

## High Stakes for Finance in Transition to ICD-10

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October 1, 2013 marks the day that healthcare organizations must comply with the most significant—and underestimated—mandate in recent history. That is the date by which hospitals, health systems, physician practices, insurance companies and any other organization covered by the Health Insurance Portability and Accountability Act (HIPAA) must have completed their transition to the ICD-10 code set.

The move to this more expansive medical diagnosis and inpatient procedure code set, which will drive all reimbursement for healthcare services, will ultimately be a positive step for the U.S. healthcare system. From a revenue cycle perspective, the transition is expected to drive more accurate payments, reduce the number of rejected claims and increase efficiencies in billing and reimbursement processes. That is because its approximately 68,000 codes (compared to 13,000 under ICD-9) enable a much higher level of specificity in terms of diagnosis coding.

To realize those benefits, however, healthcare organizations must first survive an onerous transition impacting nearly every aspect of operations. On the finance side of the house, in addition to coding, billing and collection systems and processes, the move to ICD-10 will affect registration, utilization and case management, charge capture and managed care contracting.

Thus, a successful transition requires extensive revenue cycle planning and coordination—something few healthcare organizations seem to understand given their slow and siloed approach to transition planning.

The biggest mistake organizations are making with transition planning is “underestimating the level of effort and the broadness of the scope of this issue. Failure to bring together clinicians, finance and IT in the planning process is a prime example and the biggest miss,” said Sean Benson, cofounder and vice president of innovation with ProVation Medical, part of Wolters Kluwer Health. “They’re looking at it too departmentally and too much as a back-end process as opposed to looking at it across the organization.”

### A disturbing lack of urgency

According to the American Health Information Management Association (AHIMA), by now all healthcare organizations should be actively implementing their transition plans and addressing needs identified in impact assessments. Yet just 40 percent of organizations responding to AHIMA’s most recent ICD-10 survey were doing so. Further, 40 percent of participating hospitals cited no major barriers to their organization’s ability to comply with the mandate.

That latter figure reflects the industry-wide underestimation of the challenges that lay ahead and the long-term impacts that failure to comply with the transition mandate are likely to have. Indeed, the Centers for Medicare & Medicaid Services (CMS) has indicated that there will be no delays and no grace period, meaning claims submitted using ICD-9 codes as of October 2013 will not be paid.

Few healthcare facilities are in a financial position to withstand unnecessary delays in reimbursements. That is why industry experts urge finance departments to take a more proactive role in their organization’s transition to ICD-10.

“Finance should definitely be a key part of the process,” said Benson. “They’re the ones who are responsible for collections, cash flow and hitting revenue targets. All of those components are in jeopardy with the switch to ICD-10.”

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Benson adds that not only will CMS deny Medicare claims filed using ICD-9 after the implementation deadline, but many expect the transition will result in an increase in claims denials and payment delays by commercial health plans.

“Revenue cycle folks will be squarely in the center of getting the blame if it doesn’t go well, so they need to be at the table,” he said. “The challenge is that if organizations don’t put together a cross-functional team to handle ICD-10, they will have a major set of unpleasant surprises when finance inherits all that downstream work.”

For example, many healthcare organizations will find it necessary to deploy new or significantly upgraded clinical documentation, coding and billing systems. Further, coders and billers must be adequately trained on the new code set and systems. Physicians and clinicians must also be trained on how to properly document patient encounters and medical procedures to support ICD-10.

Failure at any point along the documentation and coding continuum “creates all kinds of downstream problems for finance and IT,” said Benson. “If hospitals don’t have the entire spectrum of issues resolved, including documentation for ICD-10, they are facing payment denials. Those are the kinds of things that are lurking for those that aren’t well-organized in their approach to the transition.”

### Get aggressively proactive

Given that much of the focus surrounding the transition to ICD-10 has been on IT system changes, it makes sense that many hospitals and healthcare facilities are looking to software vendors to do the heavy lifting. For example, software like ProVation Medical’s that automates the documentation and coding process by guiding physicians to document at required levels of detail and generating compliant ICD-10 codes for coder review can shorten the learning curve and accelerate compliance.

However, with just 22 months to go until ICD-10 must be in place, facilities cannot afford to leave transition plans and timelines to chance. For starters, it can take up to a year to get a slot on many vendors’ upgrade or implementation schedules, leaving little time for training and testing.

Additionally, a narrow focus on coding and billing systems ignores the very real short- and long-term impact the transition will have on clinical documentation processes. As such, healthcare organizations need to establish cross-functional teams and set forth timelines for completing the transition. Also required are solid strategies for handling education and training at all levels.

“Clinical documentation solutions are one key lever they can pull to address ICD-10. But the problem for hospitals is that a lot of vendors don’t have an all-encompassing documentation and coding solution for ICD-10,” said Benson. “That is why hospital leadership needs to take a broad view of their clinical documentation options to ensure the challenges are addressed in all areas of care. They need to think very strategically and make sure they have cross-functional teams including clinical, IT, finance and HIM working on this challenge.”