

# Penalties for Failure to Properly Pay or Deny Medical Bills

# Penalty Statutes

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Failure to comply with the requirements may subject the payer to the penalties provided in Minn. Stat. 176.221, 176.225, and 176.194. (MN Rules 5221.0600 Subp. 5)

All are typically assessed against WC payers.

# Summary of Minn. Stat. 176.221

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- Penalties are based on whether the payment or denial is made in a timely manner.
- If the denial or reduction of a charge is not made pursuant to the rules, the timeline to pay or deny continues to run and a penalty may be assessed based on the fact that no payment or proper denial has occurred.
- The amount of the penalty is determined on the length of delay.

# Minn. Stat. 176.221 - Late Payment or Denial

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- Amount assessed up to \$2,000.00 payable to the Assigned Risk Safety Account. (Subd. 3a)
- Applies to medical bills. (Subd. 6)
- Interest applies to payment of charges for medical treatment from the due date to the date the payment is made at the rate set by section 549.09, subdivision 1. (Subd. 7)

# MN Rules 5220.2740 - Late Payment or Denial

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- Applies to medical bills. (Subp. 1)
- Based on the length of delay. (Subp. 2)
  - 1 to 15 days late, \$500.00
  - 16 to 30 days late, \$1,000.00
  - 31 to 60 days late, \$1,500.00
  - over 60 days late, \$2,000.00
- Interest on the sums owed under Minn. Stat. [176.221](#) Subd. 8 is payable to the health care provider. (Subp. 5)

# Interest

[www.wcra.biz/calculators](http://www.wcra.biz/calculators)

The screenshot shows the WCRA Interest Calculator interface. On the left is a navigation menu with links to various calculators. The main content area features an overview of interest on workers' compensation benefits, followed by input fields for the number of weeks (15.2), interest rate (4%), and lump sum amount (2750.00). A 'Calculate Interest Due' button is present, and the result is displayed as '\$32.15'. Hand-drawn arrows on the right side of the page point to the input fields and the result, labeling them as '# weeks', 'Interest %', 'Amount', and 'Interest Due' respectively.

**WCRA** Workers' Compensation Reinsurance Association

**Interest Calculator**

**Overview** - Interest is sometimes paid on workers' compensation benefits or bills that have accrued over time. Interest runs from the due date to the date payment is made (Minn. Stat. §176.221(7)). InterestCalc follows the formulas prepared by the Minnesota Department of Labor and Industry. Click [here](#) for examples, interest rates, and more information about how Interest Calc works.

Number of weeks (click [here](#) to compute the number of weeks between two dates)

Interest Rate  %

Indicate on what type of payments interest should be calculated

Lump Sum

Weekly Benefits

Lump Sum  \$

The interest due is \$32.15

**Legal Disclaimer**

The WCRA calculators are provided as a free service to our members. No guarantee, explicit or implied, is made by the WCRA regarding their accuracy or suitability for a specific purpose. No use of these calculators for commercial or educational purpose is permitted without identifying them as a service developed and provided by the WCRA. Use of the calculators on this site constitutes acknowledgment and acceptance of these terms.

# weeks

Interest %

Amount

Interest Due

# Minn. Stat. 176.225 - Additional Award as Penalty

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Amount up to 30 % where the payer has: (Subd. 1)

- instituted a proceeding or interposed a defense which does not present a real controversy but which is frivolous or for the purpose of delay; or
- unreasonably or vexatiously delayed payment; or
- neglected or refused to pay compensation; or
- intentionally underpaid compensation; or
- frivolously denied a claim;

“Frivolously” means without a good faith investigation of the facts or on a basis that is clearly contrary to fact or law.

