



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



**Centers for Medicare & Medicaid Services**



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**Gartner®**

# Environmental Scan Engagement Objectives

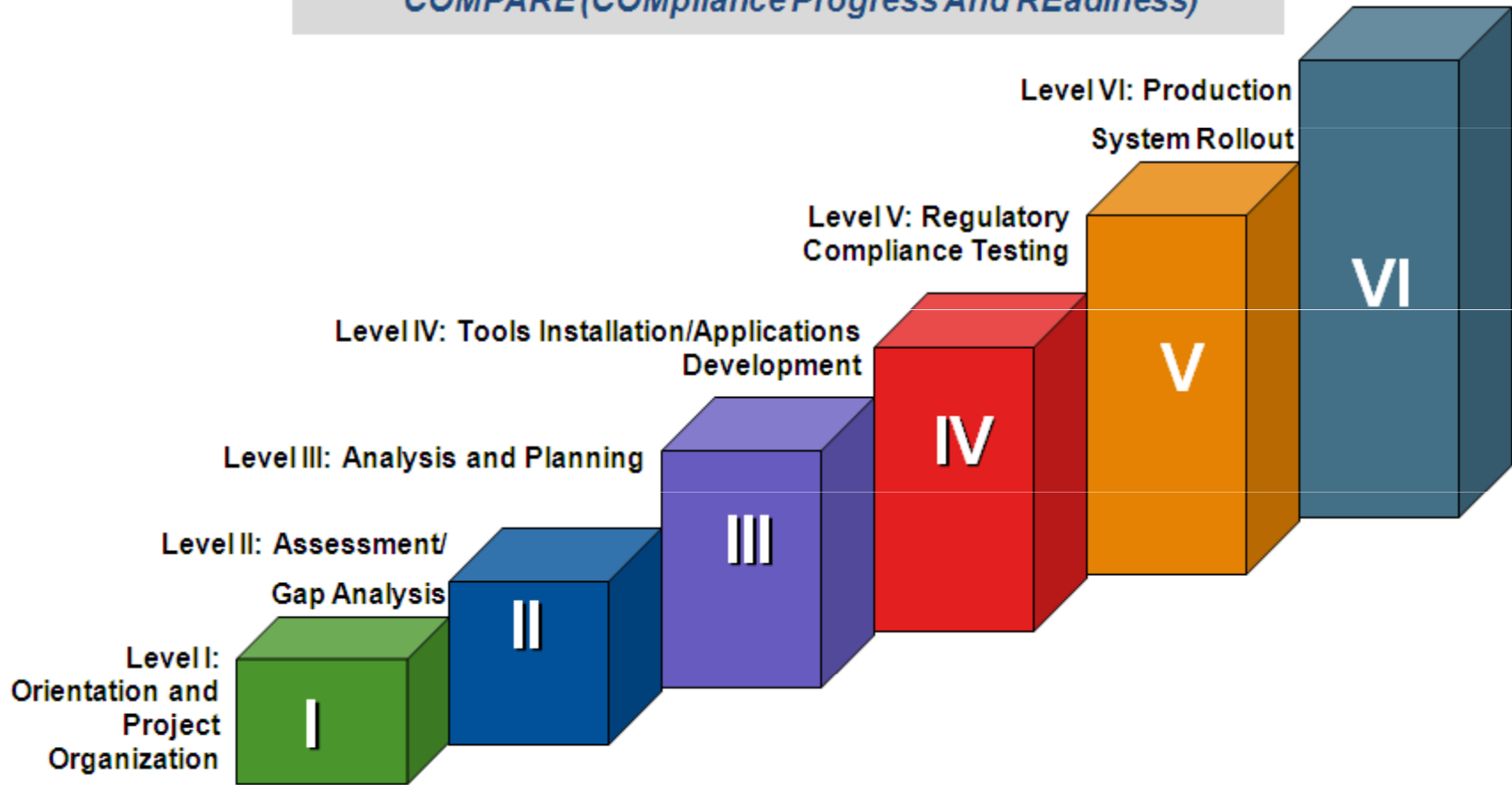


## The engagement objectives were to:

- 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

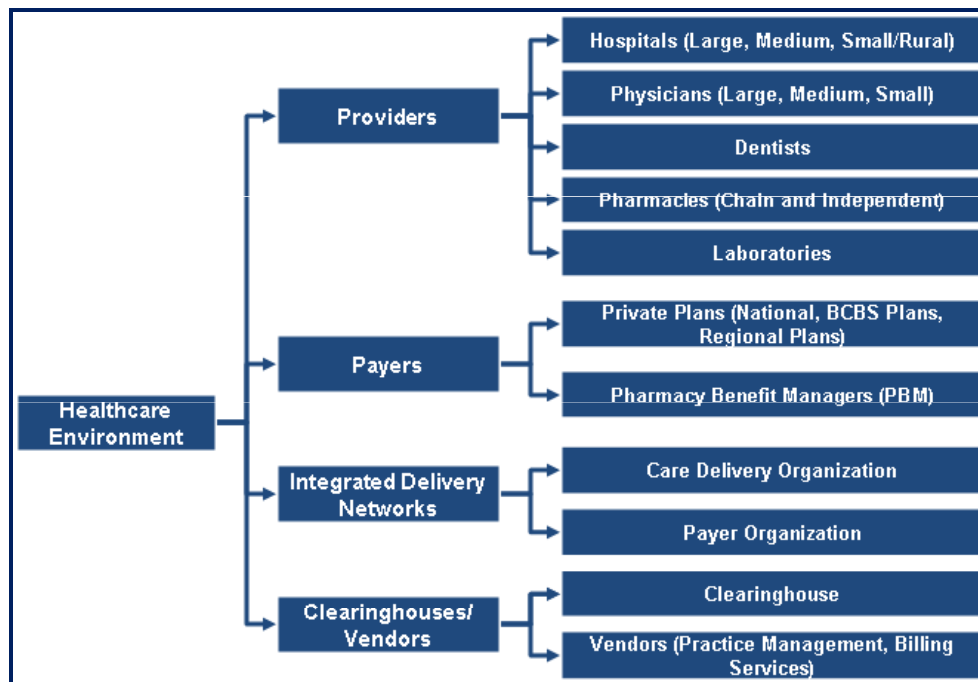
## COMPARE (COMpliance Progress And REadiness)



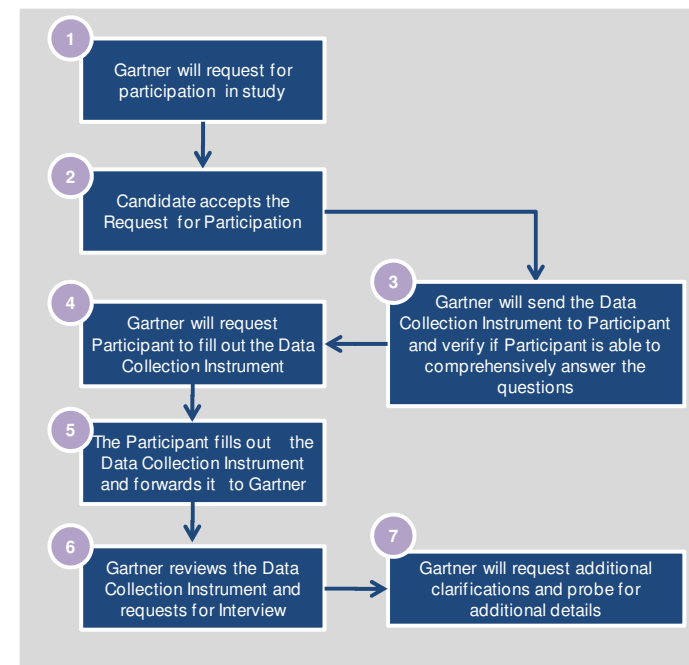
*Gartner developed and used this methodology to help monitor the original HIPAA regulation and improved upon it to conduct this Environmental Scan*

# 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*



*... and used the following interview methodology to conduct Environmental Scan*



*Through interviews, surveys and primary research, Gartner measured and monitored progress for the sample within each segment and developed 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 were:
  - Healthcare segment
  - Geography
  - Organizational Size
- Participation was elective, and Gartner qualified these participants to make sure they had 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.

