



White Paper

Taming Your Workers' Compensation Compliance Challenges

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Introduction

Workers' compensation is highly regulated, so compliance is a headache for many organizations

FEDERAL MANADATES

CMS & MMSEA Section 111

Understand complex CMS & MMSEA Section 111 reporting requirements to avoid steep fines and penalties

STATE MANADATES

Key Requirements That Vary by State

State-by-state variations in forms, rates and EDI reporting requirements make it difficult to sustain compliance across state lines

Breakthrough WC Compliance

Systema Software aims to make compliance headaches a thing of the past

Bottom-line Benefits

Achieve an automated, easy and cost-effective compliance strategy

The Future of Compliance

Create an industry-wide infrastructure that streamlines the WC compliance process



Introduction

Workers' compensation (WC) is the most regulated line of Property & Casualty insurance. Compliance with regulations has become a huge headache for many insurance companies, employers, and claims administrators. Keeping up with mandates is complex, especially since the requirements constantly change. It demands extensive time from staff to understand the intricate rules and to continually keep pace with updates. In addition, it's costly to build systems and processes that achieve and maintain an effective and ongoing compliance strategy.

The stakes are high with steep fines and penalties for non-compliance. These fees are driving organizations to look for technology solutions that can help automate and streamline a significant portion of their compliance effort.

This white paper is not intended to be a comprehensive guide on WC compliance, but it does provide an overview of some key challenges. It also discusses how organizations are overcoming these issues with technology solutions that automate mandated reporting, achieve data accuracy, and reduce compliance and administrative costs.

FEDERAL MANDATES

CMS & MMSEA Section 111 Reporting

At the federal level, one reporting requirement that has proven particularly challenging is Section 111 of the Medicare, Medicaid and SCHIP Extension Act, also referred to as MMSEA Section 111 reporting or CMS reporting.

This white paper discusses the background and some of challenges surrounding MMSEA Section 111 reporting requirements. However, the Centers for Medicare & Medicaid Services (CMS) is the ultimate resource on compliance with this mandate, and it offers a Users' Guide and additional resources via its website:

www.cms.gov/Medicare/Coordination-of-Benefits-and-Recovery/Mandatory-Insurer-Reporting-For-Non-Group-Health-Plans/NGHP-User-Guide/NGHP-User-Guide.html

Background on CMS Legislation

Over the years, Medicare has presumably paid millions—if not billions—of dollars in medical expenses, which should have been paid by other private entities liable for those costs.



In 1980, Congress passed the Medicare Secondary Payer (MSP) Act to reduce unwarranted Medicare spending and ensure the burden of payment was shifted to the appropriate, responsible party.

For example, a WC payer may be responsible for the costs of medical treatment for a Medicare beneficiary who was injured on the job. In this situation, the WC insurer would be the “primary” payer, and Medicare would act as the “secondary” payer – meaning it could conditionally pay for treatment, but it would be entitled to seek reimbursement from the primary payer.

Due to rising costs and CMS’ inability to effectively recover secondary payments, the MMSEA Section 111 was signed into law in 2007, requiring organizations to report claim payments made to Medicare eligible beneficiaries.

CMS Reporting Challenges

For many WC organizations, a key challenge with CMS reporting is it’s not an everyday occurrence. On a day-to-day basis, there just aren’t a significant number of Medicare eligible beneficiaries who are injured in the workplace and require claim payouts. However, the incidence may increase as the workforce ages.

The infrequency of CMS reporting presents a challenge because it’s difficult to keep staff trained on the requirements, appropriate steps, and required timing for specific tasks. In addition, identifying appropriate claims as they come through the haystack of claims is like watching for the proverbial needle.

At the same time, CMS has set up significant penalties for non-compliance. If organizations fail to report claims appropriately, they may be fined \$1,000 a day per claim. Organizations can’t expect to over-report and have CMS sort through the data either. Accurate reporting is what’s required.

Some organizations have chosen to self-report directly and manually through the Coordinator of Benefits Contractor’s (COBC) secure website. However, this strategy requires staff time, is subject to human error, and may result in fines.

Other WC organizations have chosen to outsource CMS reporting to a third party, although these WC organizations remain responsible and accountable for compliance. In this type of outsourced arrangement, WC organizations send a large amount of claims data to the vendor, and receive CMS response files back in order to update their claim systems. This back-and-forth exchange is complicated, and care must be taken to ensure claims information is kept up-to-date and accurate.

CMS reporting is definitely an area where technology can help tame challenges. Using business rules triggered through a sophisticated claims system, examiners could be prompted to collect all the right claims data to verify Medicare eligibility.



