ICD-10-CM TRANSITION

PREPARE FOR CASH-FLOW IMPACT

Executive Summary

Effective October 1, 2015, home health agencies must begin using ICD-10-CM medical codes instead of the current outdated ICD-9-CM medical codes.

This transition is taking place for several important reasons. Not only are the ICD-9-CM codes more than 35 years old, they communicate limited data about patients' medical conditions, use outdated terms, are inconsistent with many current medical practices, and have limited room for code expansion in the future.

Although there are long-term benefits of implementing ICD-10-CM codes, it will also have a significant, negative financial and administrative impact on home health agencies that are not well equipped.

Minimizing the business impact of the ICD-10-CM transition requires advance planning and preparation. To make a smooth transition before the October 1, 2015 compliance deadline, home health agencies must begin to act now. Well-prepared agencies will be the ones that invest time in creating a transition plan, training staff on the new codes, and making sure that their home health software is designed to function properly using the new medical codes.

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WHY IS THE TRANSITION HAPPENING?

Medical codes are essential to the efficient functioning of our health care system. One major problem being corrected by the transition is that the ICD-9-CM coding system can't keep up with advancements in medicine and the health care system's growing data demands.

Because the coding system we use is so important, the United States has decided to transition from the Ninth Edition of the International Classification of Diseases set of diagnosis and procedure codes adopted in 1979, also known as ICD-9, to the current Tenth Edition of those codes, also known as ICD-10.

Although the transition is being seen as a dramatic change here in the United States, most of the developed countries around the world already use ICD-10. That's because the World Health Organization (WHO) updated its international version of the ICD-10 in 1994. However, the United States did not fully adopt the update at that time.

Almost 10 years ago, the National Center for Health Statistics (NCHS), the federal agency responsible for the United States' use of ICD-10, developed ICD-10-CM to replace the outdated ICD-9-CM codes (the "CM" stands for clinical modifications). Now, the updated coding system is about to go into force.

THE BENEFITS OF USING THE NEWER, INTERNATIONAL ICD-10-CM CODES INCLUDE:

1 **Better Alignment with International Standards –** The United States is the only industrialized nation not using a coding system based on ICD-10. This makes it difficult to share health and disease data internationally. Adoption of ICD-10-CM will facilitate international comparisons of the state of public health, quality of care, and best practices.

2 **Improved Quality of Care –** ICD-10-CM codes allow providers to capture more detailed information about patients. This increased specificity will result in a more detailed patient history, which will help coordinate patient care across different providers and over time.
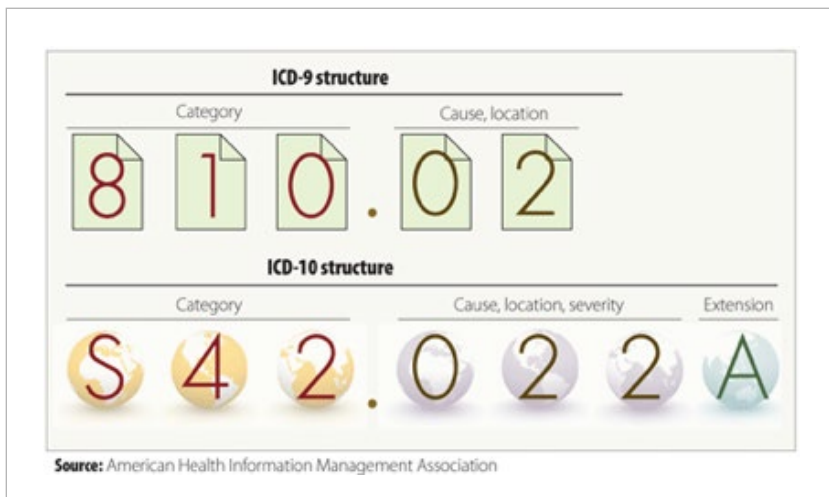
3 **Improved Reimbursement System –** ICD-9-CM codes were originally developed to document mortality, not to facilitate reimbursement. There were adapted out of necessity to fit that purpose. Because ICD-10-CM codes provide greater specificity regarding clinical conditions and services delivered, they support more accurate payments for services.

4 **Fewer Miscoded and Rejected Claims –** ICD-10-CM codes use improved logic and standardized definitions. More accurate clinical terms and code descriptions will improve coding accuracy and result in fewer rejected claims.

