

DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION (HCAI)

INITIAL STATEMENT OF REASONS

CALIFORNIA CODE OF REGULATIONS TITLE 22, DIVISION 7, CHAPTER 11: HEALTH CARE PAYMENTS DATA PROGRAM (HPD)

I. BACKGROUND INFORMATION

Pursuant to Health and Safety Code (HSC) sections 127671 to 127674.1, HCAI established the HPD to collect health care data from health plans, health insurers, government agencies, and other entities. The HPD is what is known as an “all-payer claims database,” or “APCD,” something which 22 states have created in some form. For more background on the HPD, please see the *Health Care Payments Data Program: Report to the Legislature*,¹ dated March 9, 2020 (hereinafter referred to as “HPD Legislative Report”). The HPD Legislative Report was created to advise the State of California on how to implement the HPD.

HPD statute states that HCAI is to “substantially complete” the development of the HPD System no later than July 1, 2023. This was accomplished with the release of HPD’s first public report in June 2023, known as the HPD Snapshot.² Existing law also required HCAI to adopt emergency regulations by December 31, 2021, that outlined who must submit data, what data must be submitted, the format and content of data submissions, timelines and frequency of data submissions, and methods of data collection. Emergency regulations for HPD data collection were adopted on December 20, 2021, and data collection began in 2022 for the collection of data files including member eligibility, medical claims, pharmacy claims, and provider data. The emergency regulations were certified on November 17, 2023, to permanently adopt the HPD regulations, clarify specific regulation sections, and update documents incorporated by reference.

II. THE PROBLEM TO BE ADDRESSED

This proposed rulemaking is to adopt HPD regulations to collect non-claims payment (NCP) data as part of the required HPD data collection efforts under HSC section 127673(b) and update and clarify specific regulation sections.

As stated in HSC section 127671(b), the HPD was created because health care data is reported and collected through many disparate systems making it difficult to assess California’s health care system. This creates substantial barriers to improve health care in California. As such, the HPD’s purpose is to collect and centralize health care data from various sources and process the data in a way that can be used by the state and

¹ Health Care Payments Data Program: Report to the Legislature, dated March 9, 2020 (<https://hcai.ca.gov/wp-content/uploads/2020/12/HPD-Legislative-Report-20200306.pdf>).

² HPD Snapshot (<https://hcai.ca.gov/visualizations/healthcare-payments-data-hpd-snapshot/>).

public to learn and seek improvements in health care while protecting patient privacy.³

To address this problem, the HPD was created by statute to collect health care data from entities that make payments for health care (i.e., government health plans and commercial health plans and insurers). The December 2021 emergency regulations were promulgated to initiate HPD's first stage of data collection and identified mandatory data submitters, specified data to be collected, created a process for data submission, and set a timeline for data collection. The certification of the emergency regulations in November 2023 permanently adopted the HPD data collection regulations, updated and clarified specific regulations, and expanded on data collection requirements. To further expand on the required data collection efforts of the HPD, this proposed rulemaking will establish requirements and implementation for the collection of NCP data.

Although required by HPD statute, HCAI did not require the collection of NCP data in its initial HPD data collection regulations because there was no uniform file format for collecting this data at the time. NCP data is not included in the Common Data Layout for All-Payer Claims Databases (APCD-CDL™) by the APCD Council, which was incorporated by reference in the HPD's initial data collection regulations. Additionally, NCP data differs significantly from core APCD data. The HPD Legislative Report notes on page 29 that "capitation and other non-claims data are not typically housed in a health plan's claims processing system, nor attributable to health care procedures or claims on a one-to-one basis – these data must be collected in a file separate from claims and encounters." Based on recommendations made in the HPD Legislative Report, HCAI has been working with stakeholders, including the APCD Council and the National Association of Health Data Organizations (NAHDO), since the certification of the emergency regulations to develop file formats for uniform NCP data collection. NAHDO convened a feedback session with state APCD programs and submitters on February 28, 2024, to collect feedback on the proposed NCP data layouts. NAHDO subsequently published the newly developed NCP Data Layout™, Version 1.0⁴, released in April 2024. The NCP Data Layout™ is free to access on NAHDO's website⁵ to help health data programs across the country use this guidance. With the finalization of the NCP Data Layout™, this rulemaking is to adopt this new standard and to start collecting NCP data as required by HPD statute.

There are currently six states that collect NCP files: Colorado, Delaware, Maine, Massachusetts, Oregon, and Vermont. Additionally, Rhode Island intends to collect this data in the future. California is joining other states leading the way in the collection of NCP data which are health care related expenditures that do not appear in claims and encounter data. This information is necessary to calculate the total cost of care, which is an essential part of understanding what is driving increases in health care costs.

