

**STATE OF CALIFORNIA  
DEPARTMENT OF INDUSTRIAL RELATIONS  
DIVISION OF WORKERS' COMPENSATION**

**FINAL STATEMENT OF REASONS AND  
UPDATED INFORMATIVE DIGEST**

**Subject Matter of Regulations: Workers' Compensation Information System**

**TITLE 8, CALIFORNIA CODE OF REGULATIONS  
Sections 9701 and 9702**

The Acting Administrative Director of the Division of Workers' Compensation, pursuant to the authority vested in her by Labor Code sections 133, 138.6, and 138.7, has adopted or amended the following sections of Article 1.1, Subchapter 1 to Chapter 4.5 of, California Code of Regulations, title 8:

Section 9701	Definitions.
Section 9702	Electronic Data Reporting

**UPDATED INFORMATIVE DIGEST**

The Acting Administrative Director incorporates the Informative Digest prepared in this matter. There have been no changes in applicable laws or to the effect of the proposed regulations from the laws and effects described in the Notice of Proposed Regulatory Action.

**UPDATE OF INITIAL STATEMENT OF REASONS**

The Acting Administrative Director incorporates the Initial Statement of Reasons prepared in this matter. The purposes and rationales for the regulations as set forth in the Initial Statement of Reasons continue to apply. The proposed regulations changes are summarized below.

**THE FOLLOWING SECTIONS WERE ADOPTED OR AMENDED  
FOLLOWING THE PUBLIC HEARING AND CIRCULATED FOR TWO 15-  
DAY COMMENT PERIOD (October 29, 2009 - December 15, 2009; May 26, 2010 -  
June 10, 2010; August 11, 2010 - August 26, 2010)**

**Modifications to Section 9701      Definitions**

Subdivisions (b), (c), and (n) are modified to reflect an extended effective date of the proposed amendments to the Workers' Compensation Information System (WCIS) regulations. As initially proposed, the regulations were to become effective 6 (six) months following the approval of the amendments by the Office of Administrative Law (OAL) and filing with the Secretary of State. The effective date is now extended to 12

(twelve) months. The above-noted modified subdivisions identify the California EDI Implementation Guide for First and Subsequent Reports of Injury, Version 3.0, the California EDI Implementation Guide for Medical Bill Payment Records, Version 1.1, and IAIABC EDI Implementation Guide for Medical Bill Payment Records, Release 1.1, July 1, 2009, respectively. Subdivision (c) is further modified to clarify the general description of the implementation guide. Subdivision (d), defining “California Jurisdiction Code,” is modified to correct the citation to section 9702(e) and expand “lump-sum settlements to read “medical lien lump sum payments or settlements”. The word “approved” is deleted in subdivision (n)(1) and (2)

### **Specific Purpose of Change to Section 9701**

Based on comments from the WCIS Trading Partners (those transmitting workers’ compensation claims data to WCIS), the effective date of the regulations – essentially the date when the new versions of the implementation guides will go in effect, was extended to allow additional time for the reprogramming of existing systems to comply with the new requirements. The initially-proposed six (6) month phase-in was generally considered too short a period of time to allow for modifications in both computer programming, and data collection procedures. The additional changes in the section were made for clarification (for example, copies of medical billing electronic forms were deleted from the medical billing implementation guide) or to correct a citation error.

### **Modifications to Section 9702      Electronic Data Reporting**

Subdivisions (b) and (c) are modified to require that if an employee’s Social Security Number (Data Element No. 42) is not known, a string of eight zeros followed by a six should be used.

