

**STATE OF CALIFORNIA  
DEPARTMENT OF INDUSTRIAL RELATIONS  
Division of Workers' Compensation**

**NOTICE OF PROPOSED RULEMAKING**

**Workers' Compensation – Workers' Compensation Information System**

**NOTICE IS HEREBY GIVEN** that 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, proposes to modify existing regulations, by amending Article 1.1, Subchapter 1 to Chapter 4.5 of, California Code of Regulations, title 8, sections 9701 and 9702, relating to the Workers' Compensation Information System.

**PROPOSED REGULATORY ACTION**

The Division of Workers' Compensation, proposes to modify existing regulations, by amending Article 1.1, Subchapter 1 to Chapter 4.5 of California Code of Regulations, title 8, sections 9701 and 9702, relating to the Workers' Compensation Information System:

Amended section 9701	Definitions
Amended section 9702	Electronic Data Reporting

**TIME AND PLACE OF PUBLIC HEARING**

A public hearing has been scheduled to permit all interested persons the opportunity to present statements or arguments, either orally or in writing, with respect to the subjects noted above. The hearing will be held at the following time and place:

**Date: July 14, 2014**  
**Time: 10:00 A.M. to 5:00 P.M., or until conclusion of business**  
**Place: Elihu Harris State Office Building – Auditorium**  
**1515 Clay Street**  
**Oakland, California 94612**

The State Office Building and its Auditorium are accessible to persons with mobility impairments. Alternate formats, assistive listening systems, sign language interpreters, or other type of reasonable accommodation to facilitate effective communication for persons with disabilities, are available upon request. Please contact the State Wide Disability Accommodation Coordinator, Kathleen Estrada, at 1-866-681-1459 (toll free), or through the California Relay Service by dialing 711 or 1-800-735-2929 (TTY/English) or 1-800-855-3000 (TTY/Spanish) as soon as possible to request assistance.

**Please note that public comment will begin promptly at 10:00 a.m. and will conclude when the last speaker has finished his or her presentation or 5:00 p.m., whichever is earlier. If public comment concludes before the noon recess, no afternoon session will be held.**

The Acting Administrative Director requests, but does not require, that any persons who make oral comments at the hearing also provide a written copy of their comments. Equal weight will be accorded to oral comments and written materials.

## **WRITTEN COMMENT PERIOD**

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Department of Industrial Relations, Division of Workers' Compensation. The written comment period closes at **5:00 P.M., on July 14, 2014**. The Division of Workers' Compensation will consider only comments received at the Division by that time. Equal weight will be accorded to comments presented at the hearing and to other written comments received by 5 P.M. on that date by the Division.

Submit written comments concerning the proposed regulations prior to the close of the public comment period to:

Maureen Gray  
Regulations Coordinator  
Division of Workers' Compensation, Legal Unit  
P.O. Box 420603  
San Francisco, CA 94142

Written comments may be submitted by facsimile transmission (FAX), addressed to the above-named contact person at (510) 286-0687. Written comments may also be sent electronically (via e-mail) using the following e-mail address: [dwcrules@dir.ca.gov](mailto:dwcrules@dir.ca.gov).

Unless submitted prior to or at the public hearing, Ms. Gray must receive all written comments no later than **5:00 P.M., on July 14, 2014**.

## **AUTHORITY AND REFERENCE**

The Acting Administrative Director is undertaking this regulatory action pursuant to the authority vested in her by Labor Code sections 133, 138.6, and 138.7.

Reference is to Labor Code sections 129, 138.4, and 138.6.

## **INFORMATIVE DIGEST / POLICY STATEMENT OVERVIEW**

Labor Code section 138.6 requires the Acting Administrative Director of the Division of Workers' Compensation to develop a cost efficient workers' compensation information system to accomplish the following purposes:

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

The data collected electronically must be compatible with the International Association of Industrial Accident Boards and Commissions' Electronic Data Interchange (IAIABC EDI) system, and the data elements to be provided by claims administrators through the WCIS must be set forth in regulations.

The proposed regulations will update the California EDI Implementation Guide for Medical Bill Payment Records and refine the list of required data elements.

