

Oklahoma Workers' Compensation Commission

WorkComp Strategies Report, April 7, 2014

EDI Program Development; Findings and Recommendations

Background: The Oklahoma Workers' Compensation Commission (WCC) engaged WorkComp Strategies to conduct an analysis and develop recommendations for development of its EDI program. Matthew Bryant, President of WorkComp Strategies, participated in a discovery session with WCC executive staff; interviewed the Executive Director, IT Manager, its IT contractor, potential vendors, and interested stakeholders; and reviewed relevant WCC forms, statutes, and process documentation. The following is a summary of findings and recommendations.

Findings: WCC has recently undergone significant structural change, shifting from a "court based" program to a "commission based" program. The law forming the new agency became effective February 1, 2014. The law included, among other things, new reporting requirements, for which WCC has created new forms:

Form Name	Description	Comments
Form 2A	Reports decision to controvert compensability of injury, or to accept compensability and issue initial payment	Decision to controvert required by statute; notice of first payment may or may not be required by WCC; form due 15 days after injury; must be signed by attorney if party is represented; deadline available upon request; failure to file does not waive defense
Form 2A Extension	Requests additional time to investigation compensability	Automatically allowed additional 30 days; must be signed by attorney if party is represented; subject to audit
Form 4	Reports suspension of compensation payments; final compensation payment	Report of suspension may or may not be required by WCC; report of final compensation payment must be reported, and is due 30 days after final payment; must be signed by attorney if party is represented.

These forms are currently being submitted on paper. The Form 2, which is the initial report of accident, is processed by 2 staff members who data enter a portion of the form (approximately 6 fields), scan the form and, together with the entered data, submit it to the WCC WCIS database. Approximately 45,000 Form 2 filings are processed annually. Chris Herndon reports that the Form 2 database in WCIS is at programmed capacity, meaning that very few (perhaps 1) fields can be added

without re-indexing the database. Steve Latham, WCIS contractor, reports that building a new “2A” database, and provide fields to capture data from the form, would be a 2-3 week project.¹ Data from the Form 2A Extension and the Form 4 are not being captured.

In terms of EDI, the three vendors interviewed (ISO, Ebix, and Mitchell) generally agreed that capturing the data for Forms 2, 2A, 2A extension, and 4 from carriers would be a relatively straightforward project. Depending on the extent of interaction with and negotiation required from WCC staff, the design portion of the project could take as little as 1-2 months. After finalizing design, programming and testing of the vendors’ systems, to receive WCC EDI reports from carriers, would take approximately 2-3 months. Based on general information from other states, it is expected that the initial design cost would range between \$30,000 and \$60,000, and that annual costs would range between \$30,000 and \$60,000. For this annual cost the following likely would be included: a web portal for small volume filers would be provided; web access for WCC staff; storage of the data; reporting to the state, including available of PDF versions of the reports; and an xml option for carriers to submit to the vendors. The vendors were using both Release 1 and Release 3, but did not believe that Release 1 was very viable for moving a new release, because it was a retired standard. Some agreed that carriers individually might be able to more simply submit reports in Release 1, depending on their unique internal systems, but that this would not be universal.

Steve Latham understood that data for the new 2A database could come from an EDI vendor, but that a routine to accept the data would need to be programmed, and that this project would take a few weeks, but could certainly be completed within an overall 5-6 month implementation. Steve also indicated that PDFs from the vendors could also be attached to the records, similar to how the current Form 2 process works.

NAICO rep David Little indicated that NAICO was in EDI production in numerous states, and used Ebix for EDI reporting. NAICO also used ISO for various other reporting requirements. David indicated that NAICO would be eager to begin reporting EDI to WCC, and expected that it would do so voluntarily, to avoid the Form 2 and 2A paper processes. David recommended specifically that WCC use ISO as its EDI vendor, mentioning that it would be very well aligned with NAICO’s various reporting requirements.

CompSource rep Cecil Rudd indicated that CompSource was currently implementing a new software system from GuideWire. GuideWire is a fairly broadly accepted insurance system, with approximately 200 clients. Independent research indicated that GuideWire is compliant with state EDI reporting requirements. Cecil indicated that CompSource was using flat-file transmissions in other areas (NCCI, bill review,

¹ This technically would not be a “new database” but would be a solution using the existing database to accommodate new information; the solution was referred to as a new “skeleton database or table.”

and pharmacy benefit management) and believed that it would be able to create additional flat-file mechanisms. Cecil recommended that WCC pursue electronic transfers in as universal a format as possible.

