Milliman Webinar Series
ICD-10 Critical Success Factors
Session 5

Factor # 9 Planning for the Financial Impact
Factor # 10 Leveraging for Strategic Opportunities

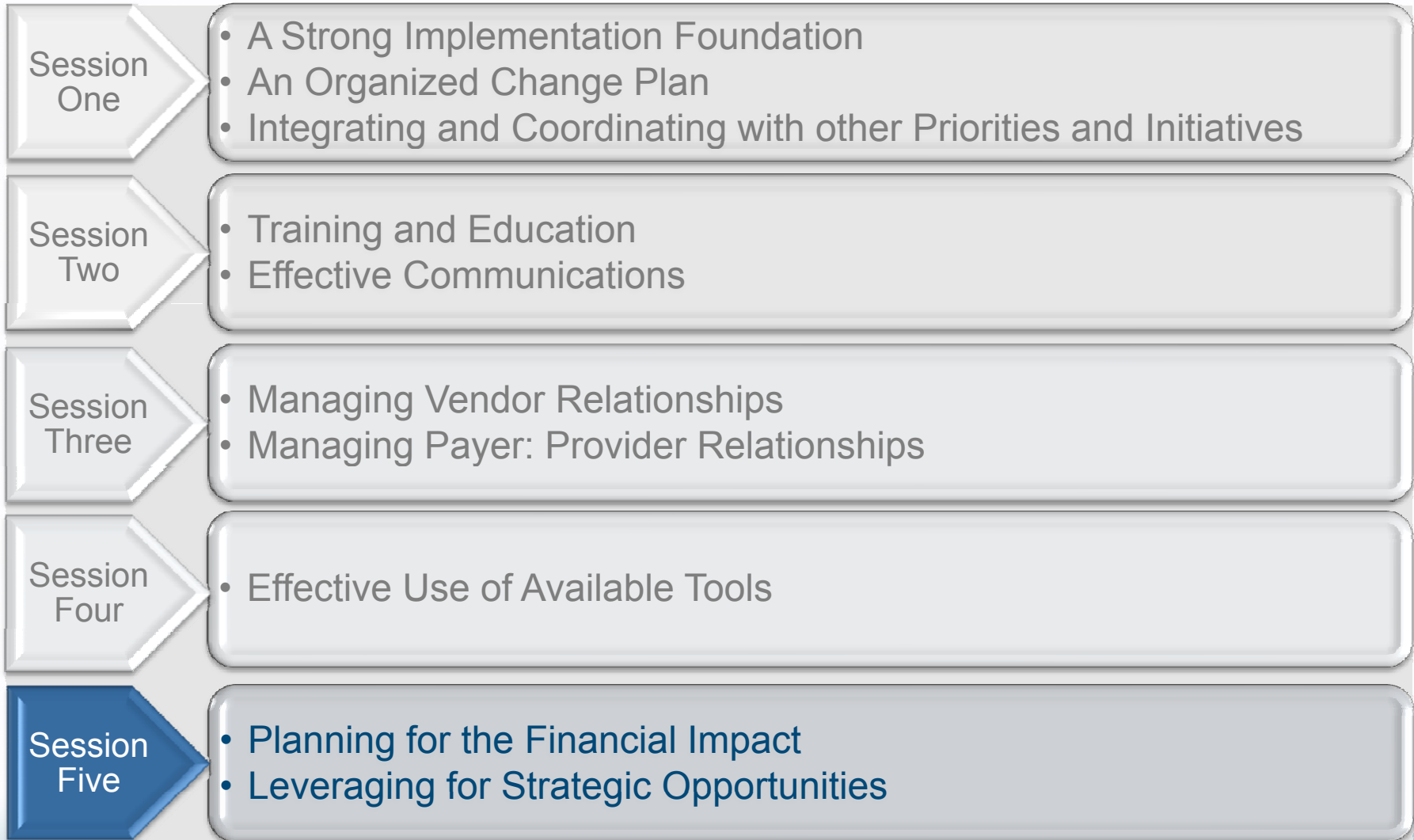*Presented by:*
Eric Goetsch, FSA, Richard Kipp, MAAA and Lisa Mattie, RN
March 16, 2010

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House Keeping

- If you have any trouble with the Webinar, press *0 at any time

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

- Everyone's lines are muted

- Please type questions at any time,
  - Questions will be visible only to the Presenters
  - Presenters will take some time at the end of the session to respond to questions submitted

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Ten Critical Success Factors

Session One
- A Strong Implementation Foundation
- An Organized Change Plan
- Integrating and Coordinating with other Priorities and Initiatives

Session Two
- Training and Education
- Effective Communications

Session Three
- Managing Vendor Relationships
- Managing Payer: Provider Relationships

Session Four
- Effective Use of Available Tools

Session Five
- Planning for the Financial Impact
- Leveraging for Strategic Opportunities

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Session #5 Objectives
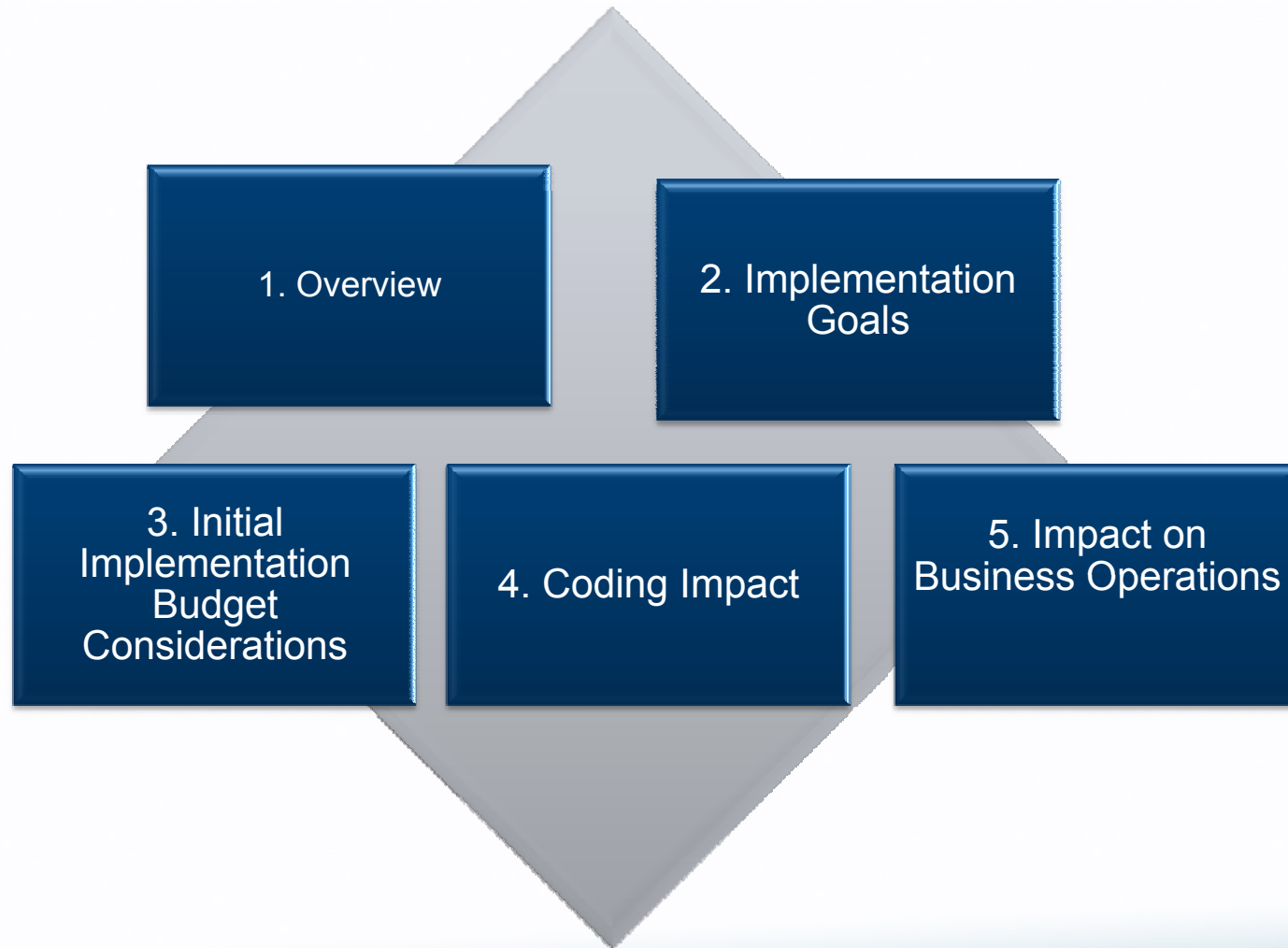
Attendees will gain an understanding of:

How your organization's ICD-10 goals and planning may effect the financial impact

How the ICD-10 code conversion process has inherent / unknown financial impacts

How your ICD-10 business / operations process changes may impact financials

Potential strategies to take advantage of ICD-10 implementation

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Planning for ICD-10 Financial Impact

1. Overview

2. Implementation Goals

3. Initial Implementation Budget Considerations

4. Coding Impact

5. Impact on Business Operations

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It's a Code Conversion Project – Why Worry?

1 **Mappings are imprecise and require decisions**

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

3 **Implementation impact depends on the decisions**

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

Milliman Claims Frequency Study

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

- Health care finances, such as
  - Billing/ reimbursement schemes
  - Fraud/ waste/ abuse detection
  - Coverage policy
  - Benchmarking
  - Risk adjustment
  - Rating and financial reporting
- Health care management, such as
  - Authorization determinations
  - Population identification
  - Quality metrics
  - Provider profiling
- Healthcare benefits, such as
  - Specified conditions
  - Waiver programs

- Implementation goals
  - No increase in health care $
  - Support important relationships
  - Maintain/ optimize operations
  - Prevent errors
- Post implementation goals
  - Analyze data
  - Optimize use

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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
≈ 14,000 codes	≈ 69,000 codes	≈ 3,800 codes	≈ 72,000 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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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 1 Assumption – No ICD-10 processing delay

