



ICD-10 Planning: Developing a Roadmap for the Journey from ICD-9 to ICD-10

By: Daniel R. Fietze, Partner, DIVURGENT

In just over two years, on Oct. 1, 2013, the mandated implementation of ICD-10 will increase the number of codes from approximately 17,000 under current ICD-9 standards to well over 150,000 under ICD-10¹. This transition will provide greater specificity in clinical information and documentation resulting in enhanced analysis of disease patterns and treatment outcomes, increased decision-making capabilities, improved reimbursement accuracy, and ultimately provide a vehicle to help lower the overall cost of healthcare. The ICD-10 code sets will also link to the standards and certification criteria for demonstrating "meaningful use" of certified EHR technology under the Medicare and Medicaid electronic health record incentive program.

The transition to ICD-10 is more than just a change in coding; it undoubtedly represents a massive overhaul to the nation's medical coding system, organization workflow processes, critical reporting methods and capabilities, and a tremendous change in the way today's healthcare organization conducts business. The changes brought on by ICD-10 will have an enormous impact across the organization – from physicians, clinical staff, IT, finance, and ultimately to the patient. Failure to prepare effectively could result in serious data quality, patient care, and financial consequences. This transition will come at tremendous technology and business cost for the entire healthcare industry. While estimated costs vary, the RAND Science and Technology Policy Institute (RAND) estimate

ICD-10 Compliance Timeline

January 1, 2011

- Payers and providers should begin external testing of Version 5010 for electronic claims.
- CMS begins accepting Version 5010 claims.
- Version 4010 claims continue to be accepted.

December 31, 2011

- External testing of Version 5010 for electronic claims must be complete to achieve Level II Version 5010 compliance.

January 1, 2012

- All electronic claims must use Version 5010.
- Version 4010 claims are no longer accepted.

October 1, 2013

- Claims for services provided on or after this date must use ICD-10 codes for medical diagnosis and inpatient procedures.
- CPT codes will continue to be used for outpatient services.

Source: The ICD-10 Transition: An Introduction. Centers for Medicare and Medicaid Services. April 2010.

¹ Monegain, Bernie. Expert says ICD-10 implementation is critical – and expensive. [Healthcare Finance News](http://www.healthcarefinancenews.com/print/20346), October 8, 2010. Accessed online February 10, 2011, at www.healthcarefinancenews.com/print/20346.

costs ranging from \$425 million to 1.5 billion for a one-time conversion². HHS has released estimates in three implementation categories (see call out box at left). No matter the estimate, one thing is clear; the transition to ICD-10 will require significant time and effort from all healthcare organizations.

“... HHS reported that implementation costs will fall into three categories: training, productivity losses, and system changes. Training costs will total \$356 million, lost productivity will cost \$572 million, and system changes will cost \$713 million. . .”

Source: Conn, Joseph. ICD-10 Estimated to Cost Vendors, Providers Billions. *Modern Healthcare*. August 28, 2008.

Successful implementation of ICD-10 by October 1, 2013, requires that organizations begin planning now, approach this change strategically, and develop an effective roadmap that addresses and mitigates issues and risks that will undoubtedly arise. This proactive approach will improve the quality of ICD-10 transition initiatives, position activations for success, mitigate the impact on organizational productivity and revenue, and help contain transition costs.

With much of the provider population now completing, or having completed their impact assessment activities,

DIVURGENT understands that these

providers must now turn their focus in the next two and a half years to the strategic planning for and the implementation of ICD-10. This first in a series of ICD-10 focused white papers focuses on the pre-implementation planning efforts that provider organizations must begin upon completion of an organizational impact assessment and in preparation for implementation efforts.

While every organization’s planning will be unique, there exist best-practice activities that should be included in every organizational ICD-10 planning initiative. The following, while not a comprehensive list, represent many of the key activities that every organization should include in their ICD-10 implementation planning efforts.

About two-thirds (69%) of provider respondents had either started (56%) or completed (13%) their ICD-10 impact assessments. 45% indicated the need for additional information to assist them in their ICD-10 planning efforts.

Source: HIMSS ICD-10/5010 Industry Readiness Survey: Progress on 5010 but Challenges Ahead. ©HIMSS. 2010.