Subdivision (e) is modified to ensure that “lump sum payment or settlement” (or the plural variation thereof) is substituted for every instance where either “lump sum payment” or “lump sum settlement” appears alone. The introductory paragraph is modified to expressly include the IAIABC EDI Implementation Guide for Medical Bill Payment Records as source for electronic data interchange transmission data. The table of required data elements is modified from that originally proposed to add Data Element No. 657 (Rendering Bill Provider Country Code) and Data Element No. 734 (Service Adjustment Units). The footnotes to subdivision (e) are further modified to: remove the default value from Footnote 7 (a string of ten consecutive nines); remove an employee identification default value in Footnote 10 (a string of eight zeros followed by a seven); apply Footnote 17 (“Not required for a mixed medical lien lump sum payment or settlement.”) to Data Element Nos. 634 (Billing Provider National Provider ID), 682 (Facility National Provider ID), 657 (Rendering Bill Provider Country Code), 734 (Service Adjustment Units), and 667 (Supervising Provider National Provider ID).

### **Specific Purpose of Changes to Section 9702**

Changes to the default value for Data Element No. 42 (Social Security Number) under subdivision (b) and (c) are made to conform to the edit matrix table of the IAIABC EDI

Implementation Guide for First, Subsequent, Acknowledgment Detail, Header & Trailer Records, Release 1, issued February 15, 2002. (Section 3, page 72).

Modifications in subdivision (e) that make express reference to medical lien lump sum payments or settlements have been made to clarify to the reporting public that all payments or settlements on a medical bill for which a lien had been filed with Workers' Compensation Appeals Board (WCAB) under Labor Code section 4903 must be reported to the WCIS. Commenters to the initially proposed regulations indicated a measure of confusion regarding the reporting of lump sum settlements or payments on bundled medical bills (i.e., one single payment that covers multiple medical bills). The modifications should now make clear that such settlement or payments should only be reported if a lien has been filed for such bills with the WCAB. The express inclusion of the IAIABC EDI Implementation Guide for Medical Bill Payment Records in the introductory paragraph as a source for electronic data interchange transmission data is made to acknowledge that the California guide is to be used in conjunction with the IAIABC guide; the IAIABC standards are mandated for use by WCIS under Labor Code section 138.6.

Review of the table of required data elements in subdivision (e) subsequent to the publishing of the initially proposed regulatory changes discovered the need for two additional data elements. The first, Data Element No. 657 (Rendering Bill Provider Country Code) is added to address situations where medical treatment is provided to an injured worker outside of the country. The second, Data Element No. 734 (Service Adjustment Units), addresses the appropriateness of adjustments made to a medical bill at the line level.

Regarding modifications made to the footnotes following the table of required data elements in subdivision (e), the default values in Footnote 7 and Footnote 10 were deleted to conform to the IAIABC data edit that all submitted digits for a data element cannot be the same. Note, however, Footnote 10, regarding employee identification, allows for a default value of a string of nine consecutive nines. This remains by request of trading partners who have programmed their reporting systems to automatically submit this value with medical bill reporting. Footnote 17 has been applied Data Element Nos. 634 (Billing Provider National Provider ID), 682 (Facility National Provider ID), 657 (Rendering Bill Provider Country Code), 734 (Service Adjustment Units), and 667 (Supervising Provider National Provider ID) since these data may be difficult to determine and report on medical lien lump sum payments or settlements.

### **Modifications to the California EDI Implementation Guide for First and Subsequent Reports of Injury, Version 3.0 (Section 9701(b)(2))**

The California EDI Implementation Guide for First and Subsequent Reports of Injury, Version 3.0 (CA FROI/SROI Guide), replacing the current Version 2.1, will become required twelve (12) months after the effective date of the regulation. Substantive modifications made to the CA FROI/SROI Guide following the publication of the

initially proposed WCIS regulatory amendments, and reasons for such modifications, are as follows (by section):