Inpatient Monthly Lag Table   **Illustrative Lag and Trend Impact**

Normal-No Special Delay

Paid Month	Total	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Feb-13	172,011	172,011											
Mar-13	830,868	702,459	128,409										
Apr-13	1,239,990	315,726	713,312	210,951									
May-13	1,498,099	75,420	388,747	886,348	147,584								
Jun-13	1,468,904	70,824	101,285	281,011	731,326	284,457							
Jul-13	1,311,698	87,196	66,896	95,572	183,265	632,516	246,253						
Aug-13	2,039,678	58,165	25,688	183,932	179,641	179,289	951,856	461,107					
Sep-13	1,067,514	260	41,334	25,436	17,070	49,547	107,396	615,430	211,041				
Oct-13	1,227,011	5,460	8,311	786	39,329	28,150	112,107	96,827	706,041	230,000			
Nov-13	1,963,361	10,718	6,202	14,115	2,486	29,208	62,326	108,036	428,014	1,112,966	189,290		
Dec-13	1,179,376	8,770	250	-	1,300	-	72,725	18,789	59,907	92,348	607,608	317,679	
Jan-14	1,762,641	-	(831)	-	-	6,514	15,543	35,809	19,913	114,955	531,269	711,261	328,207
Inc & Paid	15,761,151	1,507,010	1,479,603	1,698,151	1,302,002	1,209,681	1,568,207	1,335,998	1,424,916	1,550,269	1,328,167	1,028,940	328,207
Est. Incurred	18,873,231	1,509,004	1,481,062	1,702,660	1,308,547	1,219,705	1,588,213	1,377,246	1,504,805	1,710,329	1,602,703	1,554,766	2,314,192
Enrollment	92,900	6,800	7,000	7,100	7,150	7,300	7,400	7,450	7,600	7,650	7,700	7,750	12,000
PMPM		$ 221.91	$ 211.58	$ 239.81	$ 183.01	$ 167.08	$ 214.62	$ 184.87	$ 198.00	$ 223.57	$ 208.14	$ 200.61	$ 192.85
Outstanding	3,112,080	1,995	1,458	4,509	6,545	10,024	20,007	41,248	79,889	160,060	274,536	525,826	1,985,985
Completion		0.999	0.999	0.997	0.995	0.992	0.987	0.970	0.947	0.906	0.829	0.662	0.142
Cost Factor		-	-	-	-	-	-	-	-	-	-	-	-
Missing $	$ -												

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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 2 Assumption – One month ICD-10 processing delay

Inpatient	Monthly Lag Table											
				Illustrative Lag and Trend Impact								
				One Month Delay in Processing ICD-10								
Paid Month	Total	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Feb-13	172,011	172,011											
Mar-13	830,868	702,459	128,409										
Apr-13	1,239,990	315,726	713,312	210,951									
May-13	1,498,099	75,420	388,747	886,348	147,584								
Jun-13	1,468,904	70,824	101,285	281,011	731,326	284,457							
Jul-13	1,311,698	87,196	66,896	95,572	183,265	632,516	246,253						
Aug-13	2,039,678	58,165	25,688	183,932	179,641	179,289	951,856	461,107					
Sep-13	1,067,514	260	41,334	25,436	17,070	49,547	107,396	615,430	211,041				
Oct-13	997,011	5,460	8,311	786	39,329	28,150	112,107	96,827	706,041	-			
Nov-13	1,963,361	10,718	6,202	14,115	2,486	29,208	62,326	108,036	428,014	1,112,966	189,290		
Dec-13	1,179,376	8,770	250	-	1,300	-	72,725	18,789	59,907	92,348	607,608	317,679	
Jan-14	1,762,641	-	(831)	-	-	6,514	15,543	35,809	19,913	114,955	531,269	711,261	328,207
Inc & Paid	15,531,151	1,507,010	1,479,603	1,698,151	1,302,002	1,209,681	1,568,207	1,335,998	1,424,916	1,320,269	1,328,167	1,028,940	328,207
Est. Incurr	18,619,485	1,509,004	1,481,062	1,702,660	1,308,547	1,219,705	1,588,213	1,377,246	1,504,805	1,456,583	1,602,703	1,554,766	2,314,192
Enrollment	92,900	6,800	7,000	7,100	7,150	7,300	7,400	7,450	7,600	7,650	7,700	7,750	12,000
PMPM		$ 221.91	$ 211.58	$ 239.81	$ 183.01	$ 167.08	$ 214.62	$ 184.87	$ 198.00	$ 190.40	$ 208.14	$ 200.61	$ 192.85
Outstanding	3,088,334	1,995	1,458	4,509	6,545	10,024	20,007	41,248	79,889	136,314	274,536	525,826	1,985,985
Completion		0.999	0.999	0.997	0.995	0.992	0.987	0.970	0.947	0.906	0.829	0.662	0.142
Cost Factor		-	-	-	-	-	-	-	-	-	-	-	-

Missing $ $ 230,000.00

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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 3 Assumption – Two month ICD-10 processing delay

Inpatient — Monthly Lag Table — **Illustrative Lag and Trend Impact**
Two-Month Delay Processing ICD-10

Paid Month	Total	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Feb-13	172,011	172,011											
Mar-13	830,868	702,459	128,409										
Apr-13	1,239,990	315,726	713,312	210,951									
May-13	1,498,099	75,420	388,747	886,348	147,584								
Jun-13	1,468,904	70,824	101,285	281,011	731,326	284,457							
Jul-13	1,311,698	87,196	66,896	95,572	183,265	632,516	246,253						
Aug-13	2,039,678	58,165	25,688	183,932	179,641	179,289	951,856	461,107					
Sep-13	1,067,514	260	41,334	25,436	17,070	49,547	107,396	615,430	211,041				
Oct-13	997,011	5,460	8,311	786	39,329	28,150	112,107	96,827	706,041	-			
Nov-13	661,106	10,718	6,202	14,115	2,486	29,208	62,326	108,036	428,014	-	-		
Dec-13	1,179,376	8,770	250	-	1,300	-	72,725	18,789	59,907	92,348	607,608	317,679	
Jan-14	1,762,641	-	(831)	-	-	6,514	15,543	35,809	19,913	114,955	531,269	711,261	328,207
Inc & Paid	14,228,896	1,507,010	1,479,603	1,698,151	1,302,002	1,209,681	1,568,207	1,335,998	1,424,916	207,303	1,138,877	1,028,940	328,207
Est. Incurr	17,163,192	1,509,004	1,481,062	1,702,660	1,308,547	1,219,705	1,588,213	1,377,246	1,504,805	228,707	1,374,286	1,554,766	2,314,192
Enrollment	92,900	6,800	7,000	7,100	7,150	7,300	7,400	7,450	7,600	7,650	7,700	7,750	12,000
PMPM		$ 221.91	$ 211.58	$ 239.81	$ 183.01	$ 167.08	$ 214.62	$ 184.87	$ 198.00	$ 29.90	$ 178.48	$ 200.61	$ 192.85
Outstandin	2,934,297	1,995	1,458	4,509	6,545	10,024	20,007	41,248	79,889	21,403	235,409	525,826	1,985,985
Completion		0.999	0.999	0.997	0.995	0.992	0.987	0.970	0.947	0.906	0.829	0.662	0.142
Cost Factor		-	-	-	-	-	-	-	-	-	-	-	-

Missing $ $ 1,532,255

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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 4 Assumptions – First month of implementation full suspension of ICD-9 and ICD-10 processing claims

Inpatient Monthly Lag Table   **Illustrative Lag and Trend Impact**
Lost Month of Payments

Paid Month	Total	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Feb-13	172,011	172,011											
Mar-13	830,868	702,459	128,409										
Apr-13	1,239,990	315,726	713,312	210,951									
May-13	1,498,099	75,420	388,747	886,348	147,584								
Jun-13	1,468,904	70,824	101,285	281,011	731,326	284,457							
Jul-13	1,311,698	87,196	66,896	95,572	183,265	632,516	246,253						
Aug-13	2,039,678	58,165	25,688	183,932	179,641	179,289	951,856	461,107					
Sep-13	1,067,514	260	41,334	25,436	17,070	49,547	107,396	615,430	211,041				
Oct-13	-	-	-	-	-	-	-	-	-	-			
Nov-13	1,963,361	10,718	6,202	14,115	2,486	29,208	62,326	108,036	428,014	1,112,966	189,290		
Dec-13	1,179,376	8,770	250	-	1,300	-	72,725	18,789	59,907	92,348	607,608	317,679	
Jan-14	1,762,641	-	(831)	-	-	6,514	15,543	35,809	19,913	114,955	531,269	711,261	328,207
Inc & Paid	14,534,140	1,501,550	1,471,293	1,697,365	1,262,673	1,181,531	1,456,099	1,239,171	718,876	1,320,269	1,328,167	1,028,940	328,207
Est. Incurred	17,578,021	1,503,537	1,472,743	1,701,872	1,269,020	1,191,322	1,474,676	1,277,429	759,180	1,456,583	1,602,703	1,554,766	2,314,192
Enrollment	92,900	6,800	7,000	7,100	7,150	7,300	7,400	7,450	7,600	7,650	7,700	7,750	12,000
PMPM		$ 221.11	$ 210.39	$ 239.70	$ 177.49	$ 163.19	$ 199.28	$ 171.47	$ 99.89	$ 190.40	$ 208.14	$ 200.61	$ 192.85
Outstanding	3,043,881	1,988	1,450	4,507	6,347	9,791	18,577	38,258	40,304	136,314	274,536	525,826	1,985,985
Completion		0.999	0.999	0.997	0.995	0.992	0.987	0.970	0.947	0.906	0.829	0.662	0.142
Cost Factor		-	-	-	-	-	-	-	-	-	-	-	-

Missing $ $ 1,227,011

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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 1 – No delay

INPATIENT LAG TABLE

Incurred Claim Trends (Normalized)

Incurred Month	CF	Cost Factor	Incurred Claims (Normalized)			One Month Delay In Processing Enrollment			Incurred PMPM			Annual Change		
			Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly
Feb-12	1.000	1.000	732,537			4,900			149.50					
Mar-12	1.000	1.000	775,264			5,000			155.05					
Apr-12	1.000	1.000	780,493	2,288,294		5,100	15,000		153.04	152.55				
May-12	1.000	1.000	852,618	2,408,375		5,150	15,250		165.56	157.93				
Jun-12	1.000	1.000	935,285	2,568,397		5,250	15,500		178.15	165.70				
Jul-12	1.000	1.000	1,048,947	2,836,851		5,600	16,000		187.31	177.30				
Aug-12	1.000	1.000	940,506	2,924,739		5,700	16,550		165.00	176.72				
Sep-12	1.000	1.000	1,146,036	3,135,490		5,900	17,200		194.24	182.30				
Oct-12	.999	1.000	1,504,193	3,590,735		6,000	17,600		250.70	204.02				
Nov-12	1.000	1.000	1,290,569	3,940,798		6,100	18,000		211.57	218.93				
Dec-12	1.000	1.000	1,229,361	4,024,123		6,200	18,300		198.28	219.90				
Jan-13	1.000	1.000	1,610,550	4,130,480	12,846,361	6,700	19,000	67,600	240.38	217.39	190.03			
Feb-13	.999	1.000	1,509,004	4,348,916	13,622,828	6,800	19,700	69,500	221.91	220.76	196.01	48.4%		
Mar-13	.999	1.000	1,481,062	4,600,616	14,328,625	7,000	20,500	71,500	211.58	224.42	200.40	36.5%		
Apr-13	.997	1.000	1,702,660	4,692,726	15,250,793	7,100	20,900	73,500	239.81	224.53	207.49	56.7%	47.2%	
May-13	.995	1.000	1,308,547	4,492,268	15,706,721	7,150	21,250	75,500	183.01	211.40	208.04	10.5%	33.9%	
Jun-13	.992	1.000	1,219,705	4,230,912	15,991,141	7,300	21,550	77,550	167.08	196.33	206.20	-6.2%	18.5%	
Jul-13	.987	1.000	1,588,213	4,116,465	16,530,407	7,400	21,850	79,350	214.62	188.40	208.32	14.6%	6.3%	
Aug-13	.970	1.000	1,377,246	4,185,165	16,967,147	7,450	22,150	81,100	184.87	188.95	209.21	12.0%	6.9%	
Sep-13	.947	1.000	1,504,805	4,470,264	17,325,915	7,600	22,450	82,800	198.00	199.12	209.25	1.9%	9.2%	
Oct-13	.906	1.000	1,456,583	4,338,633	17,278,305	7,650	22,700	84,450	190.40	191.13	204.60	-24.1%	-6.3%	
Nov-13	.829	1.000	1,602,703	4,564,090	17,590,438	7,700	22,950	86,050	208.14	198.87	204.42	-1.6%	-9.2%	
Dec-13	.662	1.000	1,554,766	4,614,051	17,915,843	7,750	23,100	87,600	200.61	199.74	204.52	1.2%	-9.2%	
Jan-14	.142	1.000	2,314,192	5,471,660	18,619,485	12,000	27,450	92,900	192.85	199.33	200.43	-19.8%	-8.3%	5.5%

