

**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 him 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

**UPDATE OF INITIAL STATEMENT OF REASONS AND INFORMATIVE
DIGEST**

As authorized by Government Code section 11346.9(d), the Acting Administrative Director hereby incorporates by reference the entire Initial Statement of Reasons prepared in this matter. Unless a specific basis is stated below for any modification to the regulations as initially proposed, the necessity for the amendments to existing regulations and for the adoption of new regulations as set forth in the Initial Statement of Reasons continues to apply to the regulations as now adopted.

All modifications from the initially proposed text of the regulations are summarized below.

Modifications to Section 9701 – Definitions

§ 9701(b): Reference to reporting for First and Subsequent Reports of Injury was updated to the California EDI Implementation Guide for First and Subsequent Reports of Injury (FROI/SROI), Version 3.1, for reporting beginning 12 months following the effective date of the regulations.

§ 9701(c): Reference to reporting for Medical Bill Payment Records was updated from the California EDI Implementation Guide for Medical Bill Payment Records (Version 2.0, effective April 6, 2016) to a revised Version 2.0 of this Guide, for reporting beginning six months following the effective date of the regulations.

§ 9701(m), (n) and (q): The physical address for the International Association of Industrial Accident Boards and Commissions (“IAIABC”) was updated to the current address on Elmwood Avenue in Middleton, WI.

Specific Purpose of Changes to Section 9701

The purpose of the current regulatory changes is to update both California EDI Implementation Guides to more recent versions in response to technical developments and feedback from trading partners and to update the physical address of the IAIABC referenced in the regulations and Guides.

Modifications to Section 9702 – Electronic Data Reporting

§ 9702(b): The following data elements were moved and renamed in the table in this subdivision to conform to IAIABC reporting requirements (instead of “claim administrator” these data elements formerly referred to “third party administrator”):

- DN0008 (Claim Administrator FEIN)
- DN0009 (Claim Administrator Name)

§ 9702(c): Numerous detailed changes were made to reporting requirements, as set forth in the Notice of Proposed Rulemaking issued on February 12, 2016. In addition, in footnotes 5 and 6 in the table, the word “canceled” was changed to “cancel,” and in footnote 9, clarification regarding data element 0032 (Time of Injury) was provided regarding non-cumulative trauma injuries and previously submitted transmissions (corrected, changed or denied transmissions).

§ 9702(d): The words “or reopened” were deleted from the first sentence following the phrase, “claim is closed,” to comply with IAIABC medical bill reporting requirements as of 2015.

§ 9702(e): DN586 (Rendering Line Provider FEIN) was deleted from the table, while DN48 (Employee Mailing City) and DN50 (Employee Mailing Postal Code) were added to the table. In addition, subdivision 9702(e)(3) was amended to refer to the IAIABC Workers’ Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, February 1, 2015 Publication, rather than the IAIABC Workers’ Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, February 1, 2014 Publication.

§ 9702(f): This subdivision was updated to require corrected information to be reported to WCIS within 60 days of transmission to the trading partner of the error acknowledgment has been clarified and updated into two subsections, requiring (1) that corrected claims be submitted within 60 days of the date of the transmission of the error acknowledgment, or (2) if updated or omitted data is discovered, the claim administrator must submit updated or omitted data by the time the next submission of data on the affected claim is due.

§ 9702(g): Entries for data elements DN0091 (Payment/Adjustment Days Paid), DN0087 (Payment/Adjustment Weekly Amount) and DN0090 (Payment/Adjustment Weeks Paid) were added to the table in this subdivision.

§ 9702(h): The phrase, “or claims where no benefits are paid” was added to the end of the first sentence. The second sentence, beginning with “For medical-only claims” was revised to read, “For medical-only claims or claims with only non-indemnity benefit payments, the final report may be reported under this section or on the annual report (MTC = AN) with Claim Status (DN0073) = ‘closed.’”

Specific Purpose of Changes to Section 9702

The changes noted above were made to conform to the reporting requirements set forth in the IAIABC Workers’ Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, February 1, 2015 publication.

Modifications to the California EDI Implementation Guide for First and Subsequent Reports of Injury (FROI/SROI), Version 3.1

The California EDI Implementation Guide for First and Subsequent Reports of Injury (FROI/SROI), Version 3.0 (dated November 15, 2011) will be replaced by Version 3.1. Use of Version 3.1 by claims administrators will be required twelve months after the effective date of the regulations. The significant changes between Version 3.0 and Version 3.1 are set forth in the Notice of Proposed Rulemaking issued on February 12, 2016. Following the initial comment period, the following additional changes were made to this Guide, following two additional 15-day comment periods.