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

### **ILLUSTRATIVE LISTING**

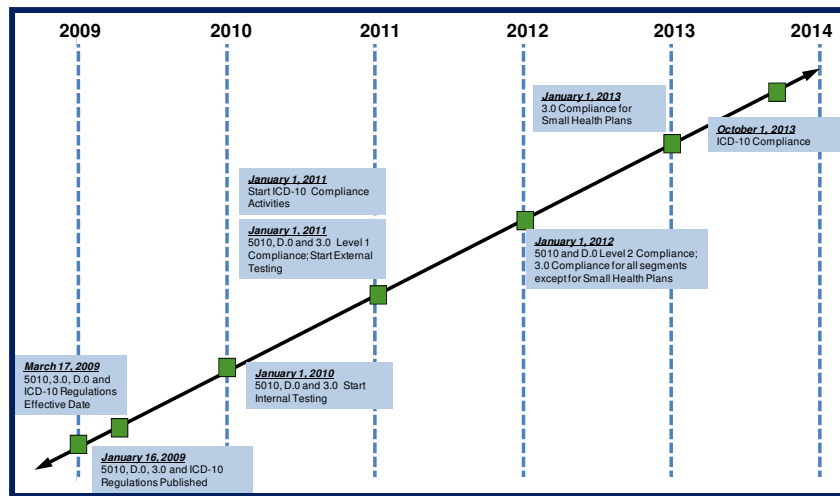
#### **The competing priorities are:**

- 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:**

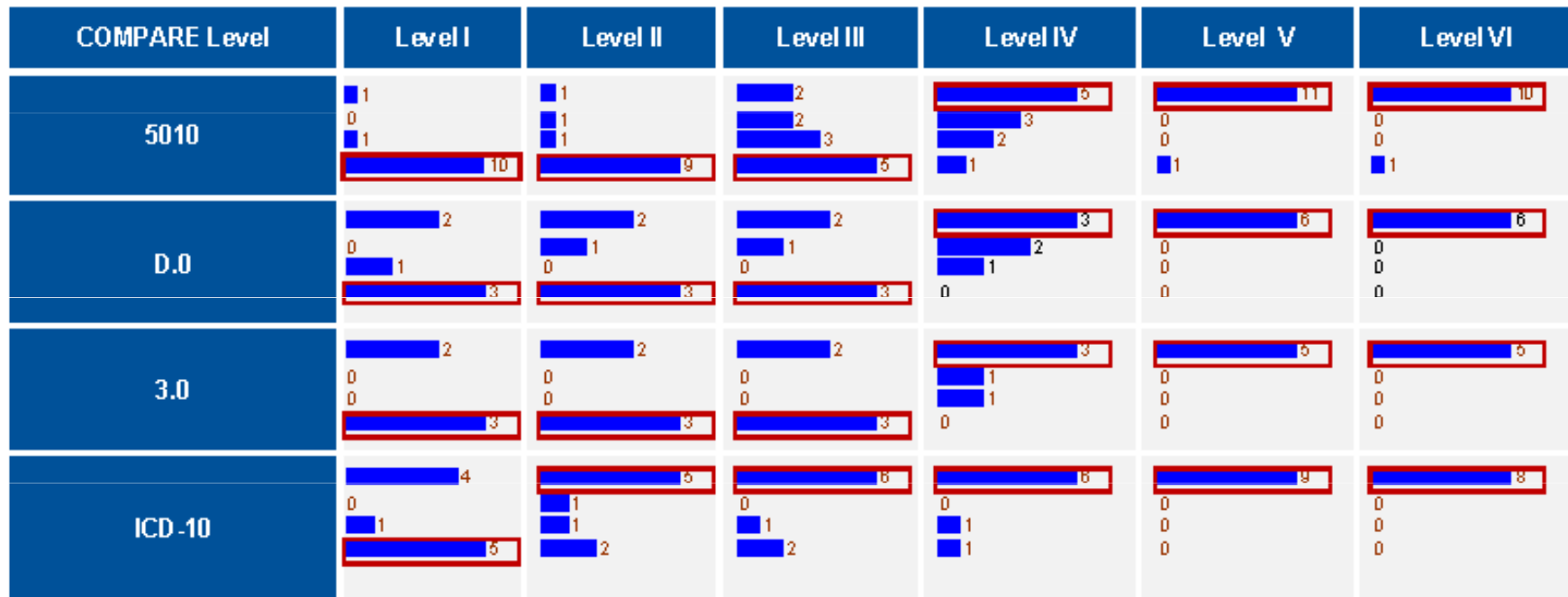
High Compliance

Medium Compliance

Low Compliance

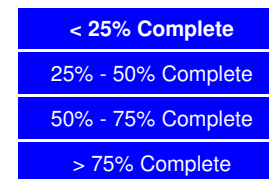
***Many organizations are taking a “Wait & See” approach to ICD-10 and are not yet willing to invest the time and/or capital to make large advances towards compliance .