³ Health & Safety Code sections 127671(b) and (c), and 127673.5(a).

⁴ NCP Data Layout™, Version 1.0, released April 2024

(https://nahdo.org/sites/default/files/Resources/Data%20Layouts/NCP%20Data%20Layout_v1_FINAL.pdf).

⁵ NAHDO Data Layouts (<https://nahdo.org/datalayouts>).

III. BENEFITS OF THIS REGULATORY ACTION

This regulatory action is to adopt HPD regulations to collect NCP information including capitation, other alternative payment arrangements, and pharmacy rebates as required in HSC section 127673(b)(2) in an effort to expand the types of data being collected in the HPD. The data collected during the initial implementation of HPD in 2022 includes claims and encounters from health care payers but does not capture NCP information, which plays a major role in California’s health care market.⁶ As noted on page 33 of the *Program Report: Health Care Payments Data Program*, released in March 2024, millions of Californians across all payer types, including commercial, Medi-Cal, and Medicare, are enrolled in managed care plans that use some type of NCP for at least some of the services provided to their members. Collecting payment information for these types of services is essential to gaining a more complete picture of California’s health care system. By collecting, aggregating, and processing this data, the HPD will fulfill its statutory purposes to provide greater transparency about California’s health care system to the state and the public, which will be used to inform health care policy decisions.⁷ In turn, this will hopefully lead to improvements in public health, reduction of health disparities, advancement of health coverage, reduction of health care costs, and better oversight of the health care system and companies. Furthermore, regarding another statutory purpose for the HPD, it is hoped that the public and government agencies will use HPD data to “develop innovative approaches, services, and programs that may have the potential”⁸ to improve health care for Californians.

IV. THE PURPOSE AND NECESSITY OF EACH REGULATION

The following states the purpose and necessity of each proposed regulatory provision.

1. Article 1. Chapter Definitions

a. Section 97300(a) “APCD-CDL™”

The proposed amendment repeals the outdated parts in the definition of “APCD-CDL™”.

Through this definition, the December 2021 emergency regulations incorporated by reference Version 2.1 of the *Common Data Layout for All-Payer Claims Databases* or “APCD-CDL™”. In November 2023, HCAI was issued a certificate of compliance of the HPD Program Data Collection Regulations, making permanent the December 2021 HPD Program emergency regulations that established procedures for health care data collection and submission. The certificate of compliance also additionally incorporated by reference the updated Version 3.0.1 of the APCD-CDL™ into this definition, and through this definition, established a transition period from Version 2.1 to Version 3.0.1. HCAI fully transitioned to the new version of the APCD-CDL™, Version 3.0.1, on

⁶ Program Report: Health Care Payments Data Program, released March 2024 (<https://hcai.ca.gov/wp-content/uploads/2024/03/HPD-Report-to-the-Legislature-March-2024-1.pdf>).

⁷ Health & Safety Code section 127671(b).

⁸ Health & Safety Code section 127671(d).

February 17, 2024. This transition date was chosen due to HPD System technical requirements and limitations of accepting one data file specification format at a time. As such, Version 2.1 of the APCD-CDL™ is no longer relevant for HPD reporting requirements. It is therefore being removed from the definition of “APCD-CDL™”.

b. Section 97300(c) “Data Submission Guide”

HCAI is proposing to update the definition of “Data Submission Guide” to remove obsolete language and incorporate by reference the *Health Care Payments Data Program: Data Submission Guide*, Version 3.0, dated June 14, 2024. This definition incorporated by reference Versions 1.0 and 2.0 of the *Health Care Payments Data Program: Data Submission Guide* when HCAI’s certificate of compliance for the December 2021 emergency regulations was approved on November 17, 2023. The two prior versions of the Data Submission Guide (DSG) were incorporated by reference to match the associated versions of the APCD-CDL™ that were current at the time and to have a transition period between the two versions.

For this rulemaking, HCAI developed Version 3.0 of the DSG from Version 2.0 and added additional requirements regarding the collection of NCP data. With this update, Versions 1.0 and 2.0 of the DSG will no longer be applicable. See below for the discussion on the proposed changes in the DSG from Version 2.0 to Version 3.0.