Establish Interdisciplinary Project Governance

The beginning of any implementation planning effort is the establishment of project governance. Effective project governance allows executives, senior managers, and clinical leadership to provide guidance in the oversight and control of the project performance and management activities. For ICD-10, an interdisciplinary ICD-10 Steering Committee is of paramount importance. While committee membership will be unique to each organization, it is important that membership on this committee include a broad-spectrum representation of the organization. Represented areas might include health information management, information systems, accounting, finance, auditing and compliance, individual hospital leadership in the case of a system, physicians,

² Libicki, Margin, and Brahmakulam, Irene. Technical Report: The costs and benefits of moving to the ICD-10 code sets. RAND Science and Technology. Published March 2004. TR-132-DHHS. Retrieved online February 11, 2011, at http://www.rand.org/pubs/technical_reports/2004/RAND_TR132.pdf.

clinical support and ancillary representatives, and the visible sponsorship from hospital or system administration. Representation from across the organization is important to ensure an organization-wide understanding of the importance and significance of this change.

Develop a Comprehensive ICD-10 Database

Using the comprehensive list of all affected applications, vendors, payors, clearing houses, billing services and other potential entities defined in the already completed readiness assessment, providers can now begin documenting implementation and testing plans specific to each. The resulting database of information is used to track all communications with these vendors and business partners resulting in up-to-date ICD-10 conversion statuses. This level of tracking and monitoring develops a focused picture of what the organization must do to reach ICD-10 compliance. The results will feed directly into the organization's ICD-10 implementation project plan.

Examples of the kind of information that affected application vendors should be able to answer include:

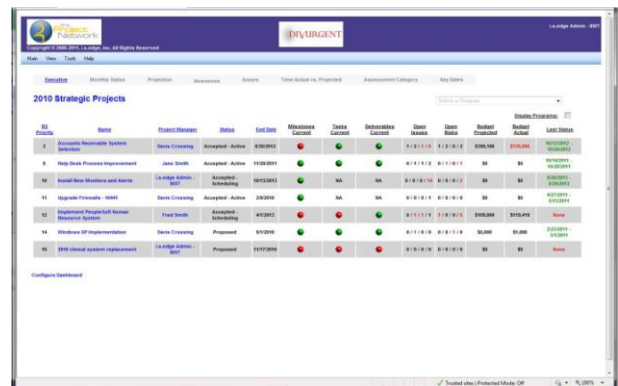
- Will you be upgrading your systems to accommodate Version 5010 and ICD-10?
- Which systems specifically will be affected?
- When will your upgrades be completed?
- When can a test transmission be sent?
- What specific solutions are in place (certifications, code levels, etc.)?
- Will there be hardware upgrade requirements? Is so, is that hardware covered under the current support contract or will there be an additional charge?
- What are your mitigation plans? Will GEM or translation tables be in place?
- Are you planning to shift any cost to provider organizations?
- Do you have an exit strategy if you do not plan on meeting Version 5010 and ICD-10?

The kind of information that providers should seek from their payor, clearinghouse, and billing services partners is similar to that from application vendors; however, it should be noted that because ICD-10 codes are much more specific, payers might change contract terms, payment schedules, or reimbursement. In addition to the aforementioned application vendor questions, these business partners should be able to answer questions such as:

- What is your progress/readiness towards ICD-10?
- How, and will, implementation change your contracts terms?
- Which processes specifically will be affected?
- When will your upgrades be completed and new processes be in place?
- When can a test transmission be sent?
- What support mechanisms and/or resources will be available?

Establish Executive Reporting/Dashboard

Key to initial executive buy-in and ongoing support is the ability to succinctly report those factors most important to administrators. An electronic executive dashboard most effectively accomplishes administrator-specific reporting needs. An electronic executive dashboard should be identified or developed during the pre-implementation planning phased and should report at an overall summary level as well as have the ability to delve into more details around key transition performance indicators and project milestones. Red, yellow, and green status indicators quickly identify those areas needing executive attention. Automation of real-time information on key performance indicators allow your executive team to:



ID	Name	Project Manager	Status	End Date	Milestones	Tasks	Deliverables	Costs	Budget	Actuals	Quality
1	Business Resource System Migration	Mark Crocanga	Completed: Active	8/30/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%
2	Help Desk Process Improvement	Joan Smith	Completed: Active	10/30/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%
3	Build New Marketing and Adm. Web	Mark Crocanga	Completed: Pending	9/30/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%
4	Upgrade Process - 1040	Mark Crocanga	Completed: Active	2/28/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%
5	Implement Oracle E-Business System	Frank Smith	Completed: Pending	10/30/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%
6	Initiate ICD Implementation	Mark Crocanga	Completed: Pending	10/30/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%
7	ICD Clinical System Implementation	Mark Crocanga	Completed: Pending	10/30/09	Green	Green	Green	\$1,111,111	\$1,111,111	\$1,111,111	95%

Example Screenshot of an Executive Dashboard courtesy of *i.s. edge, inc.* exclusive provider of *The Project Network*

