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## Top 5 strategic assets derived from ICD-10



By Matthew R. Dutton, August 29, 2013



### Why the journey is more important than the destination.

As the Centers for Medicare & Medicaid Services (CMS) and the majority of ICD-10 Internet tracking websites continue to push ICD-10 benefits that have little tangible financial advantages to individual healthcare entities, business-savvy healthcare executives are starting to realize that one benefit of ICD-10 is new strategic capabilities that stem from the journey toward ICD-10 compliance. Organizations that focus on nurturing these strategic assets developed over the course of the ICD-10 compliance

journey will be better positioned to deal with an ever-changing healthcare landscape.

The five capabilities we have identified, while not the only improvements that can be reaped from an ICD-10 implementation, can – if properly implemented – result in a more efficient and aware IT department that will permeate throughout the organization.

#### 1. Improve your project/program management capabilities

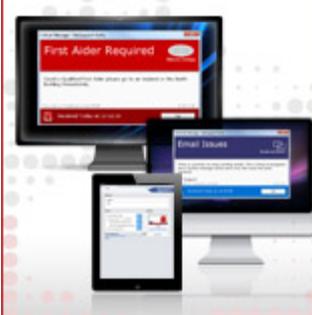
As ICD-10 impacts many areas of the organization, there is an opportunity to gain visibility into the project management culture, standards and, most importantly, deficiencies that elude healthcare executives as the root cause of project delays and cost overruns.

Methods of identifying cross-functional dependencies emerge that greatly increase program management capabilities. Examples of cross-functional dependencies that require intricate schedule management include:

#### Payers:

- Claims systems depend on ICD-10-compliant software and upstream underwriting and benefits departments providing an ICD-10-compliant configuration.
- Electronic data interchange (EDI) gateways depend on providers submitting ICD-10-compliant claims via clearinghouses with an ICD-10 capability.

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- Medicare Advantage and other areas of regulatory reporting depend on claims systems being ICD-10 compliant.

#### Providers:

- Coders within health information management (HIM) departments depend on clinicians to adequately document patient encounters with enough detail to generate an ICD-10 code.
- Patient financial services (PFS) departments depend on v5010 and ICD-10-capable billing systems to generate claims with ICD-10 codes.

As an organization identifies its cross-functional dependencies, the need to utilize **standard** project scheduling and management software becomes apparent. Innovation is often derived from need, and a functional program/project management infrastructure helps manage the risk of future capital investments.

### 2. Improve your risk management capability

Risk management is typically not performed in a comprehensive manner utilizing a quantifiable framework. Fundamental risk management requires quantification of the following equation:  
Probability x Impact = Exposure.

The probability is the percent chance of a situation occurring. If the risk proves true and becomes an issue, the impact is the cost of the issue resolution plan. The exposure is the resulting potential financial impact of this calculation.

Once exposure has been calculated, the risks must be sorted in a descending numerical fashion to determine the organizational priority on managing the risk. Organizations can choose a variety of risk response plans to manage exposure, such as investing in prevention or acceptance of the risk with a contingency strategy.

This risk framework can also apply to assessing potential opportunities. For example, the financial impact of a coder productivity dip with the more time-consuming ICD-10 code set could potentially be offset with computer-assisted coder (CAC) software. Furthermore, large hospital systems are using the ICD-10 transition as a catalyst toward an HIM department consolidation and centralization to achieve more efficiency.

This reusable risk framework can be applied to all areas of ICD-10 uncertainty within the organization, including such items as: the possibility of a CMS grace period (which requires planning for a “dual-processing” capability), timely system upgrades by vendors, the effect of the change on reimbursement and the impact on key business metrics of productivity decreases with ICD-10, among others.

### 3. Bolster your IT department’s ability to manage technical change

Some applications, such as electronic health record systems for providers and claims adjudication systems for payers, are heavily dependent on diagnosis codes in terms of system logic. Other systems simply accept a diagnosis code via interfaces and store it without any logic whatsoever. Regardless of how healthcare applications use diagnosis codes, many vendors have either released ICD-10-compliant versions or are doing so now through early 2014.

The problem for IT professionals is that ICD-10-compliant features are typically embedded within a larger application upgrade package – and virtually all healthcare systems require an upgrade to become ICD-10 compliant.

The end result is not a single application upgrade; rather, the result is an upgrade of nearly all applications within the IT portfolio, similar to what occurred during Y2K. Managing a dynamic portfolio significantly increases IT’s ability to manage technical change.

### 4. Create standard testing methodologies

Given the high degree of technical change, organizations must create a fully integrated, end-to-end testing scenario framework that manages the risk of internal systems missing the ICD-10-

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compliance deadline. In order to track the volume of simultaneous system changes, new, efficient and reusable testing methodologies emerge.

Each application team within an IT department must coordinate with all other application teams and interface resources to simultaneously upgrade the majority of systems. As new lines of communication open between business and IT, both departments learn how to better plan and utilize business resources for activities such as user acceptance testing.

### 5. Get to know your industry

Industry organizations such as HIMSS and WEDI have joined forces with CMS to coordinate an unprecedented End-to-End Pilot Testing Program. By participating in these pilot testing programs, healthcare organizations can begin to gather detailed market research intelligence on existing and potential business partners, as well as competitors.

### Conclusion

The journey toward ICD-10 compliance can be long and frustrating. By adopting a “glass half full” approach, the destination is not simply an arrival point on a map. The destination is a milestone of successful strategic capability development. Organizations that develop pragmatic project management skills and large-scale IT coordination/testing abilities are better positioned to manage internal and external business risk in an ever-changing healthcare industry.

### About the author

Matthew R. Dutton is a management consultant with Freed Associates and has 20 years of experience within the healthcare industry. He has assisted providers, payers, clearinghouses and software vendors with system implementations, business operations imperatives, strategic decision making and program/project management improvement. Learn more at [www.freedassociates.com](http://www.freedassociates.com).

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