



The Impact of HIPAA 5010 and ICD-10 on Information Technology

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- founded Dak in 1985
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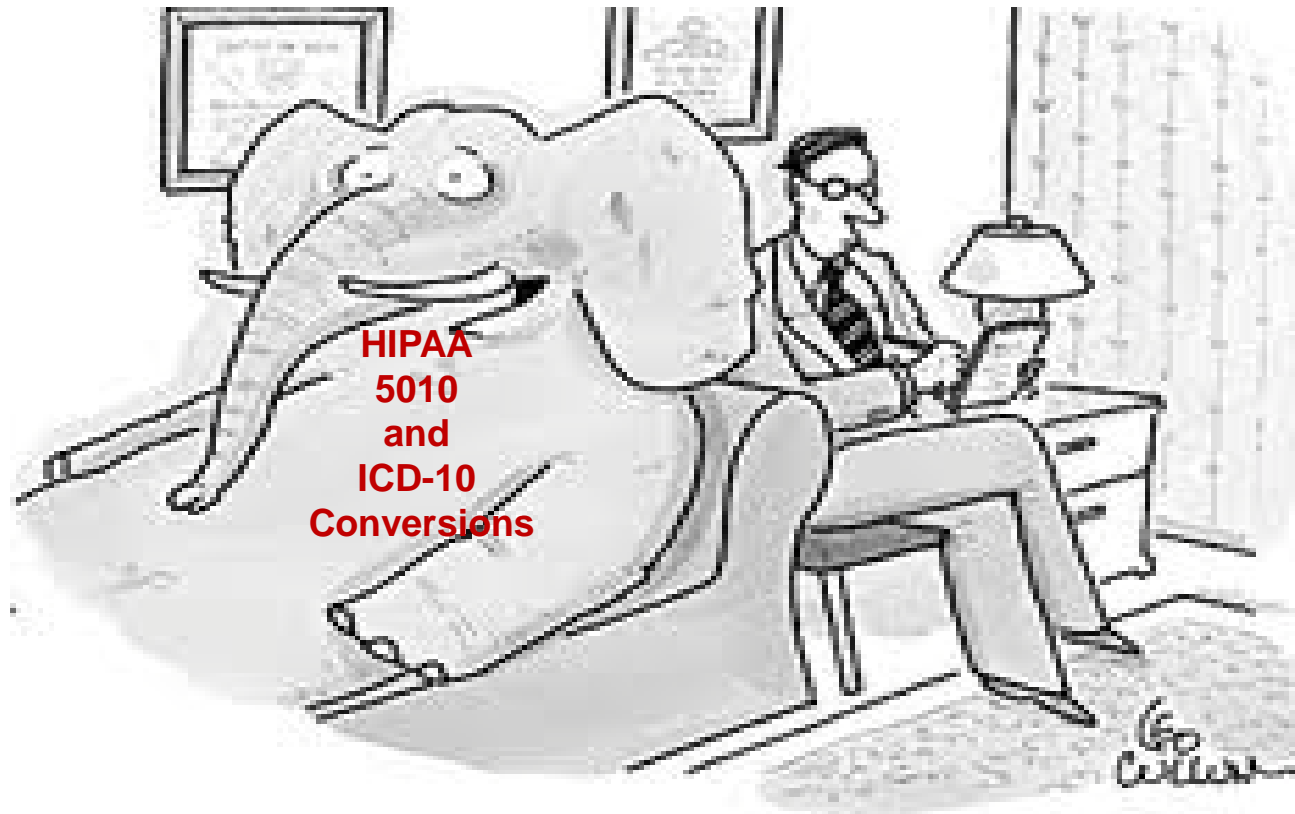


Conflict of Interest Disclosure

Deborah Kohn
has no real or apparent
conflicts of interest to report.

Learning Objectives

- Analyze proven strategies that address HIPAA 5010 and ICD-10
 - information system changes
 - information technology impacts
- Gain insight into HIPAA 5010 and ICD-10 costs and budgeting



"I'm right there in the room, and no one even acknowledges me."