- Proactively identify, track, and address project risks before they become issues
- Reduce labor effort and overhead costs by identifying opportunities for operational efficiency
- Track the organization’s overall compliance progress against stated timelines
- Maintain awareness and provide project direction and support

Develop a Strategic Roadmap and an Implementation Plan

An ICD-10 Implementation Plan should support, at minimum:

- How the transition efforts will deploy
- Who is responsible for project tasks and activities
- Critical path and milestone definitions
- What software and hardware updates are affected
- What updates are necessary and when they will occur
- A detailed description of the affect on financial and clinical workflows
- How all of these changes will be transitioned into day-to-day operations

The ICD-10 implementation plan builds off the results of a completed current state/gap analysis findings and should include, but not be limited to:

- **Vendor, Payor, and Business Partner Response Matrix.** This matrix defines results at the process, workflow, department, and organizational level. It is important that the completed matrix define each affected system’s sponsor and system administrator, the contact information for the vendor, payor, or business partner, and any other information on the system's progress toward ICD-10. Workflow impact(s) and potential cost/revenue parameters should also be identified for further detail analysis.

- **Project Plan.** This high-level ICD-10/Version 5010 implementation timeline and milestone-driven project plan defines events leading up to, and after, final implementation, specific roles and responsibilities, and the schedule for all update and upgrade roll-outs, by partner, and specific to each partner’s solution fix. It should be noted that not all partners will be on the same timeline. Critical milestone dates by affected area should be identified to support dashboard reporting and timeline monitoring. Finally, the plan should include checkups after each milestone.
 - **5010 testing and implementation plans.** Critical to the larger ICD-10 implementation plan is the ICD-10 prerequisite implementation of ANSI x12 Version 5010 (5010) transaction code set. Effective January 1, 2012, all covered entities must submit electronic transactions using the 5010 transaction code set. These critical dates (see “ICD Compliance Timeline” on page 7) should be a key part of any ICD-10 implementation, and related project, plans.
- **Implementation Support Resources.** Define the resources necessary to support the implementation such as hardware, software, staffing, education and training, and associated support materials. Support resource needs should not center solely on the organization, but resources outside the organization and owned by affected vendors should also be considered. Finally, external third-party vendors with industry knowledge should be considered and planned for.

The ICD-10 implementation plan is continuously updated with information as it becomes available during the planning phase and then will provide guidance during the implementation phase.

Conduct a Staffing GAP Analysis

Canadian providers that implemented ICD-10 in 2000 learned that productivity goes down significantly after conversion. Quite simply, the increase in ICD-10 detail requires more time – from diagnosis, to physician documentation, to coding. Hospitals with unresolved or continuously changing staffing issues today will most likely see further deterioration post ICD-10 go-live.

RAND has estimated that providers will experience costs between \$5 million and \$10 million resulting from lost productivity³. In order to help mitigate these losses, organizations should assess current staffing levels, knowledge, skill sets, and capabilities. The results of this analysis should define both the staffing necessary to support implementation efforts and the additional staffing necessary pre and post-implementation to support increased coding requirements.

ICD-10 will require a broader set of skills and experience than those necessary in an ICD-9 environment. Of particular concern will be appropriate coder staffing. Industry experts believe that coding resources

Assuming a six-month learning curve . . . the break-in costs (the difference between productivity loss in the first few months and long-term productivity losses) would be roughly \$5 million, and the additional long-term costs from reduced productivity would be \$10 million a year.

Source: Technical Report: The Costs and Benefits of Moving to the ICD-10 Code Sets. ©RAND Science and Technology, 2004.

³ Libicki and Brahmakulam.

will be difficult to find and in exceedingly high demand. Even with high retention levels, organizations will need to recruit more coding specialists to manage the ICD-10 transition. These specialists can be recruited temporarily or permanently, in-house or externally. Many professional consulting service organizations are offering activation management staffing services that assist providers with ICD-10 coding team recruiting, training, and staffing needs.

Define Communication Plans

The single most important measure of a smooth and successful ICD-10 transition will be clear, concise, and regular communications to all areas of the organization. Developing a carefully crafted communication plan that is in accordance with organizational communication standards and processes is a key part of ICD-10 implementation planning. Stakeholder communications begin during the pre-implementation planning phase in an effort to establish a baseline understanding of the changes to come and then serve as a vehicle for ongoing staff education. The plan should include communications as the implementation draws near, during implementation, and post implementation as the organization learns to operate using the new codes.