- Title Page:** As noted in Section 9701, the effective date of the Guide will be twelve (12) months following the approval of the amendments by the Office of Administrative Law (OAL) and filing with the Secretary of State.
- Section A:** Clarification of California EDI requirements. Defining commonly used acronyms under heading “Sending Data to the WCIS.” Expressly state that the allowed methods of transmitting data from claim administrators to WCIS are: File Transfer Protocol (FTP) over SSL (Secure Sockets Layer), also known as FTPS, or FTPS with PGP (Pretty Good Privacy) encryption. The modifications were made in response to comments and to clearly explain reporting obligations.
- Section F:** In Trading Partner Profile, delete “Service Bureau Self Insurer” and clarify entity “Third Party Administrator of Self-Insured (employer)” under “Trading Partner Type” heading and under Part E (California EDI Trading Partner Insurer/Claim Administrator ID List). Correct Physical Postal Code of WCIS. The modification was made in response to comments indicating that the terms used in Version 2.1 of the Guide, “Third Party Administrator of Self-Insurer” and “Service Bureau Self-Insurer,” are vague terms under the current structure of workers’ compensation insurance in California.
- Section I:** Correct directory name under “Sending data through FTP,” found under “Step 5. Testing FTP connectivity,” under heading “Data Transmission with File Transfer Protocol.” The initially indicated name, “FS Inbound,” was incorrect.
- Section K:** Modifications to FROI conditional rules for Data Element Nos. 16 (Employer FEIN), 25 (Industry Code), and 42 (Social Security Number), for clarification and to conform to IAIABC rules. Modification of SROI data requirements for Data Element No. 84 (Permanent Impairment Percentage) to match those of Data Element No. 70 (Date of Maximum Medical Improvement), since both are components of permanent disability indemnity. Deletion of SROI conditional rule for Data Element No. 31 (Date of Injury), requiring only the reporting of claim data for dates of injury on or after September 1, 1999. The WCIS was not, in fact, providing a system edit for this rule. Modification to SROI conditional rule for Data Element No. 42 (Social Security Number) to conform to IAIABC rule. Clarify SROI conditional rule for Data Element No. 84 (Permanent Impairment Percentage) to consider all instances of reporting permanent disability indemnity payments. Modify SROI conditional rule for Data Element No. 92 (Benefit Adjustment Code) by substituting “benefit” for the incorrect term “payment.”

- Section L: Delete edit for Data Element No. 31 (Date of Injury) as WCIS is not currently providing this edit. Modify SROI edit for Data Element 93 (Benefit Adjustment Weekly Amount) to correct data element name.
- Section M: Modification to “Agency Claim Number/Jurisdiction Claim Number (JCN)” paragraph based on WCIS system improvement. Clarification of the reporting of attorney fees in WCAB settlements using codes for Data Element No. 85 (Payment/Adjustment) and Data Element No. 95 (Paid to Date) under heading “Reporting Advances and Settlements.” This clarification will allow for a more accurate reporting of lump sum settlements involving the payment of attorney fees. Removal of sequencing rule for annual report and final report that rejected the transmission if new payment codes were present that had not been previously reported. Removal of these restrictions, as noted by commenters, will improve and encourage the accuracy of benefit reporting.
- Section N: Modification to initially proposed “Payment/Adjustment and Paid to Date (DN85 and DN95) Benefit Type Codes” segment. Clarification that payments for the California Supplemental Job Displacement Benefit (SJDB) Program should be sent under Data Element No. 95, Benefit Type Code 390. This modification allows the reporting of the state’s unique return-to-work benefit with the IAIABC standards.

**Non-substantive modifications to the California EDI Implementation Guide for First and Subsequent Reports of Injury, Version 3.0, following the close of the 2nd 15-Day Comment Period (page reference to “clean” version of Guide):**

- Title Page: Correct title of Acting Administrative Director Carrie Nevans.
- Page 20: Correction of incorrect footer (read “Revised 1/09”).
- Page 40: Remove underline under the word “copy” located in first sentence of each of the first two paragraphs. (“First Reports” and “Subsequent Reports IP”).
- Page 62: Remove asterisks \*\*\* on Maintenance Type Code PY for Data Element Nos. 88 and 89. (There is no footnote associated with \*\*\*)
- Page 63: For Data Element No. 2 (Maintenance Type Code), change “must” to “should” in conditional rule (“If MTC = FN, then all previously reported benefit periods should be closed.”)
- Page 91: Reorder cause of injury codes from 59,61,97,60 to 59,60,61,97