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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 4 – One Month Full Suspension of Processing

INPATIENT LAG TABLE

Paid Claim Trends (Normalized, Two Month Enrollment Setback)

One Month Delay in Processing

Paid Month	Paid Claims (Normalized)			Enrollment (2 Month Setback) (1)			Paid PMPM (Normalized)			Annual Change (Normalized)		
	Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly
Feb-12	1,000,468			4,500			222.33					
Mar-12	952,195			4,700			202.59					
Apr-12	871,576	2,824,239		4,900	14,100		177.87	200.30				
May-12	611,258	2,435,029		5,000	14,600		122.25	166.78				
Jun-12	590,334	2,073,168		5,100	15,000		115.75	138.21				
Jul-12	1,142,067	2,343,658		5,150	15,250		221.76	153.68				
Aug-12	833,035	2,565,436		5,250	15,500		158.67	165.51				
Sep-12	1,156,391	3,131,493		5,600	16,000		206.50	195.72				
Oct-12	837,015	2,826,441		5,700	16,550		146.84	170.78				
Nov-12	674,700	2,668,106		5,900	17,200		114.36	155.12				
Dec-12	2,310,190	3,821,905		6,000	17,600		385.03	217.15				
Jan-13	898,471	3,883,362	11,877,700	6,100	18,000	63,900	147.29	215.74	185.88			
Feb-13	1,396,673	4,605,335	12,273,905	6,200	18,300	65,600	225.27	251.66	187.10	1.3%		
Mar-13	1,460,278	3,755,422	12,781,988	6,700	19,000	67,600	217.95	197.65	189.08	7.6%		
Apr-13	1,464,470	4,321,420	13,374,882	6,800	19,700	69,500	215.36	219.36	192.44	21.1%	9.5%	
May-13	1,669,265	4,594,013	14,432,889	7,000	20,500	71,500	238.47	224.10	201.86	95.1%	34.4%	
Jun-13	1,522,281	4,656,017	15,364,836	7,100	20,900	73,500	214.41	222.78	209.05	85.2%	61.2%	
Jul-13	1,349,025	4,540,571	15,571,794	7,150	21,250	75,500	188.67	213.67	206.25	-14.9%	39.0%	
Aug-13	2,069,782	4,941,089	16,808,542	7,300	21,550	77,550	283.53	229.28	216.74	78.7%	38.5%	
Sep-13	1,087,371	4,506,178	16,739,522	7,400	21,850	79,350	146.94	206.23	210.96	-28.8%	5.4%	
Oct-13	-	3,157,154	15,902,507	7,450	22,150	81,100	-	142.54	196.09	-100.0%	-16.5%	
Nov-13	1,959,466	3,046,837	17,187,273	7,600	22,450	82,800	257.82	135.72	207.58	125.5%	-12.5%	
Dec-13	1,186,184	3,145,650	16,063,267	7,650	22,700	84,450	155.06	138.57	190.21	-59.7%	-36.2%	
Jan-14	1,759,182	4,904,832	16,923,978	7,700	22,950	86,050	228.47	213.72	196.68	55.1%	-0.9%	5.8%

Note: (1) Monthly enrollment is the average of the 3 months preceding the paid month (an avg setback of 2 months). Quarterly and Yearly enrollment have a direct setback of 2 months.

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ICD-10 Illustrative Impact on Lag and Trend Data

Scenario 4 – Impact of One Month Full Suspension of Processing

INPATIENT LAG TABLE							One Month Delay In Processing						Incurred Claim Trends (Normalized)		
Incurred Month	CF	Cost Factor	Incurred Claims (Normalized)				Enrollment			Incurred PMPM			Annual Change		
			Monthly	Quarterly	Yearly		Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly	Monthly	Quarterly	Yearly
Feb-12	1.000	1.000	732,537				4,900			149.50					
Mar-12	1.000	1.000	775,264				5,000			155.05					
Apr-12	1.000	1.000	780,493	2,288,294			5,100	15,000		153.04	152.55				
May-12	1.000	1.000	852,618	2,408,375			5,150	15,250		165.56	157.93				
Jun-12	1.000	1.000	935,285	2,568,397			5,250	15,500		178.15	165.70				
Jul-12	1.000	1.000	1,048,947	2,836,851			5,600	16,000		187.31	177.30				
Aug-12	1.000	1.000	940,506	2,924,739			5,700	16,550		165.00	176.72				
Sep-12	1.000	1.000	1,146,036	3,135,490			5,900	17,200		194.24	182.30				
Oct-12	.999	1.000	1,504,193	3,590,735			6,000	17,600		250.70	204.02				
Nov-12	1.000	1.000	1,290,569	3,940,798			6,100	18,000		211.57	218.93				
Dec-12	1.000	1.000	1,229,361	4,024,123			6,200	18,300		198.28	219.90				
Jan-13	1.000	1.000	1,610,550	4,130,480	12,846,361		6,700	19,000	67,600	240.38	217.39	190.03			
Feb-13	.999	1.000	1,503,537	4,343,448	13,617,361		6,800	19,700	69,500	221.11	220.48	195.93	47.9%		
Mar-13	.999	1.000	1,472,743	4,586,830	14,314,840		7,000	20,500	71,500	210.39	223.75	200.21	35.7%		
Apr-13	.997	1.000	1,701,872	4,678,152	15,236,219		7,100	20,900	73,500	239.70	223.84	207.30	56.6%	46.7%	
May-13	.995	1.000	1,269,020	4,443,635	15,652,620		7,150	21,250	75,500	177.49	209.11	207.32	7.2%	32.4%	
Jun-13	.992	1.000	1,191,322	4,162,214	15,908,657		7,300	21,550	77,550	163.19	193.14	205.14	-8.4%	16.6%	
Jul-13	.987	1.000	1,474,676	3,935,018	16,334,386		7,400	21,850	79,350	199.28	180.09	205.85	6.4%	1.6%	
Aug-13	.970	1.000	1,277,429	3,943,427	16,671,308		7,450	22,150	81,100	171.47	178.03	205.56	3.9%	0.7%	
Sep-13	.947	1.000	759,180	3,511,285	16,284,452		7,600	22,450	82,800	99.89	156.40	196.67	-48.6%	-14.2%	
Oct-13	.906	1.000	1,456,583	3,493,192	16,236,842		7,650	22,700	84,450	190.40	153.89	192.27	-24.1%	-24.6%	
Nov-13	.829	1.000	1,602,703	3,818,465	16,548,976		7,700	22,950	86,050	208.14	166.38	192.32	-1.6%	-24.0%	
Dec-13	.662	1.000	1,554,766	4,614,051	16,874,380		7,750	23,100	87,600	200.61	199.74	192.63	1.2%	-9.2%	
Jan-14	.142	1.000	2,314,192	5,471,660	17,578,022		12,000	27,450	92,900	192.85	199.33	189.21	-19.8%	-8.3%	-0.4%

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Implementation Goals

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Health and Human Services (HHS) Implementation Goals

- ICD-10 code sets will fully support quality reporting, pay-for-performance, bio-surveillance, and other critical activities.

- Support Medicare's value-based purchasing initiative and antifraud and abuse activities by accurately defining services and providing specific diagnosis and treatment information.

- In addition, the expanded code sets will:
  - support comprehensive reporting of quality data;
  - ensure more accurate payments for new procedures, fewer rejected claims, improved disease management, and harmonization of disease monitoring and reporting worldwide; and
  - allow the US to compare its data with international data to track the incidence and spread of disease and treatment outcomes.

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Determine Your Organization's ICD-10 Implementation Goals - Illustrative Set of Goals

- Sustain budget neutrality?
  - Same patient with same condition – same reimbursement

- Optimization – based on greater ICD-10 code specificity?
  - Renegotiate contracts / fee schedules
  - Modify benefit design
  - Refine medical policy
  - Modify selection criteria for population management programs
  - Align with EMR initiatives

- An amalgamation of both?
  - Prioritize for implementation
  - Modify post implementation based on new experience

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Initial Implementation Budget Considerations

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HHS' Summary of Estimated Costs in Millions

Annualized 3 %, 7%		Low		High		Primary	
Training		3.0%	7.0%	3.0%	7.0%	3.0%	7.0%
	Inpatient Coders	$8.88	$11.64	$35.53	$46.57	$17.76	$23.28
	Outpatient Coders	5.01	6.57	20.05	26.28	10.03	13.14
	Code Users	2.26	2.96	4.61	6.04	3.45	4.52
	Physicians	43.69	57.27	235.07	308.11	87.38	114.53
Productivity Losses							
	Inpatient	0.00	0.00	4.61	6.04	0.82	1.07
	Outpatient	0.00	0.00	4.61	6.04	0.79	1.03
	Physician Practices	0.46	0.60	2.26	2.96	1.01	1.33
	Improper + Returned Claims	22.95	30.08	92.14	120.77	45.53	59.67
Systems Changes							
	Providers	4.61	6.04	18.43	24.15	12.62	16.54
	Software Vendors	4.83	6.33	19.31	25.32	9.66	12.66
	Payers	6.26	10.85	33.11	43.40	16.56	21.70
	Government Systems	21.44	28.11	85.77	112.42	42.89	56.21
Total Est. Costs		$120.39	$160.45	$555.50	$728.10	$248.50	$325.68

ICD-10 Final Rule – Federal Register/Vol. 74, No. 11 January 16, 2009, p. 3360

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HHS' Summary of Estimated Savings in Millions