Proven Strategies that Address HIPAA 5010 and ICD-10 - Information System Changes - Information Technology Impacts

1996 HIPAA Title II--Administrative Simplification Standards Modifications

EDI Transaction Set Version 5010 and D.0 Transactions

Applies to ALL (new / existing) HIPAA Covered Entities (CEs) and ALL Accredited Standards Committee (ASC) X12 and National Council for Prescription Drug Program (NCPDP) transactions

ALL CEs FULLY COMPLIANT ON: January 1, 2012

- **Version 5010** is the updated version of the ASC X12 standards for HIPAA electronic transactions
- **Version D.0** is the updated version of the NCPDP standards for pharmacy and supplier transactions

Version 5010

- sets the stage for ICD-10 and must be adopted before the ICD-10 code sets.
- testing and readiness are keys to successful ICD-10 implementations.

In General

- **v5010**
 - is more IT-driven
 - affects all billing / claims / reimbursement
TRADING PARTNERS

Whereas

- **ICD-10**
 - is more business-/operations-/training-driven
 - affects the ENTIRE ORGANIZATION

For Example

- The current transaction version, version 4010, lacks the means to identify the code set being used on the claim.
- Since **version 5010** will be used to report codes from either ICD-9 CM or the ICD-10 code sets depending on the date of service, version 5010 has added a qualifier or “flag” (and increased the field size by one-digit) to indicate which code set is being used.

For Example

- **Version 5010** has increased the
 - ICD-10 code field size from 5 to 7 bytes
 - number of diagnosis codes allowed on a claim
- **Version 5010** separates diagnosis code reporting by principal diagnosis, admitting diagnosis, external cause of injury, and reason for visit.

- **HIPAA 5010 EFFECTIVE DATE:** **March 17, 2009**

- **LEVEL I COMPLIANCE BY:** **December 31, 2010**
 - **CMS Medicare Fee-for-Service Schedule:**
April 1, 2010 through December 31, 2010

- **LEVEL II COMPLIANCE BY:** **December 31, 2011**
 - **CMS Medicare Fee-for-Service Schedule:**
January 1, 2011 through December 31, 2011

- **ALL CEs FULLY COMPLIANT ON:** **January 1, 2012**

Version 5010

Your organization should have been ready
for EXTERNAL TESTING in **JANUARY 2011**.

- Some Trading Partner Vendors will have delivered a 5010-only upgrade
- Some Trading Partner Vendors will have delivered a larger, more time-consuming upgrade that might include non-5010 features
- Trading Partner Providers, Payers, Vendors, Clearinghouses, Data Users need to agree:
 - when to be ready to test
 - when to be ready to test each transaction

Version 5010 Transactions

- **X12 837** – Claims (Dental, Professional, Institutional [DPI])
- **X12 837** – Coordination of Benefits (DPI)
- **X12 837/D.0** – Retail Pharmacy (Supplies & Professional Services)
- **X12 270/271** – Eligibility for a Health Plan (DPI)
- **X12 276/277** – Healthcare Claim Status (DPI)
- **X12 834** – Enrollment and Disenrollment (Health Plan)
- **X12 835** – Healthcare Payment and Remit
- **X12 278** – Referral Certification & Authorization
- **NCPDP D.0** – Various Pharmacy

Version 5010

INTERNAL / EXTERNAL TESTING of VERSIONS

- Since January 2011, Medicare Administrative Contractors (MACs) have been ready to test the **"BASIC" / "FINAL"** version
- Since April 2011, the MACs have been ready to test the **"ERRATA"** version (5010 a.1)

Version 5010

HOW WILL YOUR HEALTHCARE ORGANIZATION COORDINATE THE TEST SCHEDULING OF THE FINAL AND THE ERRATA VERSIONS?

- Early implementers might have to test twice
- Implementers might have to support 2 versions at the same time
 - v4010 and v5010 FINAL
 - v5010 FINAL and v5010 ERRATA

1996 HIPAA Title II--Administrative Simplification Standards Modifications

Medical Data Code Set ICD-10

- Replacement of ICD-9 CM diagnosis codes with **ICD-10 CM diagnosis codes**
Applies to **ALL healthcare providers and payers**
- Replacement of ICD-9 CM procedure codes with **ICD-10 PCS procedure codes**
Applies to **ALL hospital inpatient services**

ALL CEs FULLY COMPLIANT ON: October 1, 2013

ICD-10

Perform a Systems Inventory

- Inventory all systems applications and databases using ICD-9-CM codes
- Perform detailed analysis of systems changes that need to be made
- Prioritize sequence of systems changes and estimate cost
- Map electronic data flow to inventory all reports that contain ICD-9-CM codes

