



INTRODUCTORY GUIDE

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1.0 EXECUTIVE SUMMARY

The purpose of this document is to introduce the Unemployment Insurance (UI) State Information Data Exchange System (referred to hereafter as **SIDES**) to potential new participants so that you may learn more about the system and what participation will entail for your organization.

The intended audience is the high level senior managers and other immediate staff who are deciding whether to pursue use of **SIDES**. We hope that you will read this carefully, make notes of questions you have, and share it with the appropriate staff who will be critical to a successful implementation should you choose to undertake it.

This document will highlight the advantages of adopting **SIDES**, but it will also give a realistic picture of what implementation will require. We will present the features and benefits of **SIDES** so that you will be able to appreciate what the system is capable of doing for your organization. That said, each organization is different and will have varying levels of effort required to successfully implement **SIDES**. Given different existing processes and technical capabilities, your implementation may be very simple and require very little effort or it may entail considerable changes to the way you currently conduct your operations. We will make every effort to provide the support you need, regardless of your individual circumstances, starting with giving you the questions you need to answer before you get started.

Finally, while this document is offered as a high level overview and is comprehensive, it also details the more extensive documentation to which you will have access once your organization decides to implement **SIDES**. This additional documentation includes materials to help you with your implementation, extensive and detailed technical documentation for developers, and peripheral materials such as a glossary of terms, and staff orientation/training materials.



1.1 Project information – Background and Looking Ahead

In 2004 the Information Technology Support Center (ITSC) undertook a project to evaluate the various questions and approaches to separation information data collection instruments that state

UI agencies use to obtain required information from employers and Third Party Administrators (TPAs).

In 2005, an effort was launched to develop and test a standardize format for separation requests to large multi-state employers and TPAs. Twelve states, four large employers, and two TPAs were involved in the project.

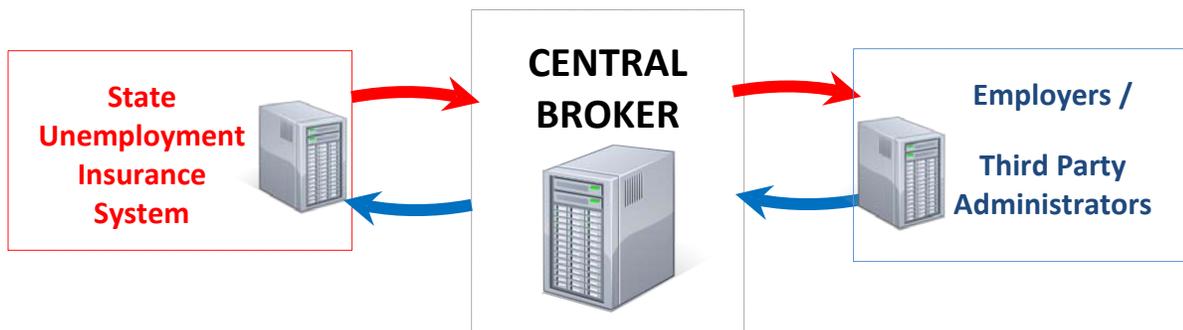
In September 2006, six state UI agencies (CO, GA, ID, OH, UT, & WI) met to formulate plans for the **SIDES** system to be implemented with a reasonable number of employers and/or TPAs. Five of the states (CO, GA, OH, UT, & WI) formed a group to develop and implement the standard specifications for a Web service-based electronic exchange of separation information with a group of multi-state employers/TPAs (ADP, TALX and J.C. Penney). During this effort a sixth state (NJ) joined the five states to develop and implement SIDES. In February 2010, the Separation Information exchange component of SIDES went into full production.

Participation in the **SIDES** system is now being expanded to include additional states, employers, and TPAs that want to take part in the electronic exchange of separation information. Phase II expansion includes ten additional states and four additional TPAs who joined the SIDES effort. These participants are currently developing their connector and its interface to their internal systems. Phase III expansion, which started in the fall of 2010, includes six additional states joining the SIDES program for a total of 22 States and 7 Employers / TPAs. In April 2011, the Earnings Verification Exchange was completed and it is ready for production. Work began on the Monetary and Potential Charges Exchange, which will be ready for use by the end of 2011. Additional exchange formats are being developed, and contingent upon participation and funding, these enhancements will be rolled out as the program progresses.

1.2 What Exactly IS **SIDES**?

SIDES is, at its most fundamental, an electronic message broker for state agencies, employers, and third party administrators. This communication is managed by a **Central Broker** that uses Web services (a computer-to-computer Internet connection).

