MediMobile®

Equipping Physicians for ICD-10 Compliance

Addressing the Revenue Disruption
Associated with the Transition to ICD-10

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Executive Summary

On October 1st, 2014 the health care system in America will transition to a new method of disease classification and coding – the 10th revision of the International Classification of Diseases, also known as ICD-10. The transition will affect all providers, practices, and hospitals under the jurisdiction of HIPAA, meaning that all health care institutions in the nation will be subject to this new coding structure.

This transition will require hospitals and practices of all sizes to modify their current systems so that they are compatible with the new codes. Not only do information systems have to be updated, but the individuals who use or work with ICD codes, both procedural and diagnostic, will require extensive training—there are nearly 5 times more ICD-10 codes than ICD-9 codes.

Because these codes are used to determine physician compensation, the transition will directly affect practice and hospital revenue. **Nachimson Advisors, LLC estimated the cost of the transition to ICD-10 to be between $83,000 and $2.7 million dollars**, depending on the size of the practice or hospital. This represents both a short-term problem in that it will interrupt the cash flow of the provider or institution, and a long term problem because systems, providers, and coders will be forced to adapt to a much more complex system of coding. This paper will address these cost concerns and evaluate the options available to reduce the revenue cycle disruption.

Introduction

ICD-10 was first created in 1992 by the World Health Organization (WHO). On August 22, 2008, the Federal Government passed a law that required all providers covered by HIPAA to transition to ICD-10 for patient billing and coding. These diagnosis codes, currently represented by ICD-9, are used extensively by both care providers and health plans and in clinical and administrative settings.

The shift to ICD-10 codes will allow much more detailed classification and care data to be collected for statistical tracking and health insurance reimbursement. The upcoming codes will

be significantly more detailed and granular. This allows more information to be included in each code, but also demands more documentation from the physician or care provider.

Anticipating Costs: Comparing ICD-10 and HIPAA 5010

The projections about the potential challenges facing providers in the transition to ICD-10 suggest that the initial transition period will be very expensive for practices of all sizes as well as individual providers. It is helpful to consider another recent transition in the health care industry, the adoption of the HIPAA 5010 standards, when trying to gauge the problems facing providers.

The HIPAA standards for administrative transactions were updated so that they complied with the requirements for ICD-10 coding. This transition to the 5010 version of HIPAA standards were officially implemented in January of 2012, but after many practices struggled to adopt within the compliance period, the final date of compliance was moved to July 1, 2012.

The deadline for compliance with HIPAA 5010 standards had come and gone, and practices felt the sting, even though this transition affected payers and clearinghouses more so than providers. The two key challenges faced in this transition were a lack of communication between payers, providers, and clearinghouses and difficulty transitioning from the testing environment to the actual standards. Ultimately this resulted in stagnation for provider reimbursement, which had a negative impact on practice cash flow.

The problems evident in the transition to HIPAA 5010 standards should be a warning for providers and practice managers about the impending challenges of the transition to ICD-10. The change to the coding system will impact providers much more directly because, rather than restructuring the way information is communicated, the information itself is being changed. Providers have used ICD-9 since the late 1970s, meaning that most physicians have used this coding system since they started practicing medicine. This transition to ICD-10 represents a monumental shift that will be both expensive and difficult for physicians.

The potential costs for both small practices and large hospitals are likely substantial. Not only that, the transition to ICD-10 is an unfunded mandate which means that care providers and practices will be directly responsible for these costs.

Purpose of this White Paper

The goal of the paper is to help practices address and evaluate the best way to minimize the cost and revenue cycle disruption associated with the impending transition to ICD-10. In this document we will:

· Elucidate the costs associated with the transition to ICD-10

· Evaluate what tools and measures are available to reduce the cost of the transition