On the front cover and second page, “Destie Overpeck, Administrative Director” was replaced with “George Parisotto, Acting Administrative Director,” to reflect personnel changes at the Division following the initial notice period. In the footer of the document, the “effective date” was changed from six to 12 months following the date the regulations are approved by the Office of Administrative Law (OAL), in response to requests from stakeholders. In addition, throughout the Guide, reference to the Division of Labor Statistics and Research (DLSR), except when referred to in the past, was changed to reference to the Department of Industrial Relations (DIR), because DLSR no longer exists as a separate unit and the work that was performed in that unit is now performed by DIR’s Research Unit.

In Section A, the word “reopened” was deleted from the discussion of Subsequent Reports. In addition, the Notice of Proposed Rulemaking and Initial Statement of Reasons (ISOR) issued on February 12, 2016, erroneously reference “Annual Summary Reports.” The notation should read, “Annual Summary of Benefits,” which has been the language contained in the Guide from the inception of this Rulemaking. DWC cannot now recall the reason for the erroneous notation, but we apologize for any resulting confusion. In addition, language in the ISOR could be read to suggest that the Secure File Transfer Protocol (SFTP) only applies to submissions of annual reports or annual

summaries of benefits. However, SFTP applies to all data sent to WCIS following the effective dates of this rulemaking. On page 5, the section describing data transmission testing under the prior file transfer protocol, known as “FTPS,” or “File Transfer Protocol” (FTP) over Secure Sockets Layer (SSL), was deleted as no longer necessary.

In Section B, on page 6, under the heading, “Your WCIS Contact Person,” the word “Parallel” was deleted between the words “Test-Pilot” and “Production” because the word “parallel” refers to the prior FTPS testing protocol. In addition, fax and suite number information were deleted as no longer accurate.

In Section C, on page 11, under step 4, the last sentence was clarified to provide that trading partners must support the SFTP transmission mode now required by WCIS, as opposed to choosing the FTPS transmission mode previously accepted/supported. On page 12, under step 10, reference to the “parallel” testing stage was deleted as no longer necessary under the new SFTP transmission mode.

In Section E, the paragraph with the heading “WCIS Penalty Regulations” was deleted in response to stakeholder comments. A footnote was also added explaining that the Division of Labor Statistics and Research (DLSR) no longer exists as a separate unit within the Department of Industrial Relations (DIR). Work that was performed by DLSR is now performed by the Research Unit of DIR.

In Section G, under the heading, “Data Completeness and Accuracy Quality Requirements,” under the first bullet point, the following language was added: “For FROI reports, 95% of FROI should be submitted and accepted (Application Acknowledgment codes TA or TE), within 10 business days of the Date Reported to Claim Administrator (DN 41). SROIs should be submitted within 15 business days of the triggering event.” Under the second bullet point, the language “At least 95% of transmitted reports should be free of any uncorrected errors in mandatory/fatal and conditional/fatal data elements” was replaced with the following: “For FROI and SROI reports, of the reports accepted (Application Acknowledgment codes TA and TE), no more than 5% should have an uncorrected TE (Application Acknowledgment code = TE).” In the following sentence, the percentage was change from 90 to 95. These changes were made in response to stakeholder comments.

Also in Section G, on pages 44 and 45, under the heading, “Data Completeness and Accuracy Quality Requirements,” the language was clarified, at the request of commenters, to provide that, in terms of timeliness, at least 95% of FROI reports should be submitted within 10 business days of the triggering event, at least 95% of SROI reports should be submitted within 15 business days of the triggering event, and in terms of accuracy, no more than 5% of FROI and SROI reports should have errors after 60 calendar days. In a footnote on page 54 regarding advances or settlements, the words “Initial Payment (IP) instead” were stricken from the end of the first sentence and the following clarifying sentence was added in its place: “The Payment Report (PY) can also be used to report an advance or settlement after the IP.” This change was made in response to a request from a commenter. Finally, references to ICD-10 were added in the

two places in this section where ICD-9 is listed to allow for reporting of injuries occurring on or after October 1, 2015.

In Section J, in the charts on page 53 and 54 regarding First and Subsequent Reports of Injury for claims after 2000, for MTC CO, the time period for reporting was changed from 30 to 60 calendar days, in response to comments from stakeholders.

