

# Industry Planning for Implementation of HIPAA Modifications: Versions 5010, D.O, 3.0 and the ICD-10 code sets



**Centers for Medicare & Medicaid Services**



**Final Report**  
**February 2010**  
**Engagement: 222895110**

**Gartner®**

# Environmental Scan Engagement Objectives

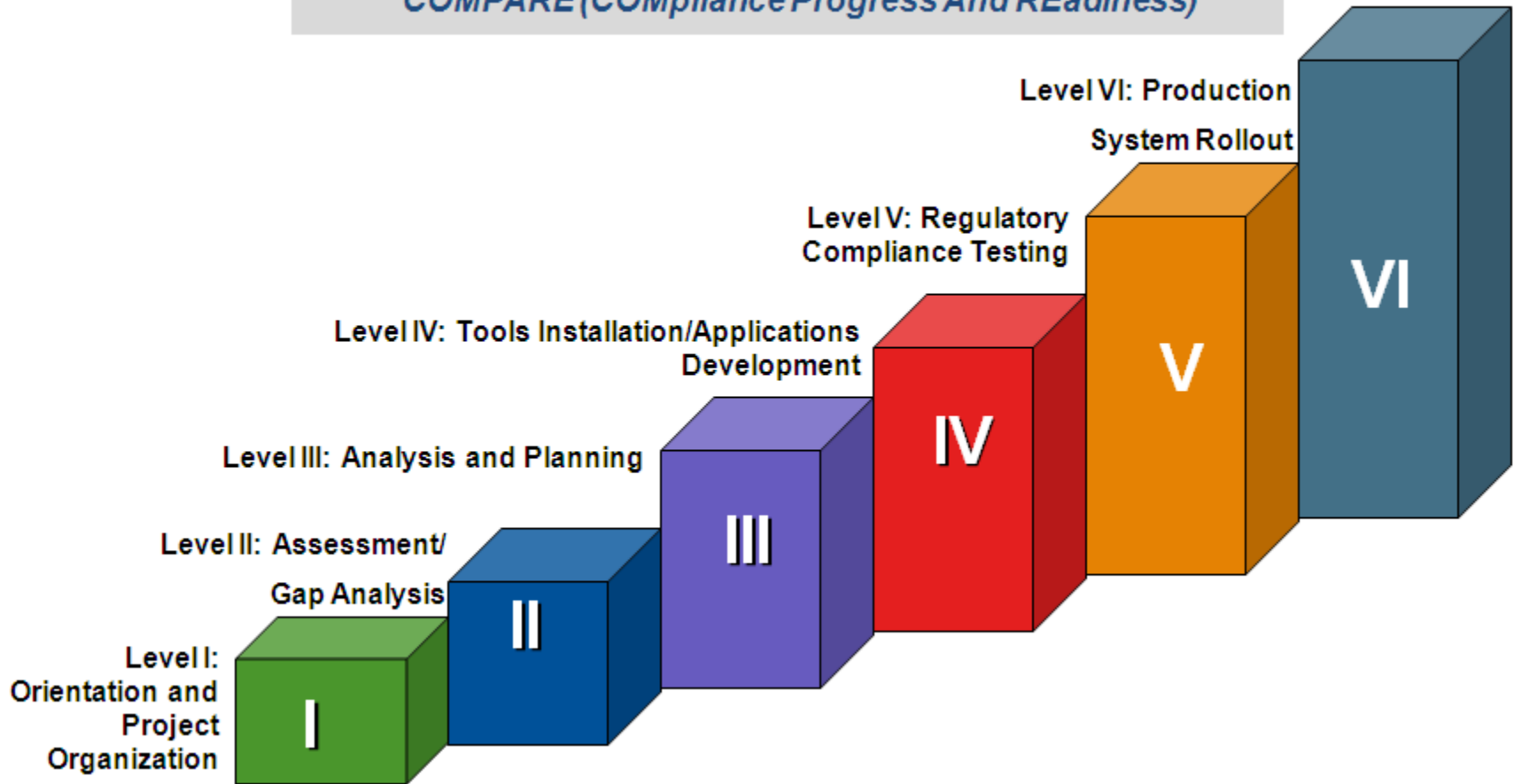


## The engagement objectives are to:

- Establish a repeatable process and a framework to perform periodic environmental scan
- Develop a detailed project plan for environmental scan
- Conduct first environmental scan to assess progress of industry planning and implementation activities