· Determine how best to prepare physicians for the transition to ICD-10

7 Facts to Know about ICD-10

1. **The ICD-10 compliance date is October 1, 2014**. To achieve ICD-10 compliance, providers must use the new codes starting on the compliance date.
2. **ICD-9 codes must be used until the compliance date.** Prior to the compliance date, ICD-9 codes must be used for claims and inpatient procedures, rather than ICD-10 codes; transitioning to ICD-10 too early will result in claim denials.
3. **ICD-10 codes will not replace CPT codes or HCPCS codes**. ICD-10-PCS codes are for hospital inpatient procedures only. However, providers who use CPT and HCPCS will still be expected to transition to ICD-10 for diagnosis coding.
4. **The transition to ICD-10 is not optional.** The transition to ICD-10 applies to 'all entities' covered by HIPAA, which includes essentially all health care providers in the United States.
5. **The number of diagnosis codes will increase dramatically.** Currently there are 14,025 viable ICD-9 codes. The shift to ICD-10 will increase the number of viable codes to 68,069, almost 5 times more.
6. **The number of ICD procedure codes will increase dramatically.** There are currently 3,824 ICD-10 procedure codes, but ICD-10 will feature a total of 72,580 codes for inpatient procedures.
7. **24% of ICD-9 codes have a 1 to 1 exact match to ICD-10 codes.** While this means that some ICD-9 codes will carry over to ICD-10, this only means that 3,366 of the codes currently used will remain – this does not take the addition of new ICD-10 codes into account.

The Cost of Implementing ICD-10

Nachimson Advisors, LLC, a consulting firm specializing in health care information technology, was commissioned* to determine what economic impact the adoption of ICD-10 would have on a variety of practice sizes.

They estimated the cost-impact of ICD-10 implementation for three different “typical” practices:

- A **small practice**, defined as three physicians and two administrative staff.
- A **medium practice**, defined as 10 providers, one full-time coder, and six administrative staff.
- A **large practice**, defined as 100 providers and 64 members of the coding staff.

The results of the cost-impact analysis revealed that the transition to ICD-10 coding practices had a high cost for practices of all sizes.

- For a typical **small practice**, the estimated cost of the ICD-10 mandate was **$83,290**.
- For a typical **medium practice**, the estimated cost of the ICD-10 mandate was **$285,195**.
- For a typical **large practice**, the estimated cost of the ICD-10 mandate was **$2.7 million**.

* The study was commissioned by a consortium of 11 major health care groups, comprised of the American Academy of Dermatology, American Academy of Professional Coders, American Association of Neurological Surgeons, American Association of Orthopedic Surgeons, American Clinical Laboratory Association, American College of Physicians, American Medical Association, American Optometric Association, American Physical Therapy Association, American Society of Anesthesiologists, and the Medical Group Management Association

ICD-10 Implementation Cost Breakdown

Nachimson Advisors broke down the cost-impact analysis for each practice size to help providers and practice managers better understand exactly how the implementation of ICD-10 will affect medical practices both large and small. The estimation was broken into 6 categories: education, process analysis, changes to superbills, IT costs, increased documentation costs, and cash flow disruption.

	Typical Small Practice	Typical Medium Practice	Typical Large Practice
Education	$2,405	$4,745	$46,280
Process Analysis	$6,900	$12,000	$48,000
Changes to Superbills	$2,985	$9,950	$99,500
IT Costs	$7,500	$15,000	$100,000
Increased Documentation Costs	$44,000	$178,500	$1,785,000
Cash Flow Disruption	$19,500	$65,000	$650,000
TOTAL	**$83,290**	**$285,195**	**$2,728,780**

Courtesy of Nachimson Advisors, LLC

This breakdown revealed that the two biggest costs for practices of all sizes were the increased documentation requirements and the cash flow disruption caused by the initial difficulty of adopting a new coding system. Currently, between 15-20% of a physician's visit with a patient is spent on documentation; the new standards and expectations for coding are estimated to increase physician coding time by approximately 20%, resulting in a permanent 4% increase in time spent by providers on coding.

The increased documentation requirements are not merely a short-term cost associated with staff and care providers familiarizing themselves with the new coding practices. Instead, they represent an additional, long-term cost which will be associated with each patient encounter, resulting from a more detailed analysis of the visit. Additionally, this increased cost will directly hinge on the practices and expectations of health care plans, meaning that it will be difficult to

understand and estimate exactly how this will affect practices until ICD-10 is adopted as the new coding standard.

