

Despite 2013 Deadline, ICD-10 Preparedness Efforts Should Begin Today

Health care organizations bracing for the myriad changes brought by the new ICD-10 rules need to take a stepwise approach toward the October 2013 compliance date. Experts note that the ICD-10 presents a unique opportunity to upgrade systems that need improvement, while at the same time warning that procrastinating may lead to compliance delays and rushed capital expenditures.

“On a very basic level, ICD-10 requires the healthcare industry to switch from a five-digit numeric code to a seven-digit alphanumeric code and to become familiar with a dramatic increase in the number of codes,” according to Tim Michaels, vice president, Ingenix Consulting. “But those tasks really are not simple at all and represent just the beginning of a long journey toward the October 2013 compliance deadline,” he said.

When asked what business, clinical and systems processes will be impacted by the ICD-10 rule, Michaels responded “people may be surprised to learn that because the new ICD-10 codes are fundamentally different from the ICD-9 codes, nearly every health care function and department will be affected. That realization may be overwhelming, but organizations cannot allow fear to paralyze them.”

The original proposal for ICD-10 implementation was October 2011, but the health industry successfully lobbied for an extension until 2013, citing the cost and complexity of conversion. “With the 2013 deadline in place, it may seem like there is plenty of time to achieve compliance, but if organizations haven’t started assessing their situation yet, they’re already behind,” Michaels continued. “Developing strategic plans and taking action now will help to mitigate late-stage rushes for compliance.”

ICD-10 changes are sweeping

The more descriptive and better-categorized ICD-10 codes will enable diagnosis classifications that more completely represent the severity of medical conditions,

increase capacity for quality measures, improve interoperability of electronic health records (EHRs), and facilitate more equitable reimbursement. “This is not just a system change,” Michaels asserted. “It is an all encompassing change that will drive better patient care.”

However, the magnitude of the transition may leave some at a loss for where to begin, he said. For example, ICD-10 codes will affect payers’ and providers’ software systems, including billing and payment, clinical systems (e.g., EHRs and personal health records), decision support and other ancillary systems, as well as clinical and billing workflows and payment methodologies.

Because such broad system upgrades are mandatory, health care entities that begin working toward compliance today will be able to distribute the expense of these changes over several years, using their preparedness as a competitive advantage in the marketplace. In addition, the ICD-10 conversion presents an opportunity to make administrative and clinical simplifications that improve clinical and financial performance over the long haul.

“Although the move to ICD-10 codes can seem daunting, it will pave the way toward more accurate payment for services as well as provide the granularity that the Centers for Medicare & Medicaid Services and commercial payers need in order to conduct more meaningful analyses of diagnoses and procedures as they relate to outcomes and costs,” said Tom Darr, M.D., chief medical officer, Coding, Reimbursement and Payment Integrity, Ingenix.

The many obstacles to preparedness

All health care entities – including physicians, hospitals and payers – will be affected by the ICD-10 code set changes. Physicians and hospitals certainly have major adjustments to implement – including working with their vendors to assess where their operations stand relative to the ICD-10 final rule.

“With ICD-10 codes affecting clinical, IT, finance, reimbursement and human capital areas, physicians and hospitals need to start thinking about all of these issues now,” Darr advised. “It is important for them to act soon to assess the potential impacts, define gaps and work toward bridging the gaps, so that when the compliance date arrives, they are not in panic mode.”

Payers, however, are likely to have additional challenges around ICD-10, according to Michaels. “There is a huge set of processes that need to change on the payer side – this is a triple-million-dollar problem,” he said. “When placing that expense in context with the current state of the economy, payers need to be thinking of how to manage the financial impact of compliance.”

Like physicians and hospitals, payers need to determine whether or not their older systems will be able to accommodate the expanded character sets used in ICD-10. Payers also will need to offer general ICD-10 training for staff members who work with the code sets to develop business rules used in claim adjudication, fraud detection, medical management, medical policy and any claims auditing efforts. “Payers quickly need to determine what this rule means to them, what strategies they’ll employ to achieve compliance by the deadline, and what capital they need to dedicate to getting there,” Michaels asserted.