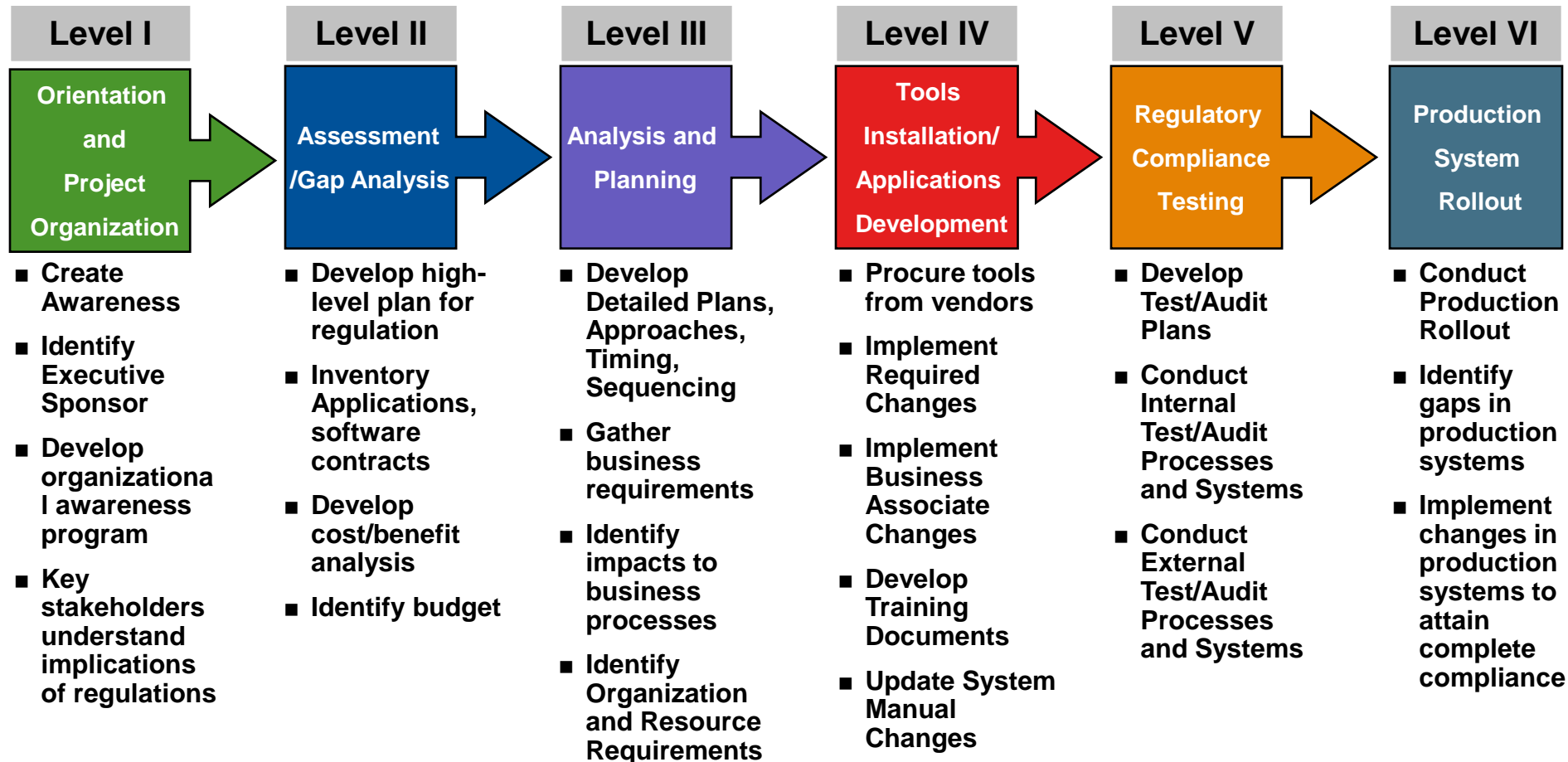
# Gartner used the COMPARE methodology to develop a baseline on industry readiness and assess progress towards HIPAA Modifications Regulations

## COMPARE (COMpliance Progress And REadiness)



*Gartner developed and used this methodology to help monitor the original HIPAA regulation and has improved upon it to conduct this Environmental Scan*

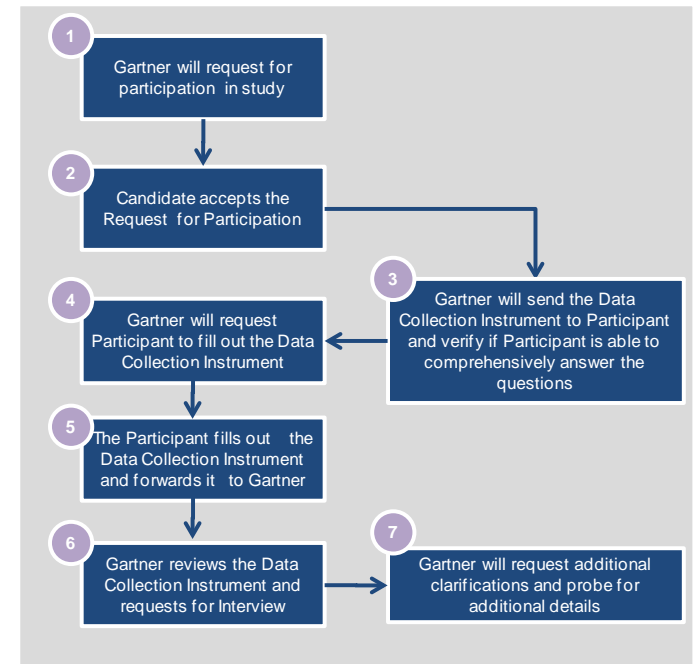
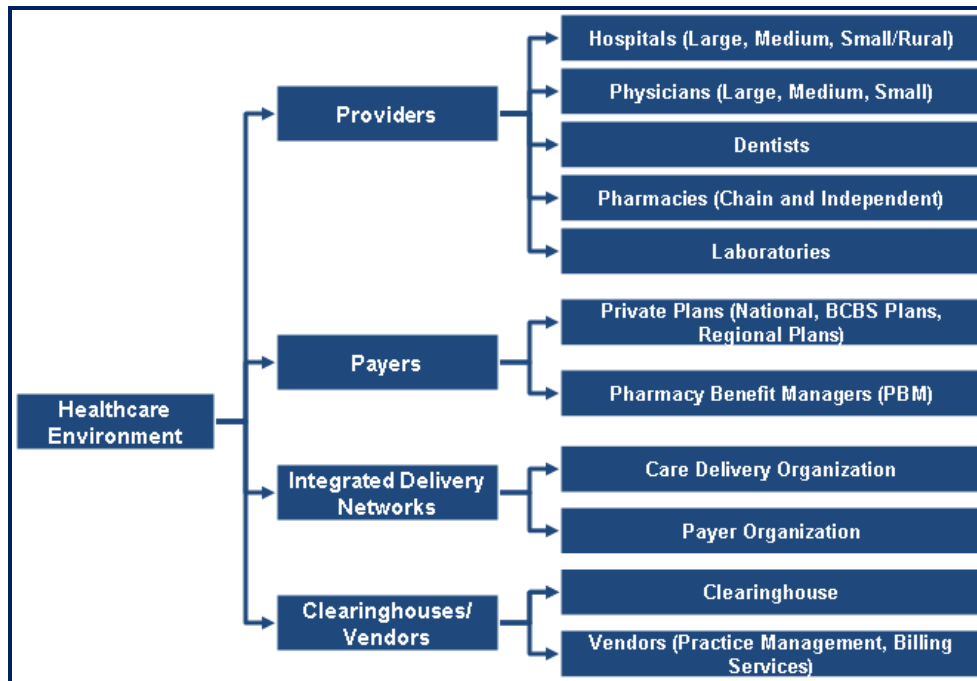
# Gartner's COMPARE methodology is based on Systems Development Best Practices commonly used across industry



