Milliman Webinar Series

ICD-10 Critical Success Factors

Session 3

Factor # 6 Managing Vendor Relationships
Factor # 7 Managing Payer: Provider Relationships
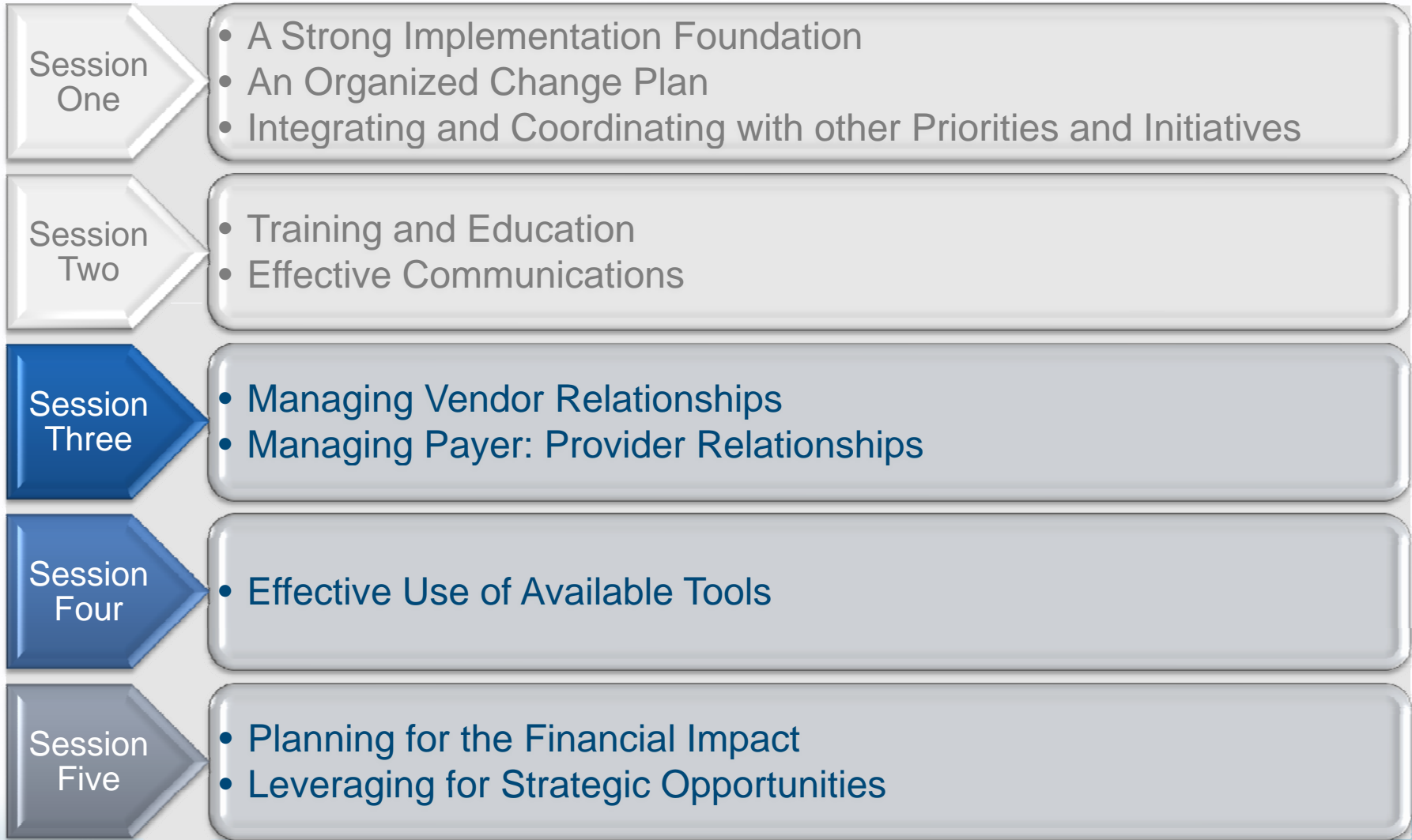
Presented by:
Donna McDonald, Andrew Naugle, John Phelan and Kent Sacia
January 19, 2009

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"Housekeeping"

- 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 # 3 Objective

Help participants plan for managing vendor and payer-provider relationships in implementing ICD-10 coding.

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Scope of The Regulatory Requirements