ANNUALIZED 3%, 7%	Low Estimate		High Estimate		Primary Estimate	
	3%	7%	3%	7%	3%	7%
More accurate new procedures payment	$49.77	$65.24	$199.09	$260.95	$99.54	$130.47
Fewer rejected claims	48.88	64.07	195.51	256.26	97.76	128.13
Fewer improper claims	24.44	32.03	97.75	128.12	48.87	64.06
Better understanding of new procedures	41.32	54.15	165.26	216.61	82.63	108.31
Improved disease management	25.73	33.73	102.93	134.91	51.46	67.45
Total Est. Savings	$190.14	$249.22	$760.54	$996.85	$380.26	$498.42
Total Estimated Costs	$120.39	$160.45	$555.50	$728.10	$248.50	$325.68
Net Savings	$69.75	$88.77	$205.04	$268.75	$131.76	$172.74

ICD-10 Final Rule – Federal Register/Vol. 74, No. 11 January 16, 2009, p. 3360
  Distributed over 11 years, beginning in 2015

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Your Organization's Initial Implementation Budget Considerations (Administrative Costs Only)

- Education / training

- IT / Systems changes / reconfiguration

- Business process modifications
  - Benefit reconfiguration
  - Medical policy reconfiguration
  - Report modifications

- Productivity / staffing – learning curve
  - Coders,
  - Customer / provider service calls
  - Claims processing

- Communications – internal and external

- Re-Contracting Efforts

- Billing changes e.g., super bill form changes

- Savings

    1

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Case Study: One Health Plan's Estimate of Initial Implementation Resources

- 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

Resource Distribution by Type

Business requirements analysis, contracting Department testing, coordination	IT designing, building, testing	End user testing and individual training

0%   20%   40%   60%   80%   100%

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Coding Impact

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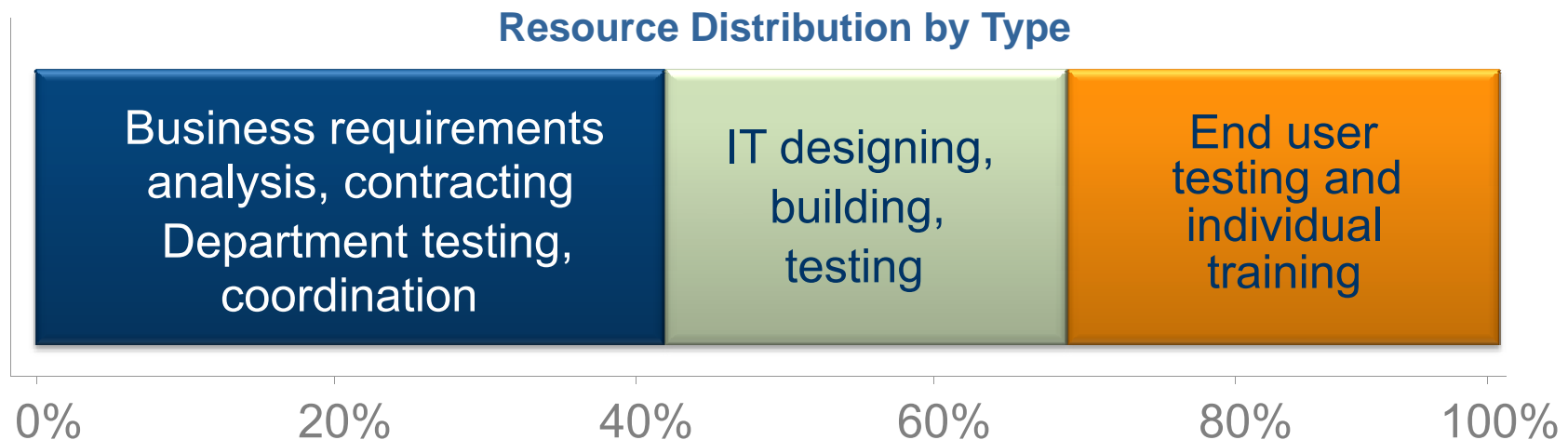
Coding Impact

- Uncertainties
  - What codes will be used by providers?
    - e.g., Increased specificity → increased code volume → limited space on pre-formatted super bills
  - Learning curve - documentation and coding precision?

- Compromises
  - ICD-10 and ICD-9 codes sets are not identifcal
  - Financial impact of the compromises / approximate matches are unknown

- Optimization opportunities
  - Refine versus replicate ICD-9 processes?
    - e.g., Benefit coverage, Medical Policy, Population Management

- Reimbursement / revenue
  - Inherent impact – differences in the ICD-10 code sets requiring unavoidable compromises
  - Intentional impact - conscious effort to take advantage of more precise ICD-10 code sets

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Coding Impact on Reimbursement

- **DRGs / Case rates**
  - MS-DRG compromises based on MedPar data frequency & clinical relevance
    - Not all codes cleanly map
    - Total number of codes with complex mapping small – frequency and dollar magnitude unknown
  - Impact on other case rate coding schemes (e.g., APR DRGs) unknown but likely similar to MS-DRG compromises

- **Risk adjusted**
  - Code compromises may impact risk score to some degree, depending on specificity of risk condition categories
  - ICD-10 codes provide increased specificity – anticipate changes to risk score methodologies

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Coding Impact on Reimbursement (continued)

- Inpatient Billed Charges
    - Chargemaster prices individual goods, services and procedures
        - ICD-9 codes are not typically used
        - HCPCS/CPT and revenue codes used
    - Anticipate ICD-10 has little impact on charges

- Performance Based
    - Typically based on HEDIS and other "like" measures
    - Inherent impact in limited cases where ICD-10 PCS doesn't provide sufficient specificity for Inpatient services

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CMS MS-DRG Code Conflict Compromise

Illustrative example

ICD-10 CM Code	ICD-9 CM Codes	2007 Medpar Records	ICD-9 MS-DRG Assignments	2008 DRG Weight
K22.8 Other specified diseases of esophagus Includes: Hemorrhage of esophagus NOS	530.82 Esophageal Hemorrhage	10,167	368 – Major esophageal disorders w MCC	1.3788
			369 – Major esophageal disorders w CC	1.0839
			370 – Major esophageal disorders w/o CC/MCC	0.9558
K22.8 Other specified diseases of esophagus Includes: Hemorrhage of esophagus NOS	530.89 Other diseases of esophagus	8,685	391 – Esophagitis, gastroent & misc digest disorders w MCC	0.9565
			392 – Esophagitis, gastroent & misc digest disorders w/o MCC	0.7121

- CMS decision – map to "less specific" ICD-9-CM 530.89

- If assume no MCC/CC, for every esophageal hemorrhage case previously mapped to MS DRG 370 and now mapped to MS-DRG 392, there will be a 25% reduction in reimbursement. $(1 - (0.7121 / 0.9558))$

This assumes no geographic factor, DSH, ME or outlier difference.

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Risk Score Potential Impacts

- MA Hierarchical Condition Categories (HCC) Compromises
  - If two ICD-10 codes required to be equivalent to one ICD-9
    - Compromise (accept either) or modify programming specifications?
  - If one ICD-10 code maps to two ICD-9 codes assigned to separate HCCs
    - What will be the compromise?

Example

ICD-9	ICD-9 Description	2011 HCC*	2011 HCC Description	Risk Score	ICD-10	ICD-10 Description
3432	Congenital quadriplegia	70	Quadriplegia	1.075	G808	Other Cerebral Palsy
3433	Congenital monoplegia	104	Monoplegia, other paralytic syndrome	0.212	G808	Other Cerebral Palsy
3438	Other spec infantile Cerebral Palsy	104	Monoplegia, other paralytic syndrome	0.212	G808	Other Cerebral Palsy

* Based on proposed CY 2011 HCC Changes for Medicare Advantage Capitation Rates

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The GEMs: Code Conversion Complexities You need to know …

- ICD-10 to ICD-9 and the ICD-9 to ICD-10 GEMS are not mirror images
  - Source codes: code set being mapped "from"
  - Target codes: code set being mapped "to"

Category	GEM	ICD-9 codes	ICD-10 codes	% of Total Target Codes Used
Diagnoses	ICD–9 ⇨ ICD-10	14,312	18,249	26%
	ICD–10 ⇨ ICD-9	11,337	69,101	79%
Procedures	ICD–9 ⇨ ICD-10	3,838	70,866	98%
	ICD–10 ⇨ ICD-9	2,808	71,957	73%

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Clearly Not a Clear Cross Walk

Category	GEM	Number of Unique Source Codes by Mapping Type						Total
		No Map	1:1 Precise Map	1:1 Approx Map	1: Many Choices[1]	1:1 Combo[2]	1: Multiple Combo Scenarios[3]	
Diagnoses	ICD-9⇨ICD-10	416	3703	7355	2224	567	47	14312
	ICD-10⇨ICD-9	594	3744	58017	3469	3232	45	69101
Procedures	ICD-9⇨ICD-10	209	0	358	3127	89	55	3838
	ICD-10⇨ICD-9	0	70	65147	4440	2300	0	71957

1. **1: to Many Choices:** 1 source code maps to > 1 target code
2. **1:1 Combo:** 1 source code maps to 1 combination target code set (≥2 target codes)
3. **1: Multiple Combo Scenarios:** 1 source code maps to multiple scenarios of combination code sets

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Financial Magnitude of the ICD-10 Code Conversion is Unknown But ….

Basic Analysis

Selected ICD-9 Primary Diagnoses Inpatient Facility Frequency and Costs						
GEM	Scenario	Source Code	ICD-9	ICD-10	Frequency	Inpatient $
Diagnosis ICD-9⇨ICD-10	No map	ICD-9	416	0	miniscule	>.0004%
Diagnosis ICD-10⇨ICD-9	1: many	ICD-10	2,684	3,469	21.4%	17.8%

- A miniscule portion of inpatient facility dollars and utilization are assigned to a primary diagnosis that equals one of the 416 ICD-9 codes that do not have a plausible ICD-10 match
  - Finding: not significant, at least for Inpatient facility
  - Comprised of ICD-9 pressure ulcer diagnoses codes that don't have a "plausible" ICD-10 match, because the ICD-10 codes are anatomically specific. Others are "E" codes, where ICD-10 has greater specificity

- 21.4% of the records and 17.4% of inpatient facility dollars have a primary ICD-9 diagnosis, where for some ICD-10 codes (3,469) there are more than one ICD-9 code options to choose from
  - Not limited to specific ranges of ICD conditions.
  - As a result, this illustrates that budget neutrality is at risk, as an ICD-10 code may map to a different ICD-9 than the current experience resulting in different financial outcomes.

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No Map, More than One Choice, One-to-Many Mapping Prompts Many Questions

- 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 NCDs?
- 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 FWA processes?
- Is it used in service category reporting?
- Will it change any case management identification criteria?
- Is it in any P4P schemes?
- Is it in any quality measures?
- Will it affect performance reporting?
- How does it flow through premium rates?
- Will trends be affected?

