

Provider post

News and analysis of current issues affecting healthcare providers

Cracking the code Capturing the benefits of ICD-10


In October 2013, the United States will move from the ICD-9 system of disease classification to ICD-10 (International Classification of Diseases, 10th Revision). The transition to the ICD-10 coding system, which includes ICD-10-CM for diagnoses and ICD-10-PCS for procedures, will significantly expand and change the codes US payors and providers have used for more than three decades.

Although ICD-10 was issued by the World Health Organization in 1992, the US is one of a handful of developed nations that is not yet using it. In January 2009, the Centers for Medicare & Medicaid Services (CMS) published a long-awaited Final Rule, setting a 1 October 2013 implementation date for ICD-10.


The ICD-10 system will expand the number of available codes from 24,000 to more than 155,000 and has ample room to incorporate emerging diagnoses and procedures. Instead of ICD-9's three to five digits and predominantly numeric code form, ICD-10 contains up to seven digits and is alphanumeric. With its expanded capacity and complexity, ICD-10 enables documentation of many different types of diseases and conditions and capture of far more specific diagnostic information.

The shift to ICD-10 will help the American healthcare system to stay in step with medical advances, matching diagnosis and treatment codes to the latest medical information. It will enable the US to more accurately share data and knowledge in diagnosing and treating new diseases at the global level. It will also provide key metrics for monitoring the issues central to healthcare reform discussions: cost, quality and access to care.

Despite its many benefits, however, ICD-10 poses major challenges to the industry. The changes required will significantly impact people, processes and technology across the entire healthcare spectrum.



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ICD-10 versus ICD-9: expanding potential

In explaining the advantages of ICD-10 over ICD-9, the US Department of Health and Human Services (HHS) provides several examples:

- ▶ Under the current ICD-9-CM system, healthcare practitioners can identify the severity or location of a pressure ulcer, a common condition in elderly Medicare beneficiaries with chronic illnesses. But the coding system cannot link those elements if the patient has more than one ulcer. Under a single ICD-10 code, a patient's medical history will identify the severity and location of each pressure ulcer.
- ▶ ICD-9 has only one code for angioplasty, the widely used procedure for widening a narrowed or obstructed blood vessel. ICD-10 provides 1,170 coded descriptions, with a granularity that pinpoints the location of the blockage and the device used for each patient.
- ▶ ICD-9 codes do not provide sufficient detail to distinguish whether a condition occurred on a patient's left or right side. ICD-10 will improve care by providing that basic type of information.
- ▶ ICD-9 includes separate codes for medication errors and other external causes of injury, which are reported separately from the actual condition. Under ICD-10, information about medication errors and external causes of injury will be embedded in the code for the condition. Therefore, a single, more informative code will provide a ready source of information to help medical professionals prevent medical errors and improve quality of care.

Source: HHS news release, 15 January 2009



Implications for providers

Almost every step involved in preparing and submitting a healthcare claim will be affected by the transition from ICD-9 to ICD-10. The migration creates several distinct benefits for providers, including:

- ▶ More accurate claims and accurate payments: ICD-10's improved precision in documentation of clinical care can greatly improve the likelihood of submitting accurate claims the first time around – and receiving accurate reimbursement for a range of procedures.
- ▶ Support of pay-for-performance programs: hospitals and physicians will be able to code with greater specificity and capture higher-quality data for monitoring and measuring care. Organizations can use the data to focus on quality improvement and value-based purchasing initiatives.
- ▶ Improved disease management programs: higher-quality and more specific data can be tracked, providing the ability to define best practices in greater detail. This in turn may lead to more custom-tailored disease management programs.

The new system also poses several challenges for providers. Core and

secondary computer systems will need to be updated to accept ICD-10 and its larger, seven-digit fields and alphanumeric characters. All hard-copy forms and other tools will need to be revised. Electronic medical records (EMRs) will need to be enhanced to accommodate the new codes.

The downstream operational issues for staff using these systems, forms and tools will be significant. Clinical documentation will need to be expanded to support higher levels of specificity in ICD-10. Declines in productivity can be anticipated, as coders are trained in ICD-10, and coding throughput will likely decrease during the initial learning curve. Turnover could also be an issue, as some coders may choose to retire rather than learn a new coding system. Claims error rates are expected to increase – from the current 3% to as much as 10%, according to HHS. The transition to ICD-10 may also lead to coding delays that can negatively affect hospital cash flow.