HIPAA covered entities

- Health Plans
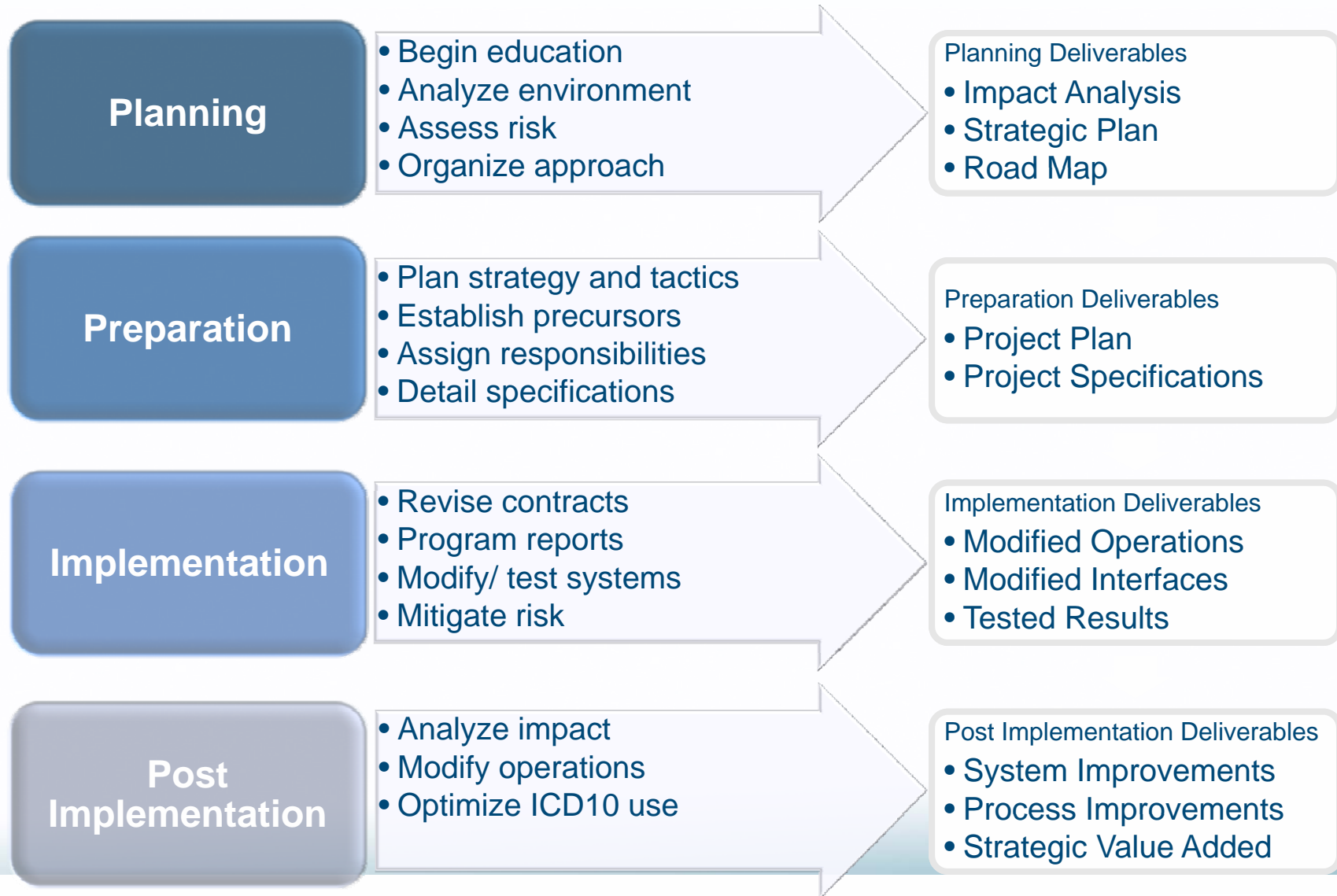- Providers
- Clearinghouses

ASCX12 transaction standards, Version 5010

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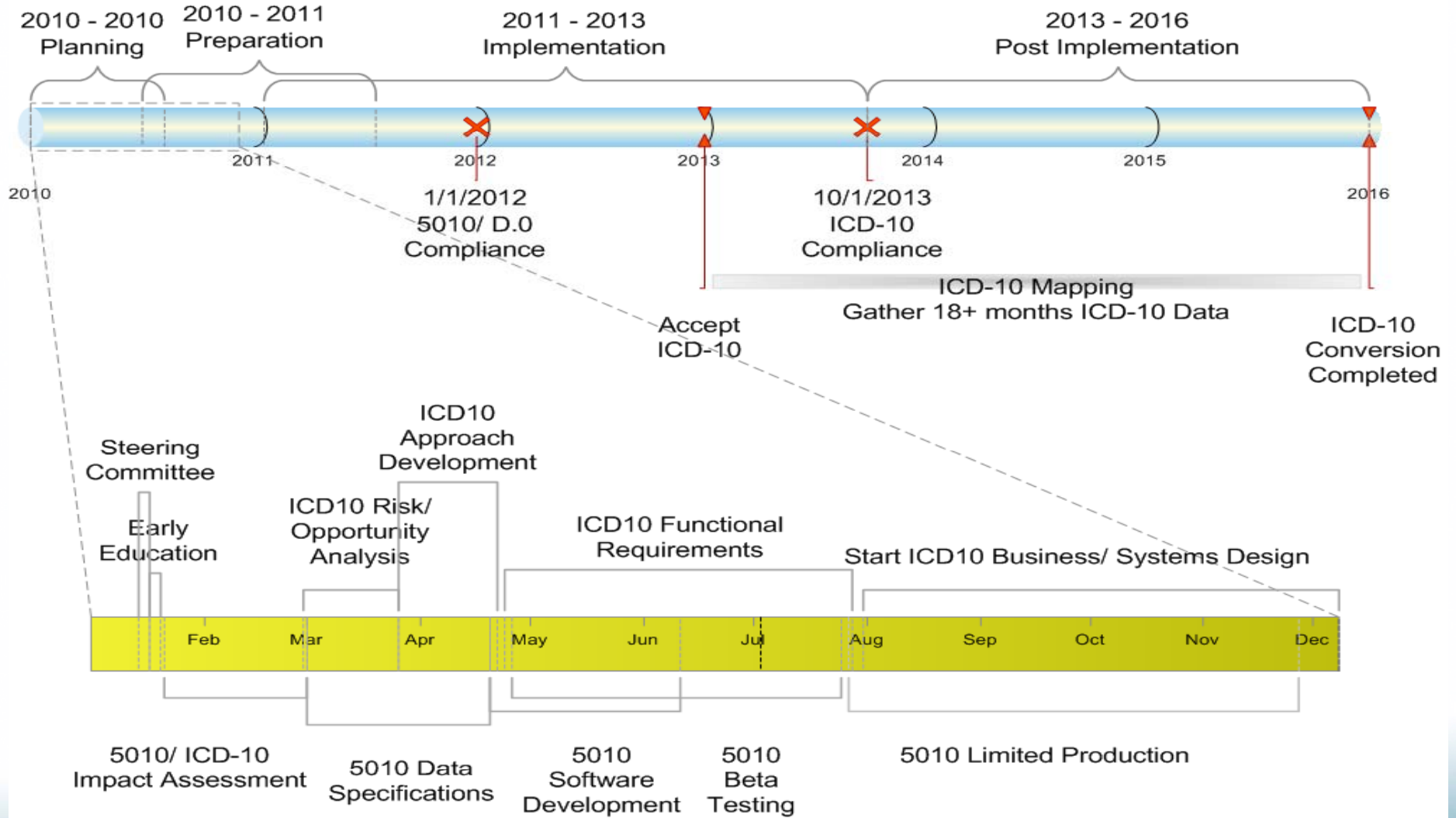- Small health plans have an additional year (January 1, 2013)

