

September 5, 2012

Administrative Simplification, Identifiers & Compliance Date Change for ICD-10 Final Rule

AT A GLANCE

The Issue:

On August 24, the Department of Health and Human Services released a final rule changing the compliance date for the International Classification of Diseases, 10th Edition (ICD-10-CM and ICD-10-PCS) Medical Data Code Sets from October 1, 2013 to October 1, 2014. The rule also sets standards for a national unique health plan identifier (HPID), other entity identifier (OEID) and additions to the national provider identifier (NPI) requirements. The final rule, published in the September 5 *Federal Register*, takes effect November 5.

Our Take:

ICD-10: The AHA is pleased with the revised compliance date for both the Clinical Modifications (CM) and Procedure Coding System (PCS) versions of ICD-10. Earlier this year in a member survey assessing ICD-10 readiness, a majority of hospitals indicated a short delay in ICD-10 compliance would be helpful given the many competing initiatives, including health reform implementation and the adoption of electronic health records. A one-year delay gives smaller organizations time to modify their information systems and allows larger facilities time to conduct additional testing with health plans.

HPID & OEID: The AHA supported the establishment of these identifiers. The HPID enumerates health plans while the OEID allows for enumeration of entities such as health care clearinghouses, third-party administrators (TPAs) and re-pricing organizations. While these other entities do not technically meet the definition of health plans, they perform certain assigned health plan functions.

NPI: The AHA also supported the expansion of the NPI to include individuals who are non-covered health care providers who can prescribe medications but are not currently required to obtain an NPI. This expansion of the NPI primarily affects retail pharmacy.

What You Can Do:

- ✓ Share this advisory with your senior management team, health information management department, and your ICD-10 steering committee and ask them to develop an implementation plan based on the October 1, 2014 compliance date.

Further Questions:

If you have questions, please contact Nelly Leon-Chisen, RHIA, director of coding and classification, at (312) 422-3396 or nleon@aha.org, or George Arges, senior director health data management group, at (312) 422-3398 or garges@aha.org.

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BACKGROUND

On August 24, the Department of Health and Human Services (HHS), released a final rule changing the compliance date for the International Classification of Diseases, 10th Edition (ICD-10-CM and ICD-10-PCS) Medical Data Code Sets from October 1, 2013 to October 1, 2014.

The rule also adopts standards for a national unique health plan identifier (HPID) and a data element that will serve as an “other entity” identifier (OEID). This is an identifier for entities that are not health plans, health care providers or individuals, but that need to be identified in standard transactions. The rule also specifies the circumstances under which an organization-covered health care provider, such as a hospital, must require certain non-covered individual health care providers who are prescribers to obtain and disclose a national provider identifier (NPI). The [final rule](#), published in the September 5 *Federal Register*, takes effect November 5.

AT ISSUE

ICD-10-CM and ICD-10-PCS

This rule changes the compliance date for both Clinical Modifications (CM) and Procedure Coding System (PCS) versions of ICD-10 from October 1, 2013 to October 1, 2014, a move supported by the AHA. This one-year delay gives covered entities the additional time needed to synchronize system and business process preparation and changeover to the updated medical data code sets, while avoiding the costs of a longer delay.

In the final rule, HHS stressed the importance of all segments of the health care industry transitioning to ICD-10 at the same time. If any one industry segment fails to successfully implement ICD-10, then that failure has the potential to affect all other segments, which could result in returned claims and provider payment delays and negatively impact patient access to care.

While the transition to ICD-10 is challenging, there are significant benefits to replacing ICD-9. Developed more than 30 years ago, ICD-9 is outdated and cannot keep pace with rapidly changing advances in medical treatment and technology. Moving to ICD-10 will allow accurate classification and payment for new treatments and allow coding to better track the severity of illness. The greater detail provided by ICD-10 also will reduce the administrative burdens providers face in producing detailed follow-up paperwork and other documentation needed to process claims. From a policy

perspective, greater specificity in coding will support more accurate payment and improve quality measurement, especially in new payment models, such as value-based purchasing, readmissions reduction, accountable care organizations and bundling.

HHS considered several options before proposing a one-year delay of the compliance date in the April 2012 proposed rule:

- maintain the October 1, 2013 date;
- maintain the date for only ICD-10-PCS but delay ICD-10-CM for diagnosis codes only;
- forgo ICD-10 altogether and wait for ICD-11; and
- mandate a uniform delay for ICD-10-CM and ICD-10-PCS.

The final rule provides details on the department's analysis of the proposed options and the rationale for its decision. HHS eliminated from consideration the option to forego a transition from ICD-9 to ICD-10 and instead wait for ICD-11 because the World Health Organization, which creates the basic version of the medical data code set from which all countries create their own specialized versions, is not expected to release the basic ICD-11 medical data code set until 2015, at the earliest. From the time of that release, subject matter experts state that the transition from ICD-9 directly to ICD-11 would be more difficult for the field and it would take anywhere from five to seven years for the United States to develop its own ICD-11-CM and ICD-11-PCS versions needed for implementation. Given the considerable financial investment made by entities in preparation for ICD-10, and the timelines and uncertainties regarding a possible adoption of ICD-11, HHS stated that it cannot forgo ICD-10 in the hopes that a future, more effective code set will be adopted.