HCAI proposes to incorporate by reference the DSG Version 3.0 through this definition because the DSG is mentioned in multiple regulations. For this reason, this definition is to incorporate by reference the DSG in one place and to identify the DSG using a simpler term instead of having to repeatedly describe it in multiple areas.

c. Section 97300(m) “NCP Data Layout™”

HCAI proposes to incorporate by reference the *NCP Data Layout™: A Data Layout for Non-Claims Payments*, Version 1.0, through this definition for “NCP Data Layout™”. The NCP Data Layout™ is mentioned in multiple regulations, and for clarity, HCAI would like to incorporate this document in one place and identify this document using a simpler term instead of having to repeatedly describe the document in multiple areas.

The reason why this document is being incorporated by reference will be discussed in the sections that require its usage.

2. Article 5. Data File Submission

The title of Article 5 is being updated from “Monthly Data File Submission” to “Data File Submission”. The word “Monthly” is being repealed from the title to note the expansion of this article to both monthly and annual data files. This is necessary because these proposed regulations now add requirements for the submission of annual data files when HPD only collected monthly data files before. As such, these HPD data collection regulations, including the method and due dates of data submissions; data files

contents; data file technical requirements; and test file and submission completion need to be expanded for annual data files.

a. Section 97340. Data Submission Method.

The title of Section 97340 is being updated from “Monthly Data Submission” to “Data Submission Method”. The word “Monthly” is being repealed from the title for the same reasons as for the article title change. Please see above for discussion on the necessity of this change. Furthermore, the word “Method” is being added to the title because the scope of this section is being narrowed and will no longer state due dates for data submission. This will also provide clarity that this section provides plans with the correct approach to submit data files to the HPD. As such, under Subsection (a), plans are required to submit all data files (i.e. both monthly and annual data files) through the data portal.

Subsection (b) is being repealed in Section 97340 because HCAI proposes to move this subsection to new Section 97341. Subsection (b) is more applicable under new Section 97341 because new Section 97341 will discuss due dates for both monthly and annual data submissions, as described below.

Subsection (c) is being repealed because it was originally adopted during the certificate of compliance to add a new time period for submission of January 2024 data files to make sure all January 2024 data files were under the new version of the APCD-CDL™. The regulation states that submissions for that month must be submitted on or after February 17, 2024, and by March 1, 2024. Since this deadline has passed and all data files must now be submitted under the latest version of the APCD-CDL™, HCAI is proposing to repeal Subsection (c) since this language is outdated and no longer applicable.

b. Section 97341. Data Submission Due Dates.

HCAI proposes adopting new Section 97341 to provide a separate section about due dates for submitting monthly and annual data files. HCAI removed due date requirements from Section 97340 and added them to this new section for clarity purposes because this rulemaking creates two different types of data files – monthly and annual data files. Since there are different timeframes for these data files, HCAI believed it would be clearer to have one section devoted to due dates alone.

HCAI is required to adopt regulations for HPD about “timelines for data submission...” and “frequency of submission of nonclaims payment data files” (HSC section 127673(e)(4) and (e)(6)). Section 97341 sets the frequency of data submissions as required by statute.

As described above, Subsection 97340(b) is being moved to this new section as new Subsection (a), which discusses due dates for both monthly and annual data submissions. The due date for submitting monthly data files by the first business day of

the second month after the report month is an existing regulation requirement that was just relocated to another regulatory section and has been there since the December 2021 emergency regulations.

For reasons why certain data files are collected on an annual basis, see discussion for Section 97342 below. This part describes the deadline for the annual files. Subsection (b) is being proposed to set the deadline for submission of annual data files. Through this regulation, HCAI proposes to establish this deadline as the last day of September of the year following the report year, and that a report year is a calendar year. To determine the date for submitting annual data files, HCAI conducted a survey (the Health Care Payments Data Program: Non-Claims Payment Data Collection Survey), of current HPD data submitters in January 2024 to learn current business processes. The survey asked questions to support development of these regulations regarding timeframes for submitting annual and monthly NCP data files, test files, and historical files. One question that was asked included the preferable due date for submitting annual data files after a calendar year. Of the 11 responses received, 7 respondents selected the “30th of September of the year following the report year” as the preferable due date for submitting annual data files. All survey respondents indicated they were fine with having a September due date for submitting annual data files. Following thorough consideration of input received from all stakeholders, HCAI selected a September 30 annual submission due date which aligns with the preference of most respondents. Furthermore, other states collecting similar data have annual submission dates in September, including Colorado (September 1)⁹ and Massachusetts (September 13)¹⁰, making it consistent and less burdensome for submitters submitting data to multiple states.

The subsection goes on to clarify that a report year is a calendar year. This clarification is necessary after one survey respondent provided additional feedback on the need to clarify the term “report year.” A calendar year was chosen as a reporting year rather than a fiscal year because it aligns with the HPD Program’s other reporting datasets from the core data being collected. This would allow calculations using NCP data to be applied consistently across the dataset. Furthermore, using a fiscal year as a reporting year would not align with the HPD Program and across plans because entities have different fiscal years. Public reporting for the HPD is based on the calendar year and thus the transition would be simpler from calendar year to calendar year.

c. Section 97342. Data File Contents.