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
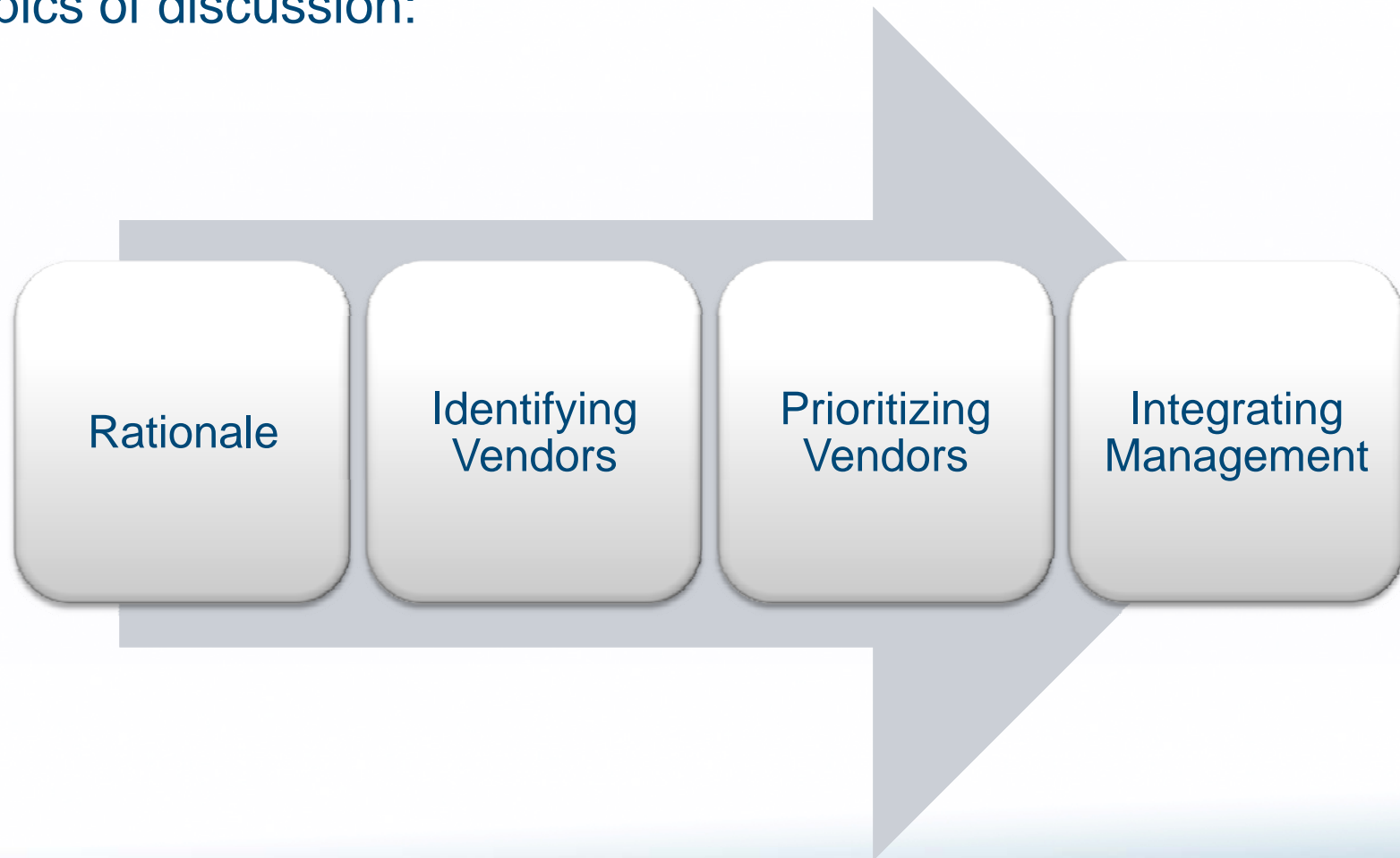 - CPT codes will continue

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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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Implementation Timeline

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Managing Vendor Relationships

Topics of discussion:

| Rationale | Identifying Vendors | Prioritizing Vendors | Integrating Management |

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Who is ultimately responsible for ICD-10 Compliance?