Studies have estimated total training costs for full-time hospital coders at US\$2,750 per coder, with a six-month learning curve to master the new coding system. Also, clinicians will need to be trained to improve their documentation practices so that medical documentation contains the details needed to support ICD-10's higher level of specificity.

Clinical documentation will need to be expanded to support higher levels of specificity in ICD-10.

ICD-10 and your business agenda: action steps for providers

People	Processes	Technology
<ul style="list-style-type: none"> ▶ Establish an interdisciplinary steering committee to oversee the transition and designate task forces to carry it out. ▶ Talk to your clinical and administrative staff to explain the move to ICD-10 and reinforce its benefits. ▶ Use change management strategies to overcome resistance to change. ▶ Conduct a gap analysis on staff training needs and readiness to adapt to process and technology change. ▶ Provide training for all affected by the migration to ICD-10, including coders, billers, physicians, nurses, Information Technology (IT) specialists and management. Several professional organizations have extensive educational programs and online resources to support ICD-10 training. ▶ Consider incentives for retaining experienced coders. 	<ul style="list-style-type: none"> ▶ Review and update billing and coding policies. ▶ Reengineer business processes to support the new ICD-10 documentation standards. ▶ Redesign coding and billing forms to capture and apply the new codes. ▶ Prepare for the potential of a temporary coding and payment backlog, as well as a potential decline in staff productivity during the transition. ▶ Plan for the potential of increases in claims errors. ▶ Create a process for working claim rejections and adjustments to keep decrease in cash flow to a minimum. 	<ul style="list-style-type: none"> ▶ Start conversations with vendors early about their readiness for ICD-10 implementation. ▶ Assess how much of the process to outsource and how much to handle in-house. ▶ Conduct a needs assessment and gap analysis, including a road map for migrating each system or system interface to ICD-10. ▶ Prepare your ICD-10 budget, including one-time and ongoing costs. HHS has provided a framework for budget estimates. ▶ Update or replace IT systems to accommodate ICD-10. ▶ Test systems once they are ICD-10-enabled and determine any deficiencies before going live. ▶ Ensure technical support is in place for post-go-live.

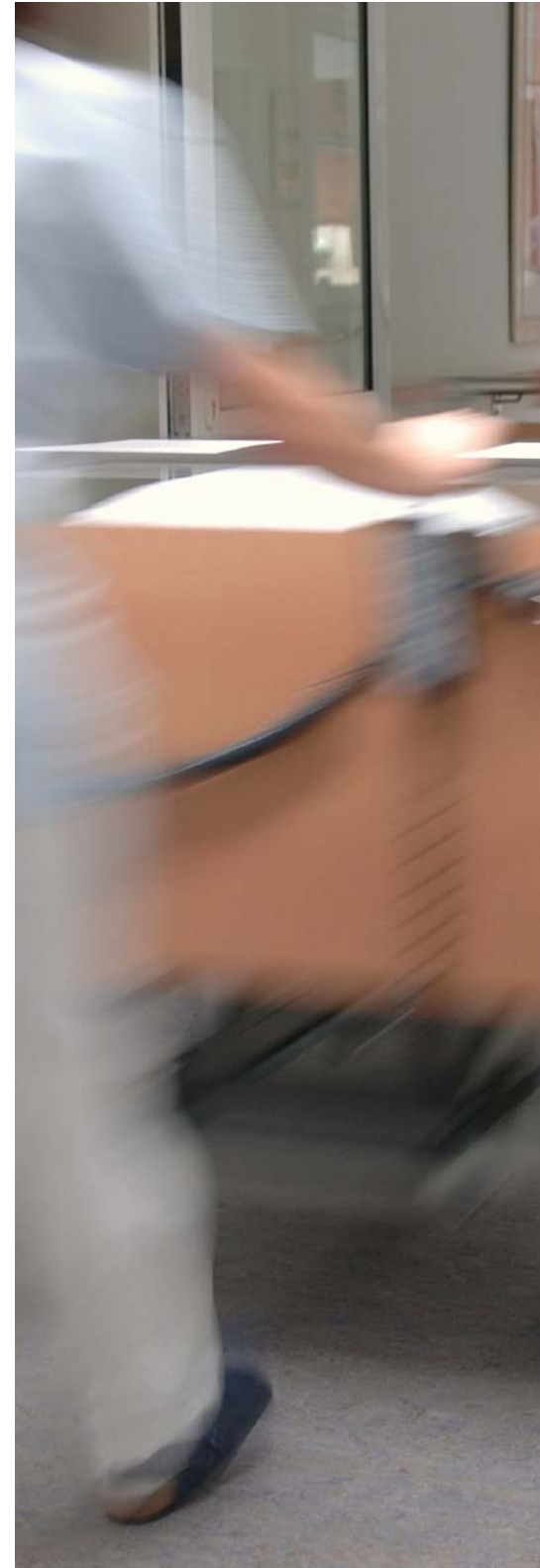
**Better quality measurements.
Improved coding accuracy.
Streamlined medical management.**

