HHS Announces Plans to Reconsider Implementation Timeline for U.S. Healthcare Industry’s Transition to ICD-10

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On Wednesday, February 15, the Department of Health and Human Services (HHS) announced its intention to initiate the rulemaking process to postpone the implementation date for compliance with the International Classification of Diseases, 10th Edition, Clinical Modification/Procedure Coding System (ICD-10-CM/PCS) beyond the previously scheduled October 1, 2013 implementation compliance deadline. In making the announcement, HHS Secretary Kathleen G. Sebelius stated, “We have heard from many in the provider community who have concerns about the administrative burdens they face in the years ahead. We are committing to work through the rulemaking process, with the provider community, to reexamine the pace at which HHS and the nation implement these important improvements to our health care system.” Sebelius’ remarks came a day after Marilyn Tavenner, acting administrator for the Centers for Medicare and Medicaid Services (CMS), expressed similar remarks to attendees of an American Medical Association conference in Washington, D.C.

Why Did HHS Decide to Proceed With a Delay?

Despite comments over the past several months by CMS personnel that the October 1, 2013 implementation date would not change, a number of factors came together that caused HHS and CMS to reconsider the scheduled timeline. The implementation of the 5010 transaction standards, effective January 1 of this year (along with a 90-day enforcement moratorium) was thought to be a relatively straightforward change affecting IT systems and one that a simple upgrade would address. However, the reality has been much different. Many organizations on both the provider and payer sides of the transaction face difficulties, and are waiting for software upgrades and struggling to complete testing. Because the implications of the transition to ICD-10 are much broader, there have been increasingly vocal concerns the October 2013 deadline is unrealistic.

CMS, HHS and other industry observers have raised many concerns, including:

- The focus by providers, both hospitals and physician practices, on implementing electronic health record (EHR) technology, has stretched resources;
- Overall uncertainty with respect to legal challenges to the Affordable Care Act, election-year politics and general lack of clarity with many of the specific requirements of the legislation have created confusion and questions around implementing the necessary changes, not to mention the potential for waste;
• Continued questions related to physician reimbursement under Medicare;
• Productivity concerns related to medical coding and the availability of trained coders to compensate for expected productivity reductions, estimated to be anywhere from 25 to 40 percent; and
• General debate related to the overall costs and benefits of the U.S. healthcare system adopting ICD-10.

Immediately following the announcement, the American Medical Association, which had been lobbying for some time for a delay, stated through its President-elect Jeremy Lazarus, M.D., that the organization “welcomes the opportunity to discuss ICD-10 implementation, along with many overlapping regulatory requirements that are burdening physician practices.” At the same time, Dan Rode, vice president for advocacy and policy for the American Health Information Management Association (AHIMA) said, “any delay in the transition preparation for ICD-10 will both increase actual costs and may diminish the value of other Health and Human Services programs, including Meaningful Use.” Protiviti will closely monitor this debate and the potential next steps in order to gauge the related impacts on readiness efforts.

What Should Impacted Organizations Do Now?

Many organizations already behind in their ICD-10 planning and implementation will likely breathe a sigh of relief at this announcement. Others that are well under way may question the value of continuing to press on and will likely slow down until there is greater clarity regarding direction, while some will continue with their current plans unchanged. Each organization’s response to the delay will likely be driven by the current state of its ICD-10 transition, as well as its progress on other major initiatives such as EHR implementation and meaningful use adoption/reporting.

With initiatives as significant and complex as the transition to ICD-10, momentum plays a large role in an organization’s chances of successfully completing the migration. As a result, Protiviti recommends those that have achieved organizational momentum around ICD-10 take a pause to look at their plans and progress and make appropriate modifications, while ensuring that the benefits they have realized from having a team working cohesively toward this common goal not be lost by bringing the ICD-10 initiative to an abrupt halt. Further, many organizations that have been working on ICD-10 are finding there are immediate benefits to be realized well before the mandated implementation date. For example, the specificity of assigning codes that accurately describe new and complex procedures will likely lead to more accurate payment. In addition, the increased specificity of ICD-10 is expected to reduce the number of miscoded claims resulting from the ambiguity of the ICD-9 codes. The message is that assessing the effectiveness of clinical documentation improvement (CDI) programs, evaluating the current state of clinical documentation and understanding the strengths and areas for development of the coding staff can result in actions that can be taken now that will have a direct, positive impact on cash flow. This is a payoff that cannot be ignored.
Once the new compliance timelines are published, it will be important for providers and payers to assess their existing ICD-10 implementation plans and make the necessary adjustments. Areas to consider will include:

- Appropriate timing of training for caregivers, coding staff and others who require education related to ICD-10;
- Impacts related to the timing of managed care contract renewal negotiations;
- Relationships between ICD-10 and other key initiatives under way or planned by the organization, and how a change in the required timing of ICD-10 compliance activities impacts them;
- Timing of information system upgrades and release schedules of critical software vendors, as well as how other critical trading partners will react to the delay; and
- How to best communicate the effect of the delay on the organization and what it means to physicians and staff.