According to a recent Milliman study, many organizations perceive compliance with ICD-10 as a **vendor** problem…this presents several issues:

Vendor may expose you to non-compliance risk	Vendor may fail, or decide not to comply	Vendor may not be timely or fully compliant	Vendor's compliance strategy may be different from yours
Vendor's timing may not sync with your timing	Vendor may not view their role the same as you do	Internal functions will be affected by ICD-10	

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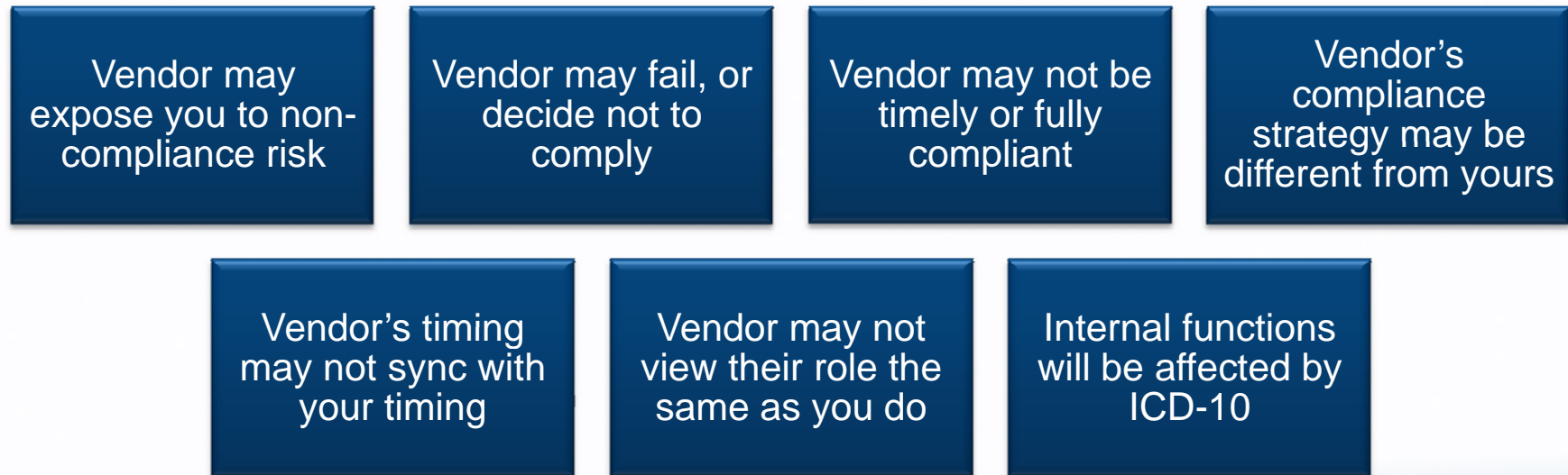
ICD-10 will Impact Many Vendors

Core System
- Claims editing and adjudication, benefit/policy management

Care Management
- Preauthorization, referrals, case management

Population Management
- Disease management fulfillment, wellness

Reporting and Analytics
- Employer reporting, predictive modeling, HEDIS

Workflow Systems
- Imaging, data capture, work distribution

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Identify and Document all Vendors

- Administer a survey of **all** departments because….
  - Most organizations will not have a centralized list of all vendors
    - Procurement will know ~80% of the vendors
    - Other departments will have "off-the-books" vendors
- ICD-10 will affect both system and non-system vendors
- Err on the side of too many vendors
- Will require input from throughout the organization
- Data collection processes should be managed by a centralized point of contact
- Don't forget about vendors of vendors ("downstream vendors")

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Identify and Document all Vendors

Vendor Name	Service or Function	Internal POC	How is ICD-10 Relevant?
Claims R Us, Inc.	ASP Claim System	John Smith	Multiple uses of procedure codes
DM, Inc.	Disease Management	Jackie Jones	Uses ICD-9 codes to identify populations
Sungard Systems	Workflow management system	Chris Legford	Uses ICD-9 codes in document distribution logic
Etc.	…	…	…

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Vendor Impact Analysis

Your strategy for vendor management should vary depending on the potential impact on your business

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Vendor Impact Analysis

- Evaluate each **vendor**, **system**, or **service** for impact

- Vendor "impact" can be determined using internal information

  - How will failure impact my business?

  - What are the consequences for me of failure?

  - How complex is the conversion?

  - What are other viable alternatives?

- A single vendor may present multiple levels of impact

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Vendor Impact Analysis

High risk vendors require more resources to manage

Hosted Claims System		
Impact	High	Inability to meet daily operational requirements
Consequences	High	Financial penalties, regulator attention, provider dissatisfaction, customer disruption, reputation risk
Complexity	High	Many systems, highly complex
Alternatives	Few	High switching cost, high-risk replacement

