

**SUBJECT:** Electronic data transfer at the Texas Workers' Compensation Commission

**COMMITTEE:** Business and Industry — committee substitute recommended

**VOTE:** 9 ayes — Brimer, Dukes, Corte, George, Giddings, Ritter, Siebert, Solomons, Woolley  
0 nays

**WITNESSES:** For —Larry Craighead, Texas Doctors Council; Duane Hill, Texas Medical Association  
Against —Jim Thayer, Liberty Mutual Insurance Company  
On —Len Riley, Texas Workers' Compensation Commission

**DIGEST:** CSHB 2511 would allow the Texas Workers' Compensation Commission (TWCC) to permit or require the use of electronic means to transmit information. Electronic transmission would be defined as the transmission of information by facsimile, electronic mail, electronic data interchange, or similar methods.

The bill would allow TWCC to implement an electronic reporting and public information access program, adopt necessary rules, and contract with a data collection agent. If TWCC did not by rule authorize or permit electronic transmission, the transmission would be governed by any applicable statute or rule.

CSHB 2511 would authorize the executive director of TWCC to set standards for security, confidentiality, accuracy, and accountability in transmission of data.

The bill would require the executive director to develop and publish a plan to incorporate electronic transmission into the existing workers' compensation system. The plan would have to describe options for public access to non-confidential information.

The bill would require the executive director to appoint a task force of knowledgeable participants, including the Texas Health Care Information Council, to develop a plan for electronic information exchange, including dates for conversion of specific workers' compensation information. The plan would have to achieve a 30 percent reduction in paper communication by January 1, 2002, and another 30 percent reduction by January 1, 2003.

The bill would authorize TWCC to require employers and insurance carriers subject to TWCC regulation to identify or confirm an employer's coverage status and contact information for claim administration. TWCC could establish rules on the information to be required.

CSHB 2511 would require certified self-insurers and political subdivisions to notify TWCC when an employer obtains workers' compensation coverage. That notice would be filed within ten days of the date a policy went into effect, unless TWCC adopted a rule establishing a later filing date.

Failure to provide the required information would be a Class C administrative violation for every day of violation.

CSHB 2511 also would require that the employer of an injured worker report the injury to the insurer, instead of to TWCC, as provided in current law. Public employers, excluding state or federal entities, specifically would be included in the bill.

The section of the bill requiring self-insurers and political subdivisions to file notice of new coverage would take effect on January 1, 2000. Otherwise, the bill would take effect on September 1, 1999.

**SUPPORTERS  
SAY:**

CSHB 2511 would allow creation and implementation of an electronic transmission system that would cut down on the huge volume of paper that passes through the TWCC each year. This would reduce the high costs associated with the unwieldy, old-fashioned system.

Lost documents and delays in treatment or payment of claims plague health care practitioners and injured workers in the Texas workers' compensation system. Allowing TWCC, insurance carriers, and health care practitioners to transfer information electronically would expedite the claim process, make it more timely and efficient, and minimize information loss.

TWCC currently employs over 100 data-entry employees who deal with more than one million documents. Data-entry of this magnitude often can result in errors that complicate handling of claims.

There are 110,000 new files created at TWCC every year, with an average of 50 pieces of paper per file. Every year, TWCC stores 5.5 million documents and receives over 2 million pieces of mail. In all, TWCC handles almost 5 million pieces of paper every year.

For document handling and storage, TWCC annually spends:

- ! \$450,000 or more for mailing and transferring claim files between offices;
- ! \$200,000 on warehouse storage of files and documents;
- ! \$50,000 on file folders; and
- ! \$270,000 to microfilm documents for safe storage.

Although there is a positive fiscal note attached to the bill, it is important to spend money initially in order to save money in the future. Any costs incurred by TWCC to set up an electronic transmission system could be offset by an increase in the workers' compensation maintenance tax.

The change also would benefit the private sector, where use of new technology like electronic transfer is increasing due to its obvious efficiencies. Major medical insurers already have electronic transmission systems, and it has benefitted both insurers and health care practitioners. TWCC should catch up with the rest of the industry.

The effective dates of the bill have been engineered so as not to conflict with efforts of those involved to avoid computer problems on January 1, 2000.

**OPPONENTS  
SAY:**

CSHB 2511 should include specific requirements for TWCC to ensure the confidentiality of medical records, social security numbers, and other privileged information transmitted by electronic means.

The timing of the bill is inconvenient. Insurers or health care practitioners who might have to develop new computer systems might currently be focusing their software development efforts on potential Year 2000 problems. Next year would be a more convenient effective date.

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NOTES: The committee substitute would make failure to provide required information to TWCC a Class C Administrative violation.