The rest of this document will explain in more detail why and how **SIDES** can help you.



2.0 WHO USES SIDES AND WHY

SIDES currently provides a method for states, and employers / TPAs to improve timeliness, accuracy and reduce costs by creating an electronic exchange of information using a standardized, secure mechanism with data validations that are strictly enforced to prevent the transfer of incomplete or incorrectly formatted data.

SIDES can be thought of as a strategic program and partnership between states, and employers / TPAs. Through this cooperative effort, the **SIDES** participants work together to implement and add standardized data exchanges that will ultimately accommodate the majority of information exchanged between states, and employers / TPAs.

The first data exchange application, Separation Information Exchange, went into production operations in February 2010. The Separation Information exchange allows for complete and comprehensive collection of employer UI information, which provides cost savings through increased speed and accuracy of determinations, and fewer improper payments.

The Earnings Verification exchange is ready for production operations as of April 2011. This exchange helps states reduce improper payments through verifying earning by claimants who appear to be working and collecting UI benefits simultaneously.

The Monetary and Potential Charges exchange is in development and will be completed late in 2011. States send monetary eligibility and potential charge information electronically to an employer. If the employer / TPA believes information is incorrect, they can electronically file an appeal or protest the potential charges. In the future, other exchange applications (Appeal Decisions, Benefit Chargeback Notices, etc.) will use **SIDES** to transfer information between the state, and employer / TPA.

2.1 States

The Problem: (FY2010)

- 11.3% or \$7.1 Billion in overpaid benefits
- Separation issues account for 19.1% of all overpayments
- \$1.4 Billion in overpayments due to separation issues
- Staff workloads
- Resources/funding
- 48 States failed to make Timely separation determinations (80% within 21 Days)
- 31 States failed to achieve the criterion for Quality separation determinations (75% of the determinations scoring 95 points or more)
- Working and receiving benefits account for \$2.1 Billion or 29.3% of overpayments

The Benefits:

- **Cost savings through smaller:**
 - postage and handling costs;
 - follow-up efforts to obtain complete and correct employer Separation Information and earnings information;
 - improper benefit payments (improved quality because of standardized questions and in some cases a more detailed request for UI information);
 - minimizing the number of claimants who work and do not report their earnings while receiving UI benefits;
 - number of improper benefit payments;
 - number of appeals filed due to lack of quality information for original determination.

- **Speed and accuracy through:**
 - improved completeness and accuracy of information;
 - reduced time spent on fact-finding interviews as the detailed employer information is submitted electronically;
 - easier/better control and management of UI information request workload;
 - improved employer timeliness for returning UI information;
 - increased number of earnings verification cases can be processed;
 - eliminating mail time;
 - information receipt confirmation;
 - re-send capability;
 - easier capability to send attachments; and
 - edit checks for quality of responses based on business rule validation requirements.

- **Standardization:** because each employer or TPA is connecting to the same common Web service application with the same fields, in the same place, with the same requirements for completing them, states can be assured that they will be receiving higher quality data.



2.2 Employers / Third Party Administrators

The Problem:

- Incorrect separation decisions can contribute to higher employer tax rates
- Limited time available to provide earnings information responses
- Claimants working and collecting UI benefits result in higher employer tax rates
- Limited time for separation information responses
- Lack of certainty about information required by each state, resulting in follow-up contacts
- Unnecessary appeal hearings
- Security of paper-based personal information
- Different formats for each state
- Costs associated with imaging and postage
- Costs associated with unnecessary charges and staff time



The Benefits:

- Easier to anticipate needed information and prepare replies, due to standard questions across all participating agencies
- Automation of requests and responses reduces staff time handling paper responses which also simplifies staff training
- Lower paper and mail handling costs
- Fewer follow up calls to obtain complete and accurate information
- Increased time to review information by eliminating return mail time
- Better audit control (for example, confirmation of receipt)