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Impact on Business Operations

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What is Impacted?

The following business areas are shown as interlocking puzzle pieces:

- Underwriting
- Finance / Accounting
- Care Management
- Fraud / Waste / Abuse
- IT
- Actuarial
- Reinsurance
- Enrollment
- Provider Network
- Pharmacy
- Customer Service
- Contracting
- Claims
- Vendor Relationships
- Benefit Design / Configuration
- Reporting

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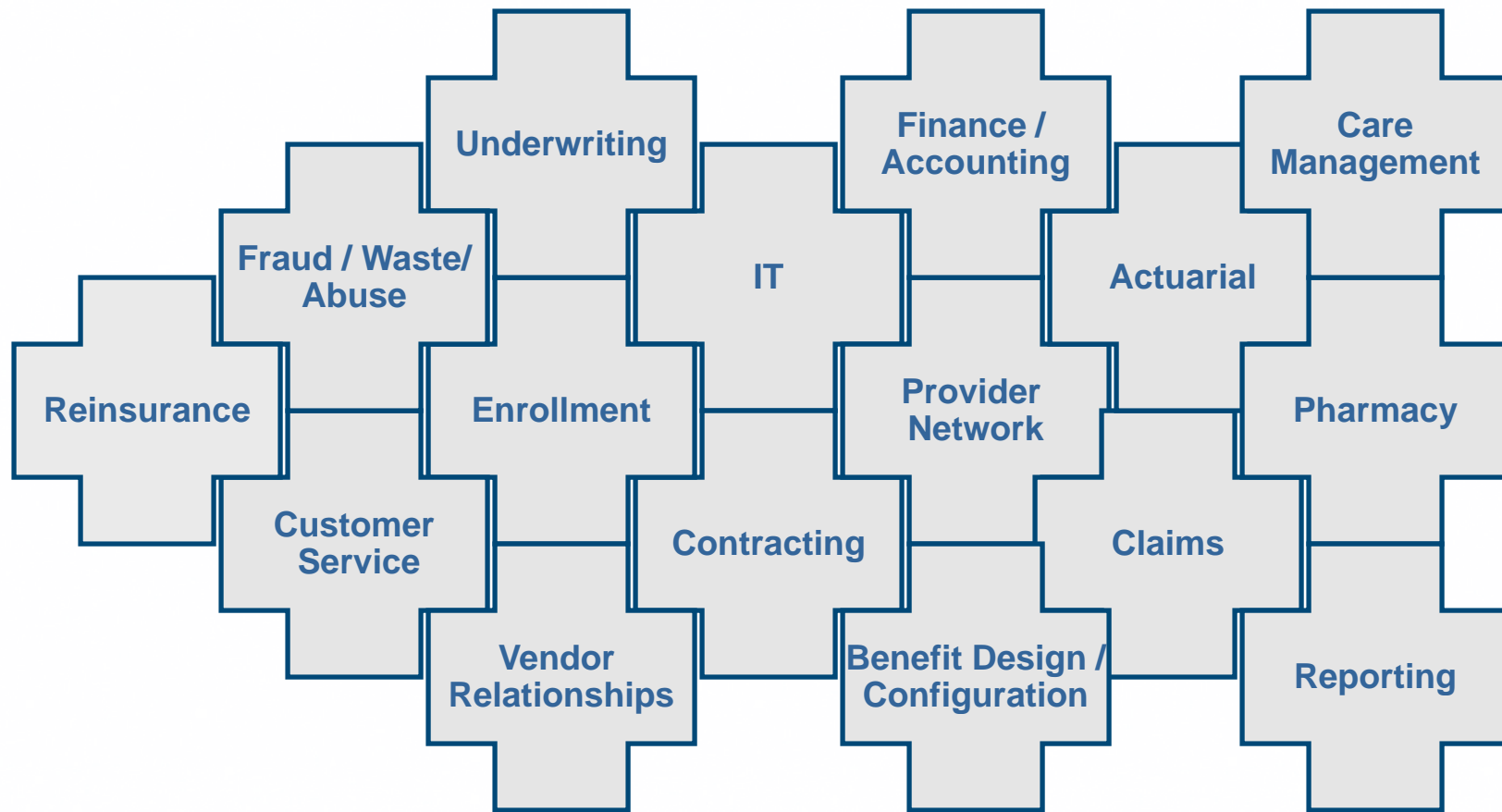
One Health Plan's ICD-10 Assessment

- Key Issue - Financial Risk
  - Unknowns related to ICD-10 usage
  - Both providers and health plan at risk

- Potential significant financial risk – provider payments
  - Unknown provider billing patterns create financial uncertainty
  - Contracting updates may not fully protect against revenue disruption
  - Early on post implementation, actuarial analyses may be difficult
  - Edits (bundling, unbundling, UM, etc.) may not correct payments as planned
  - Facilities' use of sophisticated data modeling ahead of health plan efforts could enhance the facilities' revenue

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Impact on Business Operations
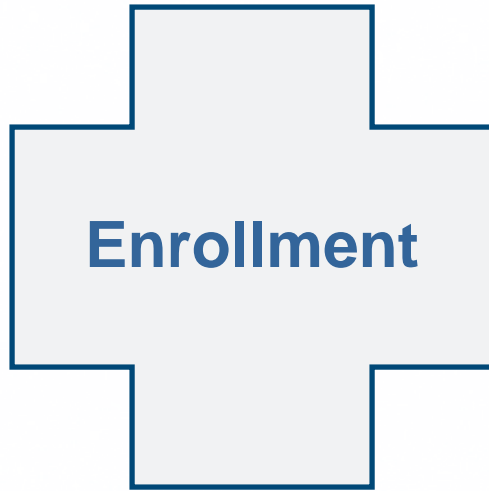
Enrollment

- Anticipate minimal impact
- Some changes may be required
  - Pre-existing condition recording
  - Enrollment application
  - Reports
  - Software

Benefit Design Configuration
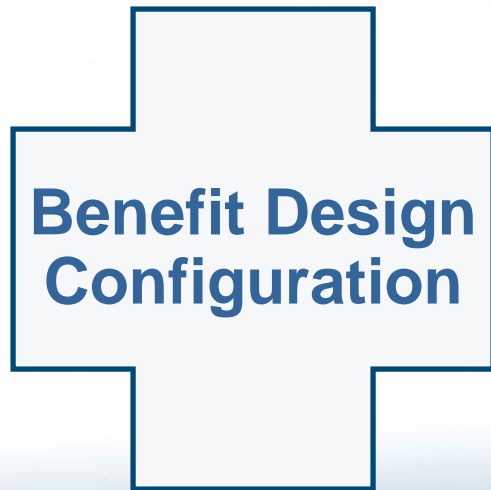
- Covered benefits logic / translation
- New benefit design
- Product set up and reconfiguration
- Identifying pre-existing conditions

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Impact on Business Operations (continued)
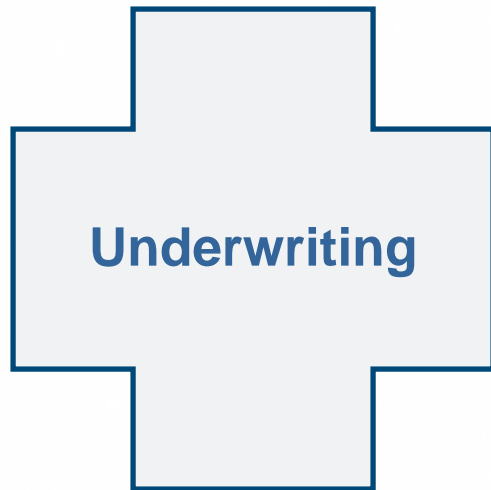
Underwriting

- Pre-existing condition modifications
- Underwriting debit determination for rating may change with more ICD-10 specificity

Reinsurance

- Potential reinsurance identification for diagnosis-specific contracts

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Impact on Business Operations (continued)

Provider Contracts

- Fee schedules – can they be budget neutral?
  - More accurate payments for new procedures
  - Fewer miscoded, rejected, and improper reimbursement claims
  - Better understanding of the value of new procedures
- Accuracy - may take awhile for providers to adopt new codes
- How provider reimburse if payer not ready – unknown consequences
- P4P – any schemes with diagnosis based performance (diabetes, asthma, CHF) will need budget neutral modifications
- Renegotiations for diagnostic / procedure driven contracts

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Inpatient Hospital Contract - Illustrative Example

Is there ICD-10 Conversion risk?

Contract Terms	Rate	Methodology	At Risk
DRG Carve-outs: Cardiac DRG's 216, 217 & 218 DRG's 219, 220 & 221	 $30,000 $35,000	 Per case Per case	Yes, if compromises to code assignment
DRG's 231 & 231 DRG's 233 & 234 DRG's 235 & 236	$40,000 $45,000 $50,000	Per case Per case Per case	
Other Surgical Admissions	90%	Charges	No, chargemaster not directly impacted by ICD-10
Other Surgical	$10,000	Per case	Yes, if code assignment compromises
Medical	$1,000	Per diem	No

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Impact on Business Operations (continued)

Claims Reimbursement
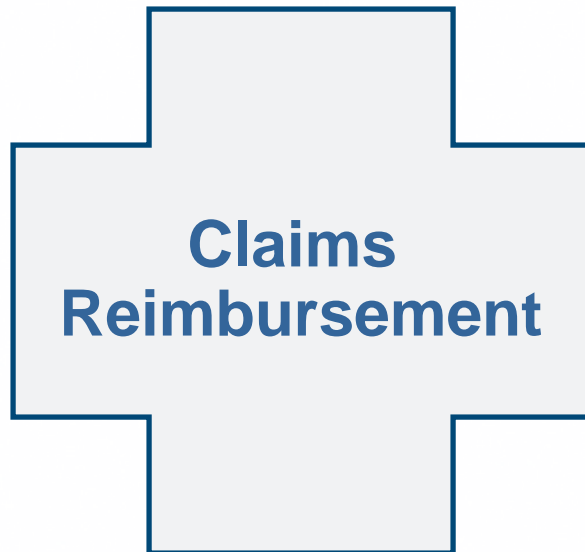
- – Coding policies
- – Claim / benefit mapping edits
- – Increased denials (and possibly fewer denials later)
- – Delays in adjudication (and possibly faster adjudication later)
- – Errors in mapping
- – EOB modification
- – Claims OCR software modifications
- – Claims audit software modifications

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Impact on Business Operations (continued)

- Claims billing / payment - can changes be synchronized?
  - Grouping software (DRG, APC, etc)
  - Payment schedules
    - Contract changes
    - Non-contracted providers (U&C)
- Cash flow – what will be the impact?
  - Slower provider billing
  - Slower claim payment

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Key Claims Processes Needing Modification