This section is amended to start the collection of NCP data through the NCP Data LayoutTM. This section adds references to the NCP Data LayoutTM and identifies new

⁹ CIVHC Alternative Payment Model Data Submission Manual, released August 2023, page 4 (https://civhc.org/wp-content/uploads/2023/08/Alternative-Payment-Model-Data-Submission-Manual_DSG14_Final.pdf).

¹⁰ CHIA Data Specification Manual, Payer Reporting of Total Medical Expenses and Alternative Payment Methods, released July 2023, page 4 (<https://www.chiamass.gov/assets/docs/p/tme-rp/2023-TME-APM-Data-Specification-Manual.pdf>).

monthly and annual data files for NCP data from the NCP Data Layout™. As discussed above, HCAI is required to collect NCP data under HPD statute.¹¹

HCAI proposes to use and incorporate the NCP Data Layout™ into this section for the purpose of collecting NCP data for the following reasons. In developing HPD regulations regarding data content and file formats, HCAI is statutorily required to “consider national, regional, and other all-payer claims databases’ standards.”¹² The NCP Data Layout™ was developed by the APCD Council (convened by NAHDO and The University of New Hampshire) as a national standard for collecting NCP data and currently is the only national standard HCAI is aware of for this type of data. The entities that created the NCP Data Layout™ are also the same entities that developed the APCD-CDL™, which the HPD already uses and are trusted entities in this field who developed the NCP Data Layout™ with input from various stakeholders in health care, including HCAI. HCAI was heavily involved in the development of the NCP Data Layout™, including coordinating with NAHDO and the APCD Council and engaging with HPD plans and submitters to gather feedback. NAHDO convened a feedback session with the state APCD programs and submitters on February 28, 2024, to collect feedback on the proposed NCP data layouts. NAHDO subsequently published the newly developed NCP Data Layout™, Version 1.0, in April 2024. It is anticipated that the NCP Data Layout™ will be officially incorporated into the new version of the APCD-CDL™ in 2026. The NCP Data Layout™ will serve as the national standard for submission of NCP data until its incorporation into the APCD-CDL™.

While HCAI could have developed its own layout for collecting NCP data, it would have created yet another reporting format for plans to comply with. Instead, HCAI participated in the national standard setting forums hosted by NAHDO and the APCD Council and provided feedback for incorporating HPD requirements into the NCP layouts. The NCP Data Layout™ is a result of HCAI’s participation and engagement efforts. Additionally, as previously mentioned, HCAI is statutorily required to consider national, regional, and other all-payer claims databases’ standards under HSC section 127673(e)(4).

The NCP Data Layout™, like the APCD-CDL™, was developed specifically for efforts like the HPD and was based on standards used by health care entities for financial transactions. Furthermore, the NCP Data Layout™ was developed specifically to support uniform, efficient, and accurate NCP data collection for databases like the HPD. By utilizing the NCP Data Layout™, HCAI believes it will be able to collect the information “needed to determine the total cost of care” as required by HPD statute.¹³

HCAI proposes to amend Subsection (a) to make specific that this subsection is discussing the data files contents for monthly data files. This is necessary because of the addition of annual data files to HPD data collection under the NCP Data Layout™ and the new Subsection (b) which discusses the data file contents for annual data files. Furthermore, Subsection (a) is amended to include the NCP Data Layout™ as another

¹¹ Health & Safety Code section 127673(b), (b)(2) and (e)(6).

¹² Health & Safety Code section 127673(e)(4).

¹³ Health & Safety Code section 127673(b)(2).

standard submitters must comply with in addition to the DSG and the APCD-CDL™ because the NCP Data Layout™ include a new monthly data file for NCP data, the Capitation File.

Section 97342(a)(6) is being added to include the new monthly NCP data file, the Capitation File, which is from the NCP Data Layout™. Capitation Files contain data on payments for member-attributable services under a capitation arrangement and comes directly from the NCP Data Layout™. These payments are made on a more frequent basis than other types of NCP data and will therefore be collected monthly. This is also to be consistent with how the existing monthly data files are collected. Furthermore, Capitation Files are to be submitted monthly because capitation payments are payments associated with specific member enrollment data and therefore follow the same cadence of submission as the APCD-CDL™ member enrollment data that is currently collected in the HPD. As noted on page 33 of the *Program Report: Health Care Payments Data Program*, released March 2024, capitation payments are population-based and are usually per member per month.¹⁴ Since California is a large state with many enrollees, any larger time period, such as quarterly submissions, would result in prohibitively large file sizes that could create challenges in sending and receiving files. (HPD Legislative Report, page 66). Any smaller time period would be burdensome for submitters and HCAI to submit, process, and review submissions so frequently. Monthly submissions have a better balance in obtaining relevant data while accounting for potential technical issues and work that submitters and HCAI must do.