In Section K, a number of changes were made to the chart entitled “Data Requirements for First Reports of Injury,” in response to stakeholder comments. Also in Section K, below the table entitled, “Data Requirements for First Reports of Injury,” the following note was stricken: “**** The FROI Date Disability Began is defined by DWC as the original date of lost time.” A number of additional changes were made to the table entitled, “FROI Conditional Rules and Implementation Notes,” and in the table entitled, “SROI Conditional Rules and Implementation Notes,” as detailed in the Notices of Modification of Text of Proposed Regulations issued on May 25, 2016 and November 30, 2016. These changes were made in response to public comments received.

In Section M, on page 88, under the heading entitled, “Changed or Corrected Data,” the period for reporting was changed from 30 to 60 days, in response to stakeholder comments. On page 91, in the chart at the bottom of the page, the rows for MTC Codes AN and FN were deleted, along with the associated footnote. On page 92, in the chart under the heading, “Other,” a column was added for MTC AN, including a footnote regarding indemnity claims. On page 93, in the second paragraph, the language “, less any advances already paid” was added to the end of the first sentence. At the bottom of page 93, following the heading entitled, “Periodic Reports,” a footnote regarding indemnity claims was added to MTC Code AN. These changes were also made in response to stakeholder comments. Also in Section M, on page 92, in the small chart regarding MTC codes and names, the entry for “AN (Annual)” was deleted. On pages 96 and 97, the following language was added to the end of the instructions regarding data element 0032 (Time of Injury): “a Nature of Injury Code (DN 35) is not between 60 and 80, and the claim is not previously acquired.”

In Section O, entries for “ICD10” and “International Classification of Diseases 10th Revision” were added.

In Appendix A, on page 124, in the section listing differences between Versions 3.0 and 3.1 of the WCIS FROI/SROI Guide, item 15, regarding data element 0056 (Date Disability Began), was deleted to be more consistent with IAIABC reporting standards, in response to comments received.

In Appendix A, in item 17, the words “Initial Treatment (DN39)” and MTC Code AU were deleted, in response to stakeholder comments. In addition, item 17 was clarified to provide that the Time of Injury (DN 32) is now Conditional/Serious on the FROI 00, 04, 02 and CO, when the Nature of Injury Code (DN 35) is not between 60 and 80, and the claim is not previously acquired.

In item 18, the words “and closing” were deleted in two places, in response to stakeholder comments.

In item 22, the reporting period was changed from 30 to 60 days, in response to stakeholder comments.

In item 23, the number “04” was replaced with the following language, in response to stakeholder comments: “Denial (MTC=04), and Conditional/Serious on FROI Original (MTC=00). Acquired (MTC=AU), and Change/Correction (02, CO).” In addition, the numbering errors in this entry have been corrected.

Modifications to the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0

The California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0 (dated April 6, 2016) will be replaced by this new Version 2.0 (2017). Use of Version 2.0 (2017) by claims administrators will be required six months after the effective date of the regulations. The significant changes between the 2016 and 2017 Versions of 2.0 are set forth in the Notice of Proposed Rulemaking issued on February 12, 2016. Following the initial comment period, the following additional changes were made to this Guide, following two additional 15-day comment periods.

On the title page and on introductory page (ii), the name of the Acting Administrative Director was changed from “Destie Overpeck” to “George Parisotto” to reflect personnel changes at the Division following the initial notice period.

In section II, on page 7, “_5 digit zip” was added after “Sender/Receiver ID: (Use Master FEINs),” for clarification. On page 11, the language “The DN0100 — Date Transmission Sent in the BHT segments of the 837 Transmission must have the same value as the date in the ISA09 interchange date and GS04 date in the 837 headers where the standard format is CCYYMMDD. The DN101 – Time Transmission Sent in the BHT segment(s) of the 837, must have the same value as the item in the ISA10 interchange time and GS05 Time in the 837 headers where the standard format is HHMM.” was replaced with, “The ISA09 interchange date of the 837 must have the same value as GS04 Time in the 837 headers. The ISA10 interchange time of the 837 must have the same value as GS05 Time in the 837 headers,” to increase accuracy in the reported information. Also in section II, on page 11, in the chart entry on Date/Time ISA Information, in the sentence on the ISA09 interchange date of the 837, the phrase “GS04 Time” was changed to “GS04 Date,” for accuracy and in response to a public comment.

In section VI, in the table entitled “California Medical Data Elements by Source,” which begins on page 37, field source information was added based on recent feedback from an IAIABC working group on state workers’ compensation medical data reporting of items billed on a UB 04 form.

