Milliman Webinar Series

ICD-10 Critical Success Factors

Session #1

#1 A Strong Implementation Foundation
#2 An Organized Change Plan
#3 Integrate and Coordinate with other Priorities and Initiatives

Presented by:
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November 10, 2009

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Ten Critical Success Factors

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Session #1 Objectives

Attendees will gain an understanding of:

- The Basic Regulatory Requirements
- Elements of a Strong Implementation Foundation
- Components of an Organized Change Plan
- Essential Considerations in Integrating and Coordinating ICD-10 with other Priorities and Initiatives

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ICD Primer

- International Classification of Diseases (ICD)
- Developed and periodically updated by the World Health Organization (WHO)
- Current version in the U.S. (ICD-9-CM) is used for:
  - Provider contracts
  - Billing and reimbursement
  - Trend analysis
  - Reporting
  - Health care management

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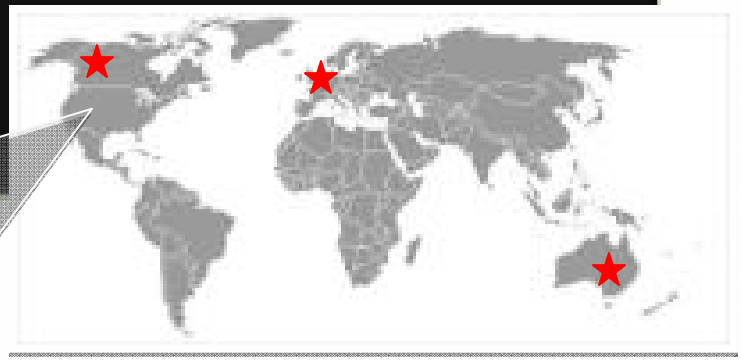
ICD-10 Variations

- **International Classification of Diseases** (ICD WHO)
  - The international standard diagnostic classification
  - Under an agreement with WHO used by the U.S. for the classification of diseases and injuries
  - 10th edition: 3-digit categories with 1 digit after the decimal
  - All modifications to ICD-10 conform to WHO ICD conventions

ICD-10-CM (clinical modification)
WHO authorized NCHS/ CDC U.S. adaptation
Uses 3–7 alpha and numeric digits

ICD-10-PCS (procedure classification system)
Developed by CMS
Uses 7 alpha or numeric digits



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ICD-9 vs. ICD-10: The Differences

Diagnosis		Procedures	
ICD–9–CM	ICD–10–CM	ICD–9–CM	ICD–10–PCS
≈ 13,000 codes	≈ 68,000 codes	≈ 3,000 codes	≈ 87,000 codes
3–5 characters	3–7 characters	3-4 characters	7 characters
Digit 1 alpha or numeric; Digits 2–5 numeric	Digit 1 alpha; 2&3 numeric; 4-7 alpha or numeric	Numeric	Alpha-numeric characters
Decimal after 1st 3 characters	Decimal after 1st 3 characters	Decimal after 1st 2 characters	No decimal

Both Diagnosis and Procedures	
ICD–9	ICD–10
Limited space for new codes	Flexible for new codes
Lacks detail and precision	Very specific
Difficult to analyze	Improved accuracy/ richness of data
Limits DRG assignment	Better recognize new technologies

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Scope of The Regulatory Requirements

HIPAA covered entities

- Health Plans
- Providers
- Clearinghouses

ASCX12 transaction standards, Version 5010

- January 1, 2012 implementation
- Small health plans have an additional year (January 1, 2013)

ICD-10

- October 1, 2013 implementation effective with the date of service
- ICD-10-CM replaces ICD-9 volumes 1 and 2 for reporting diagnoses
- ICD-10-PCS code sets replace ICD-9-CM volume 3 for reporting hospital inpatient procedures
  - Not to be used in outpatient transactions
  - CPT codes will continue

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Not Just Another HIPAA Project

1 Mappings are imprecise and require decisions

- Many codes are a 1:1 map
- Many 1:1 maps are not precise
- Some codes have many options
- Some codes have zero options

Milliman Claims Study

- PCS to ICD9
- 82% 1:1 map
- 17% > 1:1 option
- Others: many options

2 ICD-9 codes are critical components in health care administration

- Health care finances, e.g.,
  - Billing/ reimbursement schemes
  - Risk adjustment
  - Coverage policy
  - Benchmarking
  - Fraud/ waste/ abuse detection
  - P4P
- Health care management, such as
  - Authorization determinations
  - Population identification
  - Quality metrics (e.g., HEDIS)
  - Provider profiling

