

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

**INITIAL STATEMENT OF REASONS**

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

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

Amended section 9701	Definitions
Amended section 9702	Electronic Data Reporting

**BACKGROUND TO REGULATORY PROCEEDING**

Labor Code section 138.6 requires the Administrative Director of the Division of Workers' Compensation (DWC) to develop a cost-efficient workers' compensation information system (WCIS) to accomplish four objectives:

1. Assist the Department of Industrial Relations to manage the workers' compensation system in an efficient and effective manner.
2. Facilitate the evaluation of the efficiency and effectiveness of the benefit delivery system.
3. Assist in measuring how adequately the system indemnifies injured workers and their dependents.
4. Provide statistical data for research into specific aspects of the workers' compensation system.

The statute requires that the data collected electronically by the WCIS be compatible with the Electronic Data Interchange (EDI) system of the International Association of Industrial Accident Boards and Commissions (IAIABC). The statute further directs the Administrative Director to adopt regulations specifying the data elements to be collected by electronic data interchange (EDI).

The initial regulations implementing Labor Code section 138.6 (California Code of Regulations, title 8, sections 9700 – 9704) became operative November 5, 1999. The regulations were amended in April 2006, primarily to require the electronic reporting of medical bill payment data. In 2010, the regulations were amended again to refine WCIS reporting by eliminating unnecessary data elements, adding relevant data elements, correcting errors in the text of the regulation, adding lien payment data elements for medical bill payment reporting, and updating the two California-specific implementation guides. The California EDI Implementation Guide for First and Subsequent Reports of Injury and the California EDI Implementation Guide for Medical Bill Payment Records,

in conjunction with the more comprehensive guides issued by the IAIABC, explain how the data transmission is accomplished, explain how to edit data transactions, provide the required codes for transmitting data, and set forth the system specifications. Currently, workers' compensation claims administrators adjusting approximately 95% of all workers' compensation claims in the State are electronically reporting claim data information to WCIS.

The IAIABC is again updating its Medical Bill Data Reporting guidelines, moving from version 1.1 to Release 2.0. Correspondingly, the California EDI Implementation Guide for Medical Bill Payment Records is being updated to be consistent with IAIABC's Medical Bill Data Reporting Implementation Guide, Release 2.0. It is therefore necessary to also revise sections 9701 and 9702 of Title 8 of the California Code of Regulations, concerning transmittal of EDI to WCIS so that these regulations will not be inconsistent with the revised California EDI Implementation Guide for Medical Bill Payment Records and the IAIABC's Medical Bill Data Reporting guidelines, Release 2.0.

These proposed regulations implement, interpret, and make specific Labor Code section 138.6, which mandates the development of the WCIS, requires data to be collected electronically to be compatible with the IAIABC EDI system, and requires data elements to be collected through EDI to be set forth in regulations.

#### **PROBLEMS ADDRESSED BY THIS RULEMAKING**

The amended regulations solve the problem of the regulations being inconsistent with the newly revised California EDI Implementation Guide for Medical Bill Payment Records and the IAIABC's Medical Bill Data Reporting guidelines, Release 2.0.

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

DWC relied upon:

(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 EDI Implementation Guide for Medical Bill Payment Records. IAIABC EDI Implementation Guide for Medical Bill Payment Records, Release 1.1, approved July 1, 2009, by the International Association of Industrial Accident Boards and Commissions.

(3) IAIABC Issue Resolution Request Form; IRR:MED547R1.0 (concerning the reporting of lien payment).

(4) IAIABC Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, approved February 1, 2014, by the International Association of

Industrial Accident Boards and Commissions.

## **SPECIFIC TECHNOLOGIES OR EQUIPMENT**

As Labor Code section 138.6 mandates that the data submitted electronically to the WCIS to be compatible with the EDI system of the IAIABC, the use of computer technology is necessary. As set forth in the proposed regulations, claim information data must be transmitted by a claims administrator to WCIS through Secure File Transfer Protocol (SFTP). The IAIABC Workers' Compensation Medical Bill Data Reporting Implementation Guide, which California adopted for reporting medical bill and payment information to workers' compensation jurisdictions, are based on the ASC X12 837 Health Care Claims (837) and the ASC X12 824 Application Advice (824) 005010 standards. The WCIS also utilizes the ASC X12 999 Implementation Acknowledgment For Health Care Insurance. All three ASC X12 files are enveloped in the ISA-IEA interchange control header/trailer, the GS-GE functional group header(s)/trailer(s), and the ST-SE transaction sets, which must contain the correctly formatted mandatory segments and fields required by the WCIS medical data elements.

## **REASONABLE ALTERNATIVES TO THE PROPOSED REGULATIONS AND REASONS FOR REJECTING THOSE ALTERNATIVES**

The Administrative Director has not identified any effective alternative, or any equally effective and less burdensome alternative to the regulations at this time. The public is invited to submit such alternatives during the public comment process. A theoretical alternative would be to not amend the regulations to be consistent with the updated the revised California EDI Implementation Guide for Medical Bill Payment Records and the IAIABC's Medical Bill Data Reporting guidelines, Release 2.0. However, this would cause inefficiencies and confusion for the claims administrators who are required to submit EDI to the WCIS. The regulations reduce the need for claims administrators to translate information submitted by medical care providers in billing transactions into an earlier coding standard for submission to WCIS.

