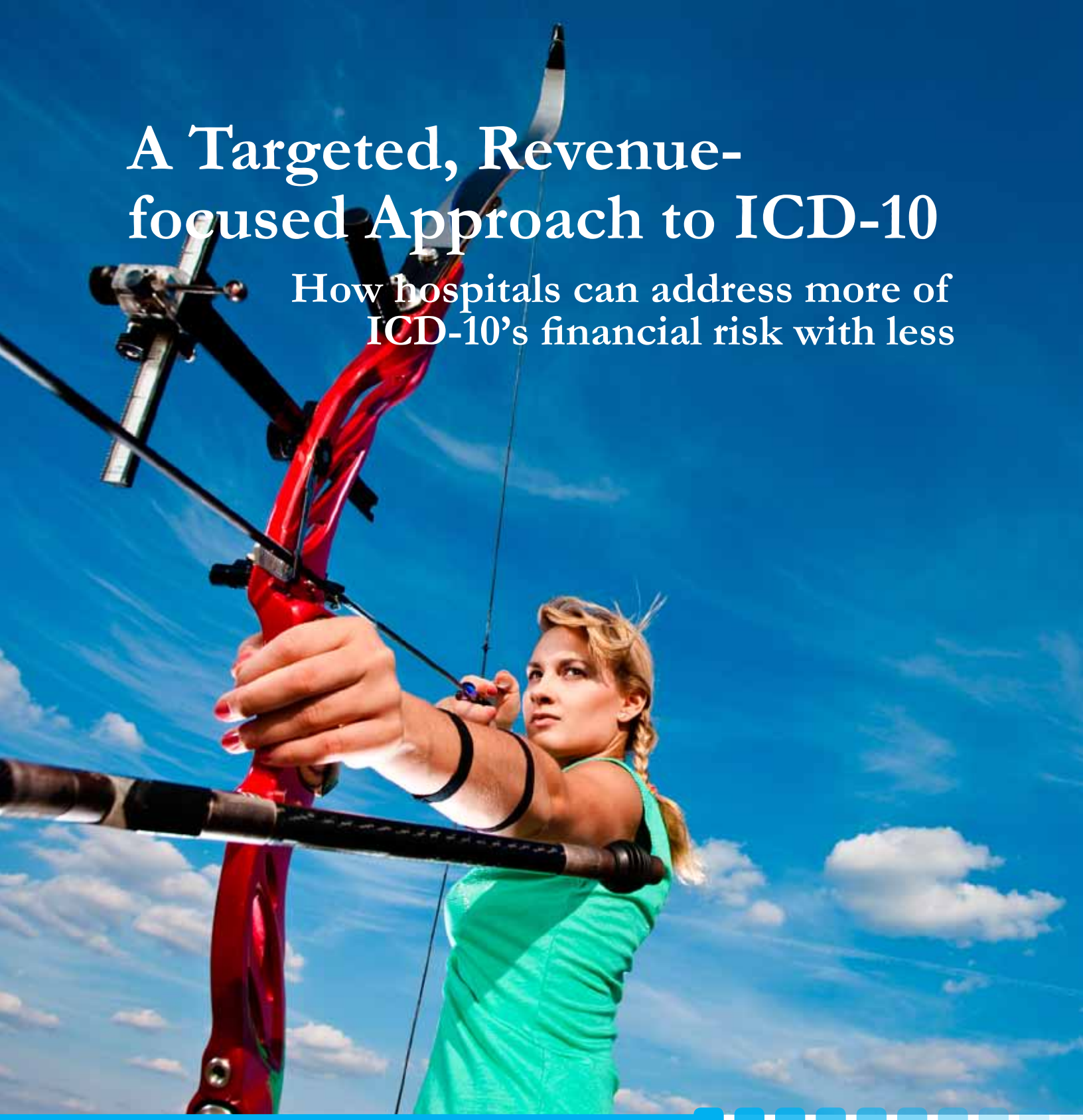

A Targeted, Revenue-focused Approach to ICD-10

How hospitals can address more of ICD-10's financial risk with less

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Introduction

All entities covered under HIPAA including health plans, healthcare providers, and clearinghouses will be required to transition from the ICD-9 to the ICD-10 code set for inpatient diagnosis and procedures (visit http://www.cms.gov/Medicare/Coding/ICD10/index.html for background information on ICD-10). This shift has an inherent financial impact because Medicare, Medicaid, and commercial payers all use ICD diagnostic billing and procedure codes to determine reimbursement eligibility and amount. Not surprisingly, understanding ICD-10's financial impact and preparing for it is one of the biggest challenges that hospitals face. However, while most are well into their assessment and planning activities for the conversion, hospitals do not have a clear view into the financial risk that ICD-10 poses to their Accounts Receivable (AR) cycle and revenues. Moreover, they have not planned their ICD-10 spending based on where they have the most financial risk.

Understanding Diagnosis Related Groups

Understanding ICD-10's financial impact starts with Diagnosis Related Groups (DRGs). These are the most common inpatient reimbursement schemes used by Medicare, Medicaid, and commercial payers. Current ICD-9 diagnosis and procedure codes form the basis for all DRG classifications.

Hospitals that have a significant number of inpatient claims adjudicated and priced through DRG schemes have the greatest opportunity to analyze and understand ICD-10's financial impacts.

There are a number of DRG groupers on the market that help determine reimbursements, Case Mix Index (CMI), and other metrics for ICD-9 based claims. The Medicare MS-DRG v28 for ICD-10 is the only DRG that has been adapted to ICD-10 so far.

With the transition from ICD-9 to 10, it is anticipated that provider reimbursements will be negatively impacted because of DRG shifts. Given the absence of a commercial payer, ICD-10 based grouper, hospitals—at a minimum—have to simulate an ICD-10 based claims environment if they want to predict:

- Operational impacts across hospital functions
- Potential revenue decreases
- Areas at risk of increased denials
- Areas at risk of Extended AR cycles
- Audit non-compliance and deficiencies

Taking a Revenue-focused Approach