The cash flow disruption refers primarily to the initial transition period, when physicians and coders will struggle to adapt their previous coding experience to the new, more rigorous expectations for ICD-10. This cost primarily represents coding errors and subsequent denials, with additional costs and time spent on appeals. As the HIPAA 5010 implementation illustrated, even institutions which consider themselves adequately prepared will struggle as the testing environment does not sufficiently prepare providers for the challenges of the new coding system.

Though billing institutions learned their lesson with HIPAA 5010, the transition to ICD-10 is more centered on physicians adapting to a new system. So while billing services and clearinghouses are extensively preparing their internal systems for ICD-10 compliance, they will be limited by how thoroughly information can be communicated by physicians and care providers. *Without equipping physicians with the tools they need to adopt ICD-10 coding practices easily, a short-term cash flow disruption and long-term revenue reduction are inevitable.* Hospitals and practices must sufficiently prepare their physicians and care providers to handle the new coding system, or be prepared to lose thousands of dollars in the initial transition phase.

Potential Solutions

While it is clear that the transition to ICD-10 represents a substantial challenge for practices of all sizes, the best way to address this issue is less obvious. There are a multitude of options available, but which one is best suited to help minimize revenue loss? And, equally important, which technology will make the transition most seamless for care providers?

There are four potential options available for practices to handle the transition:

- **GEMs**
- **EHRs**
- **Modifying current coding procedures**
- **Charge capture technology**

General Equivalency Mappings (GEMs)

The National Center for Health Statistics (NCHS) and CMS have partnered to create general equivalence mappings (GEMs), which are designed to help providers find the ICD-10 equivalent to ICD-9 codes. These mappings illustrate the relationships between ICD-9 and ICD-10 codes and are intended to help both providers and coders. However, because ICD-10 represents a substantial expansion in the number and specificity of codes, the relationship between ICD-9 and ICD-10 codes is very complex. Consequently, the mapping structure GEMs use is slow and cumbersome to navigate repeatedly. This means that GEMs are not an efficient tool for physicians to code individual patient visits. NCHS and CMS have explicitly stated that GEMs are primarily a tool for converting databases from ICD-9 to ICD-10, and that their utility for individual providers is limited. These institutions have also made it clear that GEMs are not intended to be a substitute for learning how to code with ICD-10 – their primary utility for providers is as a short-term solution designed to ease the initial transition period.

Electronic Health Records (EHRs)

Many hospitals hope to utilize their EHR systems to equip their physicians for the transition to ICD-10. At first glance, EHRs seem well adapted to the task – they are already designed to help providers track patient data. However, EHR systems are not inherently designed to address the new coding structure because they rely on templates to capture data, which will need to be restructured and redesigned to accommodate the increase in documentation and information used to code. Given the repeated delays in the national adoption of ICD-10, EHRs do have some time to develop these templates. But, while many EHRs are attempting to adapt their coding templates, without tailoring them to the specific workflow of physicians they will provide little to no assistance in the initial transition phase. The trial and error period that will follow the initial adoption will allow EHRs to learn how to structure their new templates to best serve doctors. This delay means that they will not be able to address revenue loss during the first few months. This means that one of the largest costs, the cash flow disruption, will not be alleviated by relying on an EHR.

Modifying Current Coding Procedures

Many practices plan to modify their existing coding structures to address the ICD-10 transition. In particular they hope to continue to utilize their paper-based systems like the superbill or possibly to avoid ICD-10 adoption by using the ‘unspecified code’ when billing patients.

However, these solutions are neither practical nor cost-effective. In their study, Nachimson Advisors determined that paper-based documentation will likely no longer be an affordable option for practices of any size, because the increased complexity will result in too many missed billing opportunities.

Practices that plan to use the 'unspecified' code rather than learning the new structure for diagnosis codes are setting themselves up for trouble. Claims submitted in this way will either be rejected outright or payment will be delayed until more information can be obtained from the providers to modify what will essentially be an ICD-9 code to fit the more rigorous standards of ICD-10. This will result in both billing delays and denials and ultimately be the least-effective approach to handling the transition.

Additionally, the structure of ICD-10 will render the superbill impractical, because it would transform this document from a quick reference to a complex, multi-page manuscript that doesn't help speed up billing and coding. To replace the superbill, Nachimson Advisors recommended an "electronic code selection tool, important for both paper-based practices and those with EHRs."