These proposed regulations implement, interpret, and make specific these two sections of the Labor Code as follows:

## **1. Section 9701**

This section is amended to reflect updates to the California EDI Implementation Guide for Bill Payment Records and to the IAIABC Workers' Compensation Medical Bill Data Reporting Implementation Guide that have taken place since the last revision of this regulation in 2010. A new definition of the term "California Jurisdiction Code" is also added. Specific amendments to subdivisions (c), (d) and (n) are as follows:

§ 9701(c): The amendment of the definition of "California EDI Implementation Guide for Bill Payment Records." The introductory section remains unchanged. However, the current subdivision (c)(1) is being deleted and replaced by current subdivision (c)(2), which is amended to state that for WCIS reporting prior to the designated effective date (twelve months after the date of filing approved regulation with the Secretary of State), reporters should use the California EDI Implementation Guide for Medical Bill payment Records, Version 1.1, dated November 15, 2011, which is incorporated by reference. The current subdivision (c)(3) is renumbered as (c)(2) and is revised to state that for reporting on or after the designated effective date, reporters should use the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0. These revisions are necessary to reflect revisions to the current version, Version 1.1 (dated November 15, 2011). The new version of the implementation guide, Version 2.0, must be used for reporting twelve months following the effective date of the regulation. Both versions of the implementation guide for medical bill payment records, which are incorporated by reference into the regulation, can be found at the Division's web site at <http://www.dir.ca.gov/dwc/WCIS.htm>.

§ 9701(d): A new definition for the term "California Jurisdiction Code" has been added. The proposed definition describes a group of medical billing codes (for a procedure, service, or product) that are specific to California and not identified by the current national Healthcare Common Procedure Coding System (HCPCS). California jurisdiction codes are set forth in and/or incorporated by reference in California Code of Regulations, title 8, section 9795, regarding reasonable fees for medical-legal expenses, section 9789.12.1-9789.19, regarding fees for physician services rendered on or after January 1, 2014, or in California EDI Implementation Guide for Medical Bill Payment, Release 2.0., Section IX, subsections entitled "Lump sum bundled lien bill payment" and "Lump sum lien bills data elements."

§ 9701(n): The definition of "IAIABC Workers' Compensation Medical Bill Data Reporting Implementation Guide" is amended to reflect a new release of the guide. The new release, Release 2.0 (dated February 1, 2014), must be used for reporting twelve months following the effective date of the proposed regulations.

## 2. Section 9702

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 standards 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)). Specific proposed amendments to subdivisions (a)(1)-(3), (e) and (i) are as follows:

§ 9702(a): Reference to the variance procedure is eliminated from this subdivision of the regulation.

§ 9702(e): The subdivision is first amended to omit reference to reporting requirements on or after September 22, 2006. Further, the last two sentences of the introductory paragraph regarding requirements for data submission are deleted, as these matters are now addressed in subdivisions (e)(1)-(3) below.

Currently, California WCIS utilizes IAIABC EDI Implementation Guide for Medical Bill Payment Records Version 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. Release 2.0 also now supports ICD-10 procedure and diagnosis codes, in addition to ICD-9 codes.

The data elements in Table 1 are removed from the proposed regulation.

**Table 1**

<b>Data Number</b>	<b>Data Element Name</b>
0518	DRG CODE
0152	EMPLOYEE EMPLOYMENT VISA
0013	EMPLOYEE GREEN CARD
0156	EMPLOYEE PASSPORT NUMBER
0679	FACILITY FEIN
0681	FACILITY MEDICARE NUMBER
0737	HCPCS BILL PROCEDURE CODE
0626	HCPCS PRINCIPLE PROCEDURE BILLED CODE
0105	INTERCHANGE VERSION ID
0712	MANAGED CARE ORGANIZATION POSTAL CODE

<b>Data Number</b>	<b>Data Element Name</b>
0526	RELEASE OF INFORMATION CODE
0657	RENDERING BILL PROVIDER COUNTRY CODE
0656	RENDERING BILL PROVIDER POSTAL CODE
0649	RENDERING BILL PROVIDER SPECIALTY LICENSE NUMBER
0593	RENDERING LINE PROVIDER POSTAL CODE
0566	TOTAL CHARGE PER LINE – PURCHASE
0565	TOTAL CHARGE PER LINE - RENTAL

The data elements in Table 2 are added to the regulation.