Implications for payors

ICD-10's greater specificity also offers payors key benefits:

- ▶ **Better quality measurements:** with the higher level of detail available in ICD-10, payors will have better-quality data for use in measuring quality of care, renegotiating provider reimbursement rates, and leveraging pay-for-performance initiatives and value-based purchasing.
- ▶ **Improved coding accuracy:** in providing more specific codes for many conditions, ICD-10 can reduce misinterpretation and increase the likelihood that payments accurately reflect the services provided to the member and are consistent with the member's insurance benefits. Furthermore, improved coding better links member risk profiles to premiums.
- ▶ **Streamlined medical management:** increased detail can accelerate efforts focused on disease and case management as well as illuminate prevention and wellness opportunities.

The new system also poses several challenges for payors. Older information systems may not be able to handle ICD-10's expanded character sets. Staff members will need extensive ICD-10 training. As payors begin implementing the new system, auto adjudication rates will likely decrease, slowing claims processing and potentially bringing the risk that mandated timeframes for claims processing will be missed. Payors may not be able to compare historical ICD-9 data with new ICD-10 data for use in provider contracting, medical management, and rate setting. General equivalency mappers (GEMs) are available and provide equivalent code options to translate between ICD-9 and ICD-10, yet one-to-one code mapping will not be possible with every ICD-10 code.



**Do not procrastinate.
Start now.**

ICD-10 and your business agenda: action steps for payors

People	Processes	Technology
<ul style="list-style-type: none"> ▶ Evaluate how ICD-10 will affect each role in your organization. ▶ Provide extensive training for everyone who uses diagnostic and procedural codes. ▶ Mitigate the high risk of downtime and staff disruptions. ▶ Use best practices in change management to minimize staff resistance. 	<ul style="list-style-type: none"> ▶ Consider teaming early with flagship providers to facilitate data capture and data compliance. ▶ Provide incentives for physicians to use the most specific code and improve documentation. This will help with claims processing and with understanding chronic conditions and practice patterns. ▶ Prepare for increases in call volumes to provider help lines. ▶ Assess provider customer readiness for ICD-10. ▶ Develop and implement new pricing and reimbursement structures to reflect increased specificity of diagnoses. ▶ Carefully monitor CMS' ICD-10 implementation plans, particularly related to Hierarchical Condition Category (HCC) risk scores for Medicare Advantage plans. If CMS adopts plans to rebase HCC weights similarly to its implementation of Medical Severity Diagnostic-Related Groups, payors will need to work closely with providers to ensure that HCC risk scores, and resulting payments, are not distorted due to inaccurate coding by some providers. ▶ After ICD-10 implementation, develop strategies to compare historical ICD-9 data with new ICD-10 data. 	<ul style="list-style-type: none"> ▶ Conduct a needs assessment and gap analysis, including a road map for migrating each system or interface to ICD-10. ▶ Start conversations with vendors early about their readiness for ICD-10 implementation. ▶ Assess how much of the process to outsource and how much to handle in-house. ▶ Prepare your ICD-10 budget, including one-time and ongoing costs. HHS has provided a framework for budget estimates. ▶ Update or replace information systems to accommodate ICD-10. ▶ Test systems once they are ICD-10 enabled and determine any deficiencies before going live. ▶ Ensure technical support is in place for post-go-live.