HCAI also proposes to adopt Subsection (b) for the new annual data files to be collected for HPD. These files are to be collected annually instead of monthly because as the data in these files can be from many sources, each on a different reporting cycle, there would be no advantage to HCAI in receiving this data on a monthly basis and greater advantage to the submitting plans to submit only once per year and utilize their financial reporting resources appropriately. The NCP Data Layout™ includes new data files, Annual Payment Files and Pharmacy Rebate Files. As noted on page 33 of the *Program Report: Health Care Payments Data Program*, released March 2024, these payments are contract-based (vs. member-based), vary by plan, and may be complex. As such, submitting these files annually would be easier for the submitting plans and has no impact to HCAI.

Under Section 97342(b)(1), Annual Payment Files contain data on contractually based non-claims payments and comes directly from the NCP Data Layout™. Under Section 97342(b)(2), Pharmacy Rebate Files contain data on prescription drug rebate payments and comes directly from the NCP Data Layout™ as well.

As stated, the three types of NCP data files (Capitation, Annual Payment, and Pharmacy Rebate) are the types of information HPD is required to collect under HSC section 127673(b). The three file types contain individual data elements, data types, field lengths, and field description/code assignments, which are discussed in the

¹⁴ Program Report: Health Care Payments Data Program, released March 2024 (<https://hcai.ca.gov/wp-content/uploads/2024/03/HPD-Report-to-the-Legislature-March-2024-1.pdf>).

proposed DSG Version 3.0 and the NCP Data Layout™.

d. Section 97344. Data File Technical Requirements.

Section 97344 is amended to include the NCP Data Layout™ as another standard submitters must comply with in addition to the DSG and the APCD-CDL™ to ensure the NCP data files being submitted adhere to the required specifications.

3. Article 5.5. Special Rules for Program Opening and Historical Data Submission

a. Section 97350. Preparation for Historical Data Submission.

HCAI proposes to update Subsection (a) to specify that only dental plans are required to use the test function to prepare for historical data file submission. All other submitters have completed this requirement, as described below. Dental plans were onboarded on a separate timeline than other mandatory submitters and thus may not have completed testing yet at the time of these proposed regulations.

HCAI proposes to repeal Subsection (b). This subsection, which excludes dental plans who are on a different timeline, was originally adopted because HCAI wanted to have a deadline for plans, except dental plans, to test their historical file submissions to make sure historical file submission went smoothly. At the time HCAI filed the certificate of compliance of the emergency regulations in 2023, not all plans subject to this subsection had completed testing. Since then, all such plans have completed testing and as such, this subsection is no longer needed.

HCAI proposes to adopt new Subsection (c) to clarify that Section 97350 does not apply to historical data file submissions for NCP data collection (i.e. Capitation Files, Annual Payment Files, and Pharmacy Rebate Files). HCAI believes that all submitters, by the time they must submit these NCP files, will be familiar with submitting data to the HPD and thus, will not need to go through testing to successfully submit these historical files.

b. Section 97351. Historical Data Files.

Subsection (a) is being repealed, which originally required non-dental historical data to be filed by October 28, 2022. HCAI has since been able to collect historical data from all initial plans pursuant to this subsection and therefore wishes to repeal this regulation as it is no longer needed.

HSC section 127673(h)(1) requires HCAI to “seek data for the three years prior to the effective date of this chapter,” which was June 29, 2020.¹⁵ Thus, HPD statute states that HCAI must attempt to obtain data from June 29, 2017, to June 29, 2020, for HPD. HPD statute also requires HCAI to be able to “provide data for no less than three years”

¹⁵ The effective date is from the approval date of Assembly Bill 80 (2019-2022 Reg. Sess.). Per section 75 of the legislation, this bill was a budget bill that immediately took effect upon approval.

and authorizes HCAI to “seek data for longer time periods to support the intent” of HPD (HSC section 127673(h)(2)). Furthermore, the HPD Legislative Report recommended to also collecting at least three years of data, which “will allow for calculation of the initial measures over multiple years and support some analysis of trends.”¹⁶