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COMPARING **ICD-9-CM** & **ICD-10-CM**

Here's a snapshot of the differences
in the code structure:

Source: American Health Information Management Association

Here's an overview of the major differences
between ICD-9-CM and ICD-10-CM:

ICD-9-CM	ICD-10-CM
Approximately 14,000 codes available	Approximately 69,000 codes available
3 to 5 characters	3 to 7 characters
First character is 0-9, E, or V, characters 2-5 are 0-9	First character is A-Z, excluding U, second character is 0-9, characters 3-7 are alpha numeric
The appropriate code or codes from 001.0 through V91.99 must be used to identify diagnoses, symptoms, conditions, problems, complaints or other reason(s) for the encounter/visit.	The appropriate code or codes from A00.0 through T88.9, V00.1xxx-Z99.89 must be used to identify diagnoses, symptoms, conditions, problems, complaints or other reason(s) for the encounter/visit.
Limited combination codes	Combination codes common
General terms for body parts	Precise terms for body parts
Lacks detail like laterality	Includes laterality
Limited capacity for adding new codes	Use of "X" as dummy placeholder gives flexibility to add new codes
Example: 250.80 -- Diabetes with other specified manifestations, Type II or unspecified type, not stated as uncontrolled	Example: E11.621 -- Type 2 diabetes mellitus with foot ulcer

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WHY MUST HOME HEALTH AGENCIES TRANSITION?

Home health agencies must transition to ICD-10-CM coding if they are "covered entities" that are required to comply with the privacy rules of the Health Insurance Portability and Accountability Act (HIPAA).

HIPAA defines covered entities as "healthcare providers who conduct certain financial and administrative transactions electronically. . . . such as electronic billing and fund transfers."

Simply collecting medical information isn't enough to make a home health agency a covered entity that must transition to ICD-10-CM. The agency must also electronically bill or receive payment for the care they've provided.

Additionally, because compliance is tied to HIPAA rules, home health agencies must transition to ICD-10-CM coding even if they don't bill Medicare or Medicaid. Any form of electronic billing is enough to make a home health agency a covered entity.

Because ICD-9-CM won't be maintained after October 1, 2015, it is in the best interest of non-covered entities to use the new coding system.

Transitioning will keep non-covered entities in step with the rest of the health care industry.

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THE TRANSITION'S IMPACT ON HOME HEALTH AGENCIES

The expected impact of the transition to ICD-10-CM on home health agencies is wide ranging. During the initial stages of the transition, agencies can expect to experience the burden of technology upgrades, staff training, increased claim denials, delayed payment, and reduced cash flow.

Here are a few of the issues facing agencies over the coming months.

TECHNOLOGY UPGRADES

Because ICD-10-CM is entirely different than ICD-9-CM, implementing changes in electronic health records, billing systems, and other business and analytical systems will require major upgrades or an outright system replacement. These changes could result in significant expenses and will affect everyone in the agency.

VENDOR CHANGES

Depending on the type of administrative and billing technology an agency currently has in place, upgrades or replacements may not be practical using their current software vendor. If the current vender is unable to assist with a smooth transition to ICD-10-CM codes, it's in the best interest of the agency to seek out a new vendor. After thoroughly researching vendor features, agencies can select a vendor that can make the transition as seamless as possible. The software vendor should also be able to take care of the agency's technology needs for the foreseeable future..

STAFF TRAINING

The transition to ICD-10-CM codes will require staff to be trained on the new coding requirements and uses. As discussed above, the purpose and structure of ICD-10-CM codes are dramatically different from the ICD-9-CM codes that health care providers have been using throughout their entire careers. Put another way, staff must learn a new language to replace the only language they've ever known. Failing to conduct sufficient training will intensify the negative impacts of the transition associated with productivity loss and billing delays.

PRODUCTIVITY LOSS

Changes of this magnitude bring with them a certain amount of loss in productivity. It should be expected that the greatest impact to productivity during the transition will be in the areas of health information management, coding, case management, and billing. Canadian implementation data shows productivity losses of 50-70 percent initially with a continued reduction of 20 percent after the first 12 months.

BILLING CHALLENGES AND CLAIM DENIAL

Coding and billing errors are to be expected during the transition. As staff gains practical experience using ICD-10-CM codes and the updated or new billing software, the number of errors should decrease. However, in the initial stages of the transition, errors may slow down the billing workflow and cause claims to be denied or delayed due to incorrect coding, thereby threatening cash flow.

REDUCED CASH FLOW

Each of the impacts of transition to ICD-10-CM codes discussed above have either a direct or indirect effect on the cash flow of home health agencies. Capital investments, code set training and software evaluation/training combined with loss of productivity, coding errors and delays in payments will reduce cash flow and threaten the viability of otherwise healthy organizations.