Healthcare benefits, such as

- Underwriting
- Specified disease benefit
- Initial diagnosis benefit

3 Implementation impact depends on the decisions

- Implementation goals
  - Budget neutral health care $
  - Support important relationships
  - Maintain/ optimize operations
  - Prevent errors
- Post implementation goals
  - Analyze data
  - Optimize use

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One-to-Many Mapping is an Issue

- ICD-9 86.59 Suture Of Skin And Subcutaneous Tissue Of Other Sites to ICD-10:
  - 0JQ10ZZ Repair Face Subcutaneous Tissue and Fascia, Open Approach
  - 0JQ13ZZ Repair Face Subcutaneous Tissue and Fascia, Percutaneous Approach
  - 0JQ40ZZ Repair Anterior Neck Subcutaneous Tissue and Fascia, Open Approach
  - 0JQ43ZZ Repair Anterior Neck Subcutaneous Tissue and Fascia, Percutaneous Approach
  - 0JQ50ZZ Repair Posterior Neck Subcutaneous Tissue and Fascia, Open Approach
  - 0JQ53ZZ Repair Posterior Neck Subcutaneous Tissue and Fascia, Percutaneous Approach
  - 0JQ60ZZ Repair Chest Subcutaneous Tissue and Fascia, Open Approach
  - 0JQ63ZZ Repair Chest Subcutaneous Tissue and Fascia, Percutaneous Approach
  - 0JQ70ZZ Repair Back Subcutaneous Tissue and Fascia, Open Approach
  - 0JQ73ZZ Repair Back Subcutaneous Tissue and Fascia, Percutaneous Approach
  - 0JQ80ZZ Repair Abdomen Subcutaneous Tissue and Fascia, Open Approach
  - 0JQ83ZZ Repair Abdomen Subcutaneous Tissue and Fascia, Percutaneous Approach

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One-to-Many Mapping Prompts Many Issues

- Will staff know how to identify the procedures in the documentation?
- Will we code both ICD-9 and ICD-10 to be able to analyze the data later?
- How much longer will it take to code and bill the services?
- How much longer will it take to reimburse for the services?
- How will it change billed charges?
- Will it shift DRG mix?
- Is it carved out of DRG payment in any contracts?
- Will the reimbursement mapping give a different payment result?
- Is it in the reimbursement mapping?
- Will it affect Medicare National Coverage Decisions?
- Is it in any medical policies?
- Will it affect risk adjustment?
- Is it in any prior authorization process?
- Is it in any automated claims processes?
- Is it in any fraud, waste or abuse processes?
- Is it used in service category reporting?
- Will it change any case management identification criteria?
- Is it in any P4Pschemes?
- Is it in any quality measures?
- Will it affect performance reporting?