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Vendor Impact Analysis

Low risk vendors require fewer resources to manage
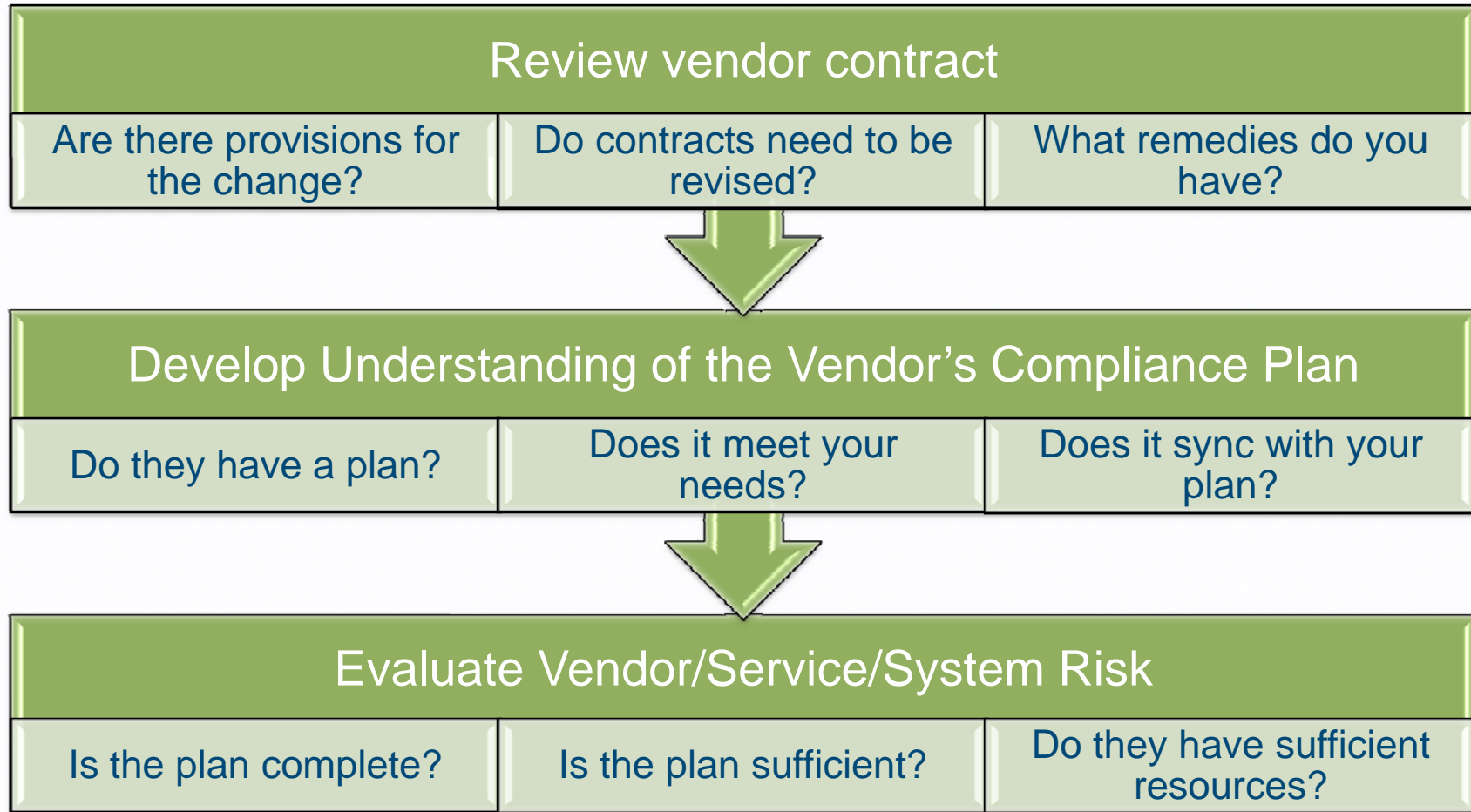
Disease Management Vendor		
Impact	Low	Replace with manual identification of populations
Consequences	Low	Reduced opportunities to manage the population
Complexity	Low	Straightforward
Alternatives	Many	In-house, many vendors, low switching costs

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Vendor Impact Analysis

Document and summarize impact analysis

Vendor	Impact	Consequences	Complexity	Alternatives	Priority
Hosted Claims System	High	High	High	Few	High
Disease Management Vendor	Low	Low	Low	Many	Low
Imaging	Med	Med	Low	Many	Med
Etc.	…	…	…	…	…

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Evaluating Vendor Compliance Risk

Review vendor contract		
Are there provisions for the change?	Do contracts need to be revised?	What remedies do you have?

Develop Understanding of the Vendor's Compliance Plan		
Do they have a plan?	Does it meet your needs?	Does it sync with your plan?

Evaluate Vendor/Service/System Risk		
Is the plan complete?	Is the plan sufficient?	Do they have sufficient resources?

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Revisit Vendor Impact Analysis

Appropriate strategy will vary depending on priority and risk

Vendor	Priority	Risk
ASP Claims System	High	Low
Disease Management Vendor	Low	Med
Imaging	Med	High
Etc.	…	…

High priority/ high risk will require most attention/ resources; **low priority/ low risk** will require least attention/ resources

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Develop an Action Plan for Each Vendor

- Comprehensiveness of the action plans will vary by vendor priority

- Action plan should detail, at a minimum:
  - Internal responsibility for monitoring vendor's implementation
  - Division of responsibilities (your organization, vendor, others)
  - Training and education needs and responsibility
  - Plan for ongoing risk assessment
  - Issue resolution/escalation process
  - Corrective action/ contingency planning

- Roll-up individual action plans into overall Vendor Management Plan

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Integrate Vendor Conversion Plans into Overall Project Plan

Timing	Resources	Testing
Communication	Education	Budget

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Communication and Monitoring

Conduct Periodic Status Meetings	Monitor vendor progress against project plan	Ensure vendors are communicating with downstream entities
Resolve implementation issues	Provide implementation assistance if needed	Implement Contingency Plans if needed

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Managing Payer/Provider Relationships

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Payer and Provider Goals and Compliance Needs Are Different

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Payer Goals for ICD-10 Conversion

- Obey the law

- Improve health plan operations

  - Medical management

  - Payment

  - Fraud prevention

  - Provider and member profiling

  - Benefit design

- Provider compliance

  - Develop cost-effective compliance program

  - Maximize compliance

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Provider Goals

- Avoid compliance problems

- Maximize revenue

- Minimize rejected claims

Note: Providers already have detailed information on their patients in patient histories and clinical notes.