Plan now or struggle later

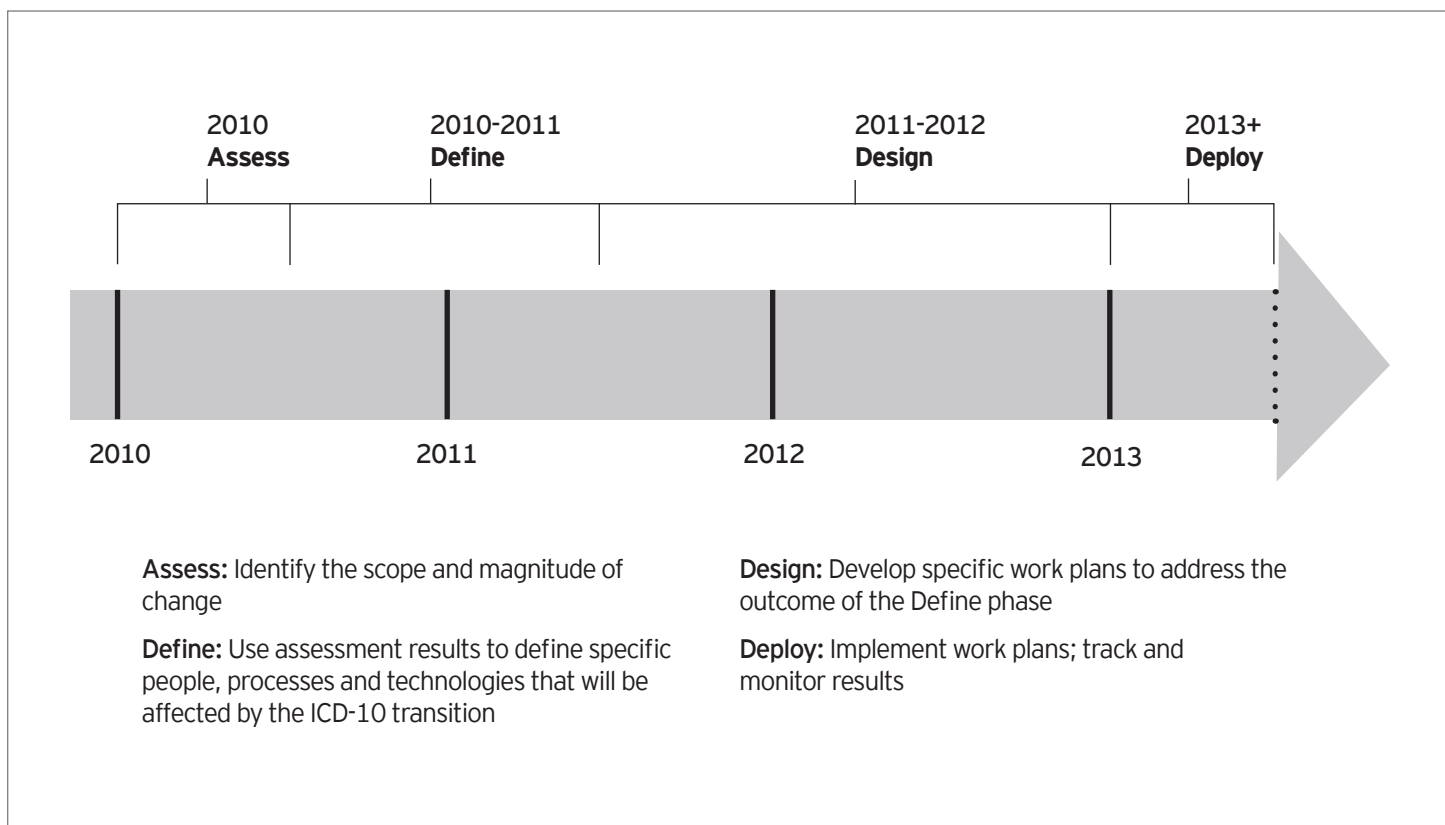
The transition to ICD-10 is highly complex and will require significant changes in people, processes and technology. While 2013 may seem a long way off, given the magnitude of the tasks that lie ahead, the date is already looming. Providers and payors will need to plan diligently for the significant changes required to update IT systems, train staff and support new business models (see chart).

Do not procrastinate. Careful planning, training and project management can help you contain costs, minimize disruption

and realize the full potential of compliance. Beyond the mandate for change, ICD-10 implementation provides the opportunity to make smarter, more strategic decisions – and add value to your organization and its many stakeholders. All the more reason to start now.

Ernst & Young is committed to working with healthcare organizations on this transition. We have developed tools and methodologies to help our clients comply with the new ICD-10 requirements and maximize strategic advantage. We welcome the opportunity to discuss your concerns and ways we can help your organization make a smooth and successful transition.

Recommended timeline for transitioning to ICD-10



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