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HOW TO MINIMIZE THE IMPACT OF THE TRANSITION

Now is the time for home health care agency operators to take steps to minimize the impact of the transition to ICD-10-CM. Direct action must be taken to address the agency's planning, training, and software needs as far ahead of the deadline as possible.

PLANNING NEEDS

Minimizing the impact of the transition begins with thoughtful planning and budgeting. It is crucial that agency operators take the time to assess the specific issues their agency will face and formulate a plan to manage those issues effectively. All issues must be thought through as early as possible to mitigate the loss of productivity and reduced cash flow.

Additionally, it's a good idea to come up with contingency plans for every foreseeable problem. For instance, if it is discovered after the deadline that the billing software is inadequate, the agency should be able to turn to a backup plan to correct the problem. Also, if a claim is delayed or denied, there should be a review process in place that examines the accuracy of the claim.

Issues like these, as well as other foreseeable problems, should have solutions before they arise.

SOFTWARE NEEDS

Many home health agencies may find that the home health software they have in place will not effectively handle the transition to ICD-10-CM. Also, because of the rising use and importance of information technology in the health care industry, the transition is presenting some agencies with an opportunity to follow through with a planned purchase of up-to-date home health software.

CMS recommends that health care providers talk with their home health software vendors about whether their software accommodates the ICD-10-CM codes. It's important to confirm that the software system has been upgraded to Version 5010 HIPAA electronic transaction standards.

Even though Version 5010 standards have been in place since 2012, CMS has not enforced compliance. This means that it is not safe to assume that every available home health software platform is compliant with Version 5010 or is capable of accommodating ICD-10-CM codes.

Here are a few crucial questions that CMS advises health care providers to ask their software vendor:

- ↘ Will you install or upgrade your software for ICD-10-CM well before the October 1, 2015 deadline?
- ↘ Will support for my current software be discontinued after the October 1, 2015 deadline?
- ↘ Will I need new hardware to accommodate ICD-10-CM-related software changes?
- ↘ What are the costs associated with maintaining your software and updates?
- ↘ Will you offer product support? If so, how long will you support the software?
- ↘ How do I report issues and how quickly will you respond?
- ↘ Will you provide training on your software?
- ↘ Will you help me test my software with payers and other partners?
- ↘ Does your product give me the ability to search for codes by the ICD-10-CM alphabetic and tabular indexes? By clinical concept?
- ↘ Will your product allow for coding in both ICD-9-CM and ICD-10-CM to accommodate claims with dates of service before October 1, 2015 and claims with dates of service after October 1, 2015?

After assessing and selecting a vendor, it's important that agencies work closely with the vendor throughout the installation, upgrade, training, and transition phases. This level of vendor support is important to a successful transition.

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TRAINING NEEDS

Proper training is absolutely critical to a smooth transition with minimum impact to cash flow. It's important to remember that training must involve the ICD-10-CM codes as well as any new or updated software. The link between the codes and software has motivated forward-thinking vendors to offer comprehensive training in both areas for their clients.

An essential part of the training process involves taking a step back to understand that this transition represents a significant structural change in the way health care providers operate. It means changing the way staff thinks about coding and what it means to the patients and to the agency. This perspective will help staff break current coding habits and embrace the new system.

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GET THE HELP YOU NEED FOR A SMOOTH TRANSITION

Home health agencies that act now to plan, train, and put the right software in place will be best prepared for a smooth transition to ICD-10-CM. Not only that, they will have placed themselves in an excellent position to benefit from increased workflow efficiencies and productivity in the future.

Agencies that delay action, or rely on unprepared software vendors, will find themselves struggling through the transition and jeopardizing their financial stability.

Axxess understands the many challenges agencies will face in the coming months. That's why, in addition to its AgencyCore™ home health software and related mobile solutions, Axxess also offers training opportunities designed to support ICD-10-CM success.

To learn more about AgencyCore, the home health software developed by Axxess, visit Axxess.com. While there, you can also sign up for the Axxess ICD-10-CM Training Boot Camp.

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ABOUT AXXESS

Axxess is a healthcare technology and solutions company with roots firmly embedded in consulting and software development. Established in 2007 as a consulting firm specializing in the home healthcare industry, Axxess identified an unmet need for software that is comprehensive, fully-integrated, user friendly, and scalable.

After assembling a multi-disciplinary team of technology experts, home health agency veterans, physicians, nurses and therapists, Axxess launched AgencyCore. Available as web-based software and as mobile apps, AgencyCore helps home health agencies run their businesses efficiently.

A nationwide leader in providing integrated software to home health agencies, Axxess is the first and only home health software provider accredited by the American Nurses Credentialing Center, a subsidiary of the American Nurses Association.

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for choosing Axxess