**Table 2**

<b>Data Number</b>	<b>Data Element Name</b>
0719	ADA PROCEDURE BILLED CODE
0622	ADMISSION HOUR
0577	ADMISSION TYPE CODE
0548	BILLED DRG CODE
0505	BILL FREQUENCY TYPE CODE
0540	BILLING PROVIDER CITY
0569	BILLING PROVIDER COUNTRY CODE
0529	BILLING PROVIDER FIRST NAME
0538	BILLING PROVIDER PRIMARY ADDRESS
0539	BILLING PROVIDER SECONDARY ADDRESS
0014	CLAIM ADMINISTRATOR MAILING POSTAL CODE
0762	COMPOUND DRUG INDICATOR

<b>Data Number</b>	<b>Data Element Name</b>
0556	CONDITION CODE
0741	CONTRACT LINE TYPE CODE
0580	DAY(S)/UNIT(S) PAID
0623	DISCHARGE HOUR
0563	DRUG NAME
0016	EMPLOYER FEIN
0018	EMPLOYER NAME
0686	FACILITY CITY
0684	FACILITY PRIMARY ADDRESS
0685	FACILITY SECONDARY ADDRESS
0687	FACILITY STATE CODE
0616	INSURER POSTAL CODE
0549	PAID DRG CODE
0533	PRESENT ON ADMISSION INDICATOR
0760	PRIOR ACTUAL AMOUNT PAID
0551	PROCEDURE DESCRIPTION
0742	PROVIDER AGREEMENT LINE CODE
0691	REFERRING PROVIDER FIRST NAME
0690	REFERRING PROVIDER LAST/GROUP NAME
0639	RENDERING BILL PROVIDER FIRST NAME
0587	RENDERING LINE PROVIDER FIRST NAME
0659	SUPERVISING PROVIDER FIRST NAME

<b>Data Number</b>	<b>Data Element Name</b>
0658	SUPERVISING PROVIDER LAST/GROUP NAME
0671	SUPERVISING PROVIDER PRIMARY SPECIALTY CODE

The California EDI Implementation Guide for Medical Bill payment, which is incorporated into the proposed regulation by reference, has a section setting forth the requirements for each data element and for reporting lien medical bills. The information contained in the footnotes to the table contained in section 9702(e) has been moved to the California EDI Implementation Guide for Medical Bill Payment, Version 2.0. Information contained in footnotes 1-10 has been placed in Section VII where applicable to the newly adopted Version 2.0. Information contained in footnotes 11-18 have been placed in Section IX, in the “Lump sum bundled lien bill payment” and “Lump sum lien bills data elements” subsections.

§ 9702(e)(1): A new subdivision (e)(1) is inserted to state that each claims administrator shall submit all medical bills data including interpreter bills within (90) calendar days of the medical bill payment or the date of the final determination that payment for billed medical services will be denied.

§ 9702(e)(2): A new subdivision (e)(2) is inserted to state that each claims administrator shall submit all medical lien lump sum payments or settlements following the filing of a lien claim for the payment of such medical services pursuant to Labor Code section 4903 and 4903.1 within ninety (90) calendar days of the medical lien lump sum payment or settlement.

§ 9702(e)(3): A new subdivision (e)(3) is inserted to reference the data submission requirements of the IAIABC Workers’ Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0, dated February 1, 2014 and the California EDI Implementation Guide for Medical Bill Payment Records Version 2.0.

§ 9702(l): A new subdivision (l) is added to provide a variance procedure for any reporter who can demonstrate undue hardship to the Administrative Director.

### **3. California EDI Implementation Guide for Medical Bill Payment Records**

The California EDI Implementation Guide for Medical Bill Payment Records, Version 1.1 (dated November 15, 2011) will now be replaced by Version 2.0. Use of Version 2.0 by claims administrators will be required twelve months after the effective date of the regulations. The significant changes between Version 1.1 and Version 2.0, by section, are as follows:

#### **Section I**

- Adopts IAIABC Workers’ Compensation Medical Bill Data Reporting Implementation Guide, Release 2.0 Dated February 1, 2013.
- Adopts the ASC (Accredited Standards Committee) X12 Implementation Acknowledgement for Health Care Insurance (999) dated February 2011.

#### **Section II**

- Updated the Trading Partner Profile Form.

- Removed obsolete information from Part C1 and C2.

### **Section III**

- Updated the process for establishing SFTP connectivity and getting access to the WCIS server.

### **Section IV**

- Updated the testing requirement. Added a new testing requirement for the newly proposed adoption of ANS X12 999 Implementation acknowledgement.