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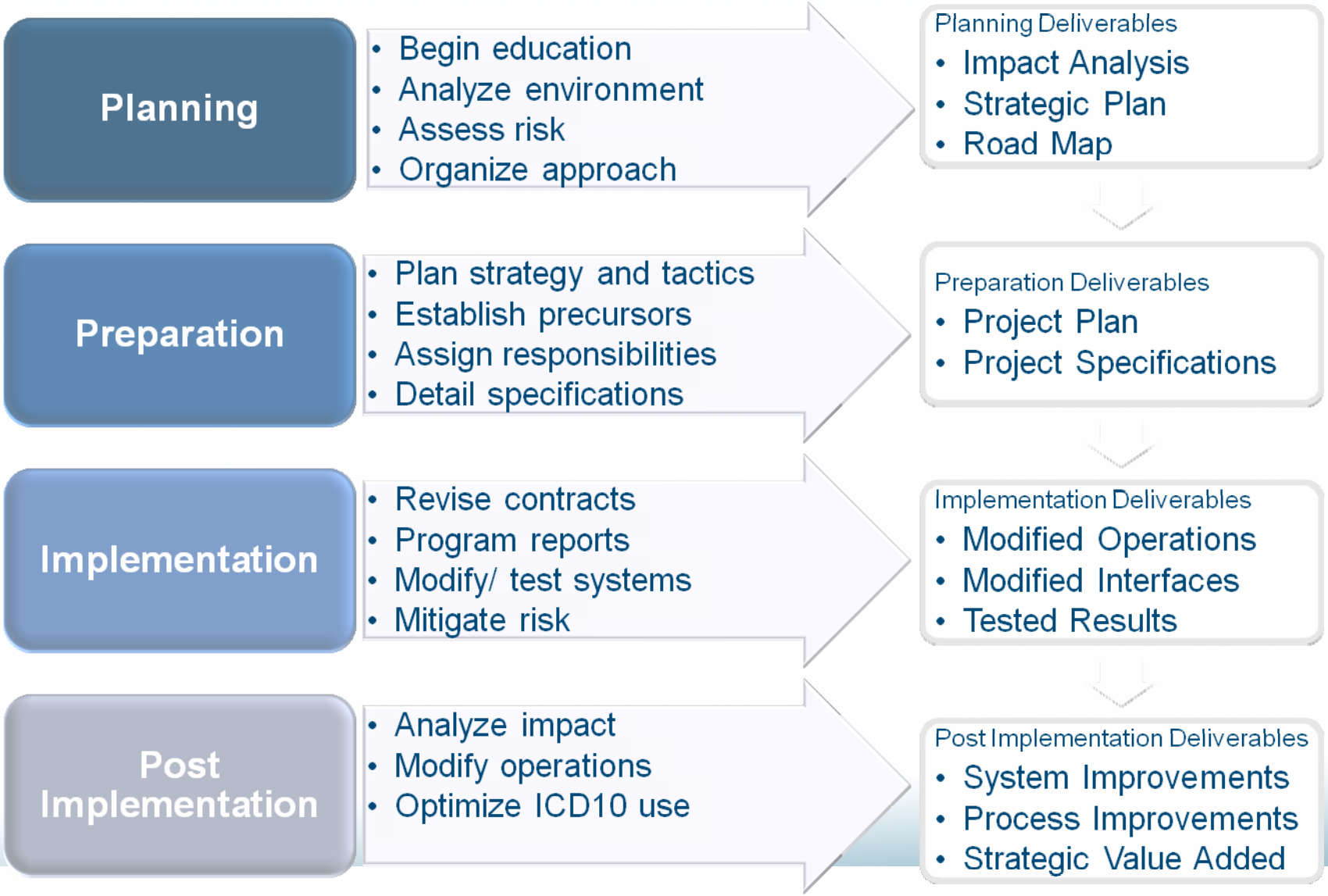
Four Major Implementation Stages



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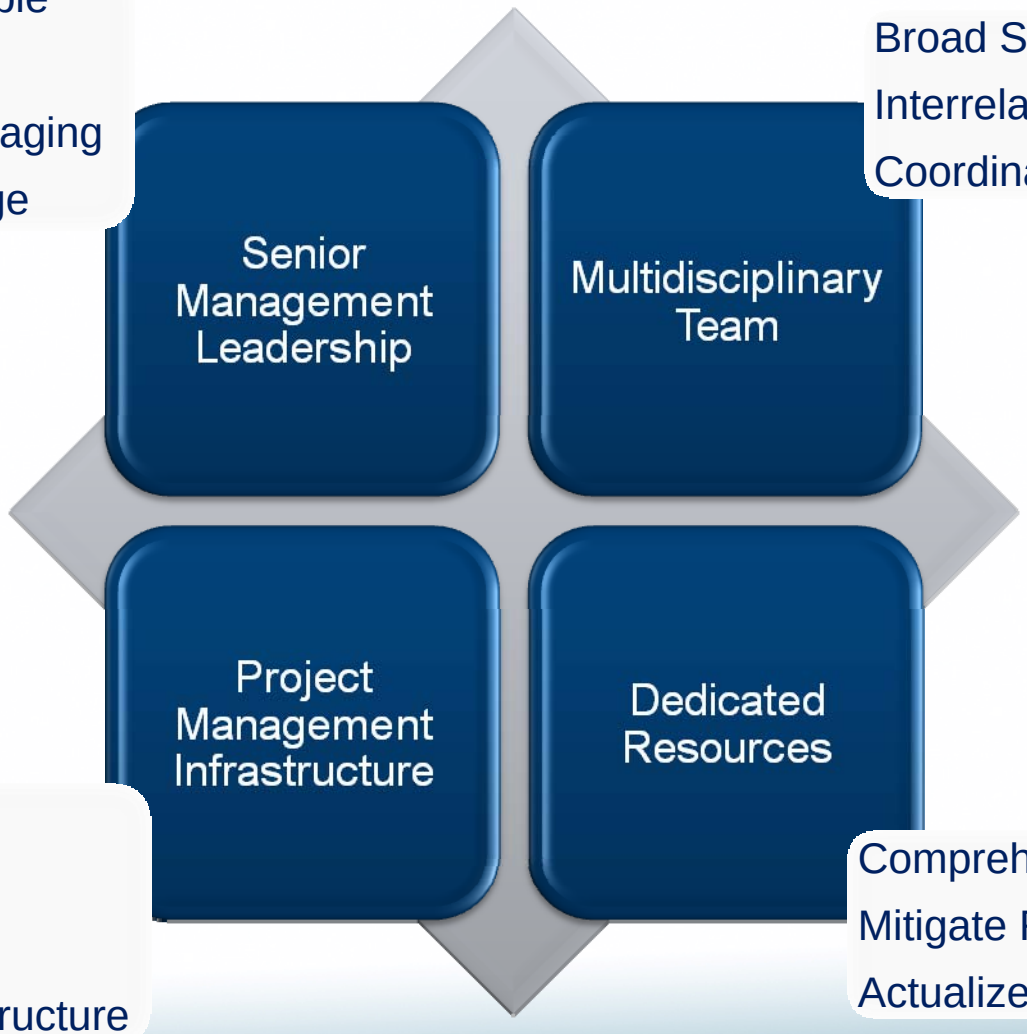
A Strong Implementation Foundation