In section VII, on page 43, in the section entitled, “Bill submission reason code values,” in the instructions for reason code 01 (Cancellation), the language regarding the value of data element number 0500 (Unique Bill ID Number) not being reused was strengthened to clarify that each Unique Bill ID Number should not be reused, even in the case of cancellation, to clear up any confusion on this point. In the Medical Data Elements Requirement Table on pages 45-54, a note (*) was added to the following data element numbers: 0048, 0050, 0501, 0510, 0511, 0512, 0516, 0528, 0538, 0540, 0616 and 0629, that, although not technically required on a cancelled bill, these data elements should still be reported to maintain the integrity of the 837 data transmissions and improve the accuracy of the data reported. A number of additional minor changes were made to this section, as detailed in the Notices of Modification of Text of Proposed Regulations issued on May 25, 2016 and November 30, 2016.

In section VIII, in the table entitled, “California Edit Matrix,” beginning on page 55, a number of changes were made in response to data reporting tests conducted with trading partners since the initial draft of these regulations was released to enhance the quality and integrity of the data being reported.

In section IX, on page 72, DN0016 was replaced with DN0508 as a way to match data between incoming and existing bills, to improve the accuracy of matching. On page 75, under the heading, “Repackaged drug reporting,” the language “LIN segment in the 2410 loop,” which had been replaced with “SV1 segment in the 2400 loop,” has been edited to read: “LIN segment in the 2410 loop and SV1 segment in the 2400 loop,” in response to comments received. In the “Lien Bills Data Element Requirement Table,” on page 76, for data element 0042 (Employee SSN), the following language was added, for clarity: If the employee does not have a SSN, use the default value of “000000006.” In the “Lien Bills Data Element Requirement Table,” on page 77, data elements 0538 and 0540 were added. Finally, on page 78, a note (*) was added to data element numbers 0042, 0501, 0510, 0511, 0512, 0516, 0528, 0538, 0540, 0616 and 0629 that although California does not require reporting of these data elements, they must nevertheless be reported to meet the requirements of the ANSI 837 file structure. These changes were made to enhance the quality and integrity of the data being reported.

TECHNICAL, THEORETICAL, OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

The Division relied upon and incorporated by reference into these regulations, the following documents:

(1) IAIABC EDI Implementation Guide, Release 1. EDI Implementation Guide for First, Subsequent, Acknowledgment Detail, Header & Trailer Records, Release 1, issued February 15, 2002, by the International Association of Industrial Accident Boards and Commissions.

(2) IAIABC Workers' Compensation Medical Bill Reporting Implementation Guide, Release 2.0, February 1, 2015 Publication, by the International Association of Industrial Accident Boards and Commissions.

(3) California Electronic Data Interchange (EDI) Implementation Guide for Medical Bill Payment Records, Version 2.0 (April 6, 2016).

(4) California EDI Implementation Guide for First and Subsequent Reports of Injury (FROI/SROI), Version 3.0, November 15, 2011.

(5) California EDI Implementation Guide for Medical Bill Payment Records, Version 1.1 November 15, 2011.

(6) California EDI Implementation Guide for First and Subsequent Reports of Injury, Version 2.1, February 2006.

(7) IAIABC EDI Implementation Guide for Medical Bill Payment Records, Release 1.1, July 1, 2009 Edition.

Non-substantive modifications to Section 9701, following the close of the 2^d 15-day Comment Period:

Section 9701, subdivisions (c)(1) and (2): Clarification was made regarding which version of the California EDI Implementation Guide for Medical Bill Payment Records should be used for the following three reporting periods: (1) for reporting prior to April 6, 2016, claims administrators should use Version 1.1; (2) for reporting between April 6, 2016 and the date the new Version 2.0 goes into effect, claims administrators should use Version 2.0 dated April 6, 2016; and (3) the period beginning when the new Version 2.0 and these regulations become effective (six months following approval of the regulations package by the Office of Administrative Law and filing it with the Secretary of State), claims administrators should use the new version which will be dated by OAL.

Section 9701, subdivisions (m), (n) and (q): The physical address of the International Association of Industrial Accident Boards and Commissions (IAIABC) was corrected to the current address on Elmwood Avenue in Middleton, Wisconsin.