Getting to the point where a provider can identify ICD-10 high risk areas and corresponding financial impacts requires a revenue-focused approach.

This means that an organization is:

- Looking to historical claims data to identify ICD-10's exact percentage impact to revenues and reimbursements
- Prioritizing their training, education, and staffing plans to focus on those areas at greatest risk of financial impacts
- Identifying the managed care contracts where there are opportunities to renegotiate with payers
- Including members from finance, revenue cycle, and contracting in ICD-10 discussions

- Driving leadership and the ICD-10 steering committee to focus on mitigating and addressing revenue risks
- Embedding revenue as a core message in the ICD-10 strategy
- Embedding financial risk as a measure for determining the focus areas within the ICD-10 strategy
- Including revenue impacts as a measure of success for their conversion
- Identifying steps that they can take today—in ICD-9—that will mitigate their financial risk post conversion
- Working with their service vendors to ensure that ICD-10's financial impacts are part of operational metrics and reporting
- Developing revenue neutrality crosswalks for areas where negative reimbursement impacts can be avoided

Providers taking a revenue-focused approach are finding that with fewer resources and in a shorter time line, they can achieve the same if not more risk mitigation to their reimbursements and AR cycle. This is because they are better able to prioritize their efforts and resources based on the areas that pose the greatest risk of financial impact.

But becoming a revenue-focused organization isn't always easy. After spending thousands of dollars on an ICD-10 assessment that delivered a detailed, integrated project plan, providers are finding it hard to shift their momentum to ensure that financial risk is the key driver behind conversion activities and prioritization.

Making the Shift

Driving a revenue-focus into ICD-10 efforts requires a change in how an organization addresses six critical factors:

- Business involvement—key stakeholders from finance need to be integrated into ICD-10 conversations and the established steering committee
- Leadership support—leaders must be aligned around their understanding of ICD-10's financial impact and the importance of taking a revenue-focused approach

DRG shifts pose a real risk to hospital financials.