Examiners can also be alerted when claimants are identified as potentially Medicare eligible, and the claim could then be marked for CMS reporting.

Under MMSEA Section 111, a WC organization that makes a payment to a person eligible for Medicare, must report that payment to CMS. As claims examiners deal with different types of claims payments (such as settlements, judgments or awards), they may need to perform specific actions within specific timeframes.

For example, as examiners prepare to make a Total Payment Obligation to Claimant (TPOC), they should double check the claimant's Medicare eligibility status, as it may have changed since the start of the claim. Here again, business rules used in conjunction with a claims system can provide the examiner with automatic reminders based on the "type of payment" being made and selected within the system.

STATE MANDATES

Key Requirements That Vary by State

Today, WC statutes and requirements vary by state. States typically have their own regulatory agency or board to administer rates, forms, and other issues. Employers are required to keep records of accidents and employee injuries. In many states, WC injuries must also be electronically reported to a state agency within a specific number of days. The required timeframes differ in each state.

It can be challenging for organizations to track and comply with state-by-state requirements. For large insurers, self-insured entities, or claims administrators that operate across multiple state lines, it can actually become a tremendous effort.

In this section, we outline some key compliance issues that vary by state.

Jurisdictional Forms

Each state requires different jurisdictional forms to be filled out and submitted at different points in the claims process. Today, there are more than 3,500 forms across all jurisdictions. Even more difficult is keeping track of the forms as they change and need to be updated.

For example, on September 3, 2015, California's WC benefit notification forms changed yet again. The new forms and associated requirements go into effect on January 1, 2016, so there's a really short timeframe by which organizations must get up to speed and implement new processes and systems to comply.

Technology and automation can significantly help organizations track various form changes and implement updates as they occur across jurisdictions.



Disability Rates

States utilize different disability rates and calculations to determine the appropriate payment to injured workers. States often categorize and call disability payments by different names, such as:

- Partial or total
- Permanent or temporary

States may use simple or complex calculations to determine payments. In some cases, a waiting period may apply.

Along with the state-by-state variations, there are frequent modifications to rates and calculations, and it's difficult to keep track and update systems in an efficient, timely manner to ensure accuracy. Once again, technology can help organizations keep up and apply rate and calculation changes.

WC EDI Reporting

Today, 30 states require organizations to submit claims information via Electronic Data Interchange (EDI). The goal of EDI reporting is to efficiently submit claims information from a source—such as insurance company, employer, or claims administrator—to a state regulatory agency.

States that require EDI reporting have adopted the International Association of Industrial Accident Boards and Commissions' (IAIABC) national standards. Currently, there are three different versions: Release 1, Release 2, and Release 3. IAIABC is also preparing to soon launch Release 4. Different states require different releases to be used, and since claims contain confidential information, data must be safeguarded using encryption and secure transmission protocols.

Even though EDI reporting is based on IAIABC standards, each state also has its own rules and regulations, as to when a First Report of Injury (FROI) and the Subsequent Reports of Injury (SROI) must be submitted. In addition, the timing and sequence of filings vary significantly.

In some cases, the approach is so unique it requires manual intervention from examiners. Many times, these claims professionals must understand and remember requirements across the various states in which they manage claims.

This approach can lead to human error and missed deadlines, which could open an organization up to fines. Corrections and changes to filings must be re-transmitted, which can result in additional delays. For example, the state of California may fine \$50 to \$100 per incorrect record with a maximum of \$5,000 per year.



Some states warn that ongoing reporting violations could result in cancellation of an organization's submission status, meaning that entity would essentially lose its ability to conduct WC business within that state.

Organizations looking for a reference on EDI reporting compliance can consult IAIABC for a standard implementation guide, as well as their respective state agencies, which may also offer their own guides.

Today, there are solutions that help automate EDI reporting compliance across state lines. Many leverage advancements such as XML and Web services to enable real-time feedback on filings. For example, a claims system that uses Web services could call up an EDI compliance solution, and receive immediate feedback on whether a filing is missing data or requires other corrections.

Breakthrough Workers' Compensation Compliance Solutions

Today, Systema Software, a leading provider of claims administrative software and services to the insurance industry, offers automated solutions that help alleviate these compliance headaches.

Over the years, Systema Software has worked closely with carriers, self-insured entities, and third-party administrators to understand their compliance challenges and the solutions that are required.

With this knowledge and understanding, the company has forged strategic alliances with several service providers to offer breakthrough compliance capabilities, which are integrated and consolidated into its award-winning SIMS Claims™ solution.