3.0 HOW SIDES WORKS – AN OVERVIEW

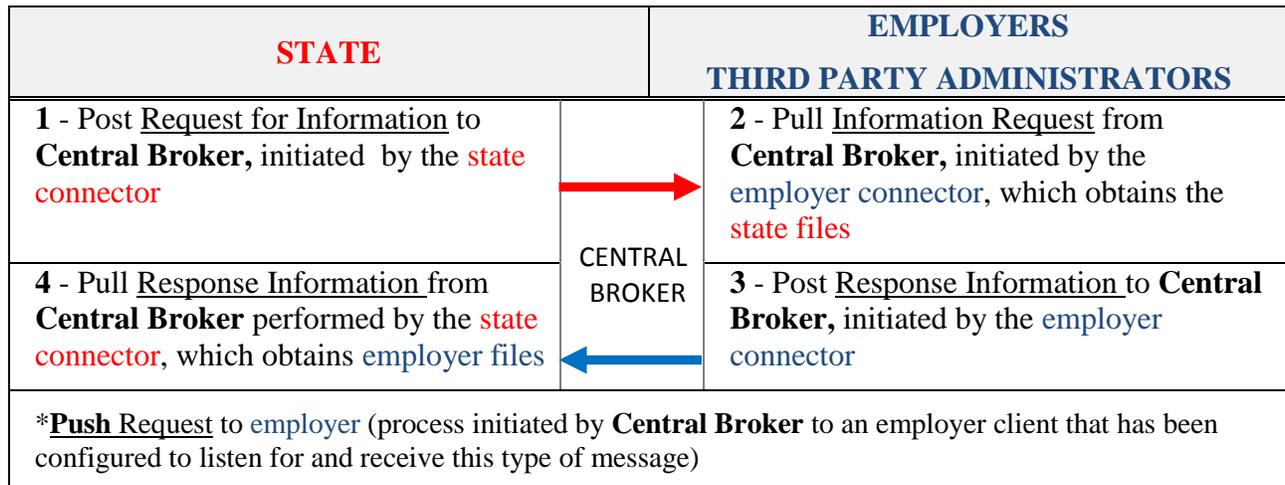
As stated briefly above, **SIDES** is an electronic message broker for electronic communication between state agencies and employers or third party administrators. These communications are managed by a **Central Broker** that uses Web services (a computer-to-computer Internet connection).

The **Central Broker** is best compared to the U.S. Postal Service – an intermediary that relays mail to and from anyone wishing to use the system, following certain rules.

The **core system functions** are:

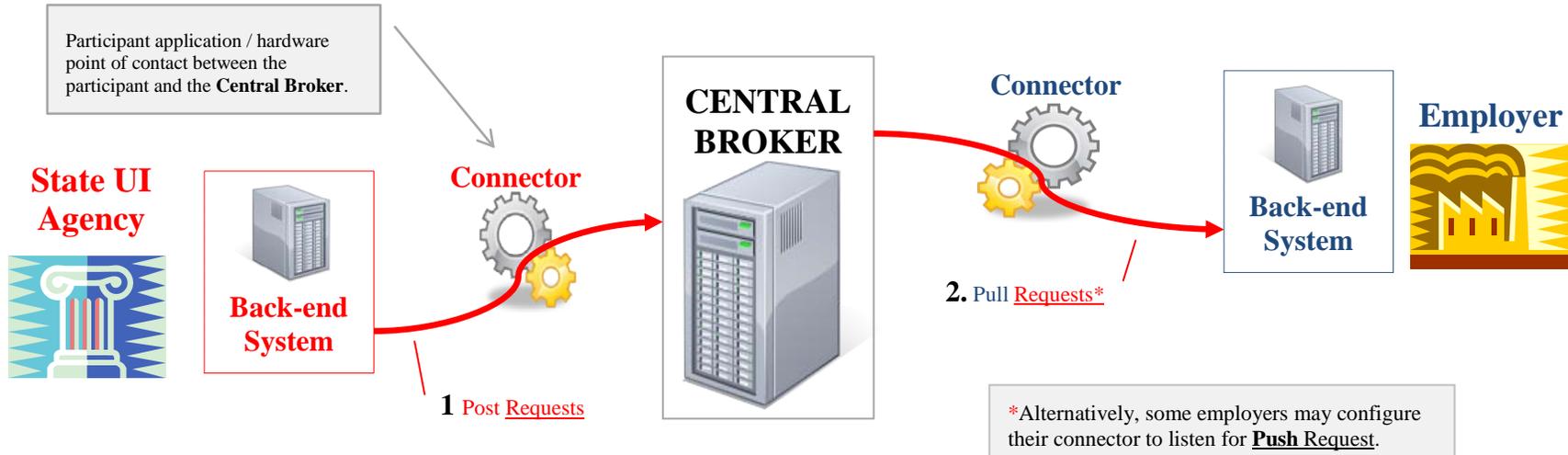
- Secure and encrypt messages; authenticate requests and messages
- Perform Request/Response Messaging (establish computer-to-computer communication)
- Validate requests and responses
- Repeat failed transmissions
- Report on transfer activity
- Calculate and provide metrics

