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**Subject: ICD-10 Implementation Review  
Report 2016-21**

Audit & Management Advisory Services (AMAS) has completed a review of *ICD-10 Post Implementation*, as part of the approved audit plan for FY15-16. This report summarizes the results of our review.

### **Background**

The International Classification of Diseases, Tenth Revision, Clinical Modification (ICD-10) is a revision to the ICD-9 system which had been used by physicians and other health care providers to classify and code all diagnoses, symptoms and procedures recorded in conjunction with medical care. ICD-10 is published by the World Health Organization (WHO) for internationally tracking morbidity and mortality statistics in a consistent way. The ICD-9 coding system consisted of approximately 24,000 codes of which approximately 13,000 were diagnostic codes and 11,000 were procedure codes. In comparison, ICD-10 consists of approximately 155,000 codes (comprised of approximately 68,000 diagnosis codes, and 87,000 procedure codes) and has a flexible coding convention that allows for new procedures and technologies to be incorporated.

In accordance with U.S. Department of Health and Human Services (DHHS) federal mandate, all Health Insurance Portability Accountability Act (HIPAA)-covered entities were required to transition from the use of ICD-9 codes to ICD-10 codes for health care services provided on or after October 1, 2015<sup>1</sup>. Claims for all health care services and hospital inpatient procedures performed on or after October 1, 2015 must use ICD-10 codes to receive payment for services rendered.

UC San Diego Health (UCSDH) established an ICD-10 project management office (PMO) in 2009 to manage the transition to ICD-10, and oversee all integration and training efforts. The ICD-10 PMO was governed by a Steering Committee that provided overall project guidance and support, and communicated issues directly to the Executive Team. A PMO committee supported the nine work streams that were focused on the day-to-day ICD-10 transition activities.

On April 6, 2015 a key milestone was reached, as UCSDH had its “clinical go-live” for the new ICD-10 codes. On this date, the ICD-10 codes were enabled in the electronic medical record system, Epic, to

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<sup>1</sup> This deadline was originally set at October 1, 2013, and was extended first to October 1, 2014, then finally to October 1, 2015.

allow providers and staff to acclimate to the changes involving the codes, and facilitate the testing of software and hardware prior to the October Compliance Deadline. However, claims were still sent using ICD-9. On October 1, 2015, the transition was complete, and UCSDH claims were processed using the new ICD-10 standard.

### **Audit Objective, Scope and Procedures**

This objective of our review was to assess management implementation of ICD-10 standard at UCSDH. In order to achieve our objective, we performed the following procedures:

- Interviewed the following to discuss the ICD-10 implementation, training, ICD-10 revenue cycle metrics and PMO work stream status prior to go-live:
  - ICD-10 Project Lead,
  - Project IT Lead,
  - Revenue Cycle Administration Executive Director,
  - Health Information Management (HIM) Director,
  - HIM Hospital and Professional Coding Manager;
  - Revenue Cycle Patient Financial Services Director and,
  - Revenue Cycle Continuous Improvement, Senior Administrative Analyst;
- Reviewed the Steering Committee meeting minutes for September 2015, and also the most recent PMO workstream weekly dashboards prior to go-live;
- Reviewed an August 2015 ICD-10 Readiness Assessment prepared by The Claro Group;
- Obtained and evaluated revenue cycle metrics for potential indications of disruption due to ICD-10 issues;
- Discussed ICD-10 training and post-implementation issues with the Anesthesiology Senior Administrative Analyst and Radiation Oncology Business Manager;
- Discussed ICD-10 paper abstract update process with former PMO Medical Group/Professional Fee Billing work stream Lead and Provider Educator Ophthalmology Lead;
- Reviewed contracts with external contracted companies used for coding to evaluate whether they were updated for ICD-10 compliance requirement and;
- Met with Health Sciences Compliance Program Director to discuss new physician training and planned compliance coding reviews.

### **Conclusion**

Based on our review procedures, it appears that management transition to ICD-10 standard was effective. The financial impact of the transition appeared to be minor and temporary, and processes related to staffing, education, vendor contracts, and provider forms appeared effective. The activities of the PMO helped ensure a high level of ICD-10 preparedness, which contributed to a seamless transition. The PMO and Steering Committee held their final meetings in December 2015, and the PMO disbanded in January 2016. One minor issue noted related to a vendor contract which had not been updated to reflect the requirement for ICD-10 compliance.

ICD-10 is now considered to be in maintenance status. Work on any code freeze releases<sup>2</sup> and mapping issues identified will be managed similar to regular system update projects. Ongoing post-implementation issues are actively monitored. For example, issues with use of generic or unspecified codes have been brought up to the attention of the ICD-10 Project Lead and Revenue Cycle management for resolution. In addition, Revenue Cycle continues to provide coding support for an ancillary system, Tamtron (used by Pathology), which is not ICD-10 compliant. The Compliance Program Office also plans to perform coding compliance reviews based on a risk-based model.