*For each level, a series of questions has been constructed to help measure the degree to which participating organizations are progressing towards compliance .*

# Gartner segmented the market in order to help assess progress and identify challenges at both the micro and macro levels

*Gartner selected participants from major Healthcare segments*



*Through interviews, surveys and primary research, Gartner is measuring and monitoring progress for the sample within each segment and developing a clear understanding of their plans and challenges.*



# Gartner identified participants from a balanced pool of 70 senior Healthcare Industry contacts that represent the full spectrum of covered entities and form a good cross section of the Healthcare community at large

- The primary criteria used in selecting the participants are:
  - Healthcare segment
  - Geography
  - Organizational Size
- Participation is elective, and Gartner is qualifying these participants to make sure they have the requisite background and familiarity with the HIPAA Modifications Regulations
  - Participants have been in HIPAA compliance role within their organizations for more than one year.
  - Participants demonstrate understanding of HIPAA Modifications regulations.
  - Participants are directly involved in the planning and implementation efforts for HIPAA Modifications Regulations.
  - Participants have a perspective on the challenges and barriers faced by peers within their Healthcare segment.
  - Participants are willing to participate in subsequent environmental scans.

***After the initial Environmental Scan, Gartner will continue to enhance the process, data collection instrument and participants based on the results and lessons learned from this initiative.***

# ■ ■ ■ ■ Executive Summary

# **Finding: HIPAA Modifications Regulations is one among many competing priorities for Healthcare Industry**

## **ILLUSTRATIVE LISTING**

### **The competing priorities are:**

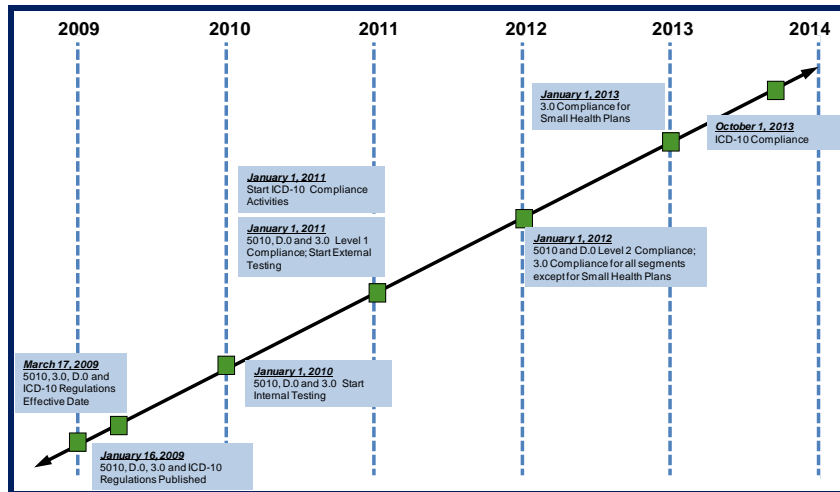
- Cost Optimization initiatives to address economic downturn
- HITECH (Health Information Technology for Economic and Clinical Health) Act—EHR implementations to take advantage of ARRA Funding
- Support changes to Medicare—Part A and Part B
- EDI Legacy Modernization efforts
- IT Initiatives to support Managed Care
- Medicare Reform
- Support State Medicaid Providers changes

***CMS needs to help the Healthcare Industry think strategically about how all these initiatives fit together so that they can plan for and prioritize efforts in a holistic fashion.***



## ***Finding:*** In addition, HIPAA 5010 and ICD-10 compete for the same resources within a Healthcare organization

### **Regulatory Compliance Timeline for HIPAA Modifications Regulations**



### **Key Takeaways**

- HIPAA 5010 is on the critical path for the successful implementation of ICD-10
- Delays with HIPAA 5010 compliance will reduce the ability for Healthcare Industry to increase the ICD-10 Compliance

### **Comments**

- “My team is focused on HIPAA 5010—while we are making progress on ICD-10, we will have to prioritize the efforts to use the existing resources”
- “Our management has pushed the ICD-10 efforts to next year given the resource constraints”

***A smooth implementation of HIPAA 5010 will be an early indicator of the success of ICD-10.***

# ***Finding:* While participant organizations are making significant progress in implementing HIPAA 5010 transactions, they are still in the planning stages for ICD-10**

	Level I	Level II	Level III	Level IV	Level V	Level VI
5010	■ High Compliance	■ High Compliance	■ Medium Compliance	■ Medium Compliance	■ Low Compliance	■ Low Compliance
D.0	■ High Compliance	■ High Compliance	■ High Compliance	■ Medium Compliance	■ Low Compliance	■ Low Compliance
3.0	■ High Compliance	■ High Compliance	■ High Compliance	■ Medium Compliance	■ Low Compliance	■ Low Compliance
ICD-10	■ Medium Compliance	■ Medium Compliance	■ Low Compliance	■ Low Compliance	■ Low Compliance	■ Low Compliance