For this reason, HCAI is proposing to adopt Subsection (b) to collect monthly historical Capitation Files beginning from June 29, 2017, through July 31, 2025. This covers the statutorily mandated time period under HSC section 127673(h)(1). This also covers the time period from July 2020 through July 2025, which is between the end of the statutorily mandated time period for historical data and the anticipated implementation of NCP data collection. HCAI is authorized to collect data for this additional period under HSC section 127673(h)(2) to support the intent of HPD and to ensure the database is complete. If this additional data past the three-year requirement is not collected, HPD data would be incomplete which would affect data quality and impair future state and public data analyses. Subsection (b) of this regulation also requires the historical data to be filed by September 1, 2025. HCAI believes this is enough time for submitters to be able to submit this data to HPD and aligns with HPD’s current monthly data collection processes. Once historical files are submitted by September 1, 2025, regular monthly data file submissions will occur with the August 2025 reporting month and be due on October 1, 2025 (as indicated in section 97352 below), ensuring there are no gaps in data reporting. HCAI also stated the deadline for this reporting of historical data to be September 1, 2025, because this delayed time period, between the effective date of these regulations and the September 1, 2025, deadline, gives sufficient time for submitters to prepare and submit this data.

HCAI is proposing to adopt Subsection (c) to collect historical Annual Payment Files and Pharmacy Rebate Files from June 29, 2017, through December 31, 2023. Similar to the justification for collecting monthly historical Capitation Files, this time period covers the statutorily mandated time period under HSC section 127673(h)(1). This also covers the time period from July 2020 through December 2023, which is between the end of the statutorily mandated time period for historical data and the end of the annual period prior to the anticipated implementation of this rulemaking. HCAI is authorized to collect data for this additional period under HSC section 127673(h)(2) to support the intent of HPD and to ensure the database is complete. If this additional data past the three-year requirement is not collected, HPD data would be incomplete which would affect data quality and impair future state and public data analyses. Subsection (c) also requires the historical data to be filed by July 31, 2025. As previously mentioned, HCAI conducted a survey to HPD’s health plans and submitters in January 2024 to better understand the timeframes for submitting monthly and annual NCP data files, test files, and historical files to HPD. One question that was asked in the survey was about the feasibility of providing annual historical data files by Quarter 3 of 2025. A majority of respondents replied that they would be able to provide annual historical files by Quarter 3 of 2025. HCAI selected the last day of July 2025 as the due date for submitting annual historical files in accordance with survey results and to provide separation for submitters

¹⁶ Health Care Payments Data Program: Report to the Legislature, dated March 9, 2020, page 20 (<https://hcai.ca.gov/wp-content/uploads/2020/12/HPD-Legislative-Report-20200306.pdf>).

between due dates for the initiation of data submissions.

c. Section 97352. Initiation of Monthly Data File Reporting.

This section was a special rule to begin regular data collection for the HPD. Generally, this section is being altered to repeal obsolete subsections and to add new sections about NCP data.

HCAI proposes to repeal current Subsections (a), (a)(1), and (a)(2). Repealing current Subsections (a) will adjust the sequencing of Section 97352 so that current Subsection (b) would be renumbered as new Subsection (a).

Current Subsection (a)(1) originally set a timeline for non-dental plans to start monthly reporting of non-dental HPD data for the month of November 2022 and Subsection (a)(2) set a deadline of February 1, 2023, for these entities to submit non-dental data for the rest of 2022 from January through October. A delayed time period from the start of HPD to monthly reporting was needed to give HPD's initial data submitters enough time to prepare for data submission and to allow them time to report historical data. Current Subsection (a)(2) also gave non-dental plans the option of providing monthly data before November 2022. This was to give plans flexibility and the ability to submit data earlier in order to make it less burdensome these entities to comply with HPD as the HPD System will be ready to accept this data earlier. All initial plans are up to date with the monthly data file reporting pursuant to this subsection. Therefore, HCAI wishes to repeal this subsection as it is no longer needed.

HCAI proposes to adopt new Subsection (b) to require the initial monthly reporting of Capitation Files to begin for the month of August 2025, which must be submitted by October 1, 2025. HCAI was required to adopt regulations for HPD about "timelines for data submission, and the methods of data collection..." (HSC section 127673(e)(4)). This regulation sets timelines to start the collection of Capitation Files.

Requiring monthly submission for Capitation Files to start for the month of August 2025 gives submitters a delayed time period to start reporting from the effective date of this rulemaking. HCAI did this because it believes this gives submitters a reasonable amount of time to prepare for this submission after these regulations are effective, allowing submitters to prepare the data and to submit a test file as necessary to address any potential issues and ensure successful submission. The deadline of October 1, 2025, aligns with HPD's collection process for current monthly data file submissions as stated in section 97341 and this deadline is specified to provide clarity.

d. Section 97353. Initiation of Annual Data File Reporting.

