

ICD-10: Early Lessons from Real-World Assessments

What is the likely impact of ICD-10 on payers? Instead of theorizing, we've taken our thought leadership into an active assessment of how ICD-10 will affect our clients.

As we've been helping payers execute ICD-10 assessments and develop implementation plans, critical lessons have emerged from plans of all sizes in every geographic region. We share these early lessons to help you anticipate the scope of planning required. This can help you get beyond mere regulatory compliance and use ICD-10 as a powerful tool for positioning your business for the future.

Key Initial Real-World Findings

- ICD-10 is a foundational shift: It can't be layered over existing business and IT strategy roadmaps because it's likely to rewrite the investment cases and timetables for these.

Many of our payer clients are planning to introduce new products and reimbursement models, and they have roadmaps and timetables in place for consolidating multiple legacy systems and replacing outdated technology platforms to support these new strategies. Payers are significantly changing strategies and timelines as they begin to appreciate the depth of ICD-10's impact.

The reason: ICD-10 has the potential to reshape how plans do business. That has a direct impact

on underlying IT systems, business processes and training. So ICD-10 must be woven into business planning, system design and processes from the outset, not separately or after the fact.

When plans try to treat ICD-10 as a layer over new systems instead of being integral to them, they create expensive inefficiencies, such as revamping just-finished work flows and database tables to reflect ICD-10-based policies.

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Finding these potential pain points requires payers to look beyond where their business is today.

- A payer's current "as-is" status is not necessarily an accurate or comprehensive proxy for ICD-10 planning.

Many payers want to take advantage of the granularity of ICD-10 codes. The diagnostic detail in the new codes should enable plans to more effectively identify at-risk populations, detect fraud and abuse and enable new types of care and reimbursement models, such as Patient-Centered Medical Homes (PCMH) and Accountable Care Organizations (ACO).

Many payers are finding their current environments do not reflect these future uses of ICD-10. For example, PCMH and ACO pilot programs under way are typically small, and their potential future impact and reliance on



ICD-10 codes don't necessarily show up in assessments of today's processes or systems. Further, ICD-10 codes may be used in ways that ICD-9 codes can't be.

Payers must envision new uses of ICD-10 and build these projections into their assessments.

■ **Plans are re-thinking schedules for road-maps and for current and future lines of business.**

As they consider future use of ICD-10, clients are significantly shifting various portions of their timetables for system consolidation and launching new business initiatives. Sometimes these shifts involve accelerated schedules; at other times, projects may be deliberately delayed.

Case in point: Many new delivery initiatives like PCMH and ACOs clearly need an ICD-10 foundation for continued success. Yet we expect these models to be dominant by the ICD-10 compliance deadline. That is driving some plans to speed up their system consolidation efforts, building in ICD-10 as they go.

Others may delay scaling up certain portions of PCMH and ACO initiatives that would be most effective when designed using ICD-10 codes instead of ICD-9.

Payers are also evaluating the time and expense involved in remediating systems for marginal lines of business. For example, one client determined the income from its indemnity business did not justify the hard and soft resources necessary to remediate it for ICD-10 and has decided to sell it.

Finally, some are finding it will be so expensive to upgrade key older systems that it makes financial sense to replace them. Evaluating new vendors and systems affects scheduling and budgeting.

■ **Balancing speed-to-value against initial immaturity of ICD-10 use is a key decision.**

Such action is part of a trend we're seeing in how payers are evaluating the best way to derive value from ICD-10 implementation – and when.

Some payers we've worked with have planned to run native ICD-10 by October 2013. Their reasoning is that using pure ICD-10 instead of a variety of internal crosswalks will ensure they are positioned to launch new delivery models, intervene in existing populations with better data and identify populations more effectively. Those activities will help reduce costs and product pricing ahead of their competitors so they gain market share.

However, given the wide range of ICD-10 readiness throughout the industry, the emerging reality is that payers will face much naïve, aberrant coding behavior throughout the provider community. We expect it will be at least late in 2014 before ICD-10 code use will mature and begin generating useful, credible data.

Realizing this, some payers are reconsidering whether it makes sense to protect at least some systems behind crosswalks, giving them more time and flexibility to remediate these, while focusing now on other key system consolidation projects. This path still requires following a timetable that will deliver great value quickly when ICD-10 use has matured.