**Level I:** Orientation and Project Organization

**Level II:** Assessment/Gap Analysis

**Level III:** Analysis and Planning

**Level IV:** Tools Installation/Applications Development

**Level V:** Regulatory Compliance Testing

**Level VI:** Production System Rollout

**Legend:**

High Compliance
Medium Compliance
Low Compliance

***Many organizations are taking a “Wait & See” approach to ICD-10 and are not yet willing to invest the time and/or capital to make large advances towards compliance .***

# ***Finding:* Healthcare Industry sees a clear path for attaining regulatory compliance with HIPAA 5010 but lacks the same level of confidence with ICD-10**

## **HIPAA 5010 Compliance**

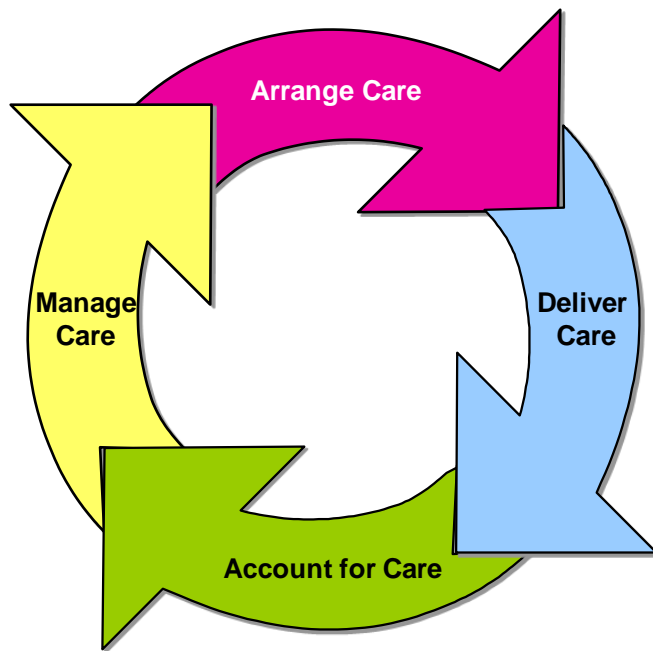
- ***Familiarity with X12:*** Healthcare Industry has experience with ANSI X12 format based on their compliance with original HIPAA 4010 and NPI implementations.
- ***Impact contained within IT:*** Majority of the HIPAA 5010 impact is on IT only. Healthcare Industry treats HIPAA 5010 as a version control effort with minimal business impact.
- ***Familiarity with HIPAA implementations:*** Key stakeholders leading HIPAA 5010 have been involved in HIPAA 4010 implementations and are looking to develop strategies that mitigates the risk of non-compliance.

## **ICD-10 Compliance**

- ***High business operations impact:*** Majority of impact of ICD-10 is on Business rather than IT. Significant training investments will be required to increase the awareness of ICD-10.
- ***Contract renegotiations with Trading Partners:*** Healthcare Industry will have a learning curve in terms of the usage of ICD-10 codes. It will take time for Healthcare Industry to remediate and agree upon the use of ICD-10 codes.
- ***Ripple effect within IT Systems:*** ICD-9 is used in almost all major IT Systems within Healthcare making it difficult to contain the changes imposed by ICD-10.
- ***Lack of experience with Code set Implementations:*** ICD-9 was implemented 30 years ago; IT Systems have evolved and have become more complex since the ICD-9 implementation.
- ***Significant impact on Laboratories:*** The impact on ICD-10 on Laboratories far exceed those for HIPAA 4010 and Y2K., and potentially increases the year over year operating costs (e.g., costs to hire additional certified coders ) for Laboratories to support the additional complexity of ICD-10.

***Leverage early adopters in U.S. to identify approaches, practices and strategies to enable wider achievement of ICD-10 compliance***

**Finding: If not planned, ICD-10 has a potential to cause severe work disruptions, claims payment delays and worsened stakeholder relations**



- ICD-10 is not (only) a HIM (Health Information Management) or claims problem—It has the potential to improve all mega processes of Healthcare.
- ICD-9 is everywhere—ICD-10 migration creates a “Ripple Effect.”
- Coordination among many-to-many relationships that exist among partners, technology organizations, consumers, and state and federal health agencies will be a challenge.
- Remediation gets to the “benefit” side of the “cost-benefit” for ICD-10 rather than “Wrap and Map.”<sup>1</sup>

***On the whole, the Healthcare Industry needs to plan ahead and begin to accelerate ICD-10 efforts to reduce disruptions in their operations.***

<sup>1</sup> “Wrap and Map”: External Translations for IT Systems (systems implemented in ICD-9) that are not remediated



# ***Finding:* HIPAA 5010, Version D.0 and 3.0—The Health Plan community is ahead of Provider community; within Provider community, small and medium providers are lagging behind others in terms of compliance**

## **Health Plan Community**

- “We are making good progress and are on track for HIPAA 5010 compliance.”
- “Almost all the large Health plans are progressing with minimal issues.”
- “HIPAA 5010 is primarily a version control exercise and will have minimal business impact.”

