Roadmap to ICD-10-CM

The Impact on the Payer and System Readiness

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There will be numerous challenges when implementing ICD-10-CM and ICD-10-PCS. According to a study conducted by the Robert E. Nolan Management Consulting Company, the cost to health plans for system implementation may be as high as $1 billion. The estimated cost to Medicare and Medicaid is between $7 million to $1.4 billion. This does not take into account productivity loss, training, contract renegotiations, etc. The entire health care industry—including facilities and providers—will spend an estimated $14 billion over a two to three year period.

Think about the impact the migration to ICD-10-CM and ICD-10-PCS will have on providers, payers, software vendors, clearinghouses, laboratories, suppliers, third party administrators, and so on. The HIPAA transaction standard change from version 4010 to 5010 must occur prior to implementation. Electronic transaction formats currently have five positions that must expand to seven for the diagnosis field. Clearinghouses will have to handle dual formats to accommodate providers until the final conversion. All forms, including CMS-1500 and the UB-04, will need modification to accept the specificity of ICD-10-CM and ICD-10-PCS.

Think about the payer and what internal modifications need to be made. Adjudication systems would require revision to accommodate the code changes. Edits and processes would need updating. System changes to support utilization, case management, customer and provider service, reporting, optical scanning processes, and statistical accumulations for trend reporting, rate calculation, actuarial functions, etc., must be updated. Internal and external systems must be changed to accommodate the alphanumeric codes, which would also impact reimbursement processing. Medical policies would need revisions to make way for crosswalks from ICD-9 to ICD-10. System edits, which ensure proper payment or nonpayment of services, will need revision as well. Cost will increase and the hours necessary to accomplish the transition will be enormous.

Maintaining two diagnosis coding systems simultaneously during the transition will need to be considered. For programming and testing changes to occur, it will be necessary for the systems to work. Many payers and third party administrators, who purchase software to help identify duplicate claims, unbundling, etc., will have to carry this upgrade burden. Costs to upgrade these software applications depend on the vendor's upgrade capability.

These are just some issues providers must consider. Training aside, what impact will ICD-10 have to the providers? Consider the use of software for billing, testing, scheduling, utilization management, and reporting. Hospitals and physician practices must pay the cost of upgrading their organization's hardware and software. The costs to hospitals will be more significant than most physician practices. Hospitals and large practices have financial systems such as chargemasters that will need to be updated. Consider the potential delayed reimbursement's financial effect on all providers, specifically, the small practice. Another issue to consider is how productivity may be impacted. Even if the coder, biller, and physician obtain the recommended training, it is expected that a short term 25 percent decline in productivity when coding with ICD-10-CM and ICD-10-PCS will be noted. This would certainly slow down your office processes.

Costs to implement ICD-10-CM and ICD-PCS will be substantial to both the payers and providers. A short term loss of productivity of approximately three to six months is expected. Most likely, reimbursement to providers will slow, which might impact, the health care community affecting both payers and providers.

Payers and providers need to begin developing plans for ICD-10-CM and ICD-10-PCS implementation to minimize any negative impact.

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A look at the ICD-10-CM Crosswalk

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