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“Transitioning to ICD-10: How Neutrality Analytics Can Help”

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Guest post by Vijay Gaware, associate practice manager, [Mphasis](#).

For the healthcare industry, one of the most hard-hitting changes in recent years is ICD-10. One of the most complex regulatory mandates, transitioning to ICD-10 encompasses providers, payers and claims clearing houses. As a result, the transition from ICD-9 to ICD-10 has a far-reaching impact on any organization's structure, affecting people, processes and technologies.

With October 2014 fast-approaching, healthcare organizations are switching gears and racing to achieve ICD-10 compliance.

Organizations across the board are adopting various measures, such as analyzing the impact, redesigning the architecture, developing the systems, and, finally, testing to ensure ICD-10 compliance.

While some organizations are taking the tactical compliance route by using crosswalk management solutions, others are strategically transforming their systems to capitalize on the opportunities presented by ICD-10. In this crazy scramble for compliance, “neutrality analytics” has emerged as a key game changer that is helping ensure thorough IT and business compliance, while at the same time empowering organizations to reap the benefits of ICD-10.

Neutrality analytics addresses business processes and ensures operations compliance instead of a quick fix approach that is siloed. Without addressing the core business processes, repairing IT systems is akin to mere window dressing that can have large financial and operational implications on an organization. A year ago, neutrality analytics was a grey area. Today, there is greater clarity around what needs to be done and how organizations can accomplish this.

Essentially, neutrality means that there should be absolutely no impact on any of the entities involved in the healthcare business because of ICD-10 transition including members, providers and payers.

Neutrality has four key dimensions: claims payment neutrality, member benefit neutrality, clinical neutrality and operational neutrality.

- **Claims Payment Neutrality** means that the claims payment should remain approximately the same irrespective of ICD-9 or ICD-10 codes used for a diagnosis and medical procedure. This is to ensure that payers do not end up paying more (resulting in revenue loss) or less (resulting in litigation and/or dissatisfied provider-members). An example of a claim that will be impacted by the new coding is an in-patient claims payment based on the diagnosis-related group (DRG) codes assigned using ICD-10 codes. In their recent neutrality study, Centers for Medicare & Medicaid Services (CMS) simulated the DRG changes using the entire claims data file by translating the ICD-9 codes to ICD-10 codes and calculating the ICD-10 MS-DRG. As per the – 0.04 percent variance identified in the study, for Medicare revenue of \$100 million there would be a \$400,000 loss. These estimates will vary from organization to organization depending on their actual coding guidelines. Nonetheless, organizations can reduce the claims payment variances by translating their ICD-9 based claims to ICD-10, determining the ICD-10 MS DRG, and then comparing the DRG payments. This exercise will help identify the DRG codes that need to be mitigated and, ultimately, reduce claims disputes and denials.
- **Member Benefit Neutrality** helps assess whether the member coverage remains the same post-October 2014, with no impact to premiums and out-of-pocket expenses. Payers will be recoding the benefit plan based on the ICD-10. Due to increased granularity of ICD-10 codes and few exact matches between ICD-9 and ICD-10 codes, the chances of member benefits variance is high. Payers will need to evaluate and reconfigure benefit plan structures to identify the changes in coinsurance, co-pays, deductibles and other plan elements. Discrepancies in this area could potentially lead to member dissatisfaction, attrition and, ultimately, loss of revenue.
- **Clinical Neutrality** focuses on maintaining the same characteristics for patient care and meeting the same medical necessity outcome. Payer organizations investing in health and wellness programs, for example, will need to identify the increase or decrease in member enrollment because of the granularity introduced by ICD-10. For providers, improvement of clinical documentation will help identify the codes in need of clinical review. Clinical documentation improvement specialists should work with the physicians to ensure the level of specificity required for ICD-10 coding is considered in the clinical documentation.
- **Operational Neutrality** minimizes any deviations in operational parameters like claims adjudication throughput, first pass ratio, call answer rate, service levels, eligibility response times, and the like. Any deviation in these parameters will have a direct financial impact on the organization. Considering the massive overhaul of IT systems and business processes for ICD-10 compliance, it is possible that these parameters move away from their standards. Therefore, a thorough testing of all critical operational parameters is of paramount importance during the ICD-10 testing phase.

Organizations that factor in all four neutrality dimensions prior to an IT implementation will sail through the ICD-10 transition smoothly.



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Assessment of the above parameters can lead organizations to launch business changes on the business side, such as renegotiating certain provider contracts, redrawing benefit plan structures, reviewing the underwriting guidelines and improving clinical documentation.

Organizations bypassing this assessment and analysis could face turbulent times with a downward spiraling chain of events, including increases in claims rejection, manual prior authorizations, helpdesk call volume, manual claim re-adjudication percentage and adjudication errors, as well as delayed payments to providers, incorrect payments and dissatisfied providers and members—not to mention management's time and the organization's reputation.

With so much on the line, factoring in neutrality analytics in overall ICD-10 strategy is extremely critical to deriving business value from ICD-10 compliance and providing greater assurance to stakeholders.