Charge Capture

Charge capture technology is a mechanism that enables doctors to create bills with ICD, CPT, and HCPCS codes and then transmit these patient bills to their billing service or hospital billing department. The most recent iteration of this software, mobile charge capture, enables physicians to bill their patients *at the point-of-care*. That means that doctors can spend less time on paperwork, increasing throughput efficiency. Additionally, most charge capture systems provide a user-friendly interface so that physicians are not required to interface with the actual codes at all. Instead they can bill patients using terminology they are familiar with while ensuring that their billing companies receive the most accurate diagnostic and procedural codes.

What this means is that charge capture technology can help practices address the intimidating obstacle of educating and training providers about ICD-10 while simultaneously ensuring that there is no revenue disruption associated with the transition to the new coding system. Charge capture technology represents a flexible and customizable solution to help ease physicians' transition to ICD-10 coding.

However, not all charge capture systems are created equal. It is important to find one that provides flexible, scalable solutions as well as a user-friendly interface. There are a few EHRs

who claim to offer competitive charge capture solutions; however, physicians who use this software typically find themselves frustrated by the slow, burdensome interface. EHR charge capture systems are sometimes unreliable and difficult to navigate, primarily because they are not designed with the physicians' needs in mind. Additionally, not all charge capture systems allow doctors to customize the terminology used in coding. It is important when selecting a charge capture solution to ensure that practices, hospitals, and providers each feel their needs are being addressed.

Conclusion

This white paper is intended to illustrate the challenges and costs facing practices and providers during the upcoming transition from ICD-9 to ICD-10. This shift to a new system of coding represents one of the biggest changes to the structure of physician compensation and will affect all providers to some degree no matter what their specialty or facility may be.

While there are several different solutions intended to help providers and practices cope with the transition to ICD-10, most of them do not directly address the impact to revenue cycle management. Traditional, paper-based methods are too slow and inefficient and poorly adapted for the complexity implicit in ICD-10 coding. The resources provided by NHCS and CMS, while useful for institutions updating their databases for compliance, have little utility for providers and smaller practices. And EHRs will not be able to address short term revenue disruption meaning that practice cash flow will still suffer. Charge capture technology represents a flexible and tailored solution for the transition to ICD-10 because it provides a user-friendly interface and will allow providers to ease into using the new coding system will preventing any revenue disruption.

About MediMobile

MediMobile is one of the leading providers of charge capture technology in America today. Our mobile charge capture solution is designed to make billing and coding a simple and painless process for providers of all specialties so that they can spend less time on paperwork and more time with patients. It can be used across mobile devices, from iPads and iPhones, to Android devices and/or desktops. MediMobile's charge capture solution also utilizes SmartCode technology, a rules generator which modifies codes behind the scenes to ensure that there are no coding errors.

MediMobile's SmartCode Technology

SmartCode was designed to make subtle but important changes to ensure the information being billed is correct and to help physicians bill as accurately as possible to maximize revenue and prevent denials. For specialists, this is particularly important because minor code adjustments can greatly impact revenue. You want to make sure you are providing the best care possible and getting fairly compensated. Our rules generator can help you do that. Denials seem to take advantage of the confusing nature of coding practices and exploit them, resulting in lost revenue. But with MediMobile, you can rest easy knowing that all your coding is being meticulously adjusted behind the scenes.

While SmartCode is a very sophisticated tool, when considering ICD-10 compliance it is helpful to think of it as an electronic diagnosis code selection module, which is designed to facilitate code selection and ensure that the most specific and accurate ICD-10 code is created while minimizing the difficulty physicians and care providers experience in selecting these codes. Physicians will select codes using familiar terminology and SmartCode will ask a few simple, multiple choice questions to determine what modifiers to add.

Learn More

To learn more about how charge capture could help your practice or hospital weather the transition to ICD-10 and avoid revenue disruption, contact us at **(877) 495-2070** or sales@medimobile.com. You can also request a demo of our mobile charge capture solution to see why our product is the best mobile charge capture available on the market to help providers with the transition to ICD-10.