# MN Rules 5220.2760 - Additional Award as Penalty

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- For violations of Minn. Stat. 176.225 Subd. 1. (Subp. 1)
- Payable to the employee. (Subp. 3)
- They do not affect the employee's right to seek penalties by filing a claim petition under Minn. Stat. 176.271. (Subp. 1)

# MN Rules 5220.2760 - Additional Award as Penalty

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Amount is a percentage of the compensation owing based on the length of the delay: (Subp. 2)

- 1 to 5 days late, 6 %
- 6 to 15 days late, 12 %
- 16 to 30 days late, 18 %
- 31 to 60 days late, 24 %
- over 60 days late, 30 %

# Minn. Stat. 176.194 - Prohibited Practices

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- Failing to pay or deny medical bills within 45 days after the receipt of all information requested from medical providers. (Subd. 3 (3))
- Based on # of violations in last year for the payer as a whole, not on an individual claim. (Subd. 4)
- Violations 1-5 receive warnings. (Subd. 4)
- Dollar penalties are payable to the Assigned Risk Safety Account. (Subd. 4)
- > 30 violations in 12 months - DLI may refer to Commerce for action against license. (Subd. 4)
- After 12 months the violation drops off.

# Before a Penalty is Considered

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**Have the parties done what they are supposed to do?**

# MN Rules 5221.0700 - Provider Responsibilities

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- Usual charges
- Copy of appropriate record
- Bill submitted on correct form
- Correct billing codes
- Cooperation with payer

# MN Rules 5221.0600 - Payer Responsibilities

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## Within 30 DAYS

- **pay** the charge or any portion of the charge that is not denied;
- **deny** all or a portion of a charge on the basis;  
or
- **request** specific additional information to determine whether the charge or the condition is compensable.

# MN Rules 5221.0600 - Payer Responsibilities

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- Notice of denial of part or all of a charge shall be given by the payer consistent with the guidelines in this subpart.
- **Reasons to deny or reduce the charges must be timely and must be consistent with the rules and statutes.**

# MN Rules 5221.0600 - Payer Responsibilities

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The payer shall reconsider the charges as soon as reasonably possible and no later than 30 calendar days after receipt of additional relevant information or documents.

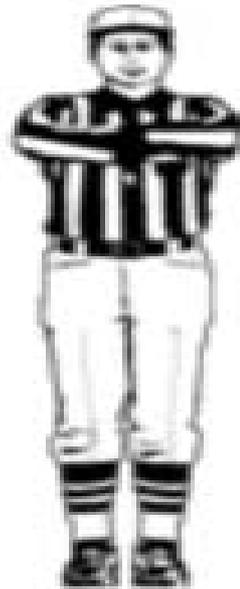
# Refer to:

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- MN Rules 5221.0100 Subp. 1b and 6 (definition of appropriate record and compensable injury)
- MN Rules 5221.0500 Subp. 1 and 2 (charges excessive or non compensable)
- MN Rules 5221.0600 (payer responsibilities)
- MN Rules 5221.0700 (provider responsibilities)
- Minn. Stat. 176.136 Subd. 1, 1b, and 2 (maximum fees, limitation of liability, and excessive fees)

# Helpful Hints to Avoid Penalties

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**Delay of game Or  
excess timeout**



# Helpful Hints to Avoid Penalties

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## Orders and Stipulations:

If Order or Stipulation states “pay per the fee schedule”:

- Don't assume the payer has the bills and appropriate medical records. We have found that if a bill is denied, the payers don't always keep them.
- Talk with the requesting party to see if the itemized bills were sent to the payer.
- **HCP or petitioning party** - When in doubt, send the itemized bills to the payer.
- **Payers** – Don't wait for the bills. If you don't have what you need, contact the HCP or petitioning party.

# Helpful Hints to Avoid Penalties

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In a conference:

- ask the payer if they have all that they need to pay the bills if so ordered. If not, offer to provide it.

# To Request a Penalty

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Send a letter to:

- **BMR Compliance Unit**
- **PO Box 64221**
- **St Paul MN 55164-0221**

Briefly address:

- What did you expect to happen?
- When should it have happened?
- Why didn't it happen?

The parties will be contacted if more specific information is needed.