George Poulin with Liberty Mutual indicated that he had reviewed WCC's basic requirements and recommended that WCC use Release 1. He mentioned that Liberty had to use a vendor for R3, but could report quickly and easily from its mainframe system on R1. He thought R1 could work, except that only the fact that a claim was denied, and not grounds for denial, could be reported. George indicated that Liberty would be prepared to voluntarily transmit in R1 format, but was less certain with respect to R3, indicated that a vendor would be required. He also recommended that WCC be clear about what it would use data for in adopting EDI reporting.

Steve Callahan and Gray Delacluyse, both with the University of Oklahoma, discussed a proposal designed to quickly address the influx of paper caused by Form 2A. Their proposal involved a web interface, to provide for a straightforward point of access to submit a Form 2A. The proposal also described an interface for bulk transfer, designed on the IAIABC Release 2 protocol. Upon further discussion, the proposal for a bulk transfer mechanism would provide for building a capacity for WCC to receive data. Their background was not in workers' compensation, but they had completed several similar and even larger scale projects involving state government.

Review of Form 2 indicated that that several fields were included in the form that were not required by statute. Also, the statute does not have a "minor injury" limitation, but Rule 810:2-1-4 has a "fewer than 3 days" exception to the accident-reporting requirement. Form 2A covered both the statutory requirement for reporting a decision to controvert compensability as well as the decision to accept and make the initial payment. Form 2A Extension involved an automatic extension of time to file a Form 2A. Form 4 covered both a suspension of payment, in addition to a subsequent suspension of payment; the form also covered a scenario of a final payment of compensation. The statutory definition of compensation includes both indemnity and medical treatment. Chris Herndon indicated that processing the Form 2 resulted in mailing of the Notice to Injured Worker. Review of the Notice indicated a very summary notice that a Form 2 was received, and providing a phone number and web address that would provide additional information.

Recommendations: It appears that WCC could quickly implement IAIABC claims Release 3 EDI and accomplish a relatively large adoption rate among NAICO and other carriers, and likely would gain adoption from CompSource, given its implementation of a national software application with EDI compliant capabilities.²

² Release 3 is recommended for two reasons: 1) the current IAIABC standard is Release 3, and Release 1 is not supported, which means that changes to the standard are not available and would lead to a non-standard implementation; and 2) Release 1 does not accommodate including the "grounds for controversion" required by Form 2A.

It is important to announce a “mandatory” date, however, to assure that an expectation is established among trading partners that they should prepare for an Oklahoma implementation. In 2013, several states implemented EDI, but the interviewed vendors indicated that there is a relative “lull” of implementation activity, which would provide an accommodating environment for EDI.

The benefits of EDI adoption include the following: 1) minimal changes to WCIS are required; 2) paper use of Forms 2, 2A, 2Aext, and 4 would be eliminated by Jan. 1, 2016; 3) better defined operational process would result from the EDI project; 4) WCC would be well positioned for a claims system replacement project; and 5) WCC would have a more complete and standardized set of information, of higher quality than available today, which would be used for internal management and reporting as well as for providing a capability for more accurate inter-state benchmarking. WCC would continue to use a data-entry model during the voluntary phase of the implementation (Nov. 1, 2014 – Sept. 30, 2015), and would add fields to WCIS to allow data entry of Form 2A and 2Aext. No increase in staff should be required, however, because paper submission of Form 2 should decrease with voluntary adoption. It is recommended that a new Form IP, to report the initial payment (and related removal of this information from the Form 2A) be added, and that it, along with Form 4, continue to be submitted on paper through 2014, by which time WCIS can be modified to provide for data entry.³ In this way, there would be a complete data set for all forms for calendar year 2015, and a relatively complete set (Form 2, 2A denial, 2A ext) for 2014.