Non-substantive modifications to the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0, following the close of the 2^d 15-day Comment Period (page reference to redlined version of the Guide):

In Section VI, in the "California Medical Data Elements by Source" table beginning on page 37, source codes and originator information was added for numerous data element numbers in response to public comments received. Where a data element has a source in one of the medical forms, the field has been added to the California Implementation Guide. When the source is not one of the medical forms, the originator of the data is indicated as one of the following: payer, jurisdiction, health care provider, or the data

sender. Although none of the data elements mentioned during the second 15-day comment period are new or added during this rulemaking; trading partners are already reporting on these fields pursuant to the IAIABC Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0 February 1, 2015 publication. Furthermore, to the extent possible, WCIS medical bill reporting requirements are consistent with the California DWC Guide to Medical Billing and Payment, and WCIS regulations have adopted the IAIABC Medical Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, February 1, 2015 publication standard, which is based on the ANSI X12 837 standard. Some of these data elements, while not required to be reported, are nevertheless required to maintain the structural integrity of the 837 file and this information has therefore been added to the Guide.

In Section VI, in the "Medical Data Elements Requirement Table," the requirements for DN0587 (Rendering Line Provider First Name) and DN0589 (Rendering Line Provider Last/Group Name) was changed from MC (mandatory/conditional) to AA (report if applicable/available) in response to a public comment. On page 54, immediately following the Medical Data Elements Requirement Table, and on page 78, immediately following the Lien Bills Data Element Requirement Table, the explanatory note was revised to state that certain data elements, while not required to be reported under the California EDI Implementation Guide for Medical Bill Payment Records, are required to maintain the structural integrity of the 837 file.

On page 79, the physical address for the IAIABC was updated to the current address.

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. The proposed amendments do not apply to 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. The proposed amendments do not apply to any local agency or school district.

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 and less burdensome to affected private persons and businesses than the regulations that were adopted or would be more cost-effective to

affected private persons and equally effective in implementing the statutory policy or other provision of law.

SUMMARY OF COMMENTS RECEIVED AND RESPONSES THERETO CONCERNING THE REGULATIONS ADOPTED

The comments of each organization or individual are addressed in the accompanying charts.

The public comment periods were as follows:

Initial 45-day comment period on proposed regulations:

February 12 - March 28, 2016

15-day comment period on modifications to proposed text:

May 25 - June 9, 2016

Second 15-day comment period on modifications to proposed text:

December 1-15, 2016

Title I, Section 20 Declaration

The Acting Administrative Director declares that it would be cumbersome, unduly burdensome and impracticable to publish in the California Code of Regulations the following documents, because they are very lengthy:

(1) the California Electronic Data Interchange (EDI) Implementation Guide for Medical Bill Payment Records, Version 2.0 (September 27, 2017) (incorporated by reference into 8 C.C.R. Section 9701 (c)(2)).

(2) the California EDI Implementation Guide for First and Subsequent Reports of Injury (FROI/SROI), Version 3.1 (March 27, 2018) (incorporated by reference into 8 C.C.R. Section 9701 (b)(3)).

(3) the International Association of Industrial Accident Boards and Commissions (IAIABC) Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, February 1, 2015 Publication (incorporated by reference into 8 C.C.R. Section 9701 (n)(2)).

(4) IAIABC EDI Implementation Guide for First, Subsequent, Acknowledgment Detail, Header, & Trailer Records, Release 1, February 15, 2002 (incorporated by reference into 8 C.C.R. Section 9701(b)).

(5) California Electronic Data Interchange (EDI) Implementation Guide for Medical Bill Payment Records, Version 2.0 (April 6, 2016) (incorporated by reference into 8 C.C.R. Section 9701(c)(2)).

(6) California EDI Implementation Guide for First and Subsequent Reports of Injury (FROI/SROI), Version 3.0, November 15, 2011 (incorporated by reference into 8 C.C.R. Section 9701(b)(2)).

(7) California EDI Implementation Guide for Medical Bill Payment Records, Version 1.1 November 15, 2011 (incorporated by reference into 8 C.C.R. Section 9701(c)(1)).

(8) California EDI Implementation Guide for First and Subsequent Reports of Injury, Version 2.1, February 2006 (incorporated by reference into 8 C.C.R. Section 9701(b)(1)).

(9) IAIABC EDI Implementation Guide for Medical Bill Payment Records, Release 1.1, July 1, 2009 Edition (incorporated by reference into 8 C.C.R. Section 9701(n)(1)).

Documents 1-3 are newly incorporated by reference in this rulemaking action. Documents 4-9 are incorporated by reference in existing California Code of Regulations text.

These documents are incorporated by reference into 8 C.C.R. section 9701, as noted above, and are available to the public for viewing and download on the Division of Workers' Compensation's website. This information was addressed in the Notice of Proposed Rulemaking and related documents issued on February 12, 2016, have been available for public comment, and are being set forth here for clarification and to facilitate review of the rulemaking package.