



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
25 BEAVER STREET
NEW YORK, NEW YORK 10004

**Circular Letter No. 12 (2000)
March 1, 2000**

TO: All Insurance Companies and HMOs Licensed to Write Accident and Health Insurance in New York State

RE: Section 3224-a Insurance Law and the Use of IPAs (Independent Practice Associations)

The Prompt Pay Law, signed by Governor Pataki in September 1997 requires HMOs and insurance companies to pay undisputed claims and bills within 45 days of receipt.

Many HMOs and insurance companies have contracted with outside entities, such as IPAs, to provide various services to subscribers. The functions performed by these entities include, but are not limited to, pre-certification and prior approval; utilization review; determination of member eligibility; processing, adjudication and payment of claims; development of provider network and associated credentialing; PCP (Primary Care Physician) education; and development of PCP referral guidelines and communication.

The purpose of this Circular Letter is to remind HMOs and insurance companies that they are ultimately responsible for compliance with the prompt pay law, despite any contractual delegation of the claims payment process. This includes not only compensation to the provider for the delay in paying the claim (interest) but also any sum to be paid to this Department as penalty for late payments.

The officer in charge of claims should acknowledge in writing the receipt of this Circular Letter no later than March 31, 2000 to :

Laura Dillon, Senior Examiner
Consumer Services Bureau
New York Insurance Department
Agency Building 1, Empire State Plaza
Albany NY 12257

Please direct any questions concerning the Circular Letter to Ms. Dillon at (518) 486-9105.

Salvatore Castiglione, Chief
Consumer Services Bureau