An important related recommendation involves modifying the requirement for attorney signatures, which are not available via EDI. It is recommended that the attorney signature requirement be reserved solely for pleading and motions, and that WCC be given statutory discretion in accommodating signatures, including in electronic format. In this way, WCC would be well positioned for online dispute related transactions with attorneys.⁴

There are two primary risks involved in the EDI recommendation: 1) ability to procure; and 2) process definition. The first risk involves the challenges of public procurement generally in issuing an RFP, such as using pre-established templates and timelines, coordinating with external purchasing departments, and establishing review committees and generally following a potentially somewhat arbitrary process. States that have procured vendor services have followed an RFP route, and

³ The “IP” recommendation is to be aligned conceptually with the EDI standard. Separating this transaction also provides simplicity and clarity to the process. The Form 4 should also be changed to eliminate the per-transaction requirement around suspensions and instead collect total compensation information either at case closing or semi-annually for active cases.

⁴ Another related recommendation is to refine the “Notice to Injured Worker” to include information to the injured worker about the process and timelines to be expected. It would be recommended to also send a similar notice triggered by receipt of a Form 2A and the recommended Form IP. These would similarly alert the injured worker what to expect with regard to their injury.

using another state's RFP document as a template would be recommended for WCC. Some recent state EDI procurements include Virginia, West Virginia, North Carolina, Louisiana, Kansas, New Jersey, and Alaska. Virginia's RFP document from 2013 is attached; also attached is the Kansas RFP document from 2010, but it is believed that a more recent procurement was conducted by KS in 2012 or 2013. One word of caution for WCC in using these documents as a template: these states had pre-existing EDI programs, whereas WCC does not. Therefore, WCC should be careful to place more emphasis on the design phase of its project. Alaska did not have a pre-existing program; its RFP (from 2010) is attached as well.

Most states have a more streamlined "bid" process, which could shorten procurement to a few weeks. This is typically reserved for commodity-like purchases, where the specifications are well defined, and requires accepting the lowest-cost bid. Because similar workers' compensation EDI services have been procured in several other states, and because WCC's specifications are straightforward, it is reasonable to conclude that this procurement would be less of a "solution" and more of a "commodity." Again, lowest-cost requirements likely would apply. This might be risky because a simple low-cost approach could result in an award to a company that is quite busy with other implementations, leaving little time for WCC; ISO reported that it was engaged in several other EDI implementations, and would rely on the IAIABC for a "favorable timeframe," which could mean being subjected to external influences on timing.

There could be an option of a sole-source procurement, although the justification for this would be challenging because there are a few qualified vendors. If WCC were to formally partner in this implementation, say with CompSource, and it could be determined that GuideWire had an arguably exclusive arrangement with a vendor for EDI reporting, then that could provide justification to procure via that vendor. This doesn't seem likely, however, because software systems are typically agnostic to this type of technology. As of this report, the CompSource IT staff could not validate whether such an arrangement would be relevant. However, an internet search of GuideWire showed a somewhat exclusive arrangement (as of 2005) with ROES, a predecessor company for Mitchell (<http://www.guidewire.com/news-and-events/press-releases/2005/guidewire-and-workcomp-net-streamline-state-mandated-claim-reports-through-electronic-filing/>). It is worth mentioning, however, that Mitchell's costs have been higher in recent bids for similar services provided to other states.

Another note on procurement: several states have recently competed EDI services from vendors. It is quite likely that the result of such a procurement process could be used by WCC as evidence of appropriate competition to allow it to procure on the same terms. As an example, if Arkansas were to process an RFP to award services to the lowest cost qualified bidder for a certain service, say to maintain the landscaping along Interstate 40, and it was concluded that Oklahoma's requirements for such services reasonably were equivalent to Arkansas' and that there was a healthy competition involved in the Arkansas RFP process, then an

Oklahoma award to the same bidder, on the same terms (e.g. unit cost) would essentially be the result of a fair and competitive process. This would be somewhat similar to “buying off a GSA schedule.” It should be cautioned that the Oklahoma procurement department could be uncomfortable with this approach, and it might take a similar length of time to gain its concurrence with this approach as it would to conduct an RFP process.

The second risk of the EDI recommendation involves defining WCC processes. An EDI implementation involves a design phase, during which data elements and related edits, transaction sequencing, and triggering events are defined. If promptness were a goal of this phase, it would require a high-degree of certainty in WCC processes. Because several of the WCC forms are new, process definitions are not firmly established; this can present an excellent opportunity, however, because definition can be more flexible, to allow a good fit to the EDI standard. Taking maximum advantage of such flexibility would likely require gaining a high level of comfort with the impacts of EDI related decisions, either through independent research, advice from the EDI vendor, or other channels. Put simply, it would likely require trust in the EDI vendor’s recommendations for defining specifications, which would in turn impact WCC process definition and ultimately operations. EDI vendors, while competent as to EDI and workers’ compensation in general, likely would, and should, be reluctant to advise WCC on the objectives for its operations.