Time, Money, People
Juggling Priorities
Stakeholder Messaging
Strategic Advantage



Broad Scope of Impact
Interrelated Impact
Coordinated Efforts

Project Manager
Project Plan
Regular Meetings
Issue Resolution Structure

Comprehensive Assessment
Mitigate Risk
Actualize Opportunities

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An Organized Change Plan

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Impact Analysis

An environmental impact assessment (EIA) is an assessment of the possible impact—positive or negative—that a proposed project may have on the environment, together consisting of the natural, social and economic aspects.

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Environmental Assessment Tool

Impact Assessment tool.xls [Compatibility Mode] - Microsoft Excel

Internal Services

Description	Comments
Monthly financials	
Reserves	
Benchmarking analysis	
Medicare bids	
Provider bonus/ risk sharing reconciliation	

Outsourced Services

Services	Vendor	Description	Comments
Monthly financials			
Reserves			
Benchmarking analysis			
Medicare bids			
Provider bonus/ risk sharing reconciliation			

Dx/ Px Based System/ Tools	Vendor/ Source	Internal Owner	How Used?	Scope of Impact	Comments
Risk/ severity adjustment tools					
External benchmark tools (e.g., HCGs)					
Underwriting Guidelines					
External Benchmark Data Sources					
HCGs					
State data					
Medicare data					
MedStat tools/ database					
Other (specify)					
Internal Data Tools/ Sources					
Data Warehouse					
Data Mart					
Other (specify)					

ICD Dx/ Px Based Reports	Source	Internal Owner	How Used?	Scope of Impact	Comments

Greatest Finance/ UW Risks Related to ICD-10 (e.g., fee schedule/ benefit revisions, trend/ experience analysis data fog, underwriting, claims lags, etc.)

Description	Comments

Network Management | Finance_Actuarial | FWA | Risk Optimization | Information Technology | Tools Inventory | Claims System | Benefit Set

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Assess the Risks

Financial

- Areas of potential financial impact
- Conversion or transition tools risks
- What budget and over what period of time

Relationships

- Vendor
- Provider/ health plan

Operational

- Testing and development
- Performance reporting
- Types of resources needed and for how long
- Risks of starting preparation and implementation too soon or too late

