

ICD-10 for Healthcare Providers

Achieving a Road to Compliance for
Creating Strategic Value



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Table of Contents

Introduction	3
What is ICD-10?	4
Understanding the Impacts of Change ICD-10 Compliance Will Bring	4
Explaining the Need for Urgency in Implementation	7
Benefits and Challenges of ICD-10 Implementation	8
The Benefits	9
The Potential ICD-10 Implementation Costs	12
Assessing and Implementing ICD-10	14
Creating an Assessment System	15
Establishing an Implementation Roadmap	16

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Introduction

The healthcare industry in the US lags behind substantially in terms of effective code sets; a need that prompted the implementation of ICD-10. In January 2009, the Department of Health and Human Services passed a final ruling that made it essential for healthcare institutions to convert their diagnosis and procedure codes from ICD-9 to ICD-10. This substantial change or upgrade in the codes will impact the healthcare industry on all levels, affecting all the core processes interfaces and systems at the same time. Industry costs for the implementation of these changes is expected to go in the billions of dollars.

While ICD-10 compliance is indeed a complex and time-consuming process, it is expected to bring benefits to the healthcare industry that will far exceed the costs in a few years. This is the reason why healthcare stakeholders are actively planning to make this conversion work out successfully. For well-informed organizations, this can be a way of changing their processes and infrastructure completely so that they can improve quality and performance while making the processes more cost-effective. However, the challenges that the implementation of these new codes present make it difficult for some go beyond the necessary compliance standards, at least initially.

The implementation of these ICD-10 codes will require investment of scarce resources that the healthcare industry needs to undertake very carefully. A change in systems and infrastructure will be needed industry-wide and for some, achieving compliance without outside assistance might not be possible due to the hefty costs involved in creating customized systems. Hence, the challenges, opportunities and impact that ICD-10 compliance will bring on the healthcare industry can only be understood completely by maintaining a holistic view of the entire industry.

ICD codes are used in a number of different healthcare services such as data collection, service analysis, record maintenance, and billing and payment.

What is ICD-10?

ICD-10 is the 10th revision made to the Internal Classification of Disease by the World Health Organization back in 1998. Since that time, more than 138 countries across the globe have adopted these codes for supporting different systems in the healthcare industry. Surprisingly, the US is the only industrialized country that has yet to adopt this system instead of the decades older ICD-9 system. This lag in adopting the new code set can be attributed to the highly complex healthcare system of the US.

ICD codes are used in a number of different healthcare services such as data collection, service analysis, record maintenance, and billing and payment. The ICD-10 system is much like ICD-9 in format and can be applied to all healthcare treatment situations. The system is further branched out into two sections, the ICD-10-CM system that deals with all healthcare situations and has 87,000 codes, and the ICD-10-PCS that deals with in-patient hospitals only and has 68,000 codes. This division adds to the complexity of this new system, creating one more challenge that needs to be faced during implementation.

Table 1: Difference between ICD-9 and ICD-10 that will have a significant impact on IT systems

	ICD 9	ICD-10
Diagnosis codes	13,000	68,000
Procedure codes	11,000	72,000
Code length	3 to 5 digits	3 to 7 digits
Code form	Numeric primarily	Alpha numeric

Understanding the Wave of Change ICD-10 Compliance Will Bring

The implementation of the new ICD-10 code system is going to impact every department of every healthcare organization, and all the other systems involved with the delivery management cycle.

Considering the changes that have recently occurred in the healthcare industry, the ICD-9 code that was introduced almost 30 years ago is completely outdated. The use of this system leads to the use of outdated terminologies in reporting, availability of limited and inaccurate data, and use of medical practices that are no more consistent with the industry standards.

The way of diagnoses and in-patient procedures have changed drastically and the ICD-9 system cannot provide a criteria for defining these vital procedures. While the system has been updated a few times to gain consistency with the changing procedures, it has ended up becoming more disorganized, leading to inefficiencies in key performance areas, which are unaffordable in the healthcare industry.

The implementation of the new ICD-10 code system is going to impact every department of every healthcare organization, and all the other systems involved with the delivery management cycle. The breadth of impact, costs and complexity is going to be magnanimous as the transition involves upgrading a system of 18,000 codes into a system of 140,000 codes for diagnosis and procedures. In order to implement this new system successfully, coordination will be required at a tremendous level, both with organizations and with external partners.

HHs indicates that initially, cash flow problems will be faced by all healthcare providers due to the implementation of the new code and system. It is expected that the claim errors will rise by 6-10% on the implementation date of ICD-10, while the number of calls, queries and complaints will also increase. However, the positive impact of the implementation of ICD-10 will be much higher, especially for organizations that are leveraging these changes to upgrade their entire operational and IT infrastructure. It will give them a very clear competitive advantage in the healthcare industry.