There are three main operations that make up the communication between the connectors and the **Central Broker**: **posting** information, **pulling** information, and **pushing*** information. These three main operations are implemented as “flows” between the connector clients and the **Central Broker**:

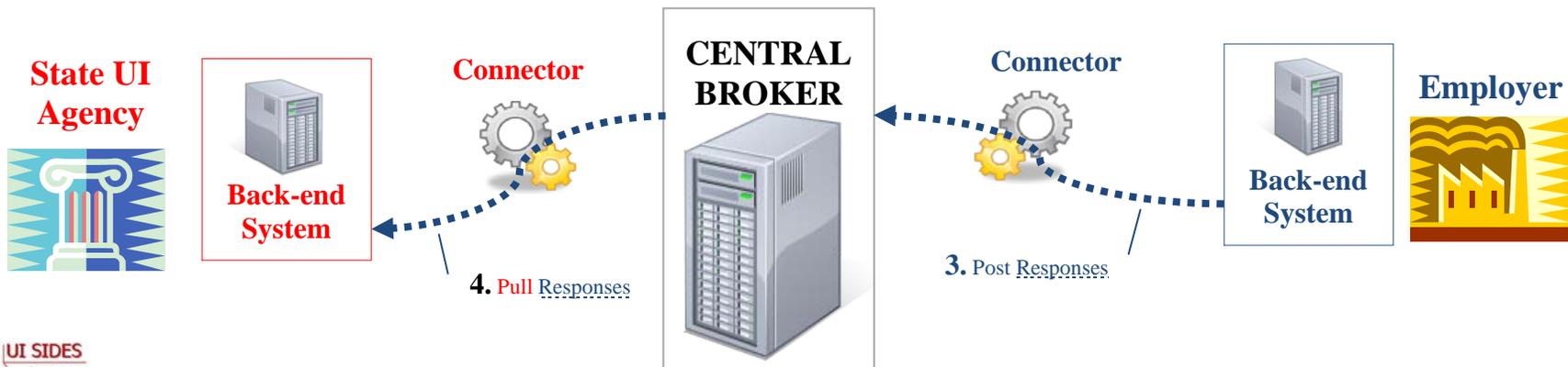


Detailed SIDES and Participant Communication Flows

State Information Request to Employer

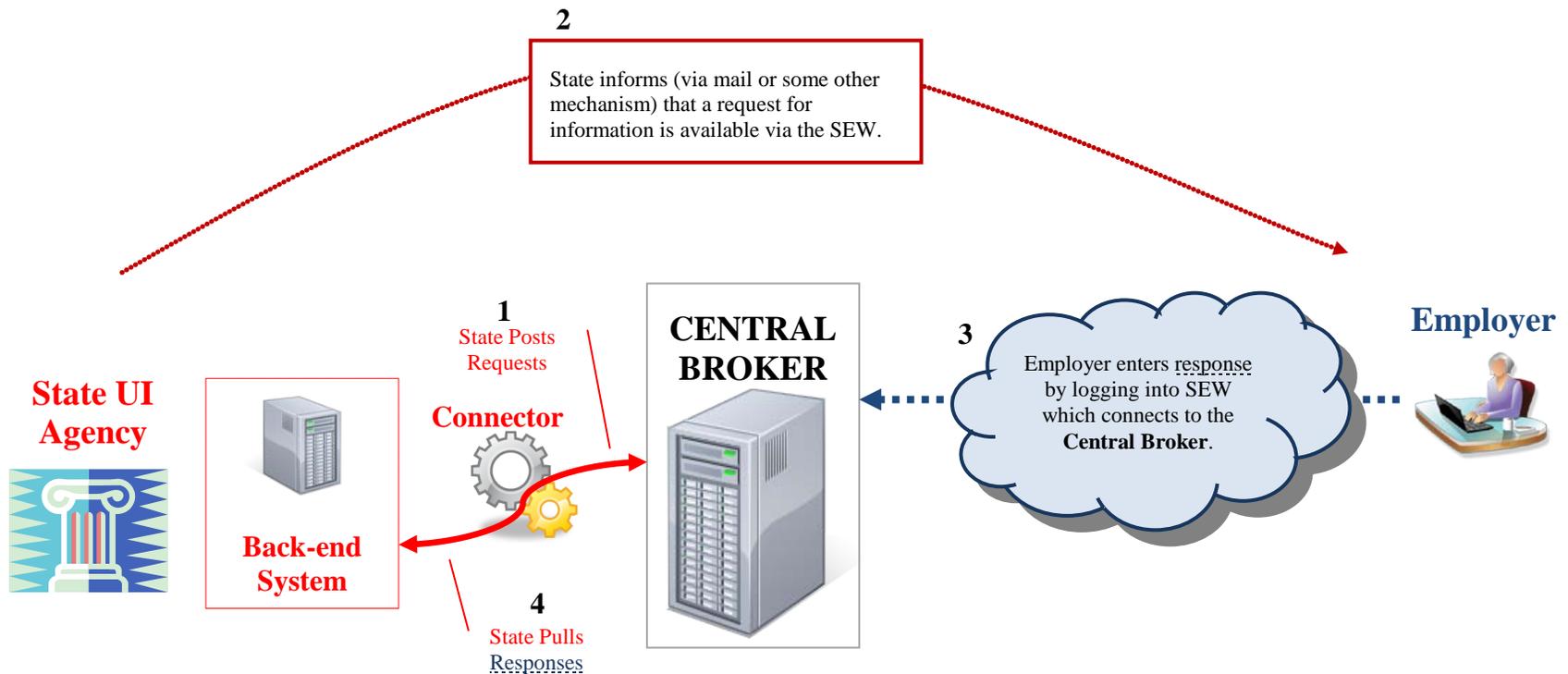


Employer Response to State Request



While the direct computer-to-computer Web service is the recommended way to utilize the system, a **SIDES Employer Web site (SEW)** is also offered for any entities which want to use the system but may not be in a position to provide the resources or support the infrastructure requirements needed to construct and manage the Web service.

SIDES Employer Web site (SEW) Communication Flows



4.0 WHAT HAPPENS NEXT?

Once you've decided to participate, what happens next? Members must be capable of fulfilling specific business and technical requirements. We outline the basic requirements here, but much more extensive documentation exists that will help your entire team understand and successfully contribute to the implementation process.

4.1 Request Participation Agreement

Contact the **SIDES** Business Manager for further information on how to obtain the **SIDES** Participation Agreement as well as other important documentation.

Sign the Participation Agreement with the National Association of State Workforce Agencies – Center for Employment Security Education and Research (NASWA-CESER), accepting the State Information Data Exchange System standards (e.g., standardized separation information, earnings verification, and monetary and potential charges formats), operational requirements, and procedural rules.

4.2 Business Requirements

All must:

Create and fund a multi-discipline team, drawing on both technical and business users' expertise for the development and testing of their State Information Data Exchange System connector. Your team will need to assess and then plan for any modifications that may be needed for your organization to be able to conform to **SIDES** standards.

These changes may be limited and relatively simple and require only a few changes to your existing processes. Alternatively, you may be required to develop more extensive capabilities with your back-end system in order to meet the technical requirements. Regardless, it is vital that you have a team in place that will determine what is needed before you get started.