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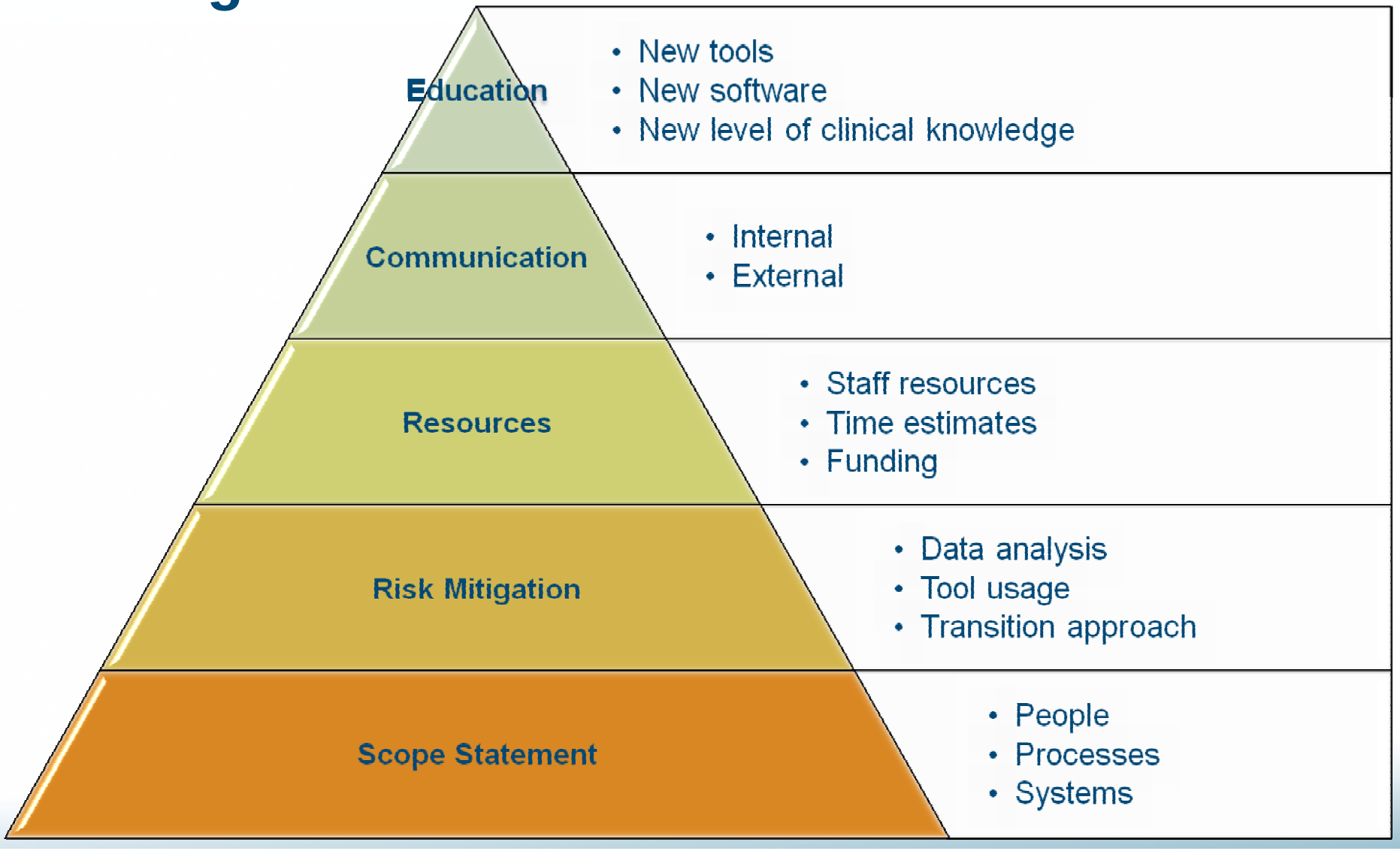
Strategic Plan



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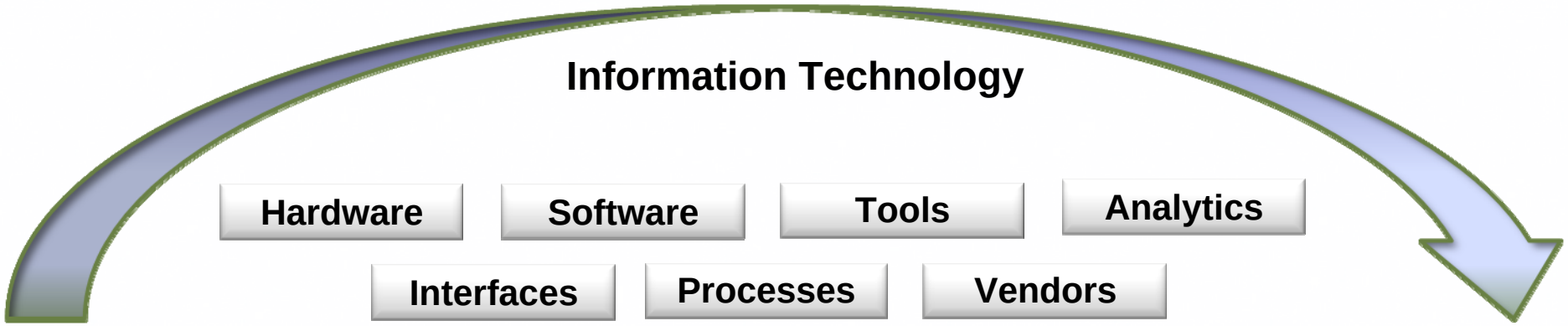
Scope Statement -- Example