ICD-9 to 10 Reduced Reimbursement Scenario				
Parameter	**ICD-9**	**Description**	**ICD-10**	**Description**
Principle Diagnosis Code	276.69	Other fluid overload	E8770	Fluid overload, unspecified
Secondary Diagnosis Code	996.73	Other complications due to renal dialysis device, implant, and graft	T82818A	Embolism of vascular prosthetic devices, implants and grafts, initial encounter
DRG	628	OTHER ENDOCRINE, NUTRIT & METAB O.R. PROC W MCC	641	NUTRITIONAL AND MISCELLANEOUS METABOLIC DISORDERS
Reimbursement	$16,796.43		$3,608.60	
Impact			**-$13,187.83**	

When it comes to ICD-10, revenue-focused organizations are:

- Looking to historical claims data to identify ICD-10's exact percentage impact to revenues and reimbursements
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- Strategy—mitigating financial impacts must be at the core of the overall ICD-10 strategy
- Performance measures—the organization must have a metrics-driven, detailed view into potential shifts and reimbursement variations
- Prioritization enablement—training, documentation, and staffing activities need to be prioritized by financial risk
- Vendor focus—vendors have to be prepared to mitigate ICD-10's financial impact and report on financial and operational performance following the conversion

The actions that an organization takes within each one of these areas has an impact on how well financial risks are addressed and mitigated. And these risks tie back to the three key levers that impact hospital financials: revenue, cash flow, and operational costs.

Understanding the Key Levers that Impact Hospital Financials

ICD-10 has the potential to drive negative financial impacts across:

- **Revenue**: impacts to reimbursements and overall AR cycle
- **Cash flow**: impacts to the amount of cash coming into an organization and the cash reserves available to support operations
- **Operational cost**: impacts to the cost of running day-to-day operations including increased staffing needs and lowered productivity

These costs are outside of the expenditures already budgeted for in ICD-10 conversion plans. They represent the longer-term financial hit that hospitals need to identify and address.

Within each lever, there are specific activities that increase risk exposure.

- **Revenue**: requires an understanding of reimbursement volumes, the different specialities within the hospital setting, the payer mix, Medicare audit exposure, and compliance maturity

- **Cash flow**: requires an understanding of denials management practices, trading partner readiness, service vendor readiness, credit line/bank loan availability and reliance, and compliance maturity
- **Operational cost**: requires an understanding of denials management practices, productivity impacts, and compliance maturity

By embedding a revenue-focus into each one of the six critical factors (business involvement, leadership support, strategy, performance measures, prioritization enablement, and vendor focus) a hospital can mitigate financial risk within and across each financial lever.

Taking the First Step

The first step to becoming revenue-focused is in understanding the specialities, MDCs, DRGs, and procedure codes that are causing the greatest DRG shifts. When an organization can identify these shift, they can target the specific codes, functions, physicians, and operations that are tied to the greatest amount of revenue risk. This kind of prioritization makes it easier to align leaders, ICD-10 efforts, vendors, and staff around addressing and mitigating financial impacts.

Jvion specializes in identifying and addressing ICD-10's financial risks. Using RevCore—a revenue-focused ICD-10 assessment solution—Jvion quickly identifies highest risk DRG, MDC, and procedure codes to design a prioritized conversion plan that meets the needs of inpatient and outpatient provider organizations. In addition to defining revenue-neutrality crosswalks, Jvion includes a predictive modeler to identify actions that an organization can take today to optimize current reimbursements and mitigate future ICD-10 financial impacts. This approach has already helped hospitals re-prioritize their ICD-10 conversion efforts to address and mitigate financial risks with fewer resources and in a shorter time line.

A free short on-line system demonstration, or an initial assessment using a provider's sample data should be enough to identify the reimbursement risk and the quality insights and actionable intelligence that a historical claims analysis for ICD-10 impacts can produce.

"Providers taking a revenue-focused approach are finding that with fewer resources and in a shorter time line, they can achieve the same if not more risk mitigation to their reimbursements and AR cycle."

For more information on Jvion's ICD-10 services and how we can deliver a 2–4 week assessment to determine ICD-10's financial and operational risks to your organization, please visit www.jvion.com.

About Jvion

JVION is a privately held company focused on delivering innovative healthcare technology solutions and services that address compliance initiatives within the industry. The partners of Jvion possess a combined 50 years of healthcare consulting experience working for Big 4 consulting companies in the U.S. For more information go to http://www.jvion.com or email us at contact@jvion.com.

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