Here are some of the compliance capabilities currently offered and enabled through SIMS Claims:

CMS Direct Medicare Reporting Module

SIMS offers a CMS Direct Medicare Reporting Module to comply with MMSEA Section 111 reporting. This module can be used to perform the following tasks:

- Capture claim data required for CMS reporting
- Manage RRE IDs
- Create export files for the monthly eligibility query
- Import CMS responses and update claimant information
- Generate export files for quarterly CMS reporting



SIMS CMS Connectors

For WC organizations that prefer to use a third-party reporting agent to manage MMSEA Section 111 reporting, SIMS offers standard connectors to many of those vendors, including:

- Mitchell
- ISO
- Gould & Lamb

Jurisdictional Forms and Letters

Systema Software formed an agreement with WorkersCompensation.com, a leading WC compliance center, to integrate two key compliance capabilities into SIMS Claims:

- **FlashForm SSL:** This cloud-based library includes 3,500 jurisdictional forms that are continually updated. By integrating FlashForm SSL into SIMS, users have immediate access to over 820 forms and can elect to enable other forms from this extensive library.
- **CompGuide XML:** This database maintains the latest disability rates for all jurisdictions and uses a benefit rules engine to calculate benefit payments—such as temporary total disability, temporary partial disability, permanent partial disability, and permanent total disability benefits. All disability rates and payment calculations are readily available to facilitate and streamline this component of the claims process.

Automated Workflow

In WC, many communications and medical management processes must be completed within a mandated timeframe. To aid with timing requirements, SIMS Claims offers a sophisticated rules engine, which gives organizations the flexibility and creativity to structure workflows around required data fields. As a result, business rules can be set up to trigger reminders. For example, rules can be configured to automatically generate a letter to an injured worker about WC benefits and return-to-work expectations. SIMS also seamlessly interacts with MS Office, so examiners can use the litigation calendar and automatically add an event to Outlook.

In addition, the Plan of Action feature keeps adjusters focused on key steps, activities, and priorities to keep them focused on meeting these mandated timeframes.



WC EDI Reporting

SIMS utilizes WCIRS (Workers' Compensation Injury Reporting Service) from Ebix, Inc. (NASDAQ: EBIX). The WCIRS engine helps to facilitate hassle-free EDI reporting, so SIMS users can easily fulfill state-mandated EDI reporting requirements.

For example, from within SIMS, FROI and SROI reports are automatically created and submitted to state agencies, minimizing the time and effort required by organizations and their staff. Compliance becomes automated, reliable, and cost-effective.

WC organizations can benefit from rapid implementation of this EDI reporting solution, which will automate compliance for any state. It also improves data reporting accuracy and dramatically reduces the administrative support required from claims personnel.

Bottom-line Benefits

With breakthrough WC compliance capabilities integrated into SIMS, organizations can achieve the following benefits:

- The latest forms and disability rates are automatically updated and imported into the system
- Streamlined workflow help to meet mandated turnaround times for key WC claims activities
- Automatic creation and submission of FROI and SROI reports to state agencies; minimizes time and effort from staff; increases accuracy and efficiency, and reduces fees
- WC compliance that is automated, reliable, and cost-effective

The Future of Compliance

Although regulatory requirements create significant challenges, it's important to remember they have a good intention. If organizations leverage technology to automate key aspects of compliance, the industry as a whole has a lot to gain.

For example, WC claims are expensive, and controlling costs requires uniform data collection and analysis to identify and address the most urgent cost drivers. As such, the data collected through EDI reporting can ultimately lead to reductions in claims and costs. Lawmakers could use this information to draw comparisons across jurisdictions, and measure the impact of legislation and regulatory reform.



EDI reporting is also helping to facilitate the creation of an overall IT infrastructure that streamlines the claims process, improves data accuracy, enables faster turnaround, and monitors claims trends.

Systema Software is engaged in the WC industry, and delivers solutions to today's most pressing compliance issues. This will continue to be a focus as government agencies implement more stringent rules, timeframes, and penalties.

To receive more information or to schedule a demo of SIMS Claims and its breakthrough WC compliance capabilities, please contact:

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About Systema Software

Systema Software, LLC, provides flexible, comprehensive solutions and services to the insurance industry. SIMS Claims is an innovative, award-winning claims administration system, which is highly praised by clients and well recognized by industry experts as a leading claims solution. Together, our team of Big 4 consulting and industry veterans, experienced software developers, and project managers deliver an architecturally strong enterprise platform, designed for superior speed, scalability, and performance. With advanced technology and focused customer service, Systema Software has experienced phenomenal growth and success, earning high rankings on the national Inc. 5000 and local Fast 100 lists of fastest-growing private companies.

For more information, visit us online at www.systemasoft.com.