Figure 4: ICD-10 Readiness Assessment Process

Activities	Conduct Current State Assessment	Develop Solutions Alternative	Conduct Gap Analysis	Develop Roadmap
	<ul style="list-style-type: none"> Conduct an assesment of the areas that will be impacted <ul style="list-style-type: none"> » Technology » Operations » People » Strategy Evaluate all of the functions that currently utilize ICD-9 codes and understand what will change 	<ul style="list-style-type: none"> Evaluate the options for implementation and compliance Focus on competitive advantage and strategic imperatives to support evaluation Select future-state solution that best meets the objectives and constraints Develop more detail on the technology, operations and people impacts of the solution Develop a budget for the implementation including personnel and capital 	<ul style="list-style-type: none"> Identify process and technology gaps between the current state and desired target state 	<ul style="list-style-type: none"> Develop roadmap that includes the separate 5010 and ICD-10 compliance timelines Determine approach for education, training and change management Plan for modifying systems to accomodate code structre in all functional systems Plan for modifying business process to manage revised components of the value chain. Determine approach and timing for updating analytics and reporting to support effort

Explaining the Need for Urgency in Implementation

Personnel and change management will be another major challenge that organizations will have to face during the ICD-10 implementation process.

For organizations that wish to use these new codes and its implementation to their advantage, urgency is of utmost importance. While all organizations will be making the transition in time, the key to gaining a competitive advantage is making this transition in an efficient and cost effective way. Moreover, the extent of changes that need to be made in order to reach ICD-10 compliance require a lot of time, which will lead to a very tight time frame for healthcare organizations.

The sooner organizations can understand the changes and their impact, the easier this transition can be for them. Organizations will need to establish some key business rules to make the new system work while all the processes will have to be revised so that automation can be achieved without any errors or intervention. Personnel and change management will be another major challenge that organizations will have to face during the ICD-10 implementation process. For all this to work out in a timely manner, it is important for organizations to take urgent measures, preparing themselves for the transition in the best possible manner. The sooner healthcare organizations can learn to use this new coding system optimally, the sooner they can reap the benefits of ICD-10.

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Benefits and Challenges of ICD-10 Implementation

The transition from the ICD-9 system to ICD-10 is a major change that is happening in the healthcare industry after decades. Understanding the scope of this magnanimous change can be difficult for people unless they have a clear understanding of how the entire system in the healthcare industry works. However, the system comes with its own benefits, and a lot of them, which can lead the healthcare industry towards more streamlined and value-driving operations. With the benefits come the challenges and costs associated with the implementation of this system. Understanding all these factors is important for healthcare professionals who are responsible for making this transition.

The Benefits

Initially, it is understandable that the new codes won't seem absolutely perfect. It will take some time for the healthcare industry to adapt to these changes and use these new systems optimally. However, developing a complete roadmap for the implementation and use of this system can help organizations realize substantial benefits that include:

Improved Claim System The higher specificity of ICD-10 codes reduces the number of miscoded and rejected claims, and specifies appropriate payment plans for the new procedures. This results in better reimbursement rates between health plans and providers, and an improved system of adjudicating claims.

Higher Quality of Data The improved and more streamlined coding system will provide healthcare organizations with improved and high-quality data. The coding granularity and accuracy of this new system allows organizations to have accurate, consistent and reliable data on hand at all times.

Better Utilization of Information The appropriate application of this new coding system can allow organizations to achieve a higher level of utilization management of information. This will help them bring more efficiency to their processes like exchange of patient information, accurate treatments throughout the healthcare process for a patient, and managing resources in healthcare institutes.

Better Patient Care Practices The implementation of ICD-10 will provide health care organizations with enhanced granular drug data with more efficiency. This can help them improve their patient care and safety practices significantly. Drug usage trends and a systematic analysis of side effects of these drugs help organizations make better decisions in terms of patient care.

Improved Patient Profiling The improved coding will bring improvement in the availability and quality of data and subsequently, it will improve the system of patient profiling in organizations. This improvement will be a result of better data granularity for case mix groups, procedures and diagnosis that will help in the better utilization of information.

Enhanced Safety for Patients The new coding system would allow enhanced data integration between providers, health plans and research companies. This will allow healthcare providers to stay informed about the recent information related to different drugs, improving the standards of patients' safety in these organizations.

Accuracy in Clinical Documentation Improved accuracy in the codes will allow organizations to improve their documentation procedures. This can lead to improved performance in terms of patient assessment and monitoring, and can help organizations achieve enhanced compliance with the data regulations.