### **Section V**

- Updated the list of reportable data elements list and the 837 loops and segments it should be reported under.
- Updated the loops and segments for 824 acknowledgements to Version 2.0 standards.
- Added the loops and segments for 999 acknowledgments.

### **Section VI**

- Updated the data element by source table according to the proposed data element list.

### **Section VII**

- Updated the data element requirement table to Version 2.0 standards and the proposed data elements.
- Added one new BSRC code (02-Correction) to be used on bills that have been submitted and accepted by WCIS but the Claims Administrator needs to correct information on the accepted bill.

### **Section VIII**

- Updated the edits matrix according to Version 2.0 standards and the proposed data elements.

### **Section IX**

- Updated the system specifications according to Version 2.0.
- Describes the proposed 999 Implementation acknowledgements that replaced the 997 functional acknowledgements used in Release 1.1.
- Updated the matching rules for
  - Matching 837 files to 824 application advice
  - Matching transaction sets
  - Matching injured worker claims between the FROI and Medical Bill databases of WCIS.
- Updated the rule for identifying duplicate transaction sets and medical bills.
- Introduced the new balancing process according to Version 2.0 standards
  - Balancing at the bill level
  - Balancing at the line level
- Provides description of how to report compound drugs.
- Updated the section on how to report bundled lien bill payments.



## **Section X**

- Updated the source of code lists used in WCIS.

### **OBJECTIVE AND ANTICIPATED BENEFITS OF THE PROPOSED 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 necessitate corresponding updates to 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.

### **DETERMINATION OF INCONSISTENCY AND/OR INCOMPATIBILITY WITH EXISTING STATE REGULATIONS**

The Acting Administrative Director has determined that the proposed regulatory amendments are not inconsistent or incompatible with existing regulations. After conducting a review for any regulations that would relate to or affect this area, the Acting Administrative Director has concluded that these are the only operative regulations concerning reporting of EDI to WCIS.

### **DUPLICATION OF LABOR CODE PROVISIONS**

The Acting Administrative Director has determined that the proposed regulatory amendments are not duplicative of any Labor Code provision.

### **DISCLOSURES REGARDING THE PROPOSED REGULATORY ACTION**

The Acting Administrative Director has made the following initial determinations:

- Mandate on local agencies and school districts: None.
- Cost or savings to any state agency: None.
- Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.
- Other nondiscretionary cost or savings imposed on local agencies: None.
- Cost or savings in federal funding to the state: None.
- Cost impacts on a representative private person or business: The DWC is not aware of any significant adverse cost impacts that a representative private person or business would need to incur to come into compliance with the new requirements imposed by the proposed amendments to the regulations.

- Statewide adverse economic impact directly affecting business and individuals: None. Costs will be incurred by workers' compensation insurers, self-insured self-administered employers and third party claims administrators to expand the Electronic Data Interchange structure of the Workers' Compensation Information System (WCIS) to conform to changes in the California EDI Medical Bill Payment guidelines. Insurance companies who report directly to WCIS and use their own systems will need to upgrade their programming for the reporting of lien data may incur an initial cost of approximately \$20,000-\$25,000. These costs, which may include payments for programming and reporting additional medical transactions data to the WCIS, are not anticipated to have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.
- Significant Effect on Housing Costs: None.

#### Results of the Economic Impact Analysis/Assessment

The Acting Administrative Director concludes that it is (1) unlikely that the proposal will create any jobs within the State of California, (2) unlikely that the proposal will eliminate any jobs within the State of California, (3) unlikely that the proposal will create any new businesses within the State of California, (4) unlikely that the proposal will eliminate any existing businesses within the State of California, and (5) unlikely that the proposal would cause the expansion of the businesses currently doing business within the State of California.

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.

Benefits of the Proposed Action: 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 necessitate corresponding updates to 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.

Small Business Determination: The Acting Administrative Director has determined that the proposed regulations may affect small businesses. However, claims administrators have been required to report to WCIS since November 1, 1999. Therefore, reporting to WCIS is not a new requirement. Additionally, small businesses are generally not self-insured, insurers, or third party administrators. Finally, subdivision (e), which requires medical data reporting, will not affect small business, as only claims administrators handling one hundred and fifty or more total

claims per year are required to report.