Section 97353 is being adopted to start the new annual data file reporting created by this rulemaking (i.e. Annual Payment Files and Pharmacy Rebate Files). As discussed above, HCAI was required to adopt regulations for HPD about "timelines for data submission, and the methods of data collection..." (HSC section 127673(e)(4)).

This section requires submitters to start submitting annual data files for the calendar year 2024, which is consistent with new Section 97341 and also requires submitters to submit the initial annual data files by September 30, 2025. Like above, HCAI believes that this delayed time period between the adoption of these regulations and this start time gives submitters sufficient time to prepare for this data submission and the ability to submit a test file at the submitter's option to address any potential issues and ensure successful submission. The deadline of September 30, 2025, aligns with HPD's collection process for annual data file submissions as stated in section 97341 and this deadline is specified to provide clarity.

4. Data Submission Guide, Version 3.0

This discusses Version 3.0 of the DSG, dated June 14, 2024, which HCAI proposes to replace prior versions of the DSG (as discussed above regarding the definition of "Data Submission Guide") and to incorporate by reference as part of this regulatory action. Below identifies the changes that are being made to Version 3.0 from Version 2.0.

New additions to the Data Submission Guide Version 3.0 are italicized and deletions from the previous Version 2.0 are struck through. The italicized and deleted information will be marked in the rulemaking version of the DSG Version 3.0 and removed in the final version of the DSG Version 3.0.

Cover Page and footers of all pages: The date of the DSG was revised to June 14, 2024. The Version number was revised from Version 2.0 to Version 3.0.

"Document Change Log": HCAI added a section to detail changes made in each version of the document, this enables the submitter to focus on sections that are new or modified during their implementation. Inclusion of the Document Change Log replaces the section in Version 2.0 entitled "Key Updates in this Version."

Part 1 of DSG, "Introduction": HCAI added explanation of the NCP Data Layout™ and its inclusion in the DSG and included directions for a submitter to locate a copy of the NCP Data Layout™. HCAI removed the reference included in Version 2.0 that provided guidance on the usage of DSG Version 1.0 versus DSG Version 2.0 based on the date of February 17, 2024, as this date is in the past and has no further relevance to the HPD implementation.

Part 4 of DSG, "Key Updates in this Version": This was previously Part 4 of the DSG Version 2.0. HCAI removed this section and replaced it with the "Document Change Log." HCAI kept the numbering in place and added language that Part 4 was "intentionally omitted" to keep the same numbering in place for Part 5.

Part 5 of DSG, "File Intake Specifications": HCAI added reference to the NCP Data Layout™ and specifically described when the APCD-CDL™ version 3.0.1 was to be

used and when the NCP Data Layout™ were to be used by submitters.

Part 5.1 of DSG, “File Header”: HCAI added reference to the file types included in the NCP Data Layout™ in the Notes for field CDLHD005.

Part 5.2 of DSG, “File Trailer”: HCAI added reference to the file types included in the NCP Data Layout™ in the Notes for field CDLTR005. And included reference to NCP Data Layout™ fields in CDLTR007.

Part 5.6 of DSG, “Dental Claims File”: HCAI corrected a typo from the previous version by removing the row in the table for CDLDC156 as there is no such field in the APCD-CDL™.

New Parts 5.8 to 5.10 of DSG:

HCAI added these new sections because of the incorporation of the NCP Data Layout™ to these regulations. These are just like previous Parts 5.1 to 5.7 and these new sections are the tables of data elements from the NCP Data Layout™ that must be submitted and includes the data element number, name and whether the data element is “required” or “situational,” and any notes specific to a data element for clarification. These are needed to clarify the information that needs to be provided for each data element and to make sure the proper values are inputted for the data elements.

V. TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS RELIED UPON

HCAI relies on *The Health Care Payments Data Program: Report to the Legislature*, dated March 9, 2020 (referred to as “HPD Legislative Report” above), prepared by the Office of Statewide Health Planning and Development (HCAI’s former name). HCAI was required to prepare this report for the California Legislature based on input from a review committee composed of health care stakeholders and experts about how HPD should be implemented. (See Assembly Bill 1810, section 23 (2017-2018); and HSC section 127672(d) (2019) [requiring HCAI to create the legislative report for HPD]).

HCAI relies on the *Program Report: Health Care Payments Data Program*, released in March 2024, prepared by HCAI. HCAI was required to prepare this report for the California Legislature to update it on the HPD Program status. (HSC section 127673(k)).