Cost Savings The implementation of the new ICD-10 system will help organizations with their routine business operations like internal communication between care delivery team and resource utilization. This will result in the formation of an effective operational infrastructure within an organization, helping them achieve substantial cost savings.

Revenue Cycle Management – More specific codes for the documentation of clinical data can help organizations manage reimbursement structures and revenue cycle indicators like screenings and re-admission rates in a more improved manner. Moreover, training the healthcare providers for the use of this new system can help minimize adverse impacts that are currently affecting an organization's revenue cycle performance.

The key to achieving all these benefits of ICD-10 is proper assessment, understanding and planning. Only when providers understand the true potential impact of this system can they make it work by designing better implementation plans. The improved codes allow organizations to enhance their data procedures so that they can provide better care and safety to their patients.

Figure 5: ICD-10 Assessment Areas

Internal Functions		
Operations	Finance	Technology
Revenue Cycle	B	68,000
Clinical Documentation	11,000	72,000
Coding	3 to 5 digits	3 to 7 digits
Clinical Operations	AVR Management and Cash Flow	Ancillary Systems
Human Resources	DNFB management	Revenue Cycle Tools
Administration	Reporting and Planning	Interfaces
Marketing	Research and intellectual Property	Enterprise Analytics and Business Intelligence
Credentialing		
Compliance		

Internal Consistents	
Patients	Outsourced Operations
Physicians	Coders
Payors	Clearinghouses
Outsourced Solutions	Solutions Vendors
Trading Partners	

The Potential ICD-10 Implementation Costs

The cost factors associated with the transition are extremely diverse, including factors like system upgrades, increased claim denials, delayed payments, impact on operational cash flows, and loss in productivity.

Before healthcare organizations strive to gain the benefits that come from the implementation of this new system, they need to cross over one major hurdle, the costs associated with the implementation of the system. The cost factors associated with the transition are extremely diverse, including factors like system upgrades, increased claim denials, delayed payments, impact on operational cash flows, and loss in productivity. According to an estimate, the implementation of ICD-10 will cost health care providers between \$425 million and \$1.15 billion in total, while the subsequent productivity losses in case of ineffective implementation can cost between \$5 million to \$40 million a year.

This means that healthcare organizations will face immense pressure in the coming years to make some hard decisions regarding their operating budgets and investments. They need to understand the complete scope of implementation costs associated with this new system so that they can plan their expenditure structure for the next few years accordingly. Specific cost considerations that they need to focus on include:

Upgrade in IT Systems In order to support the new coding systems, organizations will have to upgrade a number of IT systems currently in use. This new coding structure is more complex and can only be implemented if some older systems are either upgraded or replaced. These changes require significant capital investment in bringing these systems up to date, and will also require additional staffing and training in order to establish, implement and use these new system efficiently.

Training Programs for All Health Care Workers

The new documentation requirements and coding structure would require organizations to train their staff so that they can use the system effectively. Among these training courses, a general awareness session outlining the differences between the old ICD-9 system and the new ICD-10 system is of utmost importance. If employees are provided with training properly, it can help the organization reduce productivity losses significantly.

Initial Productivity Loss Initially, due to insufficient understanding of the new codes and coding requirements, high levels of productivity loss are expected. Increased claims, difficulty in information management, and other negative factors at the initial stage of ICD-10 implementation can affect cash flow negatively. Organizations can prepare for these losses by budgeting accordingly while training the staff can minimize these losses.

Increased Security and Privacy Risk During the ICD-10 implementation, the security and privacy risk regarding patient information will rise substantially. The changes in the codes might weaken the security system, removing significant restrictions from accessing sensitive Protected Health Information. A lapse in security can be damaging to an organization not just in monetary terms but also affecting the reputation of an organization.

The complexity and significance of this system makes it very important for organizations to tread carefully if they don't want to end up wasting all their investment.

Assessing and Implementing ICD-10

The success of this new ICD-10 coding system depends on how well organizations can implement it. The implementation of this system is something that healthcare organizations cannot simply handle on their own without considering additional staffing, or taking help from other professional service providers. The complexity and significance of this system makes it very important for organizations to tread carefully if they don't want to end up wasting all their investment.

Implementation of this system is usually divided into two phases. First, organizations need to assess the current system they are using to understand its readiness for adopting the new system. If they determine that their systems are not ready for implementation, they'd have to make certain changes and upgrades to the system. Once it is determined that the system is now ready for the changes, the implementation of the new codes can be undertaken.

Creating an Assessment System

This analysis of the current state of the system, and the desired state required for ICD-10 implementation will provide organizations with a clear idea of the gap that exists.