## **Provider Community**

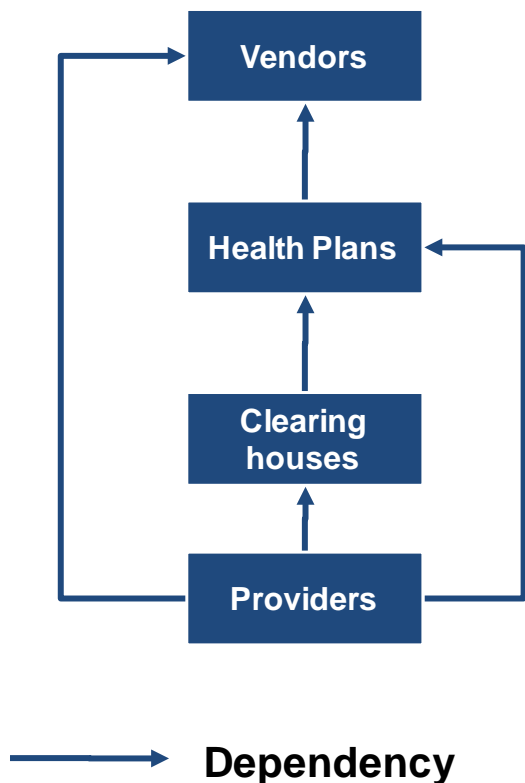
- “We are dependent on Vendors to provide the software.”
- “Small to Medium Providers are not actively preparing for HIPAA 5010; I am preparing a presentation to increase the awareness of the community.”
- “Rural Physicians do not have IT/Business Staff to support HIPAA Modifications Regulations implementations—33 of 50 states have significant number of Physicians who are in Rural America.”
- “Physicians do not employ certified coders. We are worried that the claims based on ICD-10 will have issues with coding increasing our costs of remediation.”

***Focused Education and Outreach campaigns that address the requirements of the small and medium Provider community are required to reduce overall regulatory compliance costs.***

**Note:** Small and Medium Provider community includes Hospitals (<400 beds) and Physician Practices (<50 Physicians)



# ***Finding:* HIPAA 5010, Version D.0, and 3.0—While covered entities are ahead of the curve in terms of HIPAA 5010 regulatory compliance planning and implementations, these plans are not shared with their trading partners**



## **Key Takeaways**

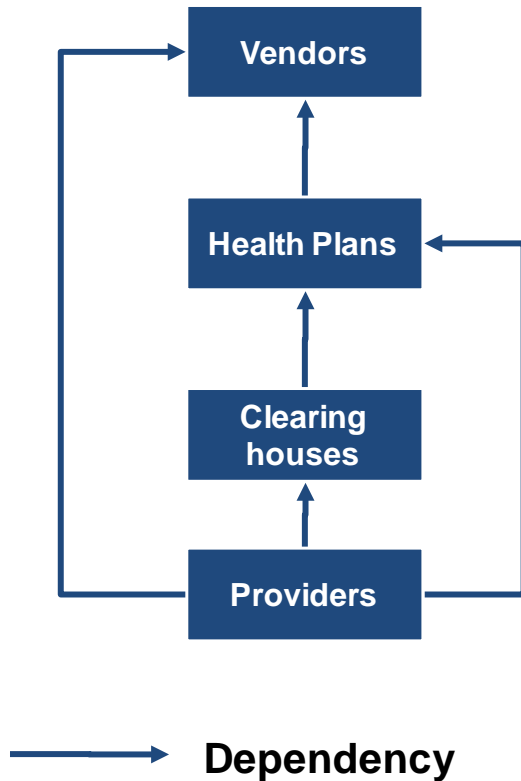
- Majority of Healthcare Industry is internally focused and is not externally focused with respect to HIPAA 5010 planning and implementation efforts.
- Participants realized that external testing with partners is critical for the successful compliance and are looking for partners to share their compliance readiness plans.
- Lack of control over the compliance of their trading partners is considered the biggest barrier for achieving compliance.
- Providers are at the bottom of the Value Chain—While large providers (large hospitals and physician practices) are able to garner attention from Health Plans, small to medium provider organizations are unable to gain attention leading to frustration.

## **Comments**

- “We are dependent on the EHR vendors to comply with ICD-10. They did not publish their product roadmaps and/or dates of compliance.”
- “Our key trading partner is not responding to our clearinghouse (one of the large clearinghouses in U.S.) in terms of external testing.”
- “Our vendors said that they are compliant, but when we started using the product it failed. They said that they are compliant at level 2 of hierarchy, but not all levels of hierarchy. We need to sort through these issues during external testing.”

***Healthcare organizations need to share their plans for compliance with their business partners to enable timely collaboration and stay ahead of the regulatory compliance timeline.***

# ***Finding:* HIPAA 5010, Version D.0, and 3.0—Lack of sufficient testing with trading partners reduces the ability to process HIPAA 5010 claims and will negatively impact the cash flows for small & medium Provider organizations**



## Key Takeaways

- Many participants expect “some” failures in processing HIPAA 5010 claims.
- When failures do happen, the Health Plans follow the “pecking order”: large providers, clearinghouses and then small- & medium-sized Providers.
- Small & medium Providers had to stop payments to their employees when they had cash flow disruptions while complying with NPI regulation.

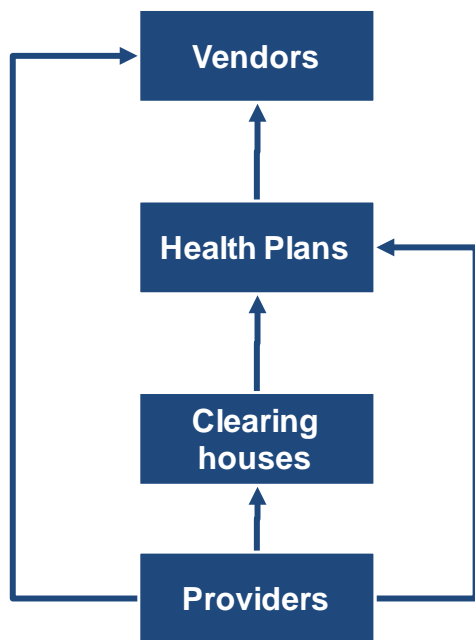
## Comments

- “We made our best efforts in implementing HIPAA . One of our trading partners had issues with their implementations, and it took a while to fix the issue in production.”
- “We are looking to learn from our previous implementations and conduct external testing to reduce risk of cash flow disruptions.”
- “We are working with our Health Plans to develop contingency plans in case of cash flow disruptions.”