Further, payers will need to develop incentives for providers who are taking advantage of ICD-10’s greater level of specificity. For example, where ICD-9 may have had one code (e.g., 599.7 for hematuria), ICD-10 has four corresponding and more specific codes:

- R31.0 – gross hematuria
- R31.1 – benign essential microscopic hematuria
- R31.2 – other microscopic hematuria
- R31.9 – hematuria unspecified

Without specific documentation, many coders might be tempted to use the unspecified (e.g., R31.9) code

instead of seeking the additional details that would support a more specific code selection. “Payers will need to provide greater reimbursement for coding to a higher level of specificity,” Darr suggested, adding that such incentives also will drive more accurate quality measurements and ratings that can have a positive impact on patient care.

Payers also are likely to experience much higher call center volume during the ICD-10 transition and should prepare themselves for lower first-pass claim payment rates and inadvertent double billing from providers running dual billing systems. Preparing for ICD-10 transition and implementation issues requires advance planning and an organization-wide approach.

Taking a team approach

“Getting started doesn’t have to be difficult,” Michaels said. “Generally there are three basic approaches to take: (1) remediate; (2) replace; and (3) neutralize. To begin the process of transforming an organization using these approaches during the next 12 months, payers should form a cross-functional team within the organization.

“By including people who wear different hats within the organization, you are guaranteed to learn more about potential problems and to come up with better solutions for those problems,” Michaels said. “One of the biggest hurdles in this transition is the recognition from executive management that the ICD-10 transition is not just an IT problem – it is an enterprisewide endeavor that requires significant capital and resources during the next three to five years.”

One of the first tasks the cross-functional payer team should complete is an assessment of the scope of ICD-10 changes on the claims system, taking into account functional, departmental and systematic issues that either could slow down or enhance the new coding paradigm. “After doing this high-level impact assessment, team leadership can apply the three

possible approaches – remediate, replace or neutralize – to the systems as appropriate,” Michaels said.

Payers should bear in mind that they can and should consider taking different approaches for different situations and do not have to choose one approach in all cases. “If a payer has 20 claims systems, it can remediate two or three of those, replace four or five, and reverse-map the rest of them – it doesn’t have to lock into a single strategy,” he noted.

Executive leadership should also be looking at ICD-10 preparedness as an opportunity to streamline and improve overall operations. “As with any large change, you don’t want to look at it as just a technical program,” Michaels said. “Plans really need to take a hard look at why those systems are in place, why they are the way they are, and take any opportunity to improve business processes around them.”

Master the transition with external help

Managing and maximizing the ICD-10 transition process will command a great deal of human capital and resources that organizations may not have internally. Where organizations are lacking either the expertise or the resources – or both – they should consider outsourcing as a viable option, Michaels said.

“Preparing to comply with ICD-10 rules is an enormous, transformative undertaking and it is unlikely that payers and providers can manage everything,” Michaels remarked. Organizations may choose to handle some components internally and outsource other components to external entities.

“Ingenix Consulting understands every facet of the health care system, so we can help organizations assess their operations and processes and develop plans for an efficient, effective and compliant conversion,” he said. From initial assessment and planning to traditional process and system redesign and implementation, Ingenix Consulting is available to serve

as an impartial third party to mediate internal disputes, recommend product solutions and shepherd an organization through the lengthy ICD-10 transition, according to Michaels.

Getting a handle on the organization’s status is an important step when starting down the path to ICD-10 preparedness. In assessing financial, IT and process issues that may need to be resolved, some questions to ask include:

- How will this implementation impact the billing and accounting systems?
- What is the financial impact and how will we raise the capital for this project?
- Does software need to be upgraded or replaced?
- What is the testing plan?
- Which reports are based in ICD-9 and how long will it take to convert those reports to ICD-10?
- Are there any efficiencies that can be gained by the transition?
- What processes do we want to change during the ICD-10 implementation?

Understanding the answers to these questions will set the foundation for determining what implementation activities should be employed and where efforts should be focused, said Michaels.

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Endnotes