We can provide you with a basic checklist that will help you determine the level of effort that a **SIDES** implementation may require from your organization.

Employers and TPAs must specifically:

Have a UI workload with at least one of the current **SIDES** states. (Please refer to **SIDES** Web site (<http://www.itsc.org/intro.asp> for the most current list.) More states continue to be added to the list.

1. Determine if you wish to participate in the automated Web service.
2. Agree to establish a single point of electronic exchange per employer or TPA.

4.3 Technical Requirements (Web Services Connections)

- Develop a Web service connector to the **Central Broker** and modify your own back-office applications as necessary to generate or receive the standard format for request and response data, as specified by the **SIDES** requirements, including:
 1. Implement security measures (e.g. transport and message level authentication, confidentiality, and integrity mechanisms).
 2. **For a state** – be able to generate a request AND be able to consume a response using SOAP messages per the Web Services Descriptor Language (WSDL) and Extensible Markup Language (XML) file requests (including attachments) that meet the standard formats.
 3. **For employers and TPAs** – be able to receive a request AND generate a response using SOAP messages and the XML-based files including attachments), that meet standard formats.
 4. Deliver XML-provided data to your organization’s users, as applicable.
- Commit to fully testing your connector to meet all requirements including:
 1. Meet all functional requirements for the State Information Data Exchange System connectors. At a minimum, these will include meeting all **Central Broker** specifications for data validations, business rules, and error handling.
 2. Create test data to demonstrate that the client has passed acceptance tests meeting the acceptance criteria, which validates all the State Information Data Exchange System Broker validations, UI business rules, and error handling.
 3. Provide these results to the **SIDES** Business Manager for acceptance before implementation.

4.4 Contact Information and Other Resources

Category	Name	Contact Information
SIDES Business Manager	John Sharkey	jsharkey@naswa.org 202-744-2649
Public Web site	http://www.itsc.org/intro.asp	