Some organizations have not yet started formal ICD-10 readiness activities. For them, the pending delay is an opportunity. We encourage all organizations to use the pending delay to make a careful impact and readiness assessment, covering financial, operational, clinical, legal and technology implications. Only then can hospital system, physician practice and health insurance company leaders determine how and when to respond to the new deadlines. These assessments have yielded near-term benefits for many organizations that have completed them. There is missed opportunity in delaying assessment and planning efforts. The reality is that when the new deadlines are established, they will likely be etched in stone.

What Have We Learned Thus Far?

Whether your organization is just starting its ICD-10 implementation or has been at it for months or years, there are lessons to be learned from those who have completed readiness assessments and implementation projects. These lessons can be incorporated into revised project plans. Some of the more common themes emerging from Protiviti’s ICD-10 engagements, as well as others, include:

- There is still widespread use of applications, reports, spreadsheets, and so on within providers and payers that fall outside the IT department’s span of control or responsibility. Many of these contain ICD-9 codes or are otherwise impacted by the transition to ICD-10, yet often go unidentified during initial efforts to inventory critical applications. Implementation plans need to provide for these items and ensure they’ll be ready for ICD-10.
- Contingency planning for coding personnel is essential. Now is the time to discuss the expected impact of productivity reductions and the need for skilled personnel who are trained in the use of ICD-10 codes in your unique environment.
- Regardless of the timeline for delay, it is almost certain there will be overlap between ICD-10 transition, some stage of meaningful use adoption and the impacts from broad regulatory changes in reimbursement. For most provider organizations, these represent strategic risks to be discussed at all levels of the organization.
• Many CDI programs have not been updated since before the implementation of the Medicare Severity – Diagnosis Related Groups (MS-DRGs) in 2008. This is an excellent example of how a review and update of your CDI program can positively impact your hospital before ICD-10 go-live.

• Although CMS intends to hold post-ICD-10 reimbursement rates consistent with ICD-9 levels, payers and providers have not developed a mechanism to effectively assess the financial implications of ICD-10.

Summary
This delay comes as welcome news to some, yet frustrates and concerns others. While we know a delay is all but inevitable, many questions remain. How long will the delay be? When will the new deadlines be announced? Will the United States skip ICD-10 altogether and go straight to ICD-11? What should our organization do now?

Protiviti will closely monitor these changes and report on new developments. For now, we recommend proceeding with caution: caution in terms of maintaining momentum, reaping the benefits that come with improved clinical documentation and coding (as part of an ICD-10 implementation) and taking advantage of more time to make the transition to ICD-10. As all healthcare professionals know, regulatory change is always a challenge. The pending delay for ICD-10 is an opportunity to refocus efforts and plan for a successful transition in the future.
About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that helps companies solve problems in finance, technology, operations, governance, risk and internal audit. Through our network of more than 70 offices in over 20 countries, we have served more than 35 percent of FORTUNE® 1000 and Global 500 companies. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies.

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Healthcare organizations are constantly challenged by industrywide reform initiatives, as well as their need to grow and profit while complying with a wide range of complex and rapidly changing regulations. Whether your top concern is payment reform, regulatory compliance, improving revenue, managing costs, evaluating and safeguarding protected health information, or leveraging new technology, Protiviti brings deep industry knowledge and skills to help healthcare organizations manage risks and maintain their financial health. At Protiviti, our teams of dedicated healthcare professionals work with a variety of healthcare providers and payers, including large multihospital health systems, community hospitals, post-acute delivery systems, physician-owned hospital management companies, managed service organizations, Medicare Advantage plans and other private healthcare insurance payers.

The healthcare industry continues to face intense regulatory demands at a time when revenue is decreasing and expenses are increasing. To respond to the pressure to improve access, quality and efficiency under these financial constraints, healthcare providers must engage in risk assessment and management. Service quality, revenue cycle and regulatory compliance effectiveness are central to the viability and success of providers, regardless of size. Also notable is the implementation of EHR and enterprisewide integrated information systems, which is sorely needed and strongly advocated by related industries.

Protiviti’s professionals assist healthcare providers with managing reimbursement risks and improving technology, privacy, compliance, finance and revenue cycle efficiency and effectiveness, resulting in improved operational performance and lower costs. Our team of industry experts understands the challenges faced by healthcare providers and helps them to achieve growth and profitability.

For additional information about the issues reviewed here or Protiviti’s services, please contact:

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