

THE IMPACT OF THE NEW EDI 3.1 DATA SYSTEM ON WORKER'S COMPENSATION CLAIM HANDLING IN INDIANA

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On March 20, 2019, the Worker's Compensation Board of Indiana ("Board") completely revamped the system it uses to receive data from employers and insurers. The Board transitioned from a paper-based filing system to an electronic data interchange (EDI) system, EDI 3.1. Coinciding with the EDI 3.1 rollout, the Board closed its forms portal (where the paper forms resided) on June 3, 2019. While EDI 3.1 is designed to make claim information more useful to the Board and to the public, the change has a significant impact on employers and insurance carriers. Self-insured employers and administrators who handle claims only in Indiana will experience the greatest impact from these changes. In addition, EDI 3.1 has added costs to worker's compensation claim management in Indiana that will affect all employers and insurers.

I. INDIANA'S MOTIVATION TO CHANGE TO EDI 3.1

On April 11, 2018, the Board announced it would be implementing a new electronic reporting system.¹ The initial mandatory implementation was planned for January 1, 2019.² The Board's motivation in adopting EDI 3.1 was threefold. The first motivation was to more consistently and fairly enforce compliance requirements, including penalties for failure to comply. While such penalties may have been defined by the Board under its rule-making authority in the past,³ the rules had never been universally implemented. Although the Indiana Worker's Compensation Act ("Act") was revised in 2018 to include new deadlines for notice and payment penalties for

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¹ <https://inwcbedi.info/news>.

² The implementation was moved to March 20, 2019.

³ Indiana Code § 22-3-4-2(a) states: "The worker's compensation board may make rules not inconsistent with Ind. Code § 22-3-2 through Ind. Code § 22-3-6 for carrying out the provisions of Ind. Code § 22-3-2 through Ind. Code § 22-3-6."

statutory noncompliance, the legislature omitted provisions for failing to comply with EDI filing.⁴

The second major motivation for adopting EDI 3.1 was that it will allow the Board to access information from its past experience to inform the legislature and the industry community. Its hope is to educate employers and insurance carriers on the requirements of worker's compensation law in Indiana. The Board has expressed its concerns related to the practice of claims professionals being tasked with adjusting/managing claims in multiple jurisdictions, perhaps without a full understanding of the law in Indiana. While the Board may assume noncompliance by employers or insurers based on anecdotal information, insurers hope that statistics generated will reveal that Indiana employers and insurers are providing notice and benefits in accordance with the statutory requirements. By compiling accurate statistics regarding statutory compensation (permanent partial impairments) and settlement payments, the Board can also provide the Department of Labor with an annual statement that more accurately measures the impact of changes in the law and practice.

Third, adopting EDI 3.1 promotes fiscal health in the Board administration. Due to budget constraints, the Board gradually downsized from thirty-six employees to twenty-four in the last several years. Only twelve of the remaining employees hold management positions in the central Indianapolis office. The cost of supporting the system as it existed before the adoption of EDI 3.1 is no longer sustainable.⁵ EDI 3.1 will allow the Board to administer worker's compensation with fewer employees. EDI 3.1 is considered the Board's "best effort" to make the worker's compensation system more effectively benefit the whole community.