An alternative, which would not be recommended, would be to pursue a proprietary data transfer mechanism with a single large trading partner, such as CompSource, and recruit additional trading partners to participate over time. Discussions with two local IT specialists, with experience on government projects at the University of Oklahoma, indicated that a relatively simple and straightforward data transfer could be created. These specialists could also essentially serve as an EDI vendor for WCC, either in the outsource model described above, or as more-or-less “in house” technology capability to receive EDI reports directly from carriers and carrier vendors. The last option (in-house capacity) would not be advisable because of the lack of workers’ compensation EDI expertise, and the difficulty supporting such internal capabilities over the medium and long term. If the specialists were to serve as a more standard EDI vendor, they could compete in an RFP or bid process. Having established relationships with carriers for the purpose of workers’ compensation reporting, in addition to experience conducting an EDI program, should be essential to the expected qualifications.

As for the first alternative (proprietary data transfer mechanism), such a scenario does not technically have to be proprietary, i.e. unique to Oklahoma and not standard; a project involving a first-time user of the IAIABC Claims Release 3 standard being able to quickly and efficiently establish WCC specifications is risky, and likely would “cut corners” of complex EDI standard scenarios to reach a quick solution, which further would risk venturing into proprietary territory. It is important for the sake of voluntary adoption with carriers, as well as support for mandatory adoption, to present a sound and “tried and true” EDI approach. Working

closely and somewhat exclusively with CompSource as an initial partner, which would be involved in the data transfer mechanism alternative, is risky as well, in terms of the universal nature of the EDI approach adopted by WCC, because CompSource does not have experience in that arena. Leveraging the new CompSource system, GuideWire, would align well with EDI Claims Release 3.

A related alternative would be to develop a web interface, which could be done quickly and cheaply. (Procurement would be necessary, but could be simpler because of its small size.) Web transactions would be one-at-a-time, and carriers with any considerable volume, e.g. 100 claims per year, would be reluctant to adopt a process of web entry on a single case-by-case basis. Typing into a web interface would likely be slower than current procedures used by carriers in Oklahoma, which likely have print routines that support form creation. There would doubtless be some adoption, however, which may be sufficient to offset an increased data entry burden on existing staff caused by adding new forms to their workload. This may provide a more immediate solution, but is not a long-term solution to eliminating paper use for Forms 2, 2A, 2Aext, and 4.

Conclusion. In summary, the following steps would be recommended, based upon a stretch goal of voluntary implementation by October 1, 2014:

1. Adopt EDI Claims Release 3. Announce to stakeholders via IAIABC (April 11, 2014)
2. Determine EDI Services RFP requirements; prepare RFP according to OK procurement requirement; issue RFP (May 1, 2014)
3. Begin forms refinement and WCC process definition project
 - a. Establish scope (April 25, 2014)
 - b. Define new forms, processes (May 23, 2014)
4. Supply specification of required modifications to WCIS, determine scope, cost, and timeline (May 30, 2014)
5. Begin first phase of WCIS modifications (June 2, 2014)
6. Close RFP; review proposals; interview bidders; issue award (June 6, 2014)
7. Begin work on EDI specification with selected vendor; begin trading partner recruitment process (June 9, 2014)
8. Release draft EDI implementation tables (June 20, 2014)
9. Complete first phase of WCIS changes; implement new forms data entry (July 1, 2014)
10. Receive feedback (July 7, 2014)
11. Release revised EDI implementation tables; EDI vendor begins programming (July 21, 2014)
12. Define EDI related WCIS changes; begin second phase of WCIS changes (July 28, 2014)
13. Complete second phase of WCIS changes (August 29, 2014)
14. EDI vendor programming ready to test (September 5, 2014)
15. Testing of EDI, related WCIS procedures complete (September 26, 2014)
16. Voluntary "go live" (October 1, 2014)

17. Define WCIS changes for data entry of Form IP, Form 4 (October 10, 2014)
18. Determine scope, cost, timelines; begin WCIS phase 3 (October 20, 2014)
19. Complete WCIS phase 3 (December 5, 2014)
20. Implement phase 3; all forms in production (data entry and EDI) (December 19, 2014)