***Direct critical mass of vendors and Health Plans (including Medicare and Medicaid organizations) to publish their plans of compliance with their trading partners***

**Note:** Small and Medium Provider community includes Hospitals (<400 beds) and Physician Practices (<50 Physicians)

# ***Finding:* HIPAA 5010, Version D.0, and 3.0—Physician practices are primarily focused on care delivery and are resource constrained with regards to regulatory matters**



→ **Dependency**

## **Key Takeaways**

- There is limited to no ROI for Physicians in implementing HIPAA Modifications Regulations.
- Small- and medium-sized physicians are cash strapped and find it hard to make capital investments for compliance efforts.
- Physicians do not traditionally employ certified coders to ICD-10. The Health Plans and intermediary delivery organizations such as Laboratories will incur increased costs of remediation.
- Opportunities exist for Physician practices to consider using practice management systems to improve compliance.

## **Comments**



“Many of the rural Physician practices do not have IT/Business staff to address this issue; 33 of 50 states have significant rural physician practices.”



“Hospitals potentially have highly trained staff and will be able to effectively deal with ICD-10, but physician practices do not hire certified coders.”

***For Physician Practices, awareness is a critical first step towards compliance followed by education and outreach.***

**Note:** Small and Medium Physician Practices includes Physician Practices with <50 Physicians in the practice

## ***Finding:* HIPAA 5010, Version D.0, and 3.0—Readiness of business partners to accept or send transactions is the top barrier to successful implementations of HIPAA Modifications Regulations**

Based on the feedback from the participants in the Environmental Scan, the top barriers in the order of priority are:

- 1 Readiness of business partners to accept or send transactions
- 2 Costs of remediation
- 3 Timing of current deadlines
- 4 Current state of economy
- 5 Vendor preparedness
- 6 Senior Management Support

***While Readiness of business partners to accept or send transactions is top barrier, Costs of remediation is the close second and will continue to be during this economic climate.***

## ***Finding:* CMS Education and Outreach—Covered entities are looking for more direct and proactive communication to meet their compliance challenges**

Based on the feedback from the participants in the Environmental Scan, the preferred methods of communication for Education and Outreach in the order of priority are:

- 1** Webinar
- 2** Industry Forum (e.g., Direct Communication)
- 3** Traditional Methods (e.g., Newsletter)
- 4** Web

***Industry is looking for more “push” and less “pull” through both traditional and non-traditional communication methods.***



## ***Finding: CMS Education and Outreach—In many cases, Industry is seeking not only education and outreach but also tangible tools that can help coordinate efforts with business partners and standardize interpretations***

Based on the feedback from the participants in the Environmental Scan, the most common types of information being requested in order of priority are:

- 1 Penalties for not meeting compliance dates
- 2 4010 → 5010 & ICD-9 → ICD-10 Crosswalk
- 3 Templates (e.g., Testing Checklist)
- 4 Approaches of achieving compliance (e.g., “Wrap and Map”)
- 5 Industry Readiness and Timeliness (all major healthcare industry segments)
- 6 Guidance to Health Plans to include providers for external testing
- 7 An open forum for "quickly" handling compliance questions and clarifications

***Covered entities want approaches, templates and tools that will help them achieve compliance in a cost effective manner.***

# Finding: CMS Education and Outreach—Participants feel that CMS is doing a good job in terms of Education and Outreach...

## Participants believed that NPI FAQ Website is a step in the right direction

Q#	Question	Date Updated	Answers
1	4419 Does the National Provider Identifier (NPI) Final Rule require individual health care providers who are also part of a group practice, to obtain and use an NPI?	08/13/2009 01:16 PM	100
2	4039 Why's National Provider Identifier (NPI) should be in the Abandoning PT System (APS) list on claims for institutions submitting vaccine order bills for local jurisdictions (PL) or regional health construction (DHHS) when an NPI is...	07/27/2009 03:13 AM	96
3	5016 How do covered entities represent the NPI when the adopted version of the registration Guidelines appear to show the use of other health care provider identifiers in addition to the NPI?	08/13/2009 01:21 PM	95
4	3363 I applied for my National Provider Identifier (NPI) over the web and haven't received the NPI Notification. What should I do?	11/24/2009 04:50 PM	94
5	3610 When is an NPI entered in block 32 and how do I share my NPI with Medicare?	07/27/2009 03:13 AM	94
6	3100 After May 23, 2009, is an NPI required for the provider ID field on the NCPDP pharmacy transaction?	10/22/2009 04:00 PM	94
7	3444 If a health care provider locates his National Provider Identifier (NPI), will its record still be in the downloadable list and the query-only database? How will it be known that the NPI was deactivated?	09/25/2009 03:33 AM	94
8	2628 How can a health care provider apply for and obtain a National Provider Identifier (NPI)?	09/25/2009 01:48 PM	93
9	2673 What is the purpose of the National Provider Identifier (NPI)? Who must use it, and when?	11/25/2009 03:29 PM	93
10	2627 Who is eligible to receive a National Provider Identifier (NPI)?	11/25/2009 03:29 PM	93
11	2032 Can a health care provider continue to use other numbers besides the NPI?	11/25/2009 03:29 PM	93
12	2627 Is a health care provider required to obtain a National Provider Identifier (NPI)?	11/25/2009 03:29 PM	93
13	2629 If a health care provider with an NPI moves to a new location, must the health care provider notify the NPPES of its new address?	10/15/2009 09:55 AM	93
14	3029 Under what circumstances will a claim be rejected when using the National Provider Identifier (NPI)?	11/24/2009 04:46 PM	92
15	2630 Will a health care provider's National Provider Identifier (NPI) ever change?	09/25/2009 01:48 PM	93
16	3300 With whom should I share my National Provider Identifier (NPI)?	11/25/2009 09:50 AM	93
17	2630 Who is the format of the NPI?	09/25/2009 01:46 PM	92
18	2628 How long will it take to get an NPI?	11/25/2009 03:29 PM	93
19	2786 How do I share my National Provider Identifier (NPI) with Medicare?	11/24/2009 04:50 PM	93
20	3025 What is the National Provider Identifier (NPI)?	11/24/2009 04:46 PM	93