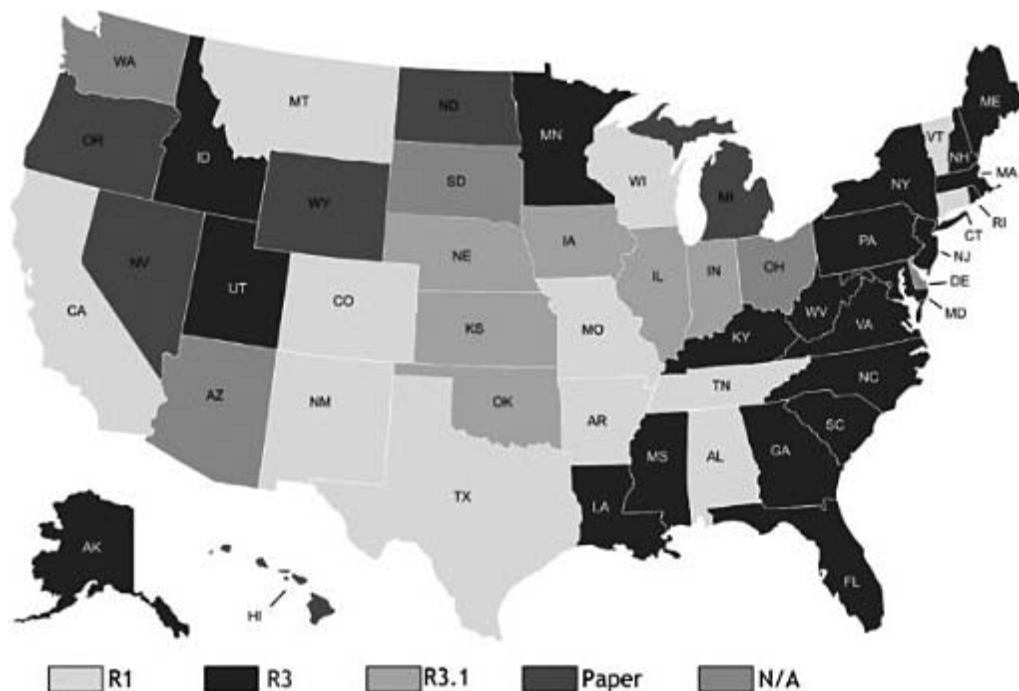
II. OTHER STATES' EDI POSITIONS

Several versions of EDI, a national database system, are used today. While Indiana is at the forefront in adopting the most recent EDI iteration, it is not alone in this effort. The implementation of EDI in its several versions has reached all but three states. Six states chose the most recent 3.1 release. The map on the EDI web site⁶ (below) shows the status of each state's current EDI implementation:

⁴ Indiana Code § 22-3-4-15 assesses penalties ranging from \$50 to \$300 for failing to comply with certain statutory requirements.

⁵ The State Indiana Office of Technology would no longer support the old system. Internal software is on Access 97 and index cards were originally the only source of information for certain periods of time.

⁶ EDI Claims Release 3.1 Standard Documents—Publication Date: January 1, 2019. https://www.iaabc.org/iaabc/EDI_Claims.asp.



III. INDIANA’S PRIOR FILING SYSTEM

Before implementing EDI 3.1, Indiana used EDI version 1.0, which was a primarily paper-based filing system. Under that system, employers and insurers completed Board forms on-line but printed forms were served on employee/claimants and filed with the Board. The Board’s internal claims system was outdated and unsupported by the state’s other systems. For instance, proof of coverage was maintained on index cards. This coverage information was neither useful nor safe from loss or damage.

In 2018, the Indiana legislature revised the Act⁷ to include increased claim reporting,⁸ new deadlines for notice and payments,⁹ and increased penalties for noncompliance with statutory notice and filing requirements.¹⁰ Given the many changes inherent in the implementation of EDI 3.1, it is expected that the Act may be revised further to enable the Board to adjust its forms to promote ease of use.

Unlike the prior reporting system, EDI 3.1 requires employers, administrators, and insurers (“employers”) to file electronic transactions at several points during the course of a claim. Employers provide claim data, the sys-

⁷ IND. CODE §§ 22-3-2 through 22-3-6.

⁸ Indiana Code § 22-3-3-1 revised reporting requirements to include reporting injuries where there is a need for medical care beyond first aid.

⁹ IND. CODE § 22-3-3-10.5.

¹⁰ IND. CODE § 22-3-4-15.

tem generates the applicable forms, and the employer provides the forms to the employee as required by statute.

By moving to a newer EDI system, the Board expects to better evaluate worker's compensation claim administration and compliance with statutory requirements. The Board will begin to track compliance and performance for transactions filed on or after October 1, 2019, and begin to issue penalties after December 1, 2019, for EDI 3.1-monitored violations.¹¹

IV. CHALLENGES TO AND EFFECTS ON FIRST-TIME EDI USERS

While implementing EDI 3.1 may provide certain long term advantages, it has required significant adjustment within the worker's compensation community throughout the United States. For example, the Commonwealth of Pennsylvania published a thirty-seven-page "Claims Implementation Guide"¹² based on the Guide provided by the International Association of Industrial Accident Boards and Commissions (IAIABC).¹³ Early experience shows that the challenges of implementing the more extensive reporting system are overshadowed by the benefits.