HCAI relies on the *Health Care Payments Data Program: Non-Claims Payment Data Collection Survey*, sent to submitters and plans from HCAI on January 23, 2024. The survey was conducted to learn about the business processes for submitting NCP data files to HPD, and the results helped inform in the development of these regulations.

HCAI relies on the *Health Care Payments Data Program: Non-Claims Payment Data Collection Economic Impact Survey*, sent to submitters and plans from HCAI on March 1, 2024. The survey was conducted to estimate the economic impact of health

plans and submitters for complying with NCP data collection, and the results helped inform the economic impact analysis of these regulations.

VI. REASONABLE ALTERNATIVES

No other reasonable alternatives were presented to, or considered by, HCAI that would be either more effective in carrying out the purpose of which these regulatory actions as proposed or would be as effective and less burdensome. Alternatives to specific regulatory sections, when considered, are discussed above in Part IV of this Initial Statement of Reasons.

VII. ECONOMIC IMPACT ASSESSMENT/ANALYSIS

HCAI believes this regulation is a minor reporting requirement for health plans, health insurers, and other mandatory data submitters to the HPD based on a survey provided to mandatory data submitters. During the development of these regulations, HCAI released a survey to all currently registered plans, submitters, and anticipated mandatory dental plans to better understand the one-time cost, ongoing system costs, and types of jobs created or eliminated to comply with NCP data collection. Six registered health plans and one registered delegated submitter provided feedback on the survey. The registered delegated submitter represents two public self-insured entities and one registered health plan. Although no dental plans responded to the survey, HCAI anticipates that dental plans will not have NCP data to report because their services are typically submitted on a fee-for-service basis.

All respondents indicated that no jobs would need to be eliminated. As a result, HCAI determines that though there will be a minor economic impact, HPD plans and submitters will be able to absorb the one-time and ongoing costs for NCP data collection into existing business processes.

Based on the above reasoning, HCAI concludes that this regulatory action will:

1. Likely not create jobs within the state;
2. Likely not eliminate jobs within the state;
3. Not create new businesses within the state;
4. Not eliminate existing businesses within the state;
5. Not affect the expansion of businesses currently doing business in the state; and
6. Not have any anticipated benefits to worker safety or the state's environment.

This regulatory action would benefit the health and welfare of California residents. The benefits of this proposed regulatory action are further detailed in the benefits section of this document.

VIII. FACTS SUPPORTING FINDING NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

HCAI has determined that there will be no significant adverse economic impact on any businesses in California. To understand what potential economic impacts there may be to HPD data submitters, HCAI released a survey to all currently registered plans, submitters, and anticipated mandatory dental plans. The survey assessed the one-time cost, ongoing system costs, and types of jobs created or eliminated to comply with HPD non-claims payment data collection. A total of six registered health plans and one registered delegated submitter responded to the survey, with the registered delegated submitter representing two public self-insured entities and one registered health plan. Although no dental plans responded to the survey, HCAI anticipates that dental plans will not have NCP data to report because their services are typically submitted on a fee-for-service basis.

The total covered lives served by these health plans and insurers range from 13,000 to 8.2 million. Plans at the lower range of total covered lives membership (with annual revenues of at least in the hundreds of millions of dollars¹⁷) indicated that the estimated one-time cost would be \$50,000 or less, and estimated ongoing annual costs would be \$25,000 or less. This is compared to plans at the higher range of total covered lives membership (with annual revenues in the tens of billions of dollars¹⁸), who indicated that the estimated one-time cost was between \$300,001 and \$500,000, while estimated ongoing annual costs would be between \$25,001 and \$50,000.

Based on the results of the survey, HCAI estimates the total one-time cost for all submitters implementing the requirements of NCP data collection regulations to be approximately \$2,300,007. HCAI also estimates the total ongoing annual costs for all submitters implementing the requirements of NCP data collection regulations to be approximately \$375,003. The total statewide cost to comply with this regulatory action for initial start-up costs and the first year of annual costs will be approximately \$2,675,010.

The results of the survey conclude that there is an economic impact to registered plans and submitters. However, the impact will not eliminate jobs. One respondent concluded that the requirements of NCP data collection will likely create an estimated one to three jobs. This supports HCAI's position that this regulatory action does not have any significant adverse economic impact on businesses required to report NCP data to the HPD Program.

¹⁷ Information from the California Department of Managed Health Care, "Health Plan Financial Summary Report," available at <https://wpsso.dmhc.ca.gov/flash/> (last visited on March 22, 2024).

¹⁸ See above footnote.