Develop Training Plans

Regardless of organization size, training for any implementation – especially for one as complex and far reaching as ICD-10, can be costly and difficult to deliver. This is particularly so in large organizations with multiple facilities and services and large numbers of physicians, clinicians, and employees. ICD-10 will require a significant education investment in order to ensure accurate coding and minimize productivity loss. If codes are not correct by the deadline, reimbursements will be significantly delayed or dropped.

If not completed during the assessment stage, the first step in developing an effective ICD-10 training plan is to assess current internal IT, coding, and software training staff, their capabilities, and bandwidth to take on the significant training required for ICD-10. There are wide varieties of complementary external training options specific to ICD-10 such as conferences, webinars and online training, super user training, and contracted onsite training.

A comprehensive ICD-10 training and education plan should address both organization and department-level requirements. Examples of the areas that will require education include coders, clinical staff (physicians, nurses, and other allied health resources), revenue cycle and business office, finance, corporate compliance and audit, performance improvement, and utilization management.

Coders will most likely require the most extensive training. Under ICD-10, coders will need a much deeper understanding of anatomy, physiology, medical terms, disease process, surgical procedures, medical science, and pharmacology. Although the American Hospital Association (AHA) recommends waiting until approximately six months before the October 1, 2013, compliance deadline, this timing may differ pending the fluidity of the vendors the organization is dealing with. Once educated, these staff resources should be adequately compensated to retain this knowledge in-house and minimize staff attrition.

Build a Project Budget

Without a doubt, ICD-10 will have a significant financial impact –from the expenses incurred to implement to the impact on the organization’s revenue and cash flow positioning. Due to the many unknowns, a financial impact analysis is paramount. Not all financial detail information will be readily available at the conclusion of the assessment, but at minimum most, if not all, financial parameters and associated metrics should be identified with preliminary forecasted ranges of dollar impacts. Automated tools are available and recommended in assisting in the definition and monitoring of the organization’s overall financial impact. If automation capabilities are not available, it is recommended that manual reviews and results calculations begin immediately.

ICD-10’s many variables will require a structured, but flexible, budget that includes both operational and capital expenses. In addition to including known expenses, an effective ICD-10 project budget will include contingency planning and provide funding reserves to help mitigate financial impact. Known expenses might include:

- Payer integration planning and modeling
- Staffing costs
- Training and education costs (for the entire organization)
- Expenses associated with internal system changes and testing
- Resource materials
- Software updates
- Super bill reprints and/or conversion to automated functionalities
- Change management

Summary

The impact on October 1, 2013, will resonate throughout healthcare and organizations that have taken a strategic and thoughtful approach to planning, implementation, and optimization will make the smoothest transitions with the least negative impact. Early planning will ensure that your organization successfully makes the transition to ICD-10 and any issue mitigation along the way more manageable.

“The [HHS] proposal says the new [ICD-10] code sets initially may cause serious cash flow problems for providers because of the increased risk of payment slowdowns triggered by the code changes. Claims-error rates are expected initially to rise to 6% to 10% at the ICD-10 implementation date. . .”

Source: Conn, Joseph. ICD-10 Estimated to Cost Vendors, Providers Billions. [Modern Healthcare](#). August 28, 2008.

About DIVURGENT

Founded by a team of consulting veterans, DIVURGENT is a national health care consulting firm focused solely on the business of hospitals and other healthcare providers. DIVURGENT provides advisory, interim management, revenue cycle management, project management, and modeling and simulation services to help improve patients' lives.

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6119 Greenville Avenue
Suite 144
Dallas, TX 75216-1906

4445 Corporation Lane
Suite 229
Virginia Beach, VA 23462

(877) 254-9794

info@DIVURGENT.com

www.DIVURGENT.com

About the Author

Daniel R. Fietze Dan is a Partner with DIVURGENT and leads the Revenue Cycle Management Practice. Mr. Fietze has twenty-two years of healthcare consulting experience with knowledge of new industry products, services, and trends within the following areas: Revenue Cycle, Supply Chain/E-commerce operations and application systems, Clinical and Ancillary Information Systems, CRM/ERP Systems and Operations, Project Management Program Development and Execution. Previous consulting successes include startup and management of ERP product lines and services for Lawson, PeopleSoft, and Healthcare Supply Chain/Revenue Cycle Operations services attaining annual revenue potential of over fifteen million dollars per year.

Dan has personally delivered on a multitude of engagements exemplifying his versatility in managing start-up, small or large consulting service engagements with both long term and immediate aggressive timeline durations. During these engagements, Dan has successfully managed client relationships, delivering quality results while extending and enhancing client services and revenue. He has experience in leading teams within startup, acquisition, and transition type projects for single entity acute care facilities, regional IDNs, and multi-state organizations.