ICD-10

Perform a Systems Inventory

- Determine how long both ICD-9-CM and ICD-10 code sets will need to be supported
- Identify new or upgraded hardware/software requirements
- Build flexibility into IT systems currently under development

Sample Systems Inventory Tool

Application	ICD-9 ?	Vendor	Historical - years	Reports	Interfaces
Abstracting System	Yes	XXX	10	<ol style="list-style-type: none"> 1. Xxxx 2. Xxxx 3. Xxxx 	<ol style="list-style-type: none"> 1. Billing 2. Registries 3. Data Warehouse

Inventory Systems / Applications

Determine Required Software Changes

- Field size expansion
- Longer code descriptions
- Alphanumeric composition
- Edit and logic changes
- Use of decimals
- Modification of table structures
- Redefinition of code values

Inventory Systems / Applications

Determine Required Software Changes (con't)

- Expansion of flat files containing diagnosis codes
- System interfaces

Sample Applications

- Encoding SW
- Abstracting
- Case Mix
- Billing / Financial
- Registration / Scheduling
- Decision Support
- Advanced Beneficiary Notification
- Clinical Documentation Systems
- CPOE
- Registries

Sample Applications (con't)

- Claims Submission SW
- Utilization Management
- Quality Management
- Pharmacy / Lab / Radiology Information Systems
- Case Management
- Clinical Protocols
- Medical Necessity SW
- Disease Management
- Data Warehouse

Applications

- Does your organization know every application that captures, retains or reports ICD-9-CM codes?
- What about your organization's stand-alone or in-house developed applications?
- What about any obscure, organizational databases using ICD-9-CM?

Reports

Which reports require modification?

■ EXTERNAL

- CORE Measures
- Benchmarking
- Registries
- Regulatory Requirements ...

■ INTERNAL

- Patient Care
- Quality
- Registries
- Performance
- Utilization Review
- Billing & Reimbursement
- Research ...

Forms (Analog and Digital)

Which forms require redesign?

- Patient Care
- Quality
- Registries
- Performance
- Utilization Review
- Billing & Reimbursement
- Research
- Regulatory Requirements

Inventory Data Feeds / Interfaces

- Perform a comprehensive audit
 - Screens, inputs, feeds
 - Maps of electronic data flows
 - to all systems containing ICD-9
 - to all reports containing ICD-9
- Perform a detailed analysis of required changes

Most Organizations Perceive Compliance as a **VENDOR** Problem

Vendor will NOT change internal interfaces and custom reports

Vendor might fail compliance or decide not to comply

Vendor might not be timely or fully compliant

Vendor's compliance strategy might be different from yours

Vendor's timing might not sync with your timing

Vendor might not view their role the same as you do

Most Organizations Perceive Compliance as a **VENDOR** Problem

And internal functions –
workflows
and business processes –
will be affected,
not just
information systems!

What Does This Mean?

- Do existing / future vendor contract clauses ensure compliance?
- Will the vendors' existing / future applications be compliant?
 - Upgrade? Remediate? Replace?
 - Built-in flexibility for future upgrades?

What Does This Mean?

- What are the vendors' plans to become compliant?
 - Testing? Production? Cost?
- Will the vendors' systems' storage capacities need to be increased?

Ask Your Systems Vendors

- What systems upgrades or replacements are needed to accommodate ICD-10?
- What costs are involved?
- Will upgrades be covered by existing contracts?
- When will upgrades or replacement systems be available for testing and implementation?

Ask Your Systems Vendors

- What customer support and training will the vendors provide?
- How will the vendors' products / services accommodate both ICD-9 and ICD-10 as your organization works with claims submitted both before and after 10/01/2013?

Insights into HIPAA 5010 and ICD-10 Costs and Budgeting

Costs / Budgeting

- In 2004, the RAND Corporation estimated the implementation of ICD-10 will cost the US healthcare industry between \$425 - \$1,125M.

Source: The Costs and Benefits of Moving to the ICD-10 Code Sets, Rand Corporation, 2004

Costs / Budgeting

- The ICD-10 Conversion will be one of the most expensive efforts the healthcare industry has implemented in recent history.

Costs / Budgeting

- What I tell my customers !!

