MCO, and when claims are deemed to be paid; (4) the required contents of notices of denial and requests for additional information; (5) the circumstances under which the time periods for payment will be suspended due to requests for additional information; (6) the applicability of the act apply only to the unpaid portion of claims; (7) a claim subject to the act does not include any unpaid interest assessed under the act; and (8) the act does not apply claims for unpaid amounts that are the result of rates, policy changes, or Medicaid eligibility that take effect retroactively.

These regulations are expected to have no economic impact on the State. The economic impact on providers and MCOs will depend on the timeliness of the MCOs' payments to providers. Based on the timeliness reporting provided by the MCOs, using actuals data available for calendar year 2014, it is estimated that the interest on the late payment of claims would be approximately \$51,000 per year.

I stand ready to take your questions regarding these proposed regulations.