Department	Key Process	Modifications Required
Medical Mgmt	Authorize service	Authorization service codes
Provider	Complete encounter form	Encounter form
Provider Billing	Create claim	Claim format
Claims	Valid coding edits	Valid codes
Claims	Covered service edit	Covered benefit codes
Claims	Authorization requirements	Authorization service codes
Claims	Check for authorization	Authorization service codes
Claims	Apply reimbursement	Fee schedules / groupers
Claims	Pay / deny claim	EOP / EOB
FWA	Identify indicative patterns	FWA detection logic

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Initial Impact on Claims Payment

- Payment lag
  - Billing lag due to learning curve of providers
  - Reimbursement delays
    - Initially if doing mapping due to time and required manual adjudication
    - Decreased coder productivity
    - May lead to more late payment interest
    - Risk of increased duplicate claim submissions / reimbursement
  - Both lags together will increase required reserves, which in turn could lead to financial reporting headaches

- Claims payment error rates
  - Expected initially to rise to 6% - 10%, compared with 3% currently
  - Those problems should be fully resolved within six months

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Claims Payment Impact (continued)

- Mapping
  - ? % of ICD codes billed today are not a clean ICD10 map
    - Slow process
    - Likely different payment outcomes
- Benefit coverage determination / payment edits will be different; need time to refine
- Initial submission errors; eventual more accurate payment for hospital services related to surgical approach
- Utilization benchmarking (and comparison of claims to those benchmarks) will be impacted

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Claims 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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Possible Mitigation Efforts

- Crosswalk ICD-10 codes to ICD-9 for processing to gain knowledge of billing patterns

- Model at least 18 months of ICD-10 experience before implementing ICD-10 based processes

- Monitor hospital payments

- Implement payment validation procedures

- Test, audit and refine edits (bundling, unbundling, UM, etc.) based on experience

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Impact on Business Operations (continued)

Fraud / Waste / Abuse

- Algorithm changes
- Software changes
- Report changes
- Monitor for double billings / payments

Provider Network

- Coding / documentation accuracy
- Provider inquiries / complaints
- EOP modifications

Customer Service

- Changes to claims look up
- Consumer healthcare tools
- Member communications
- Service calls

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Impact on Business Operations (continued)

Care Management

– Medical policy interpretation / translation / reconfiguration

– Pre-authorization / pre-certification criteria translation / reconfiguration

– Disease / case / population management
  - Identification more targeted, reductions in false positives
  - Changes to condition exclusions
  - Refined stratification
  - Improved population evaluation - outcomes studies
  - Benchmarks changes
  - ROI changes

– HEDIS reporting / QI studies

– Coding optimization / documentation improvement

– Provider Profiling / Provider incentive programs

– Medical Necessity guidelines – little impact

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Medical Policy Translation Illustrative example

- Remicaid considered medically necessary for members with any of the following indications:
  - Member has active Crohn's disease, as manifested by any one of the following:
    - Diarrhea
    - Abdominal pain
    - Bleeding
    - Weight loss
    - Internal fistulae
    - Intestinal obstruction

ICD-10 specificity includes some of these complications

- Following ICD-9 codes for Crohn's disease covered, if any of the above selection criteria are met:

ICD-9	ICD-9 Description
5550	Regional enteritis of small intestine
5551	Regional enteritis of large intestine
5552	Regional enteritis of small intestine with large intestine
5559	Regional enteritis of unspecified site

ICD-9 non-specific requires additional review

ICD-10	ICD-10 Description
K5000	Crohn's disease of small intestine without complications
K50011	Crohn's disease of small intestine with rectal bleeding
K50012	Crohn's disease of small intestine with intestinal obstruction
K50013	Crohn's disease of small intestine with fistula
K50014	Crohn's disease of small intestine with abscess
K50018	Crohn's disease of small intestine with other complication
K50019	Crohn's disease of small intestine with unspecified complications
K5010	Crohn's disease of large intestine without complications
K50111	Crohn's disease of large intestine with rectal bleeding
K50112	Crohn's disease of large intestine with intestinal obstruction
K50113	Crohn's disease of large intestine with fistula
K50114	Crohn's disease of large intestine with abscess
K50118	Crohn's disease of large intestine with other complication
K50119	Crohn's disease of large intestine with unspecified complications
K5080	Crohn's disease of both small and large intestine without complications
K50811	Crohn's disease of both small and large intestine with rectal bleeding
K50812	Crohn's disease of both small and large intestine with intestinal obstruction
K50813	Crohn's disease of both small and large intestine with fistula
K50814	Crohn's disease of both small and large intestine with abscess
K50818	Crohn's disease of both small and large intestine with other complication
K50819	Crohn's disease of both small and large intestine with unspecified complications
K5090	Crohn's disease, unspecified, without complications
K50911	Crohn's disease, unspecified, with rectal bleeding
K50912	Crohn's disease, unspecified, with intestinal obstruction
K50913	Crohn's disease, unspecified, with fistula
K50914	Crohn's disease, unspecified, with abscess
K50918	Crohn's disease, unspecified, with other complication
K50919	Crohn's disease, unspecified, with unspecified complications

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Impact of ICD-10 Diagnostic Coding Specificity in Evaluating Effectiveness of Care

- Adherence with best practice protocols is commonly used to evaluate provider and health plan performance.

  Example: Appropriate use of Asthma medications for people with persistent asthma

- ICD-9 doesn't distinguish persistent from intermittent asthma

- Requires an algorithm to derive persistent asthmatics based on criteria such as:
  - At least 1 ER visit with a principal diagnosis of asthma, or
  - IP discharge with a principal diagnosis of asthma, or
  - at least 4 outpatient visits with asthma as one of the listed diagnoses and at least two asthma medication dispensing events, or
 - at least four asthma medication dispensing events

ICD-9	ICD-9 Description
49300	Extrinsic asthma, unspecified
49301	Extrinsic asthma with status asthmaticus
49302	Extrinsic asthma with (acute) exacerbation
49310	Intrinsic asthma, unspecified
49311	Intrinsic asthma with status asthmaticus
49312	Intrinsic asthma with (acute) exacerbation
49320	Chronic obstructive asthma, unspecified
49321	Chronic obstructive asthma with status asthmaticus
49322	Chronic obstructive asthma with (acute) exacerbation
49382	Cough variant asthma
49390	Asthma,unspecified type, unspecified
49391	Asthma, unspecified type, with status asthmaticus
49392	Asthma, unspecified type, with (acute) exacerbation

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Impact of ICD-10 Diagnostic Coding Specificity in Evaluating Effectiveness of Care (continued)

- ICD-CM differentiates asthma severity:
  - Mild intermittent
  - Persistent
    - Mild
    - Moderate
    - Severe

- Impact:
  - Will metric specifications be modified to use ICD-10 codes instead of "persistent asthma" criteria algorithms?
  - Will benchmarks change as a result?
  - Will plan / provider performance results change due to coding difference?
  - Will P4P be impacted?
  - Will disease management results be impacted?
  - Will it be possible to differentiate "real" outcome changes from "artificial" coding changes?
  - Payment impact
  - Trend impact

ICD-10	ICD-10 Description
J4520	Mild intermittent asthma, uncomplicated
J4521	Mild intermittent asthma with (acute) exacerbation
J4522	Mild intermittent asthma with status asthmaticus
J4530	Mild persistent asthma, uncomplicated
J4531	Mild persistent asthma with (acute) exacerbation
J4532	Mild persistent asthma with status asthmaticus
J4542	Moderate persistent with status asthmaticus
J4552	Severe persistent with status asthmaticus
J45901	Unspecified asthma with (acute) exacerbation
J45902	Unspecified asthma with status asthmaticus
J45909	Unspecified asthma, uncomplicated

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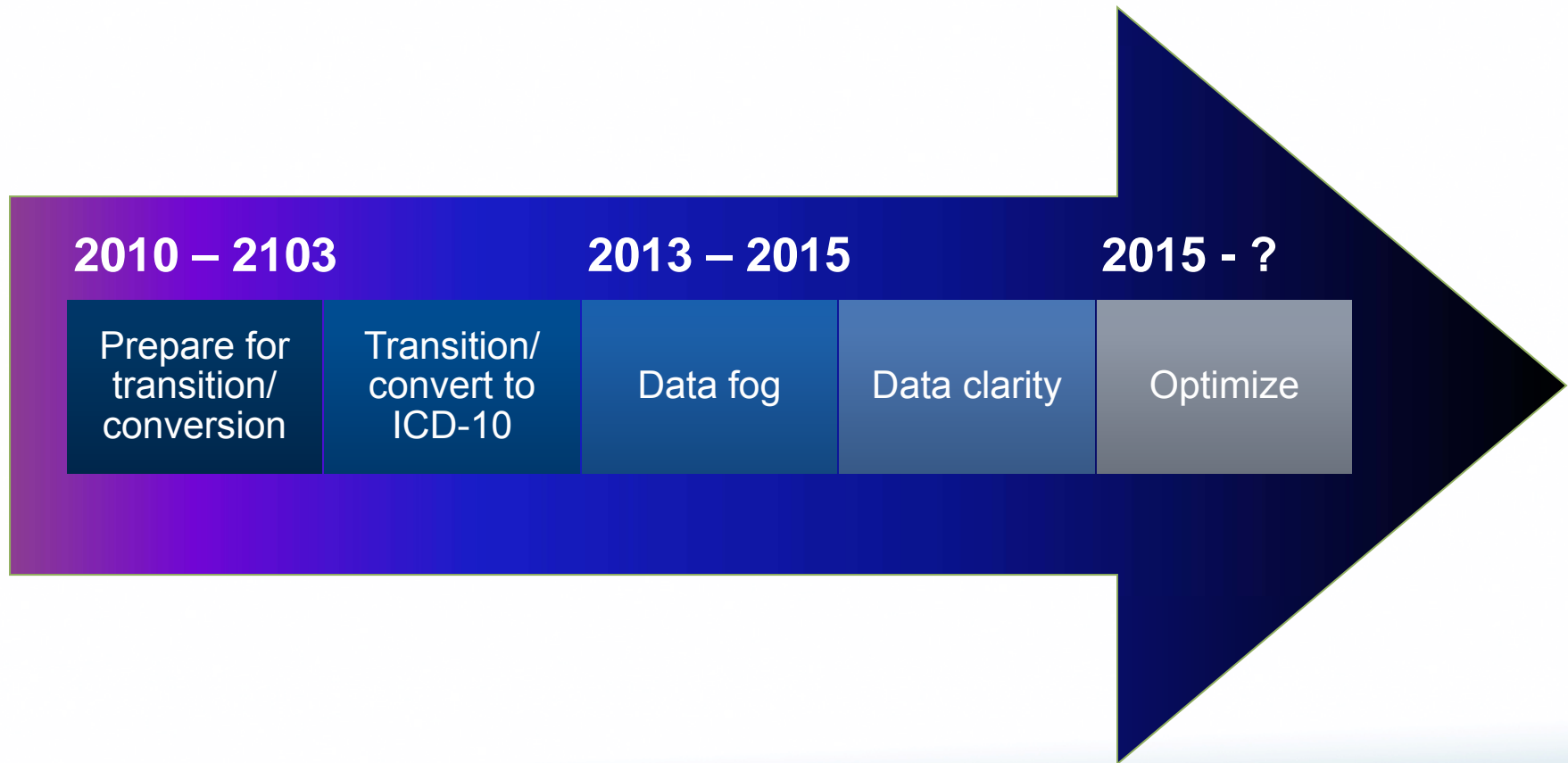# Impact on Business Operations (continued)