A particular challenge to EDI 3.1 implementation in Indiana is that Indiana is one of only three states (the others being New York and Pennsylvania) that had generally used forms-based claim handling before adopting EDI. As a result, each of these states was faced with the challenge of correlating the original forms with the templates provided by EDI.¹⁴ We anticipate that Indiana's Board will change its forms over time to adapt to EDI 3.1 filing information.

Arguably the biggest adjustment to using EDI 3.1 in Indiana is that the EDI terminology differs from the terminology used in the Act. For example, the Board was forced to revise its expectations related to reporting the *date of injury* as the date the claim became *reportable*.¹⁵ In some cases, these dates are different and carry important distinctions.

Under the Act, the date of injury is a statutory element and refers to the date the employee sustained an injury arising out of and in the course of employment, regardless of the timing for the need for medical treatment.

¹¹ Board Website Notice, 6/17/2019, <https://www.in.gov/wcb/>.

¹² Download the EDI Jurisdictional Profiles (Members) to learn more about implementations of all IAIABC EDI Standards. View the EDI Jurisdictional Summary (Non-Members) for basic implementation insight on all IAIABC EDI Standards. View the Claims Release 3.1 Implementation Schedule at <https://www.dli.pa.gov/Businesses/Compensation/WC/claims/edi/Documents/PA%20EDI%20Claims%20Implementation%20Guide.pdf>.

¹³ https://www.iaiabc.org/iaiabc/EDI_Claims.asp.

¹⁴ States that do not provide forms to the users leave it to the users to adapt the templates in EDI for their needs.

¹⁵ For example, when the employer received notice that the employee needed medical care beyond first aid for an injury arising out of and in the course of employment. See, <https://www.in.gov/wcb/>, Website Notices 5/3/2019, EDI changes and clarifications; EDI page, May 2, 2019 Clarification of DN0040 Date Employer Had Knowledge of the Injury.

The date of injury is important in determining the statute of limitations for entitlement to benefits.¹⁶ The date of injury does not change during the course of the claim. To redefine the date of injury to be the date when the employee first seeks medical treatment could skew the limitation for pursuing a claim before the Board. In its clarification notice, the Board correctly acknowledged that the requested change was “unorthodox.”¹⁷

By comparison, the date the claim *became reportable* could change during the course of the claim. The Board will use the reportable date to determine an employer’s reporting compliance. If Indiana practitioners were to use the *date of injury* for the date the claim was *reportable* under EDI 3.1, however, the employer might run the risk of penalties for late payment in the event an employee delayed seeking medical treatment because of a perceived untimely filing of the claim.

After discussing the legal implications with worker’s compensation practitioners and evaluating the need to have both dates reported (*i.e.*, the date of injury and the date the claim became reportable), the Board revised the EDI transactions to include two boxes for reporting those two dates. Since its initial implementation, the Board has revised the EDI 3.1 requirements several times and updated its expectations.¹⁸

V. DIFFERENCES BETWEEN EDI 3.1 REQUIREMENTS AND INDIANA STATUTORY REQUIREMENTS

The adoption of EDI 3.1 in Indiana has a less severe impact on insurers who are already familiar with EDI filings in other jurisdictions or those who have an EDI filing department within their organization. The Board acknowledges that self-insured employers (such as smaller government units or public institutions) who administer worker’s compensation claims in house or administrators who administer only Indiana claims are particularly challenged with the EDI implementation and changes because of their lack of prior experience or limited staff.

A. NEW LANGUAGE

New users are required to learn a new IT language. The company that developed EDI—the International Association of Industrial Accident Boards and Commissions (IAIBC)—has not yet provided adequate training. Many times, users learn the filing requirements through trial and error. Although many companies will contract to handle EDI filings for employers or insurers, they are not all proficient or responsive to Indiana statutory

¹⁶ IND. CODE § 22-3-3-3.

¹⁷ See <https://www.in.gov/wcb/>, Website Notices 5/3/2019, EDI changes and clarifications; EDI page, May 2, 2019 Clarification of DN0040 Date Employer Had Knowledge of the Injury.

¹⁸ <https://www.in.gov/wcb/>, 5/3/19; <https://www.in.gov/wcb/2586.htm>. As of August 15, 2019, the Board is using Version 1.4 containing clarifications. <https://inwcbedi.info/news>. All changes are posted on the Board’s web site when made. www.in.gov/wcb, News and Notices.

filing deadlines. It is important to choose a provider that understands and has experience with EDI and its application to Indiana's specific reporting deadlines.