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Provider Support Will Vary

Academic centers	Hospitals	Integrated medical groups	Specialists	General practitioners	Ancillary providers

Payers Can Expect Mixed Response

Extent of preparation	Investment	Coding accuracy	Billing service accuracy	Billing timeliness	Value given to coding detail

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Expect limited involvement from some providers

- Last minute attention to compliance needs
- Billing service cross-walks old codes, accurate or not
- Minimal investment

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Set level of effort based on strategic goals

- Provider education

- Financial incentives

- Quicker payment

- Quicker authorizations and certifications

- Feedback

- Collaborative implementations

Develop Strategic and Implementation Plan with Relationship Management as a Focus

Prepare strategic plan

Obtain management sign-off

Estimate effort based on strategic goals

Prepare implementation plan

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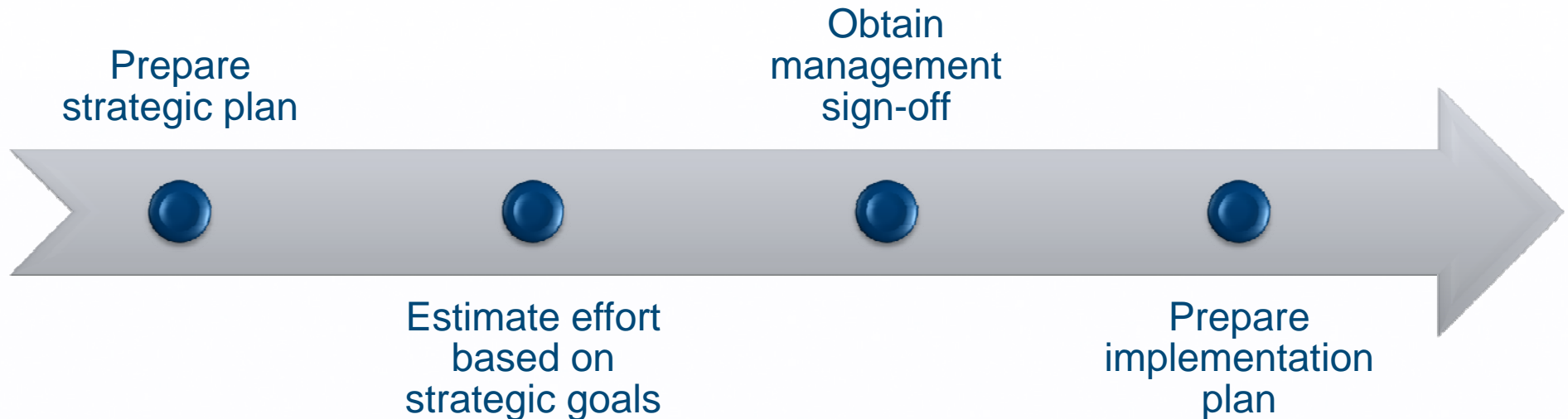
Determine Strategy to Minimize Risk and Maximize Benefits

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The Strategic Plan:
An opportunity for buy-in

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┌──────────────────┐     ┌──────────────────┐     ┌──────────────────┐
│                  │     │  Target critical │     │                  │
│                  │     │      codes,      │     │ Specify success  │
│  Define success  │ ──► │  operations and  │ ──► │  measures by     │
│                  │     │    providers     │     │    targets       │
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│ Use objectives to│     │     Estimate     │     │ Perform reality  │
│  set  resource   │ ──► │  resources and   │ ──► │ check and get    │
│    priorities    │     │     timing       │     │    buy-in        │
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Risk Mitigation