## Key Takeaways

- Healthcare Industry understands that CMS plays a critical role in improving the regulatory compliance.
- CMS is making efforts in better understanding the challenges faced by Healthcare Industry. For example, participants believed that the staggered testing for compliance is the right approach.
- Existing Education and Outreach efforts are positively impacting the regulatory compliance.
- Healthcare Industry believes that many of the existing Education and Outreach mechanisms are effective means of increasing awareness.
- CMS is taking an active role in working with Healthcare Industry Associations to improve the awareness of Regulations.

## Comments



“CMS is listening to Healthcare Industry; the regulatory compliance timeline includes the additional time for external testing which is an important aspect of compliance.”



“CMS used a website that the Healthcare Industry can use to request additional information. CMS should continue this approach for new regulations.”



“To their credit, CMS is actively pushing the information to the Healthcare Industry on ICD-10.”



“We continue to look to CMS as an authoritative source for HIPAA Regulations information.”

## Finding: ...but are looking for CMS to provide more leadership

### Key Takeaways

- **Leadership:** CMS should actively work with Healthcare Industry in improving collaboration among the Healthcare Industry segments to improve HIPAA Modifications Regulations compliance. Industry is looking for CMS to play a key role not only in coordination but also in helping organizations understand how to prioritize all of the regulatory efforts (“A roadmap to Compliance”) while recognizing the unique challenges faced by Healthcare segments.
- **Education and Outreach:** While CMS is doing a good job with respect to posting the information on their website, Industry is looking for more “push” and less “pull” through both traditional and non-traditional communication methods. In addition, Industry is expecting CMS to be the trusted source for HIPAA 5010 and ICD-10 regulations.
- **Tools and Methodologies:** Covered entities want approaches, templates and tools that will help them achieve compliance in a cost effective manner. Healthcare Industry is looking for CMS to develop/certify ICD -9 to ICD-10 crosswalk (“a single version of truth”) approaches to reduce costs of remediation across Healthcare Industry. Potential exists for CMS to leverage the internal compliance efforts to develop these tools and methodologies for Healthcare Industry.

### Comments

- “CMS should take a leadership position in identifying best thinking and share these with the Healthcare Industry at large.”
- “CMS should have direct involvement and offer prompt responses to the Healthcare industry.”
- “CMS should offer alternatives / approaches/ templates to Physicians who are cash strapped.”
- “A huge dependency exists on Health Plans; CMS should request these organizations to share their compliance plans with the industry.”
- “A big dependency for ICD-10 is the EHR Product Vendors. CMS should request top 50 EHR organizations to share their compliance plans with the industry.”
- “While ACLA is developing an ICD-10 fact sheet to increase the awareness of Laboratories, we cannot do it alone—We require CMS’s active involvement.”
- “CMS should develop ONE industry standard cross walk for 4010 → 5010 and ICD-9 → ICD-10.”
- “CMS needs to provide tangible technical tools (i.e., test transactions, mappings, etc.)”

# Appendix—Environmental Scan Data

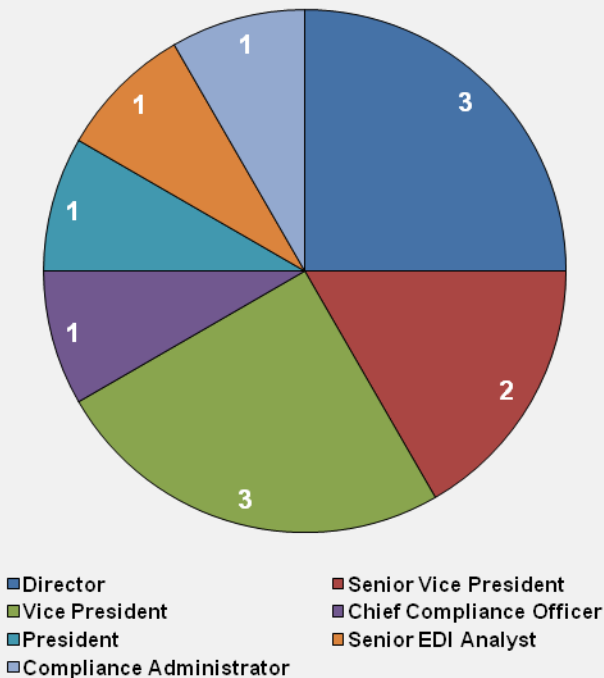
## ■ ■ ■ ■ Collection Results



# Participants of Environmental Scan have diverse roles and are heavily involved with Implementation of HIPAA Modifications Regulations within their organizations

