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State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
Governor

DATE: July 30, 2014

ALL PLAN LETTER 14-009

**TO:** ALL MEDI-CAL MANAGED CARE HEALTH PLANS

**SUBJECT:** TRANSITION OF ENCOUNTER DATA SUBMISSION TO NATIONAL STANDARD TRANSACTIONS (ASC X12 837 5010, NCPDP 2.2 or 4.2)

**PURPOSE:**

The purpose of this All Plan Letter (APL) is to describe the requirements for all Medi-Cal managed care health plans (MCPs) to transition encounter data submission to the Department of Health Care Services (DHCS) using national standard transactions (ASC X12 837 5010 and NCPDP 2.2 or 4.2) no later than October 1, 2014, unless otherwise specified by DHCS.

**BACKGROUND:**

Medi-Cal MCPs have traditionally met their contractual requirement to submit encounter data to DHCS utilizing a variety of proprietary and standard formats. Most MCPs primarily submit encounter data to DHCS in the Encounter Data Format (EDF) in accordance with the "Encounter Data Element Dictionary for Managed Care Plans, Version 2.0." Other MCPs primarily submit professional and inpatient encounter data to DHCS in the S-35C format in accordance with the "Paid Claims and Encounters Standard 35C-File Data Element Dictionary, Version 1.9," and pharmacy data in the National Council for Prescription Drug Programs (NCPDP 2.2) format.

The proprietary formats, however, are no longer sufficient to provide the level of detail about the services rendered to meet state and federal Medicaid monitoring and reporting requirements. In addition, the proprietary formats will not accommodate ICD-10 Diagnosis Codes which Medi-Cal MCPs must report to DHCS for covered health care services rendered on or after October 1, 2015 in accordance with HIPAA requirements. In response to these challenges, the DHCS Office of HIPAA Compliance (OHC) developed the Encounter Data Capture and Transmission (EDCT) system to receive and process encounter data in the national standard transactions, ASC X12 837 5010 and NCPDP 2.2 and 4.2.

DHCS anticipates additional benefits resulting from this transition. Upon approval to submit encounter data to EDCT, MCPs will no longer be required to submit separate pharmacy and Physician Administered Drug (PAD) files to DHCS for the state Pharmacy Rebate Program in accordance with the Affordable Care Act. Instead, DHCS

will extract the pharmacy and PAD data necessary to collect drug rebates from each MCP's standard encounter data submissions. Also, by transitioning to the national standard transactions, DHCS anticipates improved encounter data quality by eliminating the need for MCPs to translate data into DHCS' proprietary formats. As a single pathway for all Medi-Cal managed care encounter data, EDCT will improve DHCS' overall encounter data quality through increased uniformity of submission and editing processes for all Medi-Cal MCPs. In addition, EDCT will significantly enhance DHCS' ability to measure encounter data quality and provide useful feedback to Medi-Cal MCPs on a timely and routine basis.

The transition to encounter data submission in national standard transactions through the EDCT system is a joint effort between OHC, DHCS' Information Technology Services Division (ITSD), DHCS' Medi-Cal Managed Care Division (MMCD) and all Medi-Cal MCPs. MMCD will oversee this transition from a policy and compliance perspective while OHC will oversee the technical requirements and MCP system testing.

## **REQUIREMENTS:**

### EDCT Plan Readiness

OHC sent an EDCT plan-readiness survey to each Medi-Cal MCP in late 2013 and used the responses to determine the chronological order of each MCP's transition. Each MCP's transition process commences with an initial conference call, coordinated by MMCD, to discuss the timeline and requirements for the transition. MCPs then receive a request from OHC for the contact information of MCP staff designated to have access to the Secure File Transfer Protocol (SFTP) folder that is used to submit encounter data files. MCPs also receive test Client Index Numbers (CIN) to use during the submission of test data. Once SFTP folder access is established and test CINs are provided, MCPs may begin system testing with EDCT and receive one or more response files from DHCS for each test file submitted.

DHCS has identified multiple test cases required to determine each MCP's ability to successfully submit compliant transactions. A document providing more detailed information about the testing process, "Managed Care Encounters Transition Planning," was shared by OHC with all MCPs and remains available upon request. In addition to having the systematic ability to create and submit files, and retrieve response files, MCPs must be able to meet the data requirements for the transactions. This includes the use of national standard codes and provider identifiers. Encounter records containing non-standard (local) codes will be denied in testing and production.

### Encounter Data Submission to EDCT

During each Medi-Cal MCP's transition, the Encounter Data Quality Unit (EDQU) within MMCD will conduct an assessment of the MCP's encounter data processes and a

review of its historical encounter data. If, during this review, EDQU identifies any deficiencies in the historical encounter data, the MCP may be required to remediate the deficiencies prior to transitioning. In addition, the MCP may be required to submit all current encounter data, including pharmacy and PAD rebate data, in the EDF and S-35C formats prior to transitioning. Upon successful completion of system testing with OHC and final approval by MMCD, MMCD will provide official notice to the MCP that it may cease encounter data submissions in the EDF and S-35C formats. The MCP may no longer submit encounter data to DHCS in the EDF and S-35C formats after MMCD issues this notice.

After MMCD notifies an MCP that it may cease encounter data submission in the EDF and S-35C formats, OHC must make additional preparations before the MCP may submit production encounter data to EDCT. Consequently, the MCP may not begin to submit production encounter data to EDCT until MMCD provides a second official notice authorizing it to do so. MMCD intends to provide this second notice within one month of the first notice so that MCPs are able to meet their monthly encounter data submission requirements.

Medi-Cal MCPs must begin to submit encounter data for all services for which they have incurred any financial liability, whether directly or through subcontracts or other arrangements, using ASC X12 837 5010 and NCPDP 2.2 or 4.2 transactions to EDCT no later than October 1, 2014, unless otherwise specified by DHCS.

If you have any questions regarding the requirements in this APL, please contact Aaron Toyama, Chief of the Program Data Section, Medi-Cal Managed Care Division, at [aaron.toyama@dhcs.ca.gov](mailto:aaron.toyama@dhcs.ca.gov) or [MMCDEncounterData@dhcs.ca.gov](mailto:MMCDEncounterData@dhcs.ca.gov).

Sincerely,

*Original Signed by Margaret Tatar*

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Acting Deputy Director  
Health Care Delivery Systems