### **Supporting Comments**

AMAS evaluated the following key areas to assess for impacts of the ICD-10 transition:

#### *Financial Metrics:*

Because of the additional complexity of ICD-10, a temporary impact to key financial metrics was expected, as it was anticipated that coder productivity may decrease, and payer turnaround times increase. Also, there was risk that payer testing performed prior to go-live may not have been comprehensive enough to identify potential issues, and could impact cash flow. An ICD-10 dashboard was generated daily post go-live till March 9, 2016 to monitor the impact of ICD-10 implementation. We reviewed metrics on one selected daily dashboard report for each month from October 2015 through March 2016, which did not identify any significant indications of disruption due to ICD-10 implementation. The overall Candidate for Billing (CFB)<sup>3</sup> days ranged from 11.4 to 14.1, and were higher in the initial months post implementation eventually lowering in March 2016. We also analyzed CFB Days Summary for the period July 2015 to March 2016 for HIM which revealed that CFB days was higher in November and December 2015 but showed significant improvement in recent months, which was a reflection of the positive impact from recruiting additional coders. The overall Accounts Receivable days has ranged from 76.9 – 80.4 days, and was higher for the months of December, January and February 2016 but did not appear indicative of significant financial impact. Other financial metrics reviewed did not show a noticeable impact that could be attributed to ICD-10 transition issues.

#### *Staffing, Training and Education:*

The following are some of the measures that helped ensure a seamless ICD-10 transition:

- **Diagnosis Calculator Tool:** ICD-10 requires a new level of granularity in documentation. To assist providers with determining the appropriate amount of detail to include in their documentation, a Diagnosis Calculator tool was enabled in Epic on April 6, 2015, for providers responsible for diagnoses and inpatient procedures to prompt them, when appropriate, to include more specific documentation. This greater specificity allowed coders to apply the appropriate ICD-10 codes for billing purposes.

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<sup>2</sup> Regular annual updates to both the ICD-9 CM and ICD-10 code sets were on a partial freeze for the last four years. The partial freeze is scheduled to end on October 1, 2016 (one year after the implementation of ICD-10).

<sup>3</sup> CFB are claims that are discharged but not billed or under claim edit holds.

- Provider Education: ICD-10 learning modules were developed for physicians, nurse practitioners and physician assistants including specialty-specific clinician modules to allow physicians to focus on ICD-10 issues relevant to their practice. A high provider training compliance rate was achieved prior to go-live, and new providers are required to complete ICD-10 training before Epic billing for their services is activated.
- Coder Education: A hotline was created for users to contact on ICD-10 questions. There were also educational sessions conducted weekly with coders by the HIM team who worked collaboratively with Provider Educators to update training materials as relevant. Limited dual coding was performed by billing and coding staff prior to go-live. We were informed that post implementation, coders performed pre-bill auditing and developed feedback mechanisms to help ensure accurate coding.
- Coding Staffing: Inadequate staffing for coders was identified as an issue in the Claro Group ICD-10 Readiness Assessment completed prior to go-live. In November 2015, the HIM unit hired several additional coders to help manage the increased workload.
- In-House Coding: Anesthesiology and Radiation Oncology were identified as two areas that had their own internal coders. Both units coders had either completed training through their medical coding association or learning modules. Although Anesthesiology was initially impacted in terms of productivity because of ICD-10 implementation and complexity, their case workload is now at a manageable level. The Radiation Oncology unit supports coding for hospital infusion administration services and has not seen a significant impact in coding for these services as a result of ICD-10.
- Coding Compliance Reviews and Education – The Compliance Program plans a risk-based approach to review of coding compliance, in accordance with the new ICD-10 standard. These reviews were on hold pending staffing vacancies, but are planned to start in 2016.

#### Paper Encounter Forms:

The initial emphasis on ICD-10 transition was on charges flowing through Epic or from ancillary systems. However, there were some areas that had not converted to Epic, and still relied on paper encounter forms, including Reproductive Medicine, Ophthalmology, Inpatient Trauma and outlying clinics. Encounter forms for these areas were updated to ICD-10 standards by July 2015 by the PMO Medical Group/Professional fee Billing work stream. In addition, at providers request, Ophthalmology paper encounter forms were further revised by Provider Educator team post-implementation.

#### Vendor Contract Update:

HIM has consolidated their vendors to two external coding companies: Peak Health Solutions Inc. and Altegra Health Operating Company. Purchase orders (POs) with the two companies referenced compliance with ICD-10 standards, with the exception of one PO with Altegra Health for the provision of coding services for Ophthalmology. However, this PO expired as of June 30, 2016, and will be replaced

as Revenue Cycle will be going out for bid at end of September 2016 for coding services that will include Ophthalmology coding. Materials Management confirmed that language requiring ICD-10 compliance will be included in the new contract.

Audit & Management Advisory Services appreciates the cooperation and assistance provided during the review. UC policy requires that all draft audit reports be destroyed after the final report is issued.

If you have any questions regarding this report, please call me at 534-3617.

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