***

# 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:



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

## ***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:* 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.”

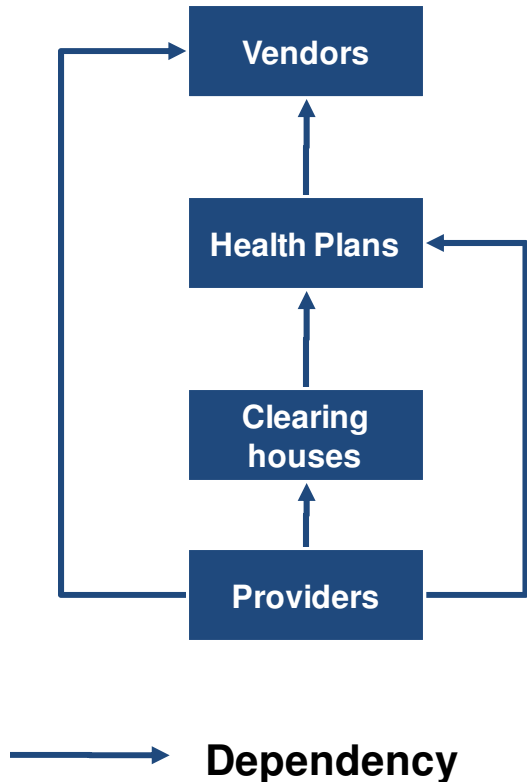
### **Provider Community**

- “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—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.

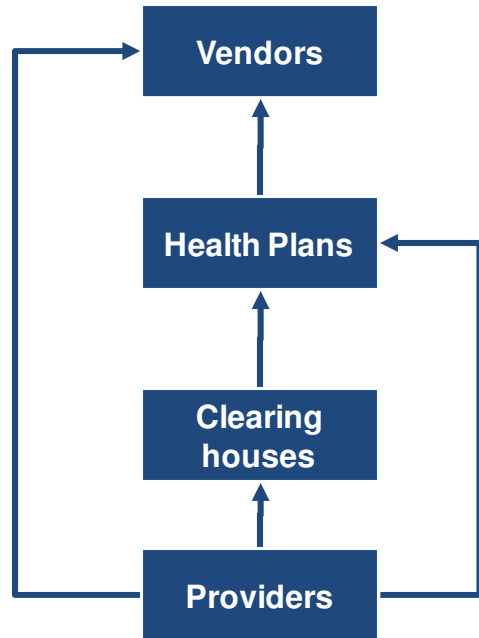
**Comments**

- “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.***