Potential IT Costs

- Program Management (Impact Assessment / Gap Analysis)
- Existing Application (HW/SW) Upgrades / Replacements
- New / Future Applications (HW/SW)
- Training
- Dual Systems

Potential IT Costs (con't)

- Report Writing
- Communications / Marketing
- Contractor Support / Subject Matter Experts (SMEs)
- **Loss of Revenue / Productivity**
- Contingency Reserve

Contingency Reserve

The amount of funds, budget, or time needed above the estimate to reduce the risk of overruns of project objectives to a level acceptable to the organization

- Hardware / Software
- Training
- Communications / Marketing
- Contractor Support / SMEs
- Revenue Loss

Contingency Reserve

Funds allocated to this type of project should be around 20% of total expenses

- Depending on the organization's risk management strategy and financial situation

Example Costs – Physician Office

	Typical Small Practice	Typical Medium Practice	Typical Large Practice
Education	\$2,405	\$4,745	\$46,280
Process Analysis	\$6,900	\$12,000	\$48,000
Changes to Superbills	\$2,985	\$9,950	\$99,500
IT Costs	\$7,500	\$15,000	\$100,000
Increased Documentation Costs	\$44,000	\$178,500	\$1,785,000
Cash Flow Disruption	\$19,500	\$65,000	\$650,000
TOTAL	\$83,290	\$285,195	\$2,728,780

Source: Nachimson Advisors, LLC, 10/2008

Budgeting

- Financing the conversion will include multiple program budgets that will vary every year, beginning with your organization's start year and continuing after go-live.

Prepare Budget

- Determine:
 - Departmental Budgetary Implications
 - ✓ Systems, HW / SW, Education
 - Departmental Staffing Implications
 - ✓ Short-term (during learning curve)
 - ✓ Long-term
 - ✓ Consulting Services

Prepare Budget (con't)

- Consolidate Budget Plan across Organization
- Include Revenue Loss / Gain in Forecast
- Include Expenses Incurred in Every Year's Budget

Prepare Budget (con't)

- Assign a Resource to Manage the Budget
- Review Budget / Expenses Monthly with your organization's ICD-10 Project Implementation Committee / Task Force

Example Roll-up Budget – Hospital

	FY09 Carryover	FY10	FY11	FY12
Original		\$34.3	\$19.5	\$15.8
Reduction	(\$4.7)	(\$7.0)	(\$8.4)	\$7.0
		\$27.3	\$11.1	\$22.8
FY09-11 Reduction			(20.0)	

A large portion of the FY11 capital was pushed to FY12.

Use of ICD-10

Business Analytics & Modeling Tools

**e.g., HIMSS' ICD-10
Implementation**

Cost Prediction Modeling Tool

COST IMPACT AND TIMING OF THE ICD-10 CONVERSION BY CATEGORY

The model assumes that most the preparation will be done during 2011-2013 (the preparation period). There will then be a 6-12 month transition period, followed by an ongoing permanent period.

Year:	2011	2012	2013 (to 3Q)	2013 (3Q) - 2014 (??-)	2015
Status:	<u>Preparation</u>	<u>Preparation</u>	<u>Preparation</u>	<u>Transition</u>	<u>Permanent</u>
Cost Category					
<u>Coding</u>					
Compensation			Low	High	Med
Training	Low		High	Med	Med
Productivity		Low	High	Med	Med
Recruiting	Low		Med	High	Med
Accuracy				High	Med
<u>Revenue</u>					
Training	Low	Low		Med	
Productivity				High	Med
Accuracy				High	Med
Renegotiate contracts			Med	High	High
Revenue /Claim					Med
Denial Rate				High	Med
<u>IT</u>	Med	Med	High	Med	Low
<u>PM</u>	Low	Med	High	Med	Low

PROJECTED IMPACT OF THE ICD-10 CONVERSION ON YOUR ORGANIZATION

Sources of cost	2012		2013		2014		2015		2016 TOTAL			
Coding	\$	630,000	\$	732,500	\$	562,250	\$	362,250	\$	362,250	\$	2,649,250
Revenue Cycle	\$	2,500	\$	14,500	\$	3,744,800	\$	2,166,438	\$	1,000,000	\$	6,928,238
Project Management	\$	1,000,000	\$	1,000,000	\$	-	\$	-	\$	-	\$	2,000,000
IT	\$	-	\$	21,375,000	\$	-	\$	-	\$	-	\$	21,375,000
Total ICD-10 Transition	\$	1,632,500	\$	23,122,000	\$	4,307,050	\$	2,528,688	\$	1,362,250	\$	32,952,488

QUESTIONS / ANSWERS



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