■ **ICD-10's impact on existing systems, policies and processes often runs counter-intuitive to expectations.**

Setting priorities for remediation is critical to balancing speed-to-value issues, and here, payers are finding surprises.

Because the ICD-9 codes are broad and less specific than the ICD-10 code sets, ICD-9 codes are not always as deeply embedded in expected areas, such as physician reimbursement rates.

ICD-9 codes are central to benefit definitions and parameters, such as eligibility and liability of the member and physician. Here, codes can determine when reimbursements are made, co-pay amounts and how deductibles are assessed. If benefit rules are not correct, plans could pay physicians inaccurately. As a result, payers are finding extensive remediation work is necessary in these areas.

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In turn, this means payers sometimes have found they have over-budgeted for ICD-10 remediation in some areas and need to reallocate those monies to reflect more labor-intensive areas—such as mapping ICD-10 codes to Diagnostic Related Groups (DRG).

- **CMS-supplied General Equivalence Maps (GEMs) are effective tools but still leave payers with significant equivalency mappings to determine. Mapping of ICD-10 codes to DRGs is emerging as the area of greatest remediation complexity.**

While the GEMs include all reasonable mappings of ICD-9 to ICD-10 codes, many codes still do not map directly. Further, it is not always advisable -- or even possible -- to simply substitute an ICD-10 code for an ICD-9. Payers must determine how best to map these outliers to reach financial neutrality and clinical equivalency. A critical issue here is ensuring new mappings do not affect existing policy and product benefits for policyholders or reimbursements to providers.

Further, plans are finding it's up to them to decide which mappings will achieve their specific provider contract payment neutrality goals. Right now, the CMS has no mapping of ICD-10s to DRGs available.

In short, the GEMs are not crosswalks, and significant work is left to the payer to interpret them.

- **Crosswalks are not silver bullets.**

Many payers see the need for “forward” crosswalks for use with physician practices, which have little incentive to quickly adopt ICD-10. Thus, these crosswalks will enable payers to map a submitted ICD-9 coded claim to an ICD-10. Forward crosswalks will still require significant modeling and testing to ensure reimbursement and benefit transparency to policy holders.

But payers are discovering they can't crosswalk internally between old and new codes as much as they originally expected. Adjudication rules typically can be cross-walked with relative ease. However, they are learning that authorizations, referrals, hospital payment rules and analytics for care management should be ICD-10 from day

one, or else time-wasting illogical loops will occur.

An example would be requesting more data before authorization of an arm surgery. While the ICD-10 detail makes clear the left arm is the one in question, that detail is lost when it is mapped to an old ICD-9 code that can't indicate which arm is to be operated on. Resubmitting the ICD-10 coded authorization wouldn't fix the problem because it's the mapping, not the code, that's at issue.

- **Business partner readiness is critical.**

We're finding payers must give careful attention to how prepared their business partners are for transitioning to ICD-10. Successful adoption of ICD-10 codes not only involves transforming internal processes and IT systems, but also realigning integration points with providers -- from physicians, to hospital systems, to key systems vendors.

One vulnerable provider-related area we've identified is medical management because of the number of ICD codes and narratives captured and analyzed, from intake through discharge. Utilization management is another high-risk area, given the potential for clinical decision and claims reimbursement errors. Some payers are talking with providers about collaborating on crosswalk models that could mitigate these risks.

On the systems side, a critical concern is that many leading vendors have yet to announce when they will release ICD-10-compliant versions of their software. This uncertainty about vendor timing is creating unavoidable gaps in roadmaps and neutrality models. We expect the key feature of most ICD-10-capable releases will be field expansions to accommodate the new codes. Defining and configuring rules -- a complex task -- will be left to payers.

Driving Value from ICD-10

ICD-10 has the potential to revolutionize the nation's healthcare system. Early adoption of ICD-10 offers the opportunity for competitive advantage, yet the lack of standard crosswalks and mapping paths, among other factors, creates a significant challenge to achieving on-time compliance.

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While ICD-10- presents significant challenges, it also creates opportunities for innovations in healthcare products, processes and pricing. Stakeholders best positioned to take advantage of this changing environment will be rewarded.

This will require a proactive and thoughtful approach to capturing the synergies among various compliance initiatives, and building a roadmap for using ICD-10's capabilities to drive important new business strategies.

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