## **DUPLICATION OR CONFLICTS WITH FEDERAL REGULATIONS**

The proposed regulations do not duplicate or conflict with any federal regulations. There are no federal regulations concerning state workers' compensation benefits or about reporting EDI to a state's workers' compensation information system.

## **SUMMARY OF PROPOSED CHANGES**

### **Section 9701 – Definitions**

#### **Specific Purpose of Section:**

Section 9701 lists and defines the terms used in the WCIS regulations (sections 9700 – 9704). The purpose of the definitions is to implement, interpret, and make specific Labor

Code section 138.6 and to ensure that the meanings of the terms are clearly understood by the workers' compensation community.

Subdivision (c) is amended to update the definition of "California EDI Implementation Guide for Bill Payment Records" to refer to the latest version of this Guide, Version 2.0, which is incorporated into that subdivision by reference. In subdivision (d), a new definition for the term "California Jurisdiction Code" has been added to define the reporting elements that are specific to California reporters but not mandated by the IAIABC standards. Subdivision (n) is amended to update the definition of "IAIABC Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0" to reflect a new release of the Guide.

**Necessity:**

It is necessary to define each of the key terms used in the WCIS regulations to ensure that the content and meaning of the regulations are clearly understood by the workers' compensation community.

The defined terms in the regulation are individually lettered in alphabetical order to allow for ease of reference by the regulated community.

It is necessary for the key terms to reflect IAIABC's new Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0 (dated February 1, 2014) and the California EDI Implementation Guide for Bill Payment Records, Version 2.0, which must be used for WCIS reporting twelve months following the effective date of the proposed regulations. The adoption of the new IAIABC guide is necessary to ensure that the WCIS complies with Labor Code section 138.6's statutory mandate: the WCIS must be compatible with the EDI system of the IAIABC (subdivisions (c) and (n)). In addition, a new definition for the term "California Jurisdiction Code" has been added to subdivision (d) to provide clarity.

**Section 9702 – Electronic Data Reporting**

**Specific Purpose of Section:**

Section 9702 sets forth the list of data elements required to be electronically transmitted to the WCIS, the timing of the submission of these data elements, and the claims on which these data elements are to be submitted. The required data elements, compatible with the EDI system of the IAIABC, are essentially divided into three categories: the first report of injury (subdivision (b)), subsequent reports of benefit payments (subdivision (d)), and medical bill payment data (subdivision (e)).

Subdivision (a) has been amended to remove reference to an obsolete reporting deadline and a no longer necessary variance procedure applicable to the reporting of medical bill data. Subdivision (e) is amended to update the required data elements to ensure compatibility with the new Medical Bill Payment Record guidelines issued by IAIABC

and DWC. Certain data elements have been eliminated as redundant or unnecessary, while other data elements have been added to conform to new reporting requirements set forth by IAIABC. Subdivisions (e)(1)-(3) are added for clarity and to reflect new reporting guidelines required by IAIABC's new Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, and the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0, which is incorporated by reference into section 9701, subdivision (c)(2). The benefit of each new data element is set forth below. Subdivision (l) has been added to provide a variance procedure for all types of data reporting.

**Necessity:**

The data elements in the following table have been added to reporting requirements under the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0, for the reasons stated in the "Data Use" column.

<b>Data Number</b>	<b>Data Element Name</b>	<b>Data Use</b>
0719	ADA PROCEDURE BILLED CODE	Needed to monitor medical charges, quality of medical care, and utilization.
0622	ADMISSION HOUR	Needed to determine length of stay; monitor admissions of less than 24 hours.
0577	ADMISSION TYPE CODE	Identifies potential reimbursement formulas and pre-authorization services.
0548	BILLED DRG CODE	To supply information related to the delivery of health care
0505	BILL FREQUENCY TYPE CODE	Needed for statistical analysis and audit information.
0540	BILLING PROVIDER CITY	Identifies providers' locations and helps analyze reimbursement determination.
0569	BILLING PROVIDER COUNTRY CODE	Identifies providers' locations and helps analyze reimbursement determination.
0529	BILLING PROVIDER FIRST NAME	Identifies providers; helps analyze health care providers for compliance with the treatment guidelines.
0538	BILLING PROVIDER PRIMARY ADDRESS	Identifies providers' locations and helps analyze reimbursement determination.
0539	BILLING PROVIDER SECONDARY ADDRESS	Identifies providers' locations and helps analyze reimbursement determination.
0014	CLAIM ADMINISTRATOR MAILING POSTAL CODE	Identify the claims administrators address.
0762	COMPOUND DRUG INDICATOR	Identifies if a drug is compound drug.