## **CONSIDERATION OF ALTERNATIVES**

In accordance with Government Code section 11346.5(a)(13), the Acting Administrative Director must determine that no reasonable alternative considered or that has otherwise been identified and brought to the Acting Administrative Director's attention would be more effective in carrying out the purpose for which the actions are proposed, or would be as effective and less burdensome to affected private persons than the proposed actions, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Acting Administrative Director invites interested persons to present reasonable alternatives to the proposed regulations at the scheduled hearing or during the written comment period.

## **PUBLIC DISCUSSIONS OF PROPOSED REGULATIONS**

The text of the draft proposed regulations and amendments to the California EDI Implementation Guide for Medical Bill Payment Records, Version 2.0, was made available for pre-regulatory public comment from July 24, 2013 through August 5, 2013 through the Division's Internet message board (the "DWC Forum"). The proposed revisions were also discussed at the October 21, 2013 meeting of the WCIS Advisory Board.

## **AVAILABILITY OF INITIAL STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, RULEMAKING FILE AND DOCUMENTS SUPPORTING THE RULEMAKING FILE / INTERNET ACCESS**

An Initial Statement of Reasons and the text of the proposed regulations in plain English have been prepared and are available from the contact person named in this notice. The entire rulemaking file will be made available for inspection and copying at the address indicated below.

As of the date of this Notice, the rulemaking file consists of the Notice, the Initial Statement of Reasons, proposed text of the regulations, pre-rulemaking comments and the Economic Impact Statement (Form STD 399). Also included are studies and documents relied upon in drafting the proposed regulations.

In addition, the Notice, Initial Statement of Reasons, and proposed text of the regulations being proposed may be accessed and downloaded from the Division's website at [www.dir.ca.gov](http://www.dir.ca.gov). To access them, click on the "Proposed Regulations – Rulemaking" link and scroll down the list of rulemaking proceedings to find the WCIS link.

Any interested person may inspect a copy or direct questions about the proposed regulations and any supplemental information contained in the rulemaking file. The rulemaking file will be available for inspection at the Department of Industrial Relations, Division of Workers' Compensation, 1515 Clay Street, 17<sup>th</sup> Floor, Oakland, California 94612, between 9:00 A.M. and 4:30 P.M., Monday through Friday. Copies of the proposed regulations, Initial Statement of Reasons and any information contained in the rulemaking file may be requested in writing to the contact person.

## **CONTACT PERSON FOR GENERAL QUESTIONS**

Non-substantive inquiries concerning this action, such as requests to be added to the mailing list for rulemaking notices, requests for copies of the text of the proposed regulations, the Initial Statement of Reasons, and any supplemental information contained in the rulemaking file may be requested in writing at the same address. The contact person is:

Maureen Gray  
Regulations Coordinator  
Department of Industrial Relations  
Division of Workers' Compensation  
P.O. Box 420603  
San Francisco, CA 94142  
E-mail: [mgray@dir.ca.gov](mailto:mgray@dir.ca.gov)

The telephone number of the contact person is (510) 286-7100.

## **CONTACT PERSON FOR SUBSTANTIVE QUESTIONS**

In the event the contact person above is unavailable, or for questions regarding the substance of the proposed regulations, inquiries should be directed to:

George P. Parisotto  
Division of Workers' Compensation  
P.O. Box 420603  
San Francisco, CA 94142  
E-mail: [gparisotto@dir.ca.gov](mailto:gparisotto@dir.ca.gov)

The telephone number of this contact person is (510) 286-7100.

## **AVAILABILITY OF CHANGES FOLLOWING PUBLIC HEARING**

If the Acting Administrative Director makes changes to the proposed regulations as a result of the public hearing and public comment received, the modified text with changes clearly shown will be made available for public comment for at least 15 days prior to the date on which the regulations are adopted.

## **AVAILABILITY OF THE FINAL STATEMENT OF REASONS**

Upon its completion, the final Statement of Reasons will be available and copies may be requested from the contact person named in this notice or may be accessed on the Division's website at [www.dir.ca.gov](http://www.dir.ca.gov).

## **AUTOMATIC MAILING**

A copy of this Notice, the Initial Statement of Reasons, and the text of the regulations, will automatically be sent to those interested persons on the Acting Administrative Director's mailing list.

If adopted, the regulations as amended will appear in California Code of Regulations, title 8, commencing with section 9701. The text of the final regulations also may be available through the website of the Office of Administrative Law at [www.oal.ca.gov](http://www.oal.ca.gov).