KERN HEALTH SYSTEMS

KERN HEALTH SYSTEMS POLICY AND PROCEDURES			
Policy Title	Claims Late Payment and Interest	**Policy #**	6.41-P
Policy Owner	Claims	**Original Effective Date**	01/01/2026
Revision Effective Date		**Approval Date**	12/8/2025
Line of Business	☐ Medi-Cal ☒ Medicare ☐ Corporate		

I. PURPOSE

The purpose of this policy is to establish guidelines for the application of interest and penalties on "clean" non-contracted provider claims. In compliance with Centers for Medicare & Medicaid Services (CMS) rules, Kern Health Systems (KHS) is required to pay or deny ninety-five (95) percent of clean claims, for which no further documentation or substantiation is required, within thirty (30) calendar days of receipt by the plan. All other claims from non-contracted providers are required to be paid or denied within sixty (60) calendar days from the date of the request. Late claims paid to non-contracted providers are subject to interest and penalties.

II. POLICY

A clean claim is a claim that passes all front-end edits and does not contain errors or omissions that would impact its ability to be processed; contains complete and accurate required information and complies with all Medicare rules for submission; does not require external investigation or claim development; includes all relevant medical documentation if required for medical review, has all basic information required to adjudicate the claim including but not limited to supporting documentation, and the receipt date is within the established timely filing limits. If a complete clean claim, or portion thereof, that is neither contested nor denied, is not reimbursed by delivery to the non-contracted provider within thirty (30) days of receipt, KHS is liable to pay interest on the claim. The provider is not required to request it.

In the event that a clean claim for a non-contracted provider is not paid within thirty (30) calendar days of receipt, Kern Health Systems will apply the applicable Prompt Payment Interest Rate issued by the Bureau of the Fiscal Service for the payment date of the claim. This interest rate is updated each January and July of each year.

Interest payments are calculated and issued automatically within the claims system. For interest payments, the payment is applied on a per-day basis according to the specified Prompt Payment interest rate and is

included in the claim payment to the provider. Additionally, applied interest is clearly reflected in the remittance advice that is sent to providers.

Claims that are under investigation for fraud or improper billing practices may be exempt from timely payment requirements during the investigation period.

III. DEFINITIONS

TERMS	DEFINITIONS
Clean Claim	A claim that includes all required information necessary to adjudicate and determine payer liability. In addition to the claim form, necessary information can include, but is not limited to, necessary consents, releases, assignments, medical records, or other information necessary to determine the medical necessity of the services provided.
CMS	Centers for Medicare & Medicaid Services, the Federal agency within the Department of Health and Human Services (DHHS) that administers the Medicare program and oversees all Medicare Advantage Plan (MAPD) and Prescription Drug Plan (PDP) organizations.
D-SNP/SNP	Dual Special Needs Plan or Special Needs Plan. Medicare Advantage coordinated care plans that serve the special needs of certain groups of individuals including institutionalized individuals (as defined by CMS), those entitled to Medical Assistance under a State Plan under Title XIX and individuals with severe or disabling chronic conditions, as defined by CMS.
Interest Payment	An additional payment based on the Prompt Payment Interest Rate issued by the Bureau of the Fiscal Services within the U.S. Treasury Department.
Late Payment	A payment that is made beyond the timeframe specified by CMS to avoid applicable interest or penalties.
Medicare Advantage (MA)	Medicare Advantage Plans are another way to get your Medicare Part A and Part B coverage. Medicare Advantage Plans, sometimes called “Part C” or “MA Plans,” are offered by Medicare-approved private companies that must follow rules set by Medicare. Most Medicare Advantage Plans include drug coverage (Part D).
Non-contracted Provider	A provider or supplier that does not contract with Kern Health Systems to provide services covered by the MA plan.

IV. PROCEDURES

A. All clean claims will be processed within thirty (30) calendar days of receipt.

B. In the event that a claim for a non-contracted provider is paid on or after the 31st calendar day, interest will apply for each day late until the payment is issued.

C. Interest calculation will be based on the interest percentage determined by the United States (US) Treasury and published each January 1 and July 1.

V. ATTACHMENTS

Attachment A:	N/A

VI. REFERENCES

Reference Type:	Specific Reference:
Regulatory	42 Code of Federal Regulations (CFR) § 422.520 Prompt payment by MA organizations
Regulatory	42 CFR § 422.500(b)(1)(2) Scope and definitions (clean claim)
Regulatory	Bureau of the Fiscal Service – Prompt Pay Interest Rates

VII. REVISION HISTORY

Action	Date	Brief Description of Updates	Author
Effective	01/01/2026	New Policy created to comply with D-SNP	Claims

VIII. APPROVALS

Committees | Board (if applicable)	**Date Reviewed**	**Date Approved**
Choose an item.		

Regulatory Agencies (if applicable)	**Date Reviewed**	**Date Approved**
Choose an item.		