<b>Data Number</b>	<b>Data Element Name</b>	<b>Data Use</b>
0556	CONDITION CODE	Identify if the bill had a condition that affected its processing.
0741	CONTRACT LINE TYPE CODE	Helps analyze various reimbursement arrangements.
0580	DAY(S)/UNIT(S) PAID	Needed for statistical analysis of payment and charge amounts.
0623	DISCHARGE HOUR	Needed to determine length of stay; monitor admissions of less than 24 hours.
0563	DRUG NAME	Identify the drug name prescribed. Situational element reported when available.
0016	EMPLOYER FEIN	Identifies employers.
0018	EMPLOYER NAME	Identifies employers.
0686	FACILITY CITY	Identify provider location.
0684	FACILITY PRIMARY ADDRESS	Identify provider location.
0685	FACILITY SECONDARY ADDRESS	Identify provider location.
0687	FACILITY STATE CODE	Identify provider location.
0616	INSURER POSTAL CODE	Used as the suffix of insurer FEIN to identify a carrier or self-insured's specific business site.
0549	PAID DRG CODE	To supply information related to the delivery of health care
0533	PRESENT ON ADMISSION INDICATOR	Identify diagnosis present at admission. Aids in identifying hospital acquired illness.
0760	PRIOR ACTUAL AMOUNT PAID	Helps identify bills amounts that have been previously reported.
0551	PROCEDURE DESCRIPTION	Needed to analyze utilization and measure medical outcomes.
0742	PROVIDER AGREEMENT LINE CODE	Needed to analyze medical billing and payment analysis.
0691	REFERRING PROVIDER FIRST NAME	Helps identify provider and monitor health care providers for compliance with fee and treatment guidelines.
0690	REFERRING PROVIDER LAST/GROUP NAME	Helps identify provider and monitor health care providers for compliance with fee and treatment guidelines.
0639	RENDERING BILL PROVIDER FIRST NAME	Helps identify provider and monitor health care providers for compliance with fee and treatment guidelines.

<b>Data Number</b>	<b>Data Element Name</b>	<b>Data Use</b>
0587	RENDERING LINE PROVIDER FIRST NAME	Helps Identify provider and monitor health care providers for compliance with fee and treatment guidelines.
0659	SUPERVISING PROVIDER FIRST NAME	Helps identify provider and monitor health care providers for compliance with fee and treatment guidelines.
0658	SUPERVISING PROVIDER LAST/GROUP NAME	Helps identify provider and monitor health care providers for compliance with fee and treatment guidelines.
0671	SUPERVISING PROVIDER PRIMARY SPECIALTY CODE	Helps identify provider and monitor health care providers for compliance with fee and treatment guidelines.

The new variance provision in subdivision (1) will allow the Administrative Director greater flexibility to grant variances for any reporting obligation when undue hardship is shown.

Currently, California WCIS utilizes IAIABC EDI Implementation Guide for Medical Bill Payment Records, Release 1.1, July 1, 2009 Edition for collecting medical bill payment data. That Edition is based on the ASC X12 4010 standard. IAIABC has since updated its medical bill payment implementation guide to Release 2.0 which is based on the ASC X12 5010 standard. By adopting IAIABC Release 2.0, WCIS will receive the benefits of the new release which include eliminating redundant and unnecessary data elements and clearer instructions for reporting data elements. Release 2.0 also now supports ICD-10 procedure and diagnosis codes.

## **ECONOMIC IMPACT ANALYSIS**

### **Evidence Supporting Finding of No Significant Statewide Adverse Impact Directly Affecting Business**

The proposed regulations will not have a significant adverse economic impact on representative private persons or directly affected businesses. The entities directly affected by the regulations are three types of private businesses: (1) employers who are large and financially secure enough to be permitted to self-insure their workers' compensation liability and who administer their own workers' compensation claims; (2) private insurance companies which are authorized to transact workers' compensation insurance in California; and (3) third party administrators which are retained to administer claims on behalf of self-insured employers or insurers.

### **Creation or Elimination of Jobs within the State of California**

None. The Acting Administrative Director has determined that the proposed regulations will not create or eliminate any jobs within the State of California.

### **Creation of New or Elimination of Existing Businesses within the State of California**

None. The Acting Administrative Director has determined that the proposed regulations will not create or eliminate any existing businesses within the State of California.

### **Expansion of Business or Elimination of Existing Businesses within the State of California**

None. The Acting Administrative Director has determined that the proposed regulations will not cause the expansion or elimination of any existing businesses within the State of California.

### **Benefits of the Regulations**

The objective of these amendments to the regulations is to ensure consistency with national standards for Workers' Compensation EDI reporting set forth by the IAIABC in its Workers' Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, dated February 1, 2014, which necessitates a new version of the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0, and the proposed changes to 8 C.C.R. sections 9701 and 9702. Making these updates will make the data received more useful to WCIS for research and analysis purposes and will make more consistent EDI reporting requirements for reporting entities performing WCIS reporting, e-billing and other related functions to both DWC and other entities that require the submission of EDI, and will streamline and make more efficient reporting requirements for reporting entities.