Example: Information Technology



Billing/ Claims	Care Management	Provider Relations	Financial Services
• Covered benefits • Coding policies • Reimbursement set up • Fraud and Abuse	• Authorizations • Population identification • Risk stratification • Quality indicators • HEDIS reporting • Medical Policy	• Contracts • Pay for Performance • DRG reimbursement • Provider Profiling	• Accounting • Trending • Benchmarking • Underwriting • Operational Reporting • Regulatory Reporting

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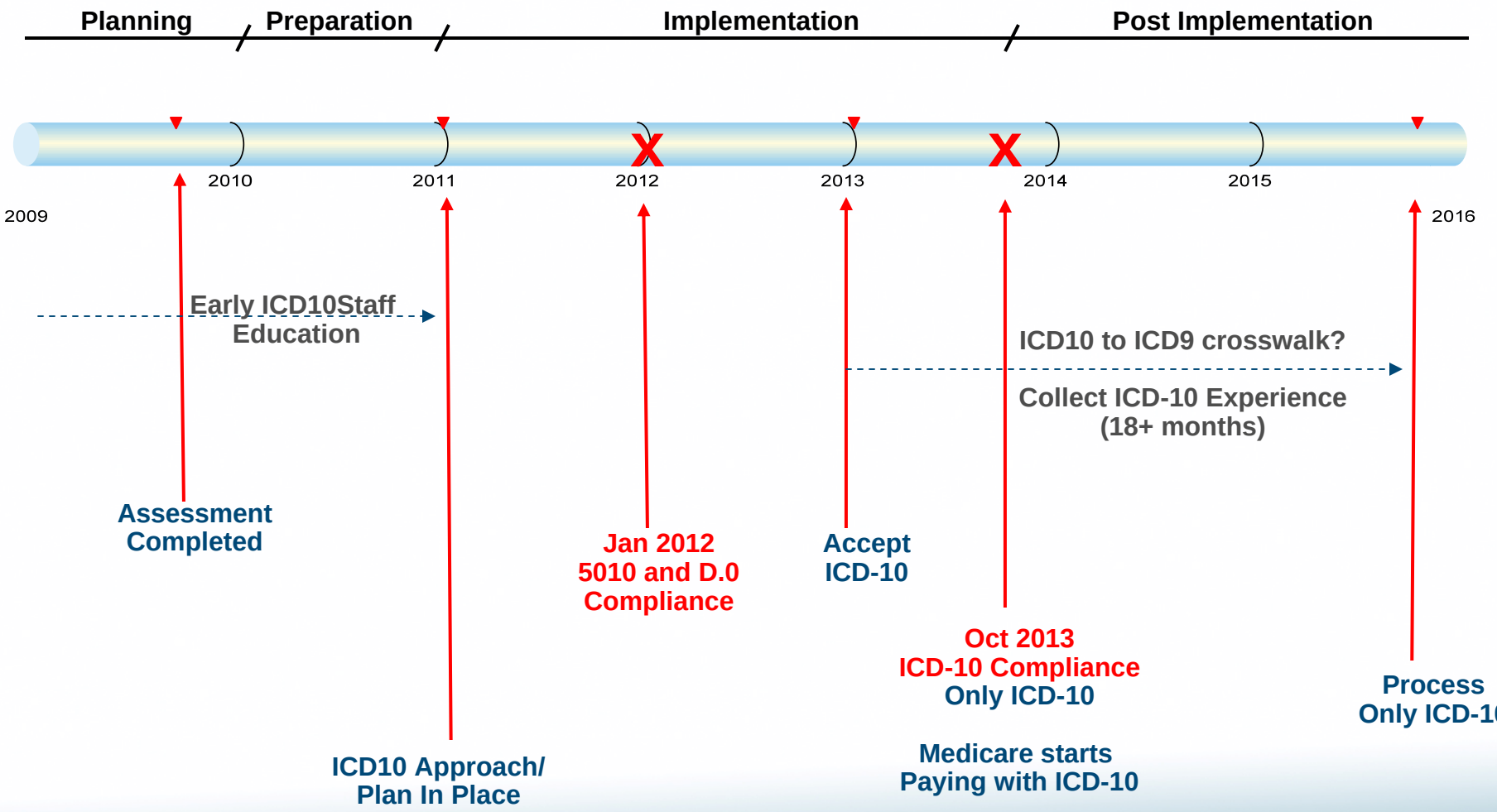
The Time Line



