The transition to **ICD-10** a mighty challenge for healthcare providers

The healthcare industry faces enormous pressure to transform the delivery system from acute centric care into more cost effective care across the preventative, chronic, acute, and long-term continuum. The marketplace is demanding that providers align, and that change is implemented aggressively. The current industry backdrop is an environment where the cost of drugs, supplies, technologies and staffing are increasing, competition from entrepeneurs who capture opportunities in attractive niches is intensified, and consumer interest in public scorecards on hospital and physician safety, quality, and satisfaction has risen. All the while reimbursement rates from third party payors (Medicare, Medicaid, and Commercial Health Plans) is trending downward.

Necessity now dictates that the various entities within the healthcare industry create their own vision for a "new normal". Survival is contingent on factors such as economies of scale, access to capital, and development of new business relationships. Providers must reprioritize capital plans to accommodate requirements for integrating information technologies. A huge near term challenge will be facilitating the Federal mandate to convert from ICD-9 diagnosis and procedure codes to ICD-10 codes by October 1, 2014. What follows is an examination of issues, concerns, implementation challenges, and the potential benefits of making the transition from ICD-9 codes to ICD-10 codes.

Code Complexity

The ICD-10 code structure is significantly different from ICD-9. ICD diagnosis codes will increase from 14,000 to 69,000 and procedure codes will increase from 4,000 to 72,000. ICD-9, published by the World Health Organization in 1977, is said to inadequately reflect advances in disease detection and treatment. ICD-10 is a full replacement code set that provides greater detail when coding diagnoses and inpatient hospital procedures. It is estimated that only five percent of the existing codes provide a direct one-to-one match with the new codes. To accurately assign ICD-10 diagnosis codes clinical documentation specialists must be proficient with anatomy, pathophysiology, medical terminology, and ICD-10 coding conventions. Since ICD codes are interwoven throughout clinical and financial operations and systems, the size and scope of ICD-10 implementation will be complex, time intensive, and costly. Providers will have to make hard choices with their capital investments and operating budgets. The Rand Institute estimates implementation will cost health care providers well over $1 billion, plus over $40 million a year in lost productivity to ramp up.

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Hospital Concerns

The potential impact of ICD-10 conversion on hospitals include multiple system upgrades and testing cycles, increased human capital needs, significant training, increased claim denials, delayed payment, lost or reduced reimbursement and impacts to cash flow, and more complex financial reporting. Hospitals will need to identify high risk areas by completing organizational gap assessments. Any assessment must start with a complete inventory of all information technology (IT) applications and systems to identify those that may be impacted. An assessment should progress to detailed testing with payors, vendors, and trading partners. Hospitals will need to adequately forecast and budget for major costs to ICD-10 remediation, including potential new technologies, and prepare staff for the transition. Each organization must understand potential impacts to cash flow and how to mitigate with payors if disruption in reimbursement occurs. Numerous business documents, workflows, ancillary systems, and operating processes will require modification as a result of ICD-10 conversion.

Specific Considerations Include

1 Hospitals likely will have to upgrade multiple information technology (IT) systems to support the conversion. Because of ICD-10's complex code structures, implementing associated changes in electronic health records, billing systems, reporting packages, and other decision making and analytical systems will require either major upgrades of multiple systems or outright replacement of older systems. The transition will likely necessitate significant capital cost outlays an increased staffing to map and load codes, revise system interfaces, develop new reports, map dual coding systems, and retrain users.

2 ICD-10 adoption may require abundant technology changes for providers IT vendors, trading partners, external reporting entities and third-party payers. All systems and external organizations accepting or reporting diagnostic and procedure codes will require modification and the ability to run dual-processing solutions. Significant testing, crosswalk analysis, report development and data aggregation across time periods will be essential to prepare for the ICD-10 transition.

3 Productivity loss is anticipated in the functional areas that use ICD-9 codes on a routine basis. The most impacted will likely be health information management/coding, case management, claims processing and follow-up, researchers, and decision support. Also, there may be an increased number of claims denials due to poor understanding of new code sets and coding requirements. Providers must prepare for this productivity reduction to prevent negative impacts to reimbursement and cash flow.

4 Training programs on new/revised clinical documentation requirements and coding nomenclature has to be developed for coders, medical staff, nurses and allied health providers. Training will need to include anatomy and physiology courses, detailed clinical documentation requirements, practice coding experience with real-time feedback, and general awareness sessions for staff currently using ICD-9 data. After the implementation, if doctors or nurses only write partial information and coders don't find it specific enough, they will bounce it back to the doctors or nurses to fix it (the back and forth will delay accounts receivable). As a side note, there is already a shortage of qualified medical records coders in this country, especially in rural areas. When ICD-10 goes into effect providers will be desperate to have their coders be as accurate as possible. If trained coders can't be found or retained, provider will have to resort to outsourcing the work overseas, or hiring contract coders at extra expense.

5 Providers risk a cash flow crunch. There will undoubtedly be a steep learning curve resulting in some billing delays. The transition to ICD-10 could easily produce a spike of 10 to 20 days to accounts receivable. Further, any errors in coding Medicare/Medicaid bills (classified as fraud and abuse) causes the government to send in the Recovery Audit Contractors (RAC). RAC auditors receive contingency fees for errors found, and the provider is also penalized monetarily. RACs have legal authority, which means providers have to drop everything to responds to their demands for data.