HHS agrees with the AHA's comment that implementation and testing plans are essential for a successful transition to ICD-10 and recognizes the need for a shared, industry-wide definition and understanding of "readiness" based on testing. HHS is evaluating methods to establish a common understanding and will issue guidance and offer general assistance on timelines and testing protocols through education and outreach.

National Unique Health Plan Identifier

Currently, health plans are identified in claims and other administrative transactions using multiple identifiers that differ in length and format. The primary purpose of the HPID and the OEID is for use in the HIPAA standard transactions. The HPID and the OEID will standardize the enumeration of health plans or health plan surrogates thereby reducing the amount of time providers spend trying to identify a health plan or other entity. Implementation of HPID and OEID also will eliminate the time lost due to misrouting of claim transactions.

The Center for Medicare & Medicaid Services (CMS) established a two-phase implementation approach – one for obtaining an HPID or OEID and another requiring its use in transactions. Health plans, excluding small health plans, are required to obtain HPIDs within two years after this rule's effective date of November 5, 2012. Small health plans are required to obtain HPIDs three years after the rule's effective date. All covered entities are required to use HPIDs to identify health plans in standard transactions four years after the effective date, or November 7, 2016. As requested by the AHA, both dates were modified from the proposed rule to allow more time. The proposed six-month period for obtaining a HPID or OEID was too short given that many health plans undergo an annual enrollment process. Additionally, moving the compliance date for use in the transactions to 2016 avoids an overlap with the ICD-10 compliance date.

HHS also finalized the definitions of “Controlling Health Plan” and “Subhealth Plan” without modification as follows:

a. *Controlling Health Plan (CHP)*

CHP means a health plan that-1) controls its own business activities, actions, or policies; or, 2) is controlled by an entity that is not a health plan; and if it has a subhealth plan(s), exercises sufficient control over the subhealth plan(s) to direct its/their business activities, actions, or policies.

b. *Subhealth Plan (SHP)*

SHP means a health plan whose business activities, actions, or policies are directed by a controlling health plan.

HHS finalized the policy to adopt the HPID format as a 10-digit, all-numeric identifier with a Luhn check-digit as the 10th digit to avoid inaccuracies.

Other Entity Identifier

This rule also provides for “other entity identifiers.” The OEID will function as an identifier for entities that are not health plans, health care providers or individuals, but need to be identified in standard transactions (e.g., third-party administrators, transaction vendors, clearinghouses and other payers). Under this final rule, other entities are not required to obtain an OEID, but may do so. Covered entities can require their trading partners and business associates to obtain and use an OEID.

Assignment of HPID and OEID: The Enumeration System

HPIDs and OEIDs will be assigned by the Enumeration System through an online application process overseen by the Centers for Medicare & Medicaid Services. A health plan or other entity will be required to provide certain identifying and administrative information to be specified by HHS for verification and eligibility determinations during the application process. HHS believes that only minimally necessary information will be collected in the Enumeration System, based on the current limited purpose of the Enumeration System.

National Provider Identifier

In January 2004, HHS published a final rule adopting the NPI as the standard unique health care provider identifier and setting requirements for obtaining and using the NPI. Since that time, pharmacies have encountered situations where the NPI of a prescribing health care provider needs to be included in the pharmacy claim, but the prescribing health care provider does not have an NPI or has not disclosed it. This situation has become notably problematic in Medicare Part D. This final rule specifies the circumstances under which an organization-covered health care provider, such as a hospital, must require certain non-covered health care providers, such as physicians who are prescribers, to obtain and disclose an NPI.

HHS estimates that the addition to the NPI requirements will have little impact on health care providers and the health sector at large because there are few providers who do not already have an NPI. Further, for those providers who do not already have an NPI, obtaining one is free of charge and takes little time to obtain.

NEXT STEPS

Preparation

Preparing for the transition from ICD-9-CM to ICD-10-CM and ICD-10-PCS will require careful planning and coordination of resources to ensure successful implementation. These changes will have significant budgetary, training and information system implications across clinical, financial and administrative areas.

Checklist

- ✓ Continue with ICD-10 implementation plans.
- ✓ Complete impact assessment.
- ✓ Revise timelines for testing and training based on new compliance date.
- ✓ Contact system vendors to determine their plans for testing and readiness.
- ✓ Continue to monitor progress.
- ✓ Communicate with medical staff about the impact on their documentation and private practice.
- ✓ Review and update budgets related to ICD-10 implementation.

- ✓ Continue to assess the impact of coding changes on strategic goals for electronic health records and other information technology.
- ✓ Revise contingency plans related to ICD-10 implementation.
- ✓ Review ICD-10 MS-DRG financial implications.
- ✓ Review commercial health plan contracts to determine potential impact.

Hospitals should ask their health plans about their new HPID. This new information will likely be included on insurance enrollment cards.

The AHA offers members a wealth of information and resources for transitioning to ICD-10. Visit <http://www.ahacentraloffice.com> to access an implementation timeline, audio seminars and the ICD-10-CM and ICD-10-PCS Coding Handbook.