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Risk Mitigation

Example: Health Plan Claims Processing

	Implementation	Post Implementation
Data Analysis	Codes billed and not in Reimbursement Mapping ICD10 MS-DRG compromises % of reimbursement impacted	Analysis of pre/ post payment Reimbursement schemes for more precise payment
Tool Usage	ICD9 to ICD10 for medical policy/ benefit code conversion Map ICD9 authorization to ICD10 for payment Reimbursement mapping for fee schedule payment ICD10 MS-DRG grouper	Map ICD10 to ICD9 benchmarks for trend analysis
Approach	Maintain code submitted and mapped code(s) Process MS-DRGs directly Process fee schedule using ICD9 & customized Reimbursement map	Maintain ICD9 & ICD10 for 2 years Tag codes submitted and used in processing Change fee schedule with experience gained

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Estimating Costs: Don't Miss the Forest

Category	CMS/ RAND Estimate Basis
Physician Training	1 in 10 at $137 per hour for 4 hours
Full coder training	$2,750 per coder*
Partial coder training	$550 per coder*
Code user training	$250 per person*
Coder productivity loss	1.7 more minutes to code an inpatient claim and 0.017 minutes to code an outpatient claim for 1 month returning to normal within next 5 months
Super-bill conversion	$55 per office
Returned claims	3% increase in returned claims for 1st year; half of that for the 2nd year and 15% of that for the 3rd year
Hospital systems	About $1.00 per annual discharge with wide variation
Payer systems	Extrapolated: 4% $0 – will rely on vendors, 12% $0.40 PMPM, 3% $1.00 PMPM

*Includes lost work time

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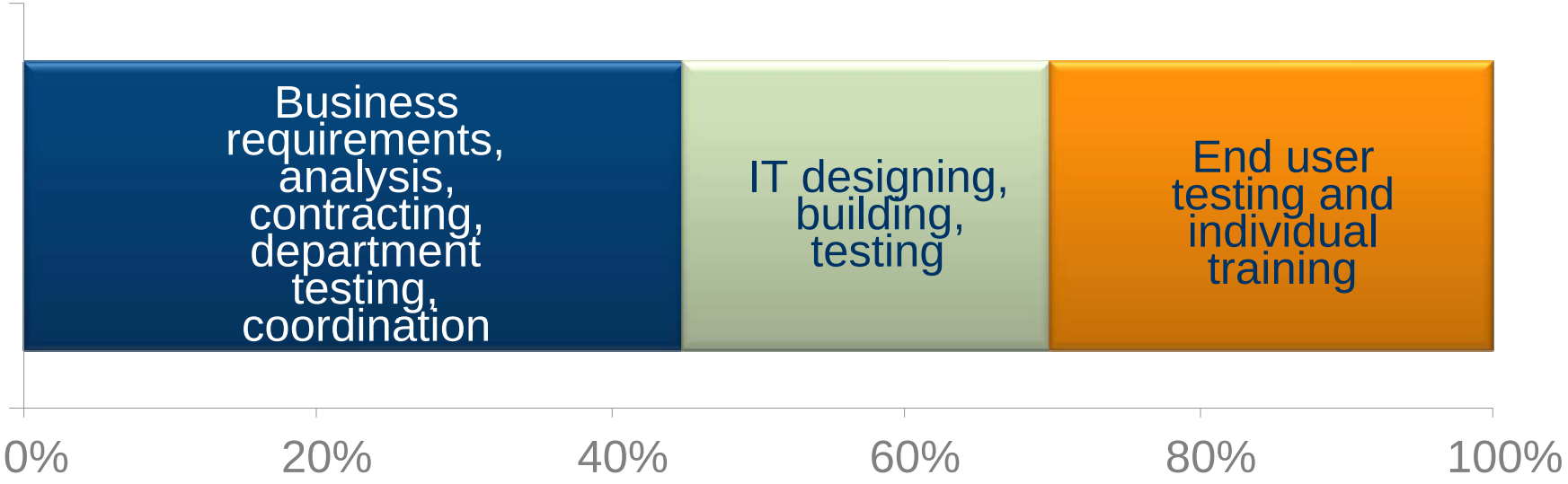
Resources: One Health Plan's Estimate

- Likely indicative of what other Plans will see:
  - 38% of business processes impacted
    - Product Life Cycle, Member Care & Health, Claims and Encounters, Health Care Delivery Networks
  - 47% of systems impacted (some estimate up to 60%)
  - 17 Business Associates impacted
  - Most complicated compliance project to date