Planning

Training

Communication

Coordination/
collaboration
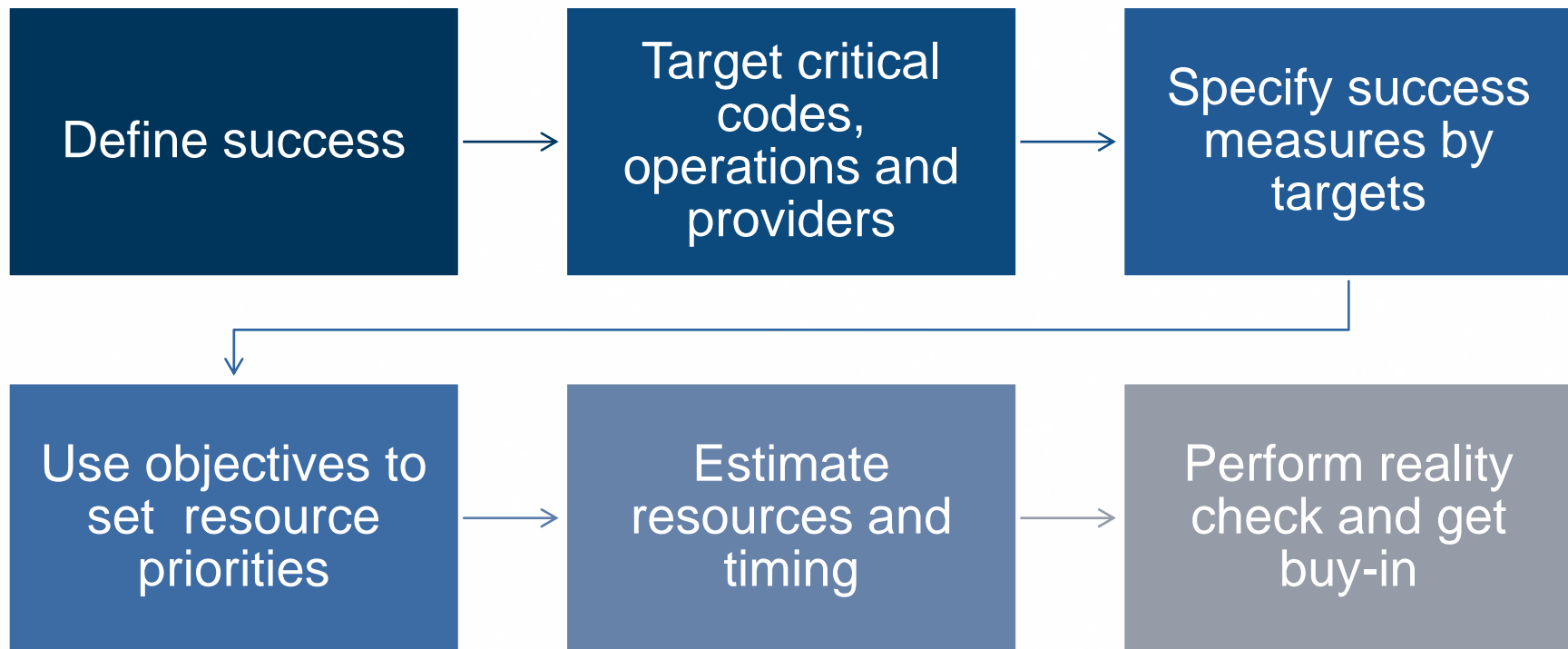
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In your planning, consider:

- Provider: Payer Agreements

- Health Care Benefit Administration

- Billing/ Payment Policies and Procedures

- Medical Management Criteria/ Reporting

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Begin Planning with an Impact Assessment

Planning Phase

Inventory potential impact ➡ Use results to identify risks/opportunities

⬇

Preparation Phase

Use results to create a risk management plan

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Impact Assessment

Provider / Payer Contracts

- Facility, professional, ancillary, other downstream contracts (e.g., IPA)
- Contract evergreen or renewable?
- Will payment terms be affected?
  - How will they/ should they?
  - Examples of payment changes
- What outputs will be affected by payment terms (e.g., cost and utilization reports)?

Provider Policies Procedures and Manuals

- Will policies and procedures, manuals need revision?
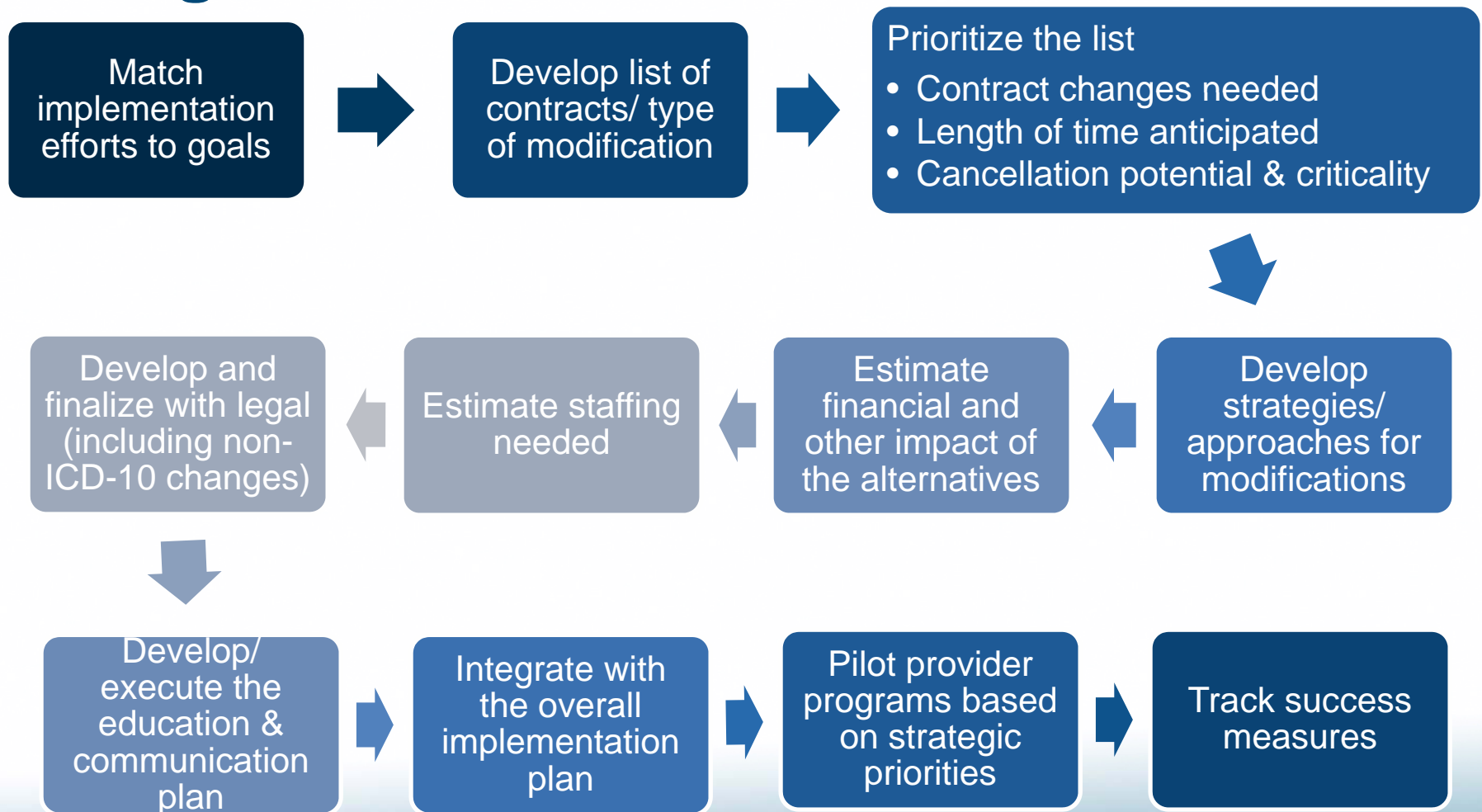- How will revisions impact providers?

