PROTECTING ACCESS TO MEDICARE ACT OF 2014 PASSES:  
ICD-10 IMPLEMENTATION DELAYED

Background

All United States health care providers use a system known as the International Classification of Diseases, 9th Edition, Clinical Modification/Procedure Coding System (“ICD-9”), to categorize and report, or “code”, all patient encounters. Any health care provider who is subject to the Health Insurance Portability Accountability Act (“HIPAA”) or who bills any private insurance, Medicare or Medicaid for patient services must use the ICD-9 coding system. In recent years, a 10th Edition of the International Classification of Diseases, Clinical Modification/Procedure Coding System (“ICD-10”) has been developed with the goal of more accurately tracking patient care and more effectively reimbursing providers for same. Under ICD-9, providers are required to select the most appropriate code from a list of approximately 14,000 codes; the number of potential codes will significantly increase - to approximately 69,000 codes.

All practices and medical professionals currently subject to ICD-9 were previously required to upgrade their systems to enable them to begin billing under the new ICD-10 codes by October 1, 2014. With the passage of the Protecting Access to Medicare Act of 2014, signed into law by President Obama on April 1, 2014, this deadline has now been delayed by at least a year.

Protecting Access to Medicare Act of 2014

The main purpose of the Protecting Access to Medicare Act of 2014 was, for the 17th time, to delay significant cuts to Medicare reimbursement rates since the Medicare sustainable growth rate formula was passed as part of the Balanced Budget Act of 1997. Section 4503 of the Balanced Budget Act of 1997 amended Section 1848(f) of the Social Security Act, effectively replacing the Medicare Volume Performance Standard that was previously used with a Sustainable Growth Rate standard. As this standard has proven, time and time again, to be wholly insufficient, congress continually passes annual acts suspending implementation of the Sustainable Growth Rate standard until such time as they can construct and agree on a permanent solution¹. This year, the drafters of the Protecting Access to Medicare Act of 2014 added a provision that delays the implementation of ICD-10; interestingly, this provision was not the focus of Congressional debate or concern.

¹ See http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SustainableGrowthRateConFact/Downloads/sgr2014p.pdf for more information.
ICD-10 Delay

As recently as February 2014, Marilyn Tavenner, the Administrator of the Centers for Medicare and Medicaid Services (“CMS”) adamantly refused to consider any requests that the implementation of ICD-10 be delayed past October 1, 2014. However, with the passage of the Protecting Access to Medicare Act of 2014, CMS will have no choice but to postpone implementation to at least October 1, 2015. The American Health Information Management Association has already asked for clarification of the critical term of the legislation requiring delay of ICD-10 implementation for “at least one year” as this terminology could lead to speculation that implementation may be delayed for more than one year².

Looking Ahead

The transition from ICD-9 to ICD-10 will require a significant investment of time and money, including but not limited to the following:

1. **Software upgrades:**
   a. all electronic billing software must be upgraded to Version 5010 standards. Older software currently running under Version 4010 standards and Version 4010A standards will not accommodate ICD-10.
   b. electronic medical records systems that currently use ICD-9 must also be upgraded so that clinical documentation, integrated public health reporting and integrated quality reporting protocols will display the proper ICD-10 codes.

2. **Staff training:** Any staff members who require knowledge of the coding system, even individuals whose exposure may be limited to generating encounter forms and clinical documentation, will require training. CMS recommends that such training takes place at least 6 months prior to ICD-10 implementation. In addition to the fees for training programs, practices may incur overtime and additional employment costs to allow their employees appropriate time to engage in meaningful training activities.

3. **Testing & Implementation:** Before the transition can “go live”, claims must be tested to be sure that all of the software, training and internal transition preparations are working. Many practices will have to incur the costs of additional services from their software companies to perform these tests and have access to additional technical support in the early phase of the transition.

4. **Post-Implementation Complications:** Practices must also be prepared for any post-implementation complications that may result in a temporary reduction of cash-flow to the

² See SGR, ICD-10 extensions approved by Senate, published March 31, 2014 by Modern Healthcare.
practice. On and after the ultimate implementation date, payment will not be made for any services provided unless those services are properly billed using ICD-10 codes.

The American Medical Association estimates the total cost of implementation has increased significantly since prior estimates were completed in 2008\(^3\).

The updated cost estimates, released by the AMA in February 2014, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Typical Small Practice</th>
<th>Typical Medium Practice</th>
<th>Typical Large Practice</th>
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<tbody>
<tr>
<td><strong>2008 Estimated Costs</strong></td>
<td>$83,290</td>
<td>$285,195</td>
<td>$2,728,780</td>
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<tr>
<td><strong>2014 Estimated Costs</strong></td>
<td>$56,639 - $226,105</td>
<td>$213,364 - $824,735</td>
<td>$2,017,151 - $8,018,364</td>
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**Conclusion**

All practices subject to the ICD-10 implementation should not stop, or even slow down, in their efforts to go forward with implementation of ICD-10. The additional time, along with significant additional funding, will be required by many practices even if they are considered to be “on-time” under current implementation projections.

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\(^3\) These estimates are from a Cost Study initiated by the American Medical Association and performed by Nachimson Advisors, LLC available here: http://www.ama-assn.org/resources/doc/washington/icd-10-costs-for-physician-practices-study.pdf