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Road Map

- Strategic vision
- Goals that must be accomplished to achieve the vision
- Capabilities required
- Gaps identified
- Tactical plan to close the gaps
  - Resources needed
  - Timeline

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Integrating and Coordinating with other Priorities and Initiatives

- HIPAA 5010
  - Same systems, vendors, interfaces, IT resources as ICD-10
- Existing priorities and planned initiatives
  - Contract changes (provider and vendor)
  - System modifications/ upgrades
  - New reports/ report revisions
  - Medical policy maintenance
  - Vendor changes
  - Reimbursement schemes
- Wish list initiatives
  - Integrate your wish list into what you have to do for ICD-10
- Consider changes that may occur post implementation

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Long Term Planning Considerations

MS-DRGs

- CMS uses at least two year old data to make changes in MS-DRG weights
- Will need several years of ICD-10 experience

Ambulatory Reimbursement

- APCs and ASCs may be the next wave of legislation

CPT/ HCPCS

- We predict that the U.S. will be using CPT for a very long time

ICD-11

- The year 2020 is the earliest projected date to begin rulemaking for the U.S.

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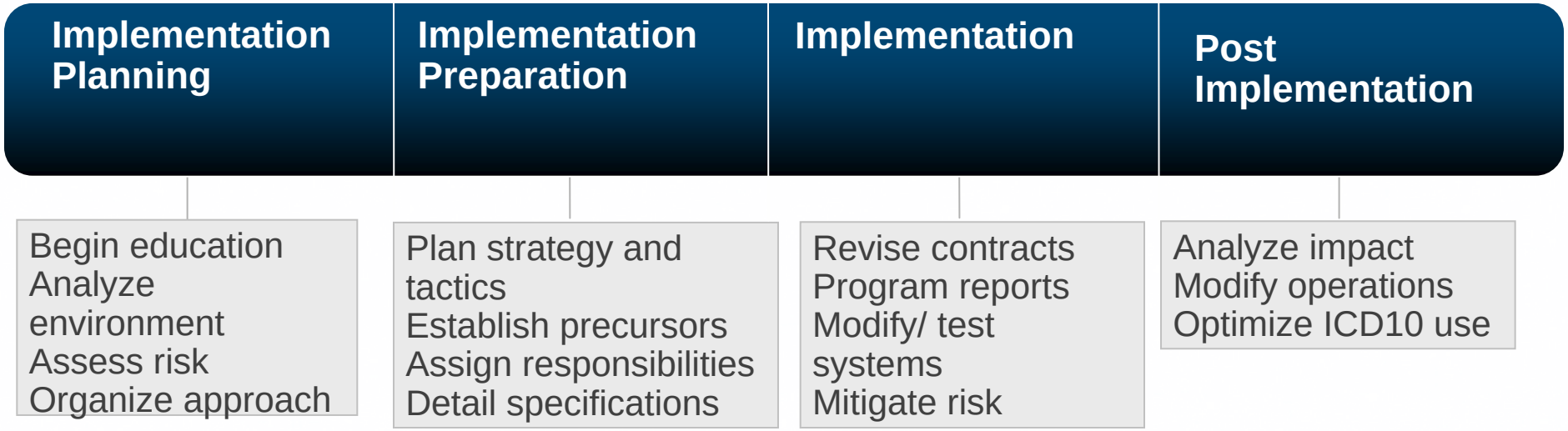
Milliman 5010/ ICD-10 Consulting Services

- Assist organizations in understanding the potential effects of 5010/ ICD-10
- Guide early efforts to prepare for 5010/ ICD-10
- Assist operational areas in implementing 5010/ ICD-10

Healthcare analytics Healthcare management Provider contracting & management
Actuarial, finance and underwriting Claims administration Information Technology



Milliman website http://www.milliman.com/expertise/healthcare/services/ICD-10-readiness/

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Questions?

Please contact:

- Pat Zenner at pat.zenner@milliman.com,
- Andrew Naugle at andrew.naugle@milliman.com,

or your Milliman consultant with any questions or for more information about Milliman's ICD-10 consulting services.

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Closing Comments

- A recording of the session will be available within a few days
- Upcoming sessions

December 8, 2009	• Training and Education • Effective Communications
January 19, 2010	• Manage Vendor Relationships • Manage Insurer: Provider Relationships
February 9, 2010	• Effective Use of Available Tools
March 16, 2010	• Plan for the Financial Impact • Develop Strategic Opportunities

Thank you for attending. We hope it was helpful.

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