59	Using Tool or Machinery
60	Strain or Injury by, NOC
61	Welding or Throwing
97	Repetitive Motion – Carpal Tunnel Syndrome

## **Modifications to the California EDI Implementation Guide for Medical Bill Payment Records, Version 1.1 (Section 9701(c)(2))**

The California EDI Implementation Guide **for Medical Bill Payment Records, Version 1.1** (CA Medical Guide), replacing the current Version 1.0, will become required twelve (12) months after the effective date of the regulation. Substantive modifications made to the CA Medical Guide following the publication of the initially proposed WCIS regulatory amendments, and reasons for such modifications, are as follows (by section):

**Title Page:** As noted in Section 9701, the effective date of the Guide will be twelve (12) months following the approval of the amendments by the Office of Administrative Law (OAL) and filing with the Secretary of State.

**Section A:** Clarification of California EDI requirements.

**Section F:** Modification of first paragraph of “Who should complete the trading partner profile?” to correctly name several technical elements of data transmission. In Trading Partner Profile, delete “Service Bureau” and clarify entity “Third Party Administrator of Self-Insured (employer)” “Third Party Administrator of Self-Insurer” and “Service Bureau” are vague terms under the current structure of workers’ compensation insurance in California. Clarify “Part C. Transmission Specifications” instructions for “Transmission Mode” to indicate only one transmission mode: File Transfer Protocol (FTP). The existing language erroneously indicated two methods. Add “Date/Time Transmission Sent (DN100 & DN101)” to Part D of Trading Partner Profile and correspondingly correct “Mode of Transmission” (Part C1) and “Date/Time of Transmission” (Part D) instructions for completing the Trading Partner Agreement. These modifications were made based on comments to improve matching of 824 acknowledgments by WCIS to incoming ANSI 837 transmissions.

**Section G:** Modifications to “Step four: Structural testing - Sender receives and processes a 997 from DWC.” The language in Version 1.0 did not completely and clearly describe the procedure for a trading partner to process a 997 functional acknowledgement from WCIS. Addition of Error Code 031 (requiring valid time format) with “HHMM” format to “Detailed 824 acknowledgement error messages” table. The change in format from “HHMMSS” to “HHMM” will allow for easier transmission of data files. Deletion of business rule that WCIS will process all medical bills included in the transmission until 20 errors per medical bill have been detected prior to the sending of an acknowledgement from first paragraph in “Electronic acknowledgment from WCIS” and from bullet point under “Production Status.” This will allow faster and more efficient processing of data transmissions by trading partners. Based on concern by commenters, the availability of data quality reports, found in Version 1.0 but deleted from the initially proposed Version 1.1, has been restored.

- Section H: Clarification of ANSI definition of AN format, since special characters are not utilized. Addition of Data Element No. 657 (Rendering Bill Provider Country Code) and Data Element No. 734 (Service Adjustment Units) to California ANSI 837 loop, segment, and data element summary based on the addition of the two data elements to Section 9702(e).
- Section I: Modification of section to indicate only one transmission mode: File Transfer Protocol (FTP). Clarification of FTP standards and correction of FTP communication ports to ensure accurate reporting by trading partners.
- Section J: Contents of the initially proposed Section J (“Events that trigger required medical EDI reports”) has been deleted; WCIS will rely on the IAIABC standards and scenarios for the requirements as to when a bill should be submitted, cancelled, or replaced. The former Section O, California-adopted IAIABC data elements – has been moved to become the new Section J. The new section includes the two new data elements, No. 657 (Rendering Bill Provider Country Code) and No. 734 (Service Adjustment Units).
- Section K: Modifications to Medical data elements by name and source table to correct errors. Add rows for Data Element No. 657 (Rendering Bill Provider Country Code) and Data Element No. 734 (Service Adjustment Units). Modify introductory language of Medical data element requirement table, including a sentence stating that the table does not apply to Medical Lien Lump Sum Payments or Settlements, for clarification. Modify Medical Data Element Requirement Table to correct errors and requirement codes (i.e., “M”, “C”, or “O”), add data elements, and clarify mandatory trigger language.
- Section L: Add Data Element No. 657 (Rendering Bill Provider Country Code) and Data Element No. 734 (Service Adjustment Units) in California-Adopted IAIABC Data Edits and Error Messages table.
- Section M: Modification to “Agency Claim Number/Jurisdiction Claim Number (JCN)” paragraph based on WCIS system improvement. Modifications to Transaction processing and sequencing: Clarification of bill submission reason codes (00, 01, and 05) to remove unnecessary language; clarification of batch rejection and duplicate rules based on comments; and technical modifications to “Matching transmissions, transactions and duplicate medical bills” paragraph for clarification. Update procedure for matching medical bills to FROI claims based on WCIS system improvement.
- Section N: Add code source for Data Element No. 657 (Rendering Bill Provider Country Code).