Actuarial / Finance
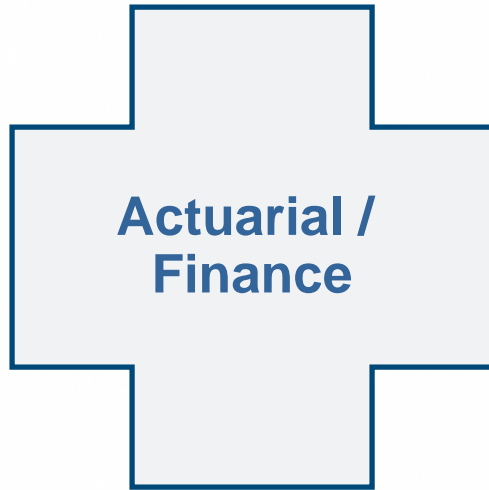
- Claim lags
- Trend analysis / benchmarks – data comparability – difficult to predict initially
- Benchmarks – apples to oranges in comparison
- Reporting
- Risk scores (risk / severity adjustment) will likely become more complicated
- Rating (initially, with limited data – conservative – higher premiums, longer term codes will improve accuracy?)

- Canada experience: created a 'data fog' around diagnostic and procedure trends until enough time passed for statisticians and analysts to understand the data in the 'new world'
- Estimate for a period of 3-5 years, the impact of existing knowledge will be significantly degraded

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ICD-10 Impact

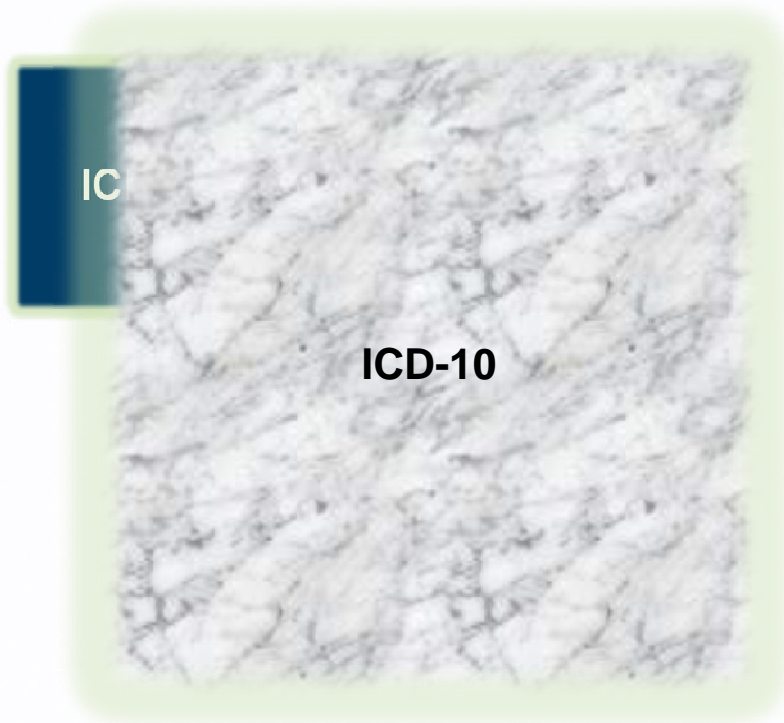ICD-10's impact will not end upon implementation October 1, 2013

2010 – 2103		2013 – 2015		2015 - ?
Prepare for transition/ conversion	Transition/ convert to ICD-10	Data fog	Data clarity	Optimize

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Data Fog

Until ICD-10 data are analyzed, there will be a "data fog" around any pre-post ICD-10 data - HEDIS and QI measures and benchmarks

ICD-10

IC

Most quality measures require at least a year's worth of data

"Fog" could last for several years

Will initially be difficult to compare detailed results before and after transition to ICD-10
- Be careful not to misinterpret results

Take extra care when performing any kind of trend analyses and when using the results to do projections

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Impact on Business Operations (continued)

Vendor Contracts

- Oversight
  - PBMs
  - Behavioral health
  - DM / wellness
  - Other operations
- Contract ICD-related performance terms

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Reliance on Vendors

Vendors will change…

- Software field size and format
- Tools to help with coding
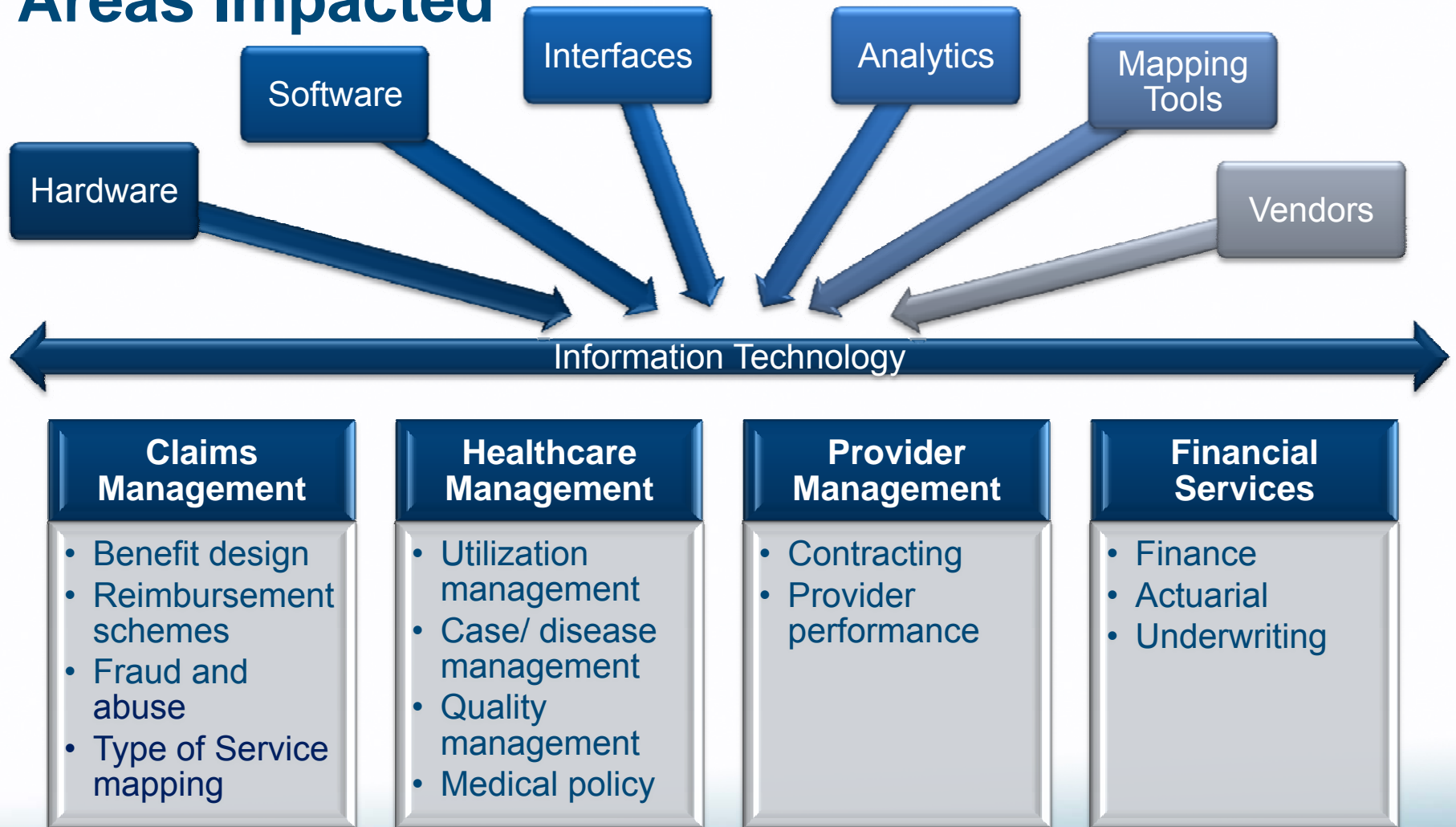- Software designed to process codes
- Standard reports

Vendors will not change..

- Internal interfaces
- Custom reports

Business decisions best made by the Plan..

- Reimbursement schemes
- Coverage policy
- Health care management criteria
- Data categorization for reporting

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Information Technology – Major Functional Areas Impacted

Hardware → Software → Interfaces → Analytics → Mapping Tools → Vendors → **Information Technology**

Claims Management	Healthcare Management	Provider Management	Financial Services
• Benefit design • Reimbursement schemes • Fraud and abuse • Type of Service mapping	• Utilization management • Case/ disease management • Quality management • Medical policy	• Contracting • Provider performance	• Finance • Actuarial • Underwriting

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Four Major Implementation Stages

Planning
- Begin education
- Analyze environment
- Assess risk
- Organize approach

Planning Deliverables
- Impact Analysis
- Strategic Plan
- Road Map

Preparation
- Plan strategy and tactics
- Establish precursors
- Assign responsibilities
- Detail specifications

Preparation Deliverables
- Project Plan
- Project Specifications

Implementation
- Revise contracts
- Program reports
- Modify/ test systems
- Mitigate risk

Implementation Deliverables
- Modified Operations
- Modified Interfaces
- Tested Results

Post Implementation
- Analyze impact
- Modify operations
- Optimize ICD10 use

Post Implementation Deliverables
- System Improvements
- Process Improvements
- Strategic Value Added

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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.