B. INCREASED FILINGS

EDI 3.1 requires employers and insurers to file electronic transactions at several points during the course of a claim. Previously, the employers provided initial claim data to the Board, provided the forms to the employee as required by statute, and submitted the applicable forms to the Board after the employee signed them. Now, EDI 3.1 generates the forms based on the data provided, and the employers are required to submit additional filings to confirm completed transactions.

C. INCREASED COSTS

EDI 3.1 will increase both direct and indirect costs to Indiana employers. An example of a direct cost is the fee many EDI providers charge employers for each transaction. Given the expected increased EDI filings per claim, employers will incur increased costs associated with the claim administration. The increased filing requirements may cause employers to out-source the EDI-filing responsibility to third party administrators or hire additional employees to manage the filings. The increased costs to insurers is expected to be passed on to insureds through increased premiums.

D. FILING CHANGES

Although the Board claims that EDI 3.1 merely changes the way the Board receives information but does not change an employer's statutory requirements, in some instances, the Board's filing expectations arguably exceed what the statute requires. The Board anticipates employers and insurers submitting information to it several times during the course of and upon resolution of the claim. While some of the filings are required by statute (*e.g.*, notices and payments to employees), many of the new transactions are not. For instance, EDI 3.1 requires employers to file transactions to confirm they have timely completed tasks, such as payments to employees, even after the employer submits the signed paper form to the Board. These increased administrative burdens (not previously required by statute) add costs to employers, their insurers, and their administrators in manpower hours, staffing, and filing fees.

The new EDI 3.1 system may request information that is not required by Indiana statute. For instance, the Board has directed employers to enter a transaction to close all open claims while there is no corresponding statutory requirement. Further, as part of the closing transaction, the Board wants employers to submit medical care costs and other expenses as part of the total costs paid on the claim. However, these requests are not required by statute.

While EDI 3.1 is capable of a very detailed breakdown of pay outs or data on worker's compensation claims, not all of the possible "fields" need to be used in Indiana. The Board has already removed fields calling for the amount of attorney fees paid since plaintiffs' attorney fees are defined by statute. Other arguably questionable categories of expenses may still be included in future reporting requests by the Board.

Employers have expressed concern that these newly sought data, such as the request for total medical costs, exceed the statutory requirements and may conflict with client confidentiality, HIPAA regulations, and other legal requirements. In addition, it would be burdensome to employers to separate the different medical care cost types. Although the Board may seek access to additional claim data, it should be particularly circumspect. Is there a compelling rationale for the additional data? What will the Board do with the additional data? Who is the community to whom the Board will report the additional data?

VI. ANTICIPATED FUTURE CHANGES TO INDIANA WORKER'S COMPENSATION CLAIM ADMINISTRATION

Potential unintended consequences similar to the date of injury problem noted above are leading the IT staff and the chair of the Worker's Compensation Board of Indiana to actively investigate adaptations that will be needed to implement EDI 3.1 without sacrificing legal requirements and historic practice. In some instances, amendments to the Act may occur. In other instances, EDI 3.1 fields may be revised to correlate with Indiana practice.¹⁹

The Board advised that it is not trying to make the Indiana worker's compensation system conform to an illusive national standard; rather it is adopting the parts of EDI 3.1 that comply with Indiana law.²⁰ Because EDI 3.1 permits any state or member who has adopted the program to propose a change, the Board has used this process to continually adapt EDI 3.1 to meet the needs of practitioners.

VI. CONCLUSION

The value of electronic data entry and the benefits it provides to the Board are more apparent than the benefits to the employers, carriers, and claimants. Concerns remain regarding the legality of the additional reporting requirements. Nevertheless, there is reason to hope that when the dust

¹⁹ For example, a "late reason" code is generated by EDI when a submission is made by an employer or insurer that is incomplete; however, legitimate circumstances can prevent an employer or insurer from being able to gather all the required information (employee address, Social Security Number, *etc.*) in time for the filing deadlines. As a result, the Board has adjusted the reasons for late filing to correlate with the statute.

²⁰ As an example, the form or code known as "SJ" is used to report a suspension of benefits for noncompliance, a concept that is unique to Indiana.

settles and everyone has adjusted to the new system, reporting and adjusting claims in Indiana will once again be routine, predictable, and efficient. Both the Board and employers will be able to document their good faith compliance with the Act.