Graph

Participant Profiles

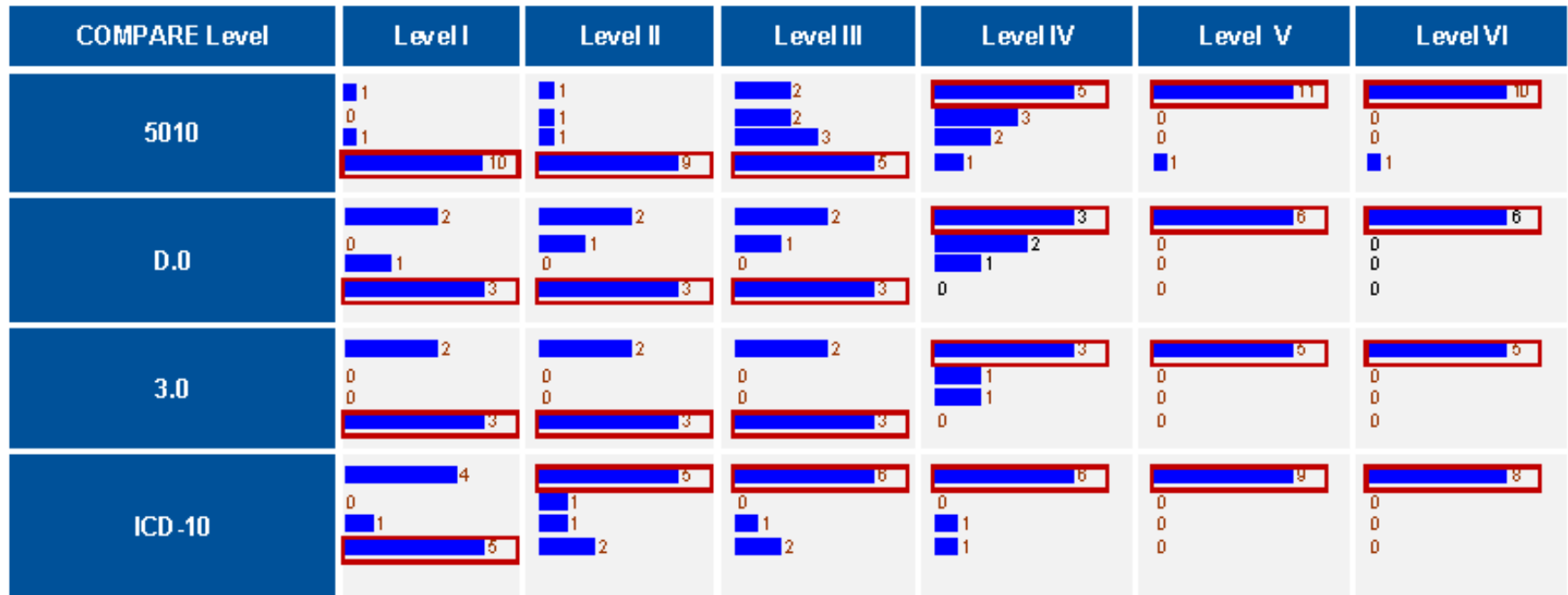


## Key Takeaways

- Participants have been in HIPAA compliance role within their organizations for more than one year.
- Participants demonstrates understanding of HIPAA Modifications regulations.
- Participants are directly involved in the planning and implementation efforts for HIPAA Modifications Regulations.
- Participants have a perspective on the challenges and barriers faced by peers within their Healthcare segment.
- Participants are willing to participate in subsequent environmental scans.



# While participant organizations are making significant progress In Implementing HIPAA 5010 transactions, they are still in the planning stages for ICD-10



**Level I:** Orientation and Project Organization

**Level II:** Assessment/Gap Analysis

**Level III:** Analysis and Planning

**Level IV:** Tools Installation/Applications Development

**Level V:** Regulatory Compliance Testing

**Level VI:** Production System Rollout

**Legend:**

< 25% Complete

25% - 50% Complete

50% - 75% Complete

> 75% Complete

**Note:** The number next to the bar (in bar chart) indicates the number of participants that selected the choice.

# Secondary Research Resources

## ■ Gartner Research

- Healthcare Insurers Must Jump-Start Their Corporate ICD-10 Initiatives (<http://my.gartner.com/portal/server.pt?open=512&objID=260&mode=2&PageID=3460702&resId=1189328&ref=QuickSearch&stkw=%22ICD-10%22>)
- U.S. Care Delivery Organizations Should Use These Steps to Prepare for ICD-10 (<http://my.gartner.com/portal/server.pt?open=512&objID=260&mode=2&PageID=3460702&resId=594209&ref=QuickSearch&stkw=ICD-10>)
- Case Study: Arkansas BCBS Masters ICD-10 Planning (<http://my.gartner.com/portal/server.pt?open=512&objID=260&mode=2&PageID=3460702&resId=764113&ref=QuickSearch&stkw=ICD-10>)

## ■ Other Publicly Available Studies

- TriZetto Report: ICD-10: A Snapshot of Payer Readiness (<http://www.docstoc.com/docs/4093287/ICD-10-A-Snapshot-of-Payer-Readiness>)
- TreZetto Report: ICD-10: The Shifting Perceptions of Payer Readiness (<http://integratedhealth.trizetto.com/ExternalContent/TriZetto/IHMX/C1CUST/43062/TriZettoICD10ResearchReport041609.pdf>)
- AHIMA: Testimony of the American Health Information Management Association to the National Committee on Vital and Health Statistics on ICD-10-CM (<http://www.ahima.org/dc/comments.ncvhs.052902.asp>)
- Deloitte: ICD-10 Turning Regulatory Compliance into Strategic Advantage ([http://www2.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us\\_chs\\_ImpactOfICD10\\_w.pdf](http://www2.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_chs_ImpactOfICD10_w.pdf))
- Deloitte/AHIP seminars can help health plans prepare ([http://www.deloitte.com/view/en\\_US/us/Industries/Health-Plans-Healthcare-Health-Care/article/06e18d6f817c2210VgnVCM200000bb42f00aRCRD.htm](http://www.deloitte.com/view/en_US/us/Industries/Health-Plans-Healthcare-Health-Care/article/06e18d6f817c2210VgnVCM200000bb42f00aRCRD.htm))
- Ingenix Survey on 5010 and ICD-10 (<http://www.ingenix.com/ThoughtLeadership/Innovations/111709>)
- AHIMA ICD-10-CM Field Testing Project ([http://www.ahima.org/icd10/documents/FinalStudy\\_000.pdf](http://www.ahima.org/icd10/documents/FinalStudy_000.pdf))