

## Executive Briefing

### Preparing Your Organization for the Transition to ICD-10

In August 2008, the U.S. Department of Health & Human Services (HHS) proposed new regulations that would replace the older *International Classification of Diseases, Ninth Revision* (ICD-9) code sets with newer *International Classification of Diseases, Tenth Revision* (ICD-10) code sets. Reactions to these announcements have been mixed, with the main point of contention being the feasibility of HHS's proposed adoption and implementation deadline of October 1, 2011. This *Executive Briefing* presents the case for the proactive adoption of ICD-10 and discusses the areas that are vital to a smooth transition.

The transition to ICD-10 has several key implications:

- The new ICD-10 code sets have over 155,000 codes, compared to approximately 17,000 codes in ICD-9, and will thus allow organizations to capture far more specific diagnostic information.
- More specific diagnostic information can be used to improve the quality of data available for reporting, create better pay-for-performance programs, and enhance disease/population management.
- While the transition to ICD-10 will require an up-front investment of time, money, and resources, each year of delay will cut into the potential cost savings associated with the areas listed above.
- With an estimated price tag of \$285,000 for a 10-physician practice, HHS believes the initial costs associated primarily with training, productivity losses, and system changes would be offset by benefits within 4 years of implementation.

Whether the ultimate deadline for implementing ICD-10 is 2011 or a few years thereafter, organizations need to begin preparing for these changes now. Coders will require extensive training, IT systems will need to be updated or even replaced to handle the larger code sets and then thoroughly tested, and there may be some initial cash flow issues for providers to address due to the increased risk of payment delays resulting from coding and/or systems problems. HHS expects claims error rates to initially spike, up from the current 3 percent to 6 or even 10 percent. Planning ahead to mitigate the impact of these changes will be essential for the organization.

#### **HHS-Proposed Rules**

The first of the two HHS-proposed rules would update regulations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) to require all "HIPAA covered entities" to switch to the *ICD-10, Clinical Modification* (ICD-10-CM) codes for diagnosis and *Procedure Coding System* (ICD-10-PCS) codes for inpatient hospital procedures. HHS also separately proposed a second rule to adopt an updated data transmission standard<sup>1</sup> to handle the additional size of the ICD-10 code sets. This second rule also calls for the adoption of National Council for Prescription Drug Programs, Inc.'s software to handle ICD-10 in pharmacy claims, with a compliance deadline set for April 1, 2010, 18 months earlier than the ICD-10 conversion deadline.

In addition to the nearly tenfold increase in codes, the second rule will provide updates to the HIPAA electronic transactions (e.g., remittance advices, eligibility inquiries, referral authorizations) currently in use with an estimated 900 changes. The major changes from the ICD-9 code sets to the ICD-10 code sets deal with structure and detail. The codes will expand from a numeric five-character format to an alphanumeric seven-character format. This increased capacity of codes will allow for significant improvement in areas such as coding primary care encounters, capturing more detailed socioeconomic information, and increasing the distinction between ambulatory and managed care encounters. While much of the world adopted ICD-10 10 years ago, these two proposed rules would have a significant impact on the U.S. healthcare industry, within which the only widespread use of ICD-10 is to record public health data on causes of death. As such, this move is necessary to enable the U.S. to be on par with international standards.

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<sup>1</sup> Accredited Standards Committee (ASC) X12 Version 5010.

Preparing for the change to ICD-10 now is essential for creating a smooth transition. The following are key considerations organizations must address in making the transition:

Key Considerations	Insights
<ul style="list-style-type: none"> <li>■ Evaluate IT systems and interfaces that currently use ICD-9 codes and develop a transition plan.</li> </ul>	<ul style="list-style-type: none"> <li>✓ A gap mitigation strategy is needed to identify IT systems/interfaces that currently use or transmit ICD-9 codes, determine each vendor's plans to move to ICD-10, and create a road map for the migration of each system or interface to ICD-10.</li> <li>✓ If an organization is considering purchasing a new Practice Management system, question the vendor as to its plans to incorporate ICD-10 and in what timeline.</li> </ul>
<ul style="list-style-type: none"> <li>■ Strategize on ways to improve data capture and how to use that data.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Organizations will be able to code with greater specificity and capture higher-quality data.</li> <li>✓ This would allow an organization to track patients with specific conditions such as diabetes, which could in turn lead to more tailored disease management programs.</li> </ul>
<ul style="list-style-type: none"> <li>■ Conduct comprehensive testing of IT systems once they are ICD-10-enabled.</li> </ul>	<ul style="list-style-type: none"> <li>✓ A test plan should be developed for each individual module (e.g., coding, charge entry, claims), the integration points between these modules, and all related work flows and/or interfaces.</li> <li>✓ Organizations should also test the transfer of ICD-10 codes to/from external entities (e.g., information systems, payors, referral sources, clearinghouses).</li> <li>✓ The goal of testing is to address IT issues early on and potentially minimize their impact.</li> </ul>
<ul style="list-style-type: none"> <li>■ Assess training needs and develop programs to support both the initial training and any ongoing training.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Trainers will need time to learn how to use ICD-10, evaluate how it will impact current work flows, develop training modules for the end users, and perform the training.</li> <li>✓ The end-user training process should be completed no more than 1 month before the conversion so that the staff are able to apply what they have learned before they forget it.</li> <li>✓ Many professional organizations, including the American Health Information Management Association (AHIMA) and HHS (through the Centers for Medicare &amp; Medicaid [CMS]), have designed extensive educational programs and online resources to support efforts to successfully convert to ICD-10.</li> </ul>
<ul style="list-style-type: none"> <li>■ Manage attitudes regarding productivity loss and change management.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Senior management should talk to clinical and support staff to reinforce the need for this conversion and communicate the benefits that will follow (e.g., more accurate claims, improved disease management, and a better understanding of patient health conditions).</li> <li>✓ The leadership team must reinforce this transition as a collaborative initiative and firmly stand by its decision to move to ICD-10.</li> <li>✓ Organizations can leverage lessons learned from the recent National Provider Identifier (NPI) transition to adjust staff compensation based on initial decreases in productivity and increases in claims error rates.</li> </ul>

The conversion to ICD-10 will ultimately produce more accurate payments, fewer denials, and reduced A/R days resulting from ICD-10's greater precision in documentation and coding. This transition might also lend itself to advancing organizational priorities such as performance management, patient safety initiatives, and revenue management.

### Challenges Ahead

Recent surveys by the Medical Group Management Association (MGMA) indicate that 95 percent of medical practices will need to upgrade or buy new practice management systems to comply with ICD-10. In addition, two-thirds of practices will need to buy code-selection software. Additional challenges include an increased risk of receiving slower payments due to coding changes, a rise in claims error rates, and staff frustration. These difficulties are only temporary and should last no more than 6 months with a well-thought-out strategic plan.

In the end, the key to successfully making the transition to ICD-10 is to act now. Members of management must take the time to recognize the challenges the organization will face and devise a strategy to address these issues. They must also champion the cause so the organization as a whole develops an understanding of the reasons for making this change. Only those organizations with the foresight to start planning now will be in the best position to ensure a well-planned transition to ICD-10.

To learn more about how ECG Management Consultants, Inc., can assist you in evaluating and developing strategies for making the transition to ICD-10, please contact Mr. Jason D. Meaux via telephone at 206-689-2200 or e-mail at [jmeaux@ecgmc.com](mailto:jmeaux@ecgmc.com) or Mr. Rajeev B. Patel at 617-227-0100 or [rpatel@ecgmc.com](mailto:rpatel@ecgmc.com).

### About ECG Management Consultants, Inc.

ECG offers a broad range of strategic, financial, operational, and technology-related consulting services to healthcare providers. As a leader in the industry, ECG provides specialized expertise in developing and implementing innovative and customized solutions that effectively address the complexities of the academic healthcare enterprise, strategic and business planning, specialty program development, hospital/physician relationships, and IT. ECG has offices in Seattle; Boston; Washington, D.C.; San Diego; and St. Louis. For more information, visit [www.ecgmc.com](http://www.ecgmc.com).