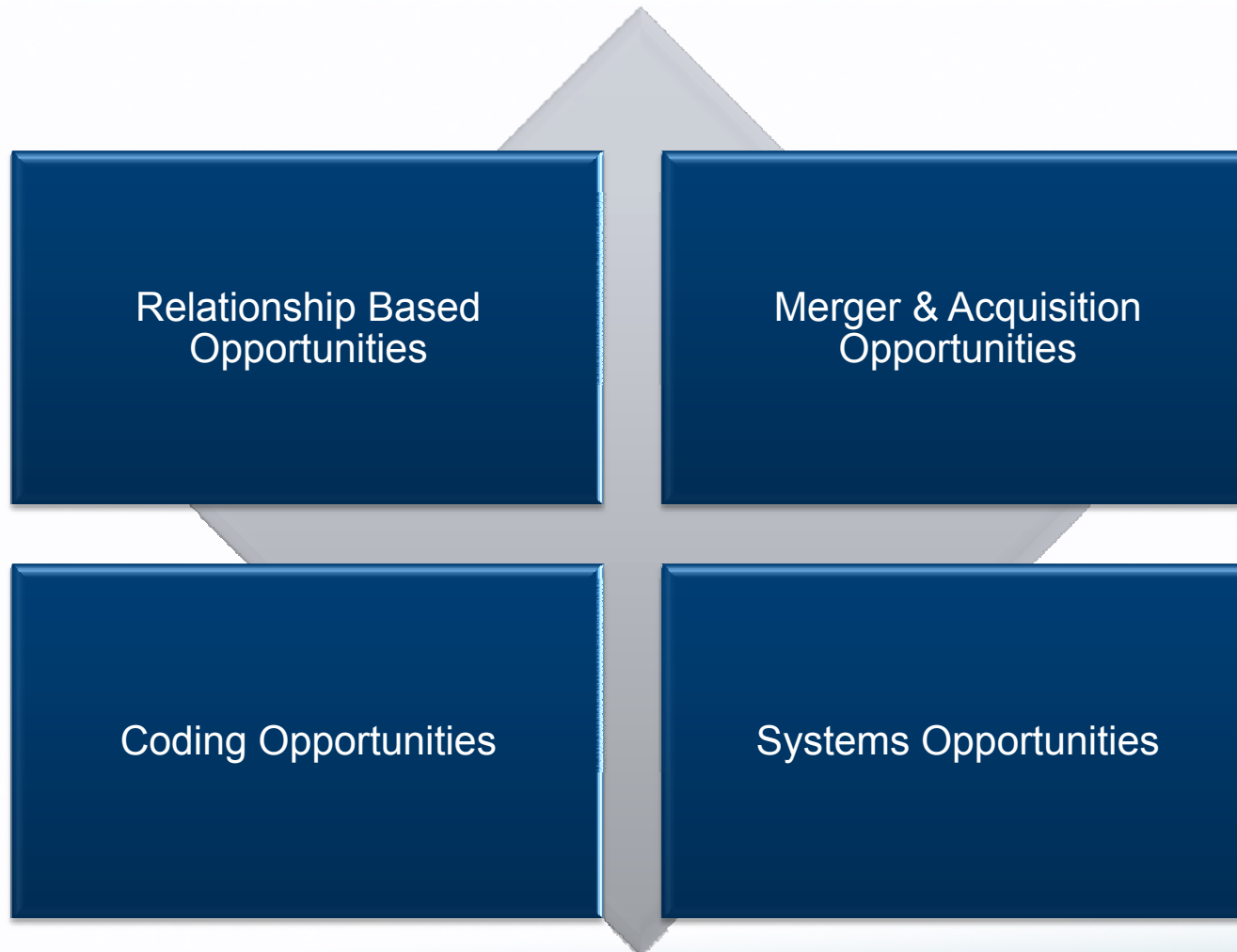|			
Information systems impacted	Analyses using diagnoses/ procedures	Reports presenting diagnoses/ procedures	Interfaces between systems/ vendors
Processes impacted	People impacted	Contractor/ vendor dependencies	Plans for new vendors, software, processes
	Education infrastructure	Communication practices and priorities	

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Integrating and Coordinating with other Priorities and Initiatives

- 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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Leveraging ICD-10 for Strategic Opportunities

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Leveraging for Strategic Opportunities

Relationship Based Opportunities

Merger & Acquisition Opportunities

Coding Opportunities

Systems Opportunities

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Relationship Based Opportunities

- Improve payer / provider relations

  – If open up contract, new strategic opportunities

  – Partners with payers / providers for coding improvements

  – Streamline reimbursement improves revenue stream and satisfaction

  – Gain expertise in outcomes reporting and leverage for quality and P4P

  – Collaborate on EMR solutions / SNOMED, etc.

- Improve vendor / partner relationships

  – Co-develop expertise in outcomes analysis

  – Become an expert and offer third party administrative services to others

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Merger & Acquisition Opportunities

- Due to costs and complexities of ICD-10 implementation, more M&A opportunities may surface

- Gain market share through consolidations, gaining

  – Membership

  – Network and contracting strength

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Coding Opportunities

Program Enhancement
- Enhance DM, CM and wellness programs
  - Improved population identification and management
  - Improved outcomes management

Fraud & Abuse
- Enhancement due to precision for monitoring and prevention

Reimbursement
- Improve reimbursement using more specific clinical coding in contracting

Interventions
- Use detailed data for medical management interventions
  - Medical policy and pre-authorization precision
  - Personal health records enhancement

Reviews
- Increase auto-adjudication
- Reduce manual medical record review

Benefit Package
- Refine benefit package

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Systems Opportunities

- Reduction in operational costs through systems improvements
  - Replacement of legacy systems, migration to a single system
  - Reduce risk, improve productivity, reduce overhead costs
- Investment in translation / coding
- Upgrades / modifications – e.g., data warehouse
- Change of systems / vendors
- Enhance interfaces – e.g., CM/DM/Rx integration
- HRA integration
- EMR integration

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Implementation Timeline
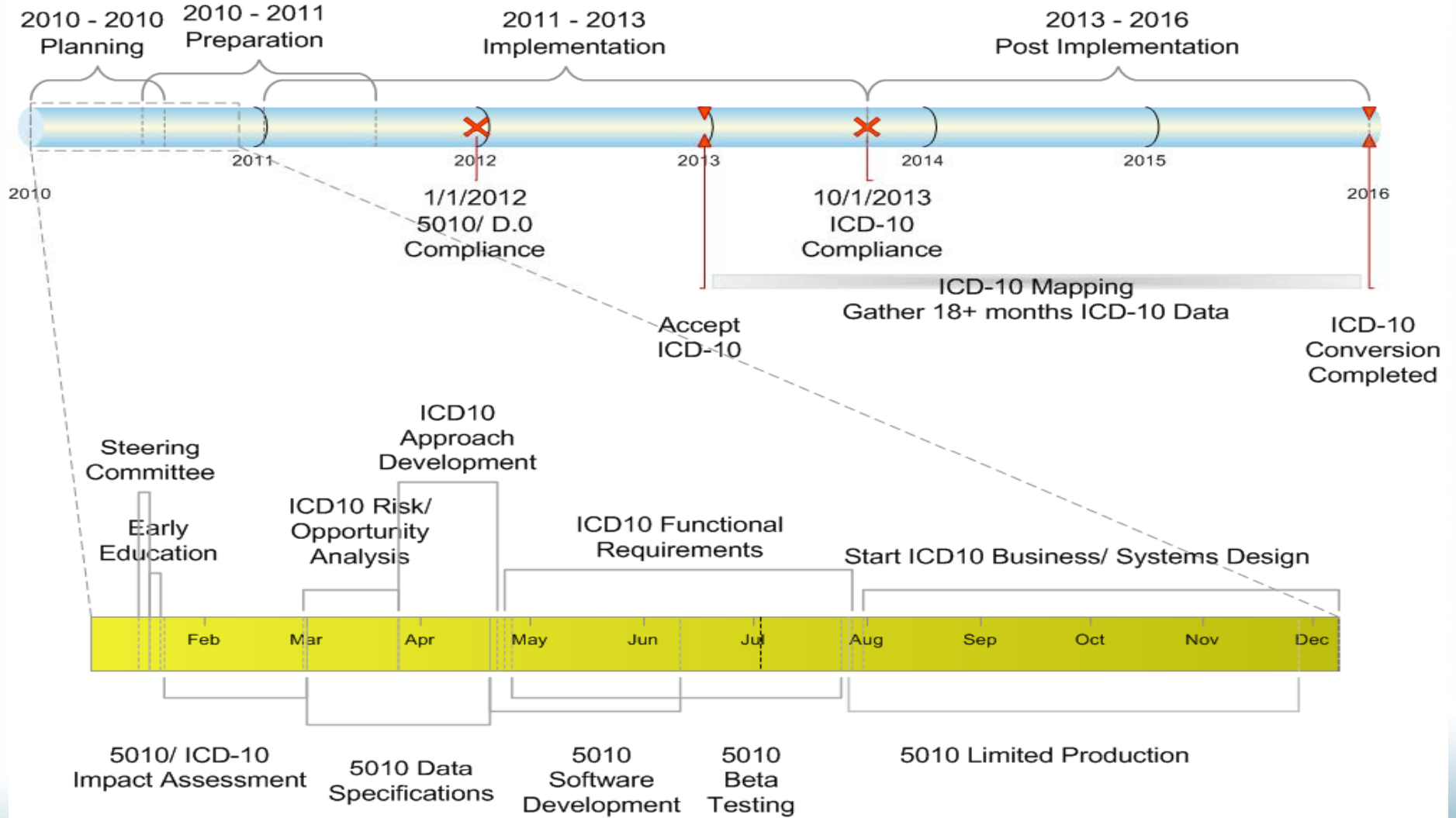
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Milliman 5010/ ICD-10 Consulting Services

- 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 including:

Healthcare Analytics   Healthcare Management   Provider Contracting & Management
Actuarial, Finance and Underwriting   Claims Administration   Information Technology

Implementation Planning	Implementation Preparation	Implementation	Post Implementation
Begin education Analyze environment Assess risk Organize approach	Plan strategy and tactics Establish precursors Assign responsibilities Detail specifications	Revise contracts Program reports Modify/ test systems Mitigate risk	Analyze impact Modify operations Optimize ICD10 use

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

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Closing Comments

- A recording of the session will be available within a few days
- Series available:

| November 10, 2009	• **A Strong Implementation Foundation** • **An Organized Change Plan** • **Integrating and Coordinating with other Priorities and Initiatives**
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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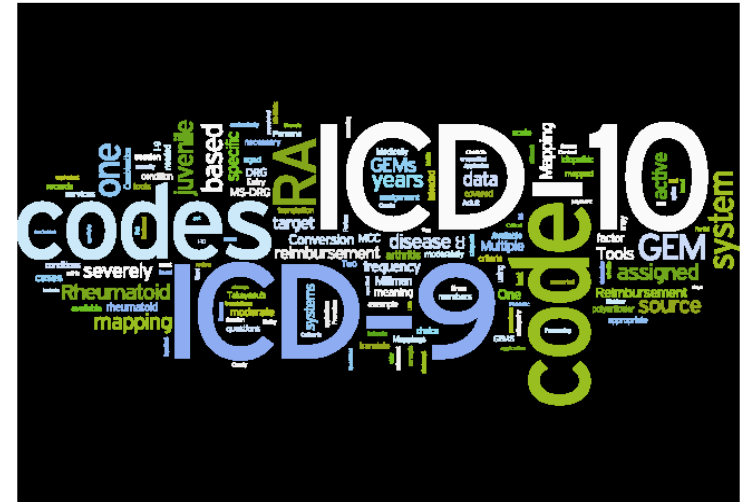
Questions?

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

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