6 The move from ICD-9 to ICD-10 diagnosis and procedure codes raises Protected Health Information (PHI) security and privacy risks. Potential impact areas (such as HIPAA) could be affected by code changes and access to sensitive data may not be properly restricted due to multiple unit and integration testing cycles. Also, any time a provider incorporates an external party to assist with classified information (i.e. outsourced medical records coders), there is a risk of some kind of security breach.

Physician Concerns

Physician practices may face financial and operational burdens from ICD-10 implementation and other technological requirements. Many physician practices, especially smaller ones, could have outdated practice management systems and may need to purchase entirely new software. Also, most physician practices do not employ coders; typically administrative staff and physicians are responsible for ICD-10 code assignment, potentially increasing the risk of coding errors.

Health Plan Concerns

From a health plan perspective, ICD-10 implementation will touch nearly all operational systems and procedures in the core payer administrative process, as well as impact provider reimbursement. Many health plans use ICD codes to determine hospital claims payments; one of the most common provider reimbursement methodologies, Diagnosis Related Groups (DRG), is based on ICD codes. In addition to provider reimbursement, health plans often use ICD codes in benefit set-up, medical coverage policies, and clinical programs. The more widespread the use of ICD codes, the greater the potential financial risk in ICD-10 migration. Health plans should be prepared to have collaborative discussions with providers regarding the terms and conditions of their contracts.

Potential Benefits of ICD-10

Implementing ICD-10 will be difficult, time consuming, and costly, but there may be some benefits:

1 **Enhanced Reimbursement** — better specificity in the ICD-10 codes can equate to more accurate claims, more efficiency in the billing and reimbursement process, and the ability to differentiate reimbursement based on patient acuity, complexity and outcomes. Reimbursement for new procedures may come from improved claims adjudication between provider and health plans.

2 **Advanced Utilization Management** — appropriate application of ICD-10 codes can lead to increased efficiency in the exchange of patient profile information, treatments across the care process, and hospital resource management. The new codes will result in the expanded use of data for diagnosis, procedure and case mix groups to profile a patient's condition or track length of stay, all of which will benefit utilization management. Cost savings can be realized by correctly predicting resource utilization, appropriate use of site of service, and improved care delivery team communication.

3 **Spotlight on Patient Safety** — efficient use of all the data generated by the ICD-10 process can improve patient care and safety by observing usage trends and analyzing outcomes. Better

4 **Quality Measurement** — improved clinical documentation and coding accuracy will enhance the assessment and monitoring of patient quality indicators, as well as compliance with third-party payer coding and billing rules and regulations.

After the all — consuming process of implementing the transition to ICD-10 diagnosis and procedure codes the net result should be a richer body of diagnosis and procedure data to help provide better trend analysis, a more detailed understanding of costs and benefits, and the ability to more precisely understand the effectiveness of managing care across the continuum.

Recommended Resources

Healthcare Financial News — "CMS Seek Comments on Proposed ICD-10 Readiness Assessment." HFMA (August 2012)

FHA Education Department — FHA ICD-10 Webinar Series.

Joseph Goedert, Health Data Management — "CMS Poised to Release ICD-10 Deadline, Plan, Identifier Rule." (August 2012)

HFMA's Revenue Cycle Forum — "Forum's Survey: Response to CMS Delay of ICD-10." (March 2012)

Carl Natale, ICD-10 Watch — "ICD-10 Implementation Could Force More Change That Expected." Healthcare IT News & Healthcare Finance News (August 2012)

Christine Armstrong, Principal and Vickie Monteith, Director and Dave Biel, Principal, Deloitte Consulting LLP. — "ICD-10 Implementation for Healthcare Providers: The Business Imperative for Compliance." Deloitte

Deloitte Insights — "Healthcare CEO's Perspectives on the Future." Deloitte (July 2012)

Steff Deschenes, New Media Producer — "Potential ICD-10 Related Financial Issues." Healthcare Finance News (July 2012)

Melinda Reno, Principal and David Biel, Principal, Deloitte Consulting LLP., — "ICD-10: Assessing Financial Risk, Can Health Insurance Plans Map Their Way to Financial Neutrality?" Deloitte

Christine Armstrong, Principal, Deloitte Consulting LLP., — "From the Front Lines: ICD-10 Insights for Hospitals and Medical Groups." Deloitte

Randy Middlebrook offers our clients a senior management perspective after more than 20 years in healthcare management, of which 11 years were spent as hospital Chief Executive Officer. Prior to being the CEO at Aspen Valley Hospital in Aspen, CO, Randy was an Administrator in a 600 bed health system in San Diego, CA. Under his leadership, both hospitals achieved national recognition, winning awards for healthcare service quality and excellence.

Randy's firsthand experience provides a level of expertise within Gallagher's Healthcare practice to provide services tailored to the strategic needs of healthcare facilities. He works with Boards of Directors, executives, managers, staff and physicians in the areas of healthcare operations, strategic management, accreditation and regulatory issues, medical staff alignment, deposition preparation, and claims/carrier interface issues.

Randy is an active member of the American College of Healthcare Executive (ACHE), Healthcare Financial management Association (HFMA), Florida Society for Healthcare Risk Management & Patient Safety (FSHRMPS), Georgia Society for Healthcare Risk Management (GSHRM), and the American Society for Healthcare Risk Management (ASHRM)

Randy achieved a Bachelor of Science degree in Business and Health Services from Northern Arizona University and earned a Masters of Health Services Administration from Arizona State University.