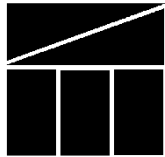


Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

16 VAC 30-16 – Workers’ Compensation Electronic Medical Billing
Virginia Workers’ Compensation Commission
Town Hall Action/Stage: 4522/7963
November 2, 2017

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 621 of the 2015 Acts of the Assembly, the Virginia Workers’ Compensation Commission (Commission) proposes to adopt and implement an infrastructure that requires most providers of workers’ compensation medical services to submit their billing, claims, case management, health records, and all supporting documentation electronically. As required by Chapter 621, this proposed regulation is consistent with the International Association of Industrial Accident Boards and Commission (IAIABC) Medical Billing and Payment guidelines. Consistent with IAIABC guidelines, health care providers will be exempt from these proposed requirements if they have 10 or fewer full time employees and treatment and services provided to injured workers billed under workers’ compensation constitutes less than 10% of their practice.

Result of Analysis

Benefits likely outweigh costs for these proposed regulatory changes.

Estimated Economic Impact

Prior to this regulatory action, the Commission did not have rules for health care providers to submit workers’ compensation bills and supporting documentation to insurers (payers) electronically. Commission staff reports that the General Assembly passed Chapter 621

which requires the Commission to “establish a schedule pursuant to which employers, employers’ workers’ compensation insurance carriers, and providers of workers’ compensation medical services shall be required to adopt and implement infrastructure” for submitting billing, claims, case management, health records and all supporting documents electronically. Chapter 621 and this proposed regulation require that participating entities have this infrastructure in place no later than December 31, 2018. Commission staff reports that most bills and records are submitted in paper form now and most payments to providers are made via paper checks. The Commission now proposes a regulation that will:

1. Define terms and abbreviations.
2. Describe the electronic medical bill processing standards that are to be used for billings, acknowledgements, remittances, ancillary formats, and documentation transfers between providers and insurers.
3. Allow insurance carriers and health care providers to exchange electronic data in a non-prescribed format by mutual agreement or to use a direct data entry methodology so long as all of the required information is still collected.
4. State that when the prescribed formats are updated, the most recent standard would be required to be used by e-billing entities, once the new standard becomes effective as published in the Code of Federal Regulations.
5. List the billing code sets that are to be used in the e-billing system.
6. Describe the components of a complete electronic medical bill, including the correct format and a list of elements that must be identified.
7. Provide for acknowledgement of certain types of transactions including whether claims are complete or rejected, whether claims contain error codes, and prohibit the submission of duplicate electronic records.
8. Set timeframes for certain actions to occur.
9. Clarify that acceptance of complete and incomplete medical bills does not either admit liability or satisfy written notice requirements, but that it would begin the time period by which the payer must accept or deny liability and that it does serve as proof of the received date.

10. Specify the types of information that must be furnished electronically, including medical reports and records, bills, identification of the employee and medical providers, dates of service, and other specified types of data.
11. Require that electronic documentation be submitted by secure fax, secure encrypted electronic email, or other secure electronic format as defined by the Virginia Administrative Code.
12. Clarify how electronic remittance advice and electronic funds transfers are to occur and establish timeframes for these processes.
13. Detail the requirements for paper medical bills for the small health care providers who are exempt from e-billing requirements.
14. Provide for resubmissions in the event that the payer has rejected the medical bill as incomplete.
15. Require the insurance providers to attempt to establish connectivity through trading partner agreements.
16. Prohibit the imposition of excessive fees in order to comply with the requirements of this section.
17. Allow health care provider agents to charge reasonable fees related to data functions.
18. List the obligations of employers, insurance carriers, managed care organizations, and agents when they receive medical bills from health care providers, including the evaluation of the bills, the received date of the bills, the payer's ability to contact the medical provider, the payer's discretion to accept or reject bills, and the payer's ability to request additional information.
19. State that payment of all uncontested portions of a complete medical bill shall be made within a certain timeframe, and that amounts paid after that time shall accrue interest at the judgement rate of interest as established by Virginia Code § 6.2-302.
20. Describe how communication between health care providers and payers is to occur.
21. Clarify that medical documentation is necessary for billing adjudication and
22. Allow providers and payers the option to voluntarily comply with this chapter beginning six months after the publication of the final regulation in the Virginia Register of Regulations.

Affected health care providers and insurers will benefit from this proposed regulation as it will allow them to exchange information and resolve claims more quickly. Health care providers will additionally benefit from being paid more quickly via electronic deposit rather than having to wait for, and then physically deposit, paper checks. This action will likely decrease the costs incurred on billing activities that may now include copying costs to make paper copies of documents that providers are required to send insurers, time spent preparing and mailing documents and following up to make sure they were received, and time spent re-billing if payment decisions stretch beyond one billing cycle. Workers who are receiving health care services may also benefit if the exchange of electronic records allows their claims to be paid more expeditiously. Health care providers may incur costs for purchasing medical billing software that is capable of exchanging medical bill and records data securely, or for contracting with a clearinghouse to process their medical bill and records data for them. Commission staff did not have an estimate for how much it would cost to either buy software or hire a clearinghouse service. These businesses are unlikely to choose to incur these costs unless they perceive the benefits of providing health care in workers' compensation cases, and being able to be paid for those services more quickly via electronic funds deposits, to be greater than any costs they incur to meet the requirements of the proposed regulation.

Businesses and Entities Affected

This proposed regulation will affect all workers' compensation insurers and their third party administrators, self-insured employers and health care providers who provide covered services to individuals who have been injured on the job. Injured workers whose health care and other expenses may be paid for via workers' compensation claims will also be affected. Sellers of medical billing software and clearinghouse processing services may also benefit.

Localities Particularly Affected

No localities will be particularly affected by this proposed change.

Projected Impact on Employment

Employment in the Commonwealth is unlikely to be significantly affected by this proposed regulation.

Effects on the Use and Value of Private Property

This proposed regulatory change is unlikely to affect the use or value of private property in the Commonwealth.

Real Estate Development Costs

These proposed regulatory changes are unlikely to affect real estate development costs in the Commonwealth.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

Small businesses medical practices may incur costs for purchasing medical billing software that is capable of exchanging medical bill and records data securely, or for contracting with a clearinghouse to process their medical bill and records data for them. These businesses are unlikely to incur these costs unless they perceive the benefits of providing health care in workers’ compensation cases, and being able to be paid for those services more quickly via electronic funds deposits, to be greater than any costs they incur to meet the requirements of the proposed regulation.

Alternative Method that Minimizes Adverse Impact

There are likely no methods that would both meet the legislative mandate in Chapter 621 and further reduce costs.

Adverse Impacts:

Businesses:

Private medical practices may incur costs for purchasing medical billing software that is capable of exchanging medical bill and records data securely, or for contracting with a clearinghouse to process their medical bill and records data for them. These businesses are unlikely to incur these costs unless they perceive the benefits of providing health care in workers’ compensation cases, and being able to be paid for those services

more quickly via electronic funds deposits, to be greater than any costs they incur to meet the requirements of the proposed regulation.

Localities:

No locality is likely to suffer adverse impacts on account of this proposed regulatory change.

Other Entities:

No other entities are likely to suffer adverse impacts on account of this proposed regulatory change.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.