The new coding system will impact every aspect of a healthcare organization significantly, and therefore a thorough assessment would be needed across the organization to check the readiness level of the systems. First, the providers need to conduct a current state assessment of different operational and strategic areas of their organization. All those functions that are currently using the ICD-9 system need to be assessed including operations, technologies, strategies and people.

Next, organizations need to determine the solution to the alternatives that would make their system ready for ICD-10 implementation. For this, they need to have a proper understanding of the new coding system, and the compliance and implementation options it offers. An implementation budget should also be established so that companies can assess whether or not they are financially able to make the transition.

This analysis of the current state of the system, and the desired state required for ICD-10 implementation will provide organizations with a clear idea of the gap that exists. Based on this analysis, the organization can then develop approaches for bridging this gap and increasing system readiness for ICD-10 implementation.

Establishing an Implementation Roadmap

After carrying out a system assessment, the organization can then map out a comprehensive implementation plan based on the information gained through assessment. Here are some key elements that should be an essential part of this implementation roadmap:

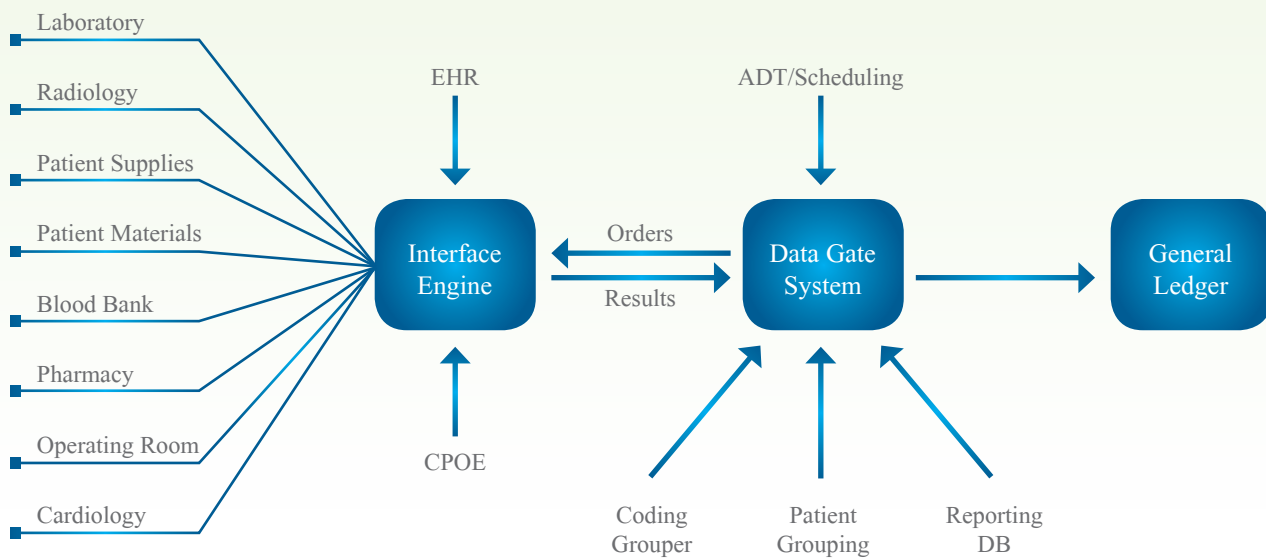
Implementation Budget The most important factor that needs to be determined when implementing ICD-10 is the budget. Organizations need to identify the capital and one-time and recurring costs in different functional areas associated with the implementation. These budget assumptions are of key importance to the entire implementation procedure.

Risk and Impact Readiness Organizations need to assess the risks and their impacts associated with the implementation of this system in different functional areas like technologies, people and processes. These risks should be then addressed with a mitigation strategy in the project plan.

Resource-Based Project Plan A detailed project plan that is broken down at base level structures should be then developed. This project plan should have everything associated with the implementation process on paper, the resources, timeframes, effort required, risk management options and communication strategies.

With an implementation roadmap set in place, healthcare organizations can implement the ICD-10 system more effectively and efficiently. Keeping in mind the magnitude of this change, healthcare providers need to get started with the assessment and implementation as soon as possible.

Figure 6: Technology Systems Potentially Impacted by ICD-10



About Cogent Data Solutions

CDS offers best in class analytics solutions so that companies can derive vital data that can help them make better business decisions. As known industry leaders, our integrated and unique ICD 10 solutions allow healthcare companies to harness critical information, create value, and maximize meaningful insights.

Companies can benefit from our tradition of regular innovation because we have pioneered leveraging huge amounts of data to develop a perfect understanding of how a business works. Our innovative systems provide lasting data warehousing solutions that help firms attain high performance and establish a competitive advantage in their respective industry.



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