Section O: Modifications to change “lump sum settlement” and “lump sum payment” to “Medical Lien Lump Sum Payments or Settlements” (except for the 6 IAIABC codes listed in the table). See above specific purpose of changes to Section 9702(e).

**Non-substantive modifications to the California EDI Implementation Guide for Medical Bill Payment Records, Version 1.1, following the close of the 2nd 15-Day Comment Period (page reference to “clean” version of Guide):**

Title Page: Correct title of Acting Administrative Director Carrie Nevans.

Table of Contents: Delete section that never existed (Section G, Step four, “Re-transmit corrected file to WCIS”.  
Include sections erroneously omitted (Section M: Correcting batch level duplicates (BSRC=00)(AAC=BR); DWC/WCIS sends a 997 and a “BA” 824 acknowledgement to sender. Section O: Medical bill reporting process bundled lump sum medical bills; Medical lien lump sum data requirements.)

Page 7: The word “of” was deleted in the following paragraph:

The California Division of Workers’ Compensation does not have a process for granting “approvals” to any EDI service providers. Listings of providers, which are found on the Division’s website, are simply of providers known to the Division. The lists will be updated as additional resources become known. A list of companies known to DWC that provide these services can be found at <http://www.dir.ca.gov/DWC/EDIVend.HTM>.

**UPDATE OF MATERIAL RELIED UPON**

No additional documents beyond those identified in the Initial Statement of Reasons were relied upon by the Acting Administrative Director except that public comments received were taken into consideration when finalizing the regulations.

**LOCAL MANDATES DETERMINATION**

- Local Mandate: None. The proposed regulations will not impose any new mandated programs or increased service levels on any local agency or school district.
- Cost to any local agency or school district that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code: None. The proposed amendments do not apply to any local agency or school district.
- Other nondiscretionary costs/savings imposed upon local agencies: None.



## **CONSIDERATION OF ALTERNATIVES**

The Division considered all comments submitted during the public comment periods, and made modifications based on those comments to the regulations as initially proposed. The Acting Administrative Director has now determined that no alternatives proposed by the regulated public or otherwise considered by the Division of Workers' Compensation would be more effective in carrying out the purpose for which these regulations were proposed, nor would they be as effective as and less burdensome to affected private persons and businesses than the regulations that were adopted.

## **SUMMARY OF COMMENTS RECEIVED AND RESPONSES THERETO CONCERNING THE REGULATIONS ADOPTED**

The summaries and responses to comments of each organization or individual which were received during the 45-day comment period and the two 15-day comment periods are contained in the rulemaking file and are incorporated by reference herein.

The public comment periods were as follows:

Initial 45-day comment period on proposed regulations: October 29, 2009 through December 15, 2010.

First 15-day comment period on modified text: May 26, 2010 through June 10, 2010.

Second 15-day comment period on modified text: August 11, 2010 through August 26, 2010.