Care Management Policies and Procedures

- Will policies and procedures need revision?
- How will revisions impact providers?

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Use Impact Assessment to Identify Risks and Opportunities

- Use tools to perform the impact assessment so information can be organized and tracked and ultimately incorporated into a management plan.

- Use impact assessment results to identify
    - Risks, e.g.,
        - Unintentional/ intentional shift in health care $
        - Contract renegotiations/ cancellations
        - Untimely billing/ payment
    - Opportunities, e.g.,
        - More accurate procedure payment
        - Fewer returned claims
    - Resulting infrastructure changes - e.g., utilization reports

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Incorporate Risk/ Opportunity Info into Management Plan

Match implementation efforts to goals → Develop list of contracts/ type of modification →

Prioritize the list
- Contract changes needed
- Length of time anticipated
- Cancellation potential & criticality

Develop and finalize with legal (including non-ICD-10 changes) ← Estimate staffing needed ← Estimate financial and other impact of the alternatives ← Develop strategies/ approaches for modifications

Develop/ execute the education & communication plan → Integrate with the overall implementation plan → Pilot provider programs based on strategic priorities → Track success measures

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Post-implementation

Monitor progress towards goals

Dedicate resources to correct billing, re-process claims

Over communicate and coordinate

Be willing to re-assess approaches and priorities
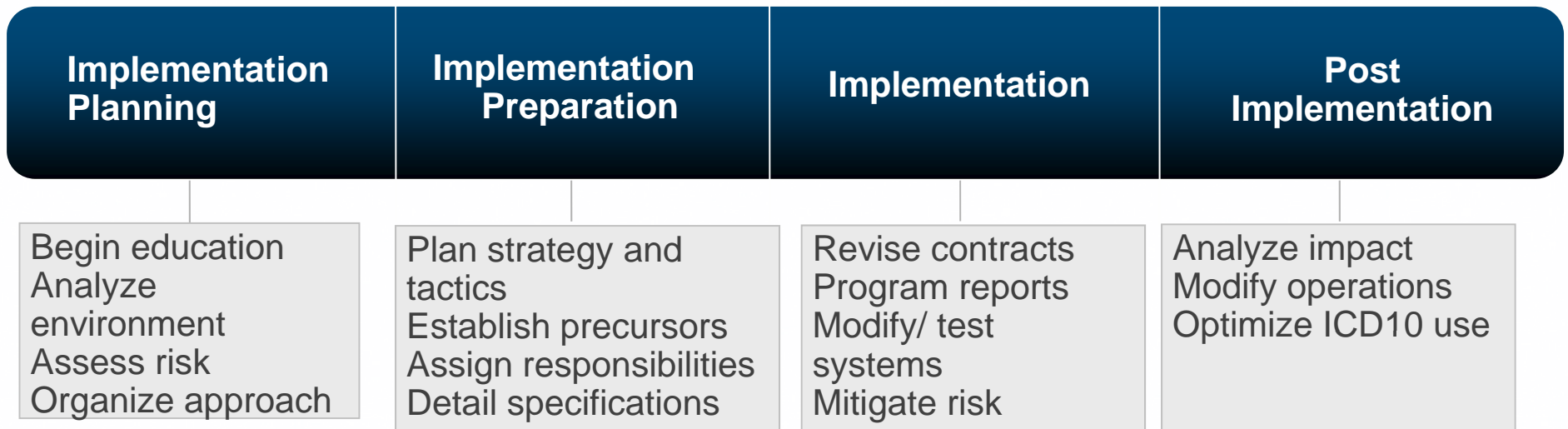
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Summary

- Your ICD-10 implementation success is dependent upon the success of your business partners.

- Establishing an effective relationship with your partners for implementation will help ensure your success **and** your business partners' success.

- The ICD-10 transition will be complex. Effective relationships result in effective resolution of complex issues.

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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
- Upcoming sessions

| February 9, 2010 | • Effective Use of Available Tools |
| March 16, 2010 | • Plan for the Financial Impact
• Develop Strategic Opportunities |

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Questions?

Please contact:

- Donna McDonald at donna.mcdonald@milliman.com
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- John Phelan at john.phelan@milliman.com
- Kent Sacia at kent.sacia@milliman.com

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

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