



## What Payers Need to Know About ICD-10

Over the next few years, the healthcare industry will face the daunting task of upgrading essential systems and processes to comply with two complex initiatives. The Department of Health and Human Services mandated that all healthcare organizations convert from ICD-9 to ICD-10 (International Classification of Diseases, 10<sup>th</sup> Edition) by October 1, 2013. Included in this mandate was the upgrade to HIPAA transaction standard EDI (Electronic Data Interchange) Version 5010 by January 1, 2012. This transition places a large burden on already pressured payers. It will impact policies, business operations, clinical processes and IT systems. This is the most significant change in standard healthcare coding in decades.

To be prepared for this transition, here are a few things to keep in mind:

- Payers must begin testing their 5010 interface by January 2011 to be compliant by 2012.
- ICD-10 compliance will not be extended. All HIPAA covered entities must have implemented by October 1, 2013.
- ICD-10 isn't a maintenance update to ICD-9; it's a complete overhaul
- Testing with business partners is essential to successful implementation.

To comply with these initiatives payers will have to address:

- Custom developed and packaged applications that use ICD codes
- Reports containing ICD codes
- Interfaces between internal systems and trading partners that use 4010 and ICD codes
- Data warehouses used to store information that references ICD codes
- Period of transition when ICD-9 and ICD-10 codes co-exist

Although the HIPAA 5010 and ICD-10 conversions have been compared with the Y2K initiative, they will be much more complex and costly. They carry direct financial risk because they relate to billing and revenue management among other things. In addition to modifying internal systems and interfaces, payers must also coordinate with external stakeholders such as claims clearinghouses, providers and employers to ensure compliance. The following system updates needed to comply with these changes include:

- Medicare and Medicaid system upgrades
- Updating systems to transmit and accept claims
- Claims adjudication system changes
- Eligibility checking and benefits determination systems changes
- BI analytics to add/remove 5010/4010 fields
- Data warehouse updates

In canvassing payers, more than ½ of executives believe their organization is not fully knowledgeable regarding the ICD-10 and HIPAA 5010 requirements and implementation. Most feel they will have to rely on outside organizations for assistance to adequately prepare for these transitions. With that in mind, the time to bring organizational focus to these efforts is now. Forward thinking payer organizations will see this as an opportunity to innovate existing systems and processes to achieve a significant ROI. With much greater specificity and clinical information, payers can ensure accurate claims payment, reduce fraudulent claims, improve healthcare management and design more flexible products and benefits.