

Accountable Care NEWS

ICD-10 Informs Lessons for MACRA About Costs of Change

by Ray Desrochers

The headlines came fast and furious in 2014 and 2015, when ICD-10 compliance dates were announced and the measure was ultimately put in place on Oct. 1, 2015. Insurers—with 70,000 ways to classify ailments under the massive expansion—faced an estimated \$2 billion to \$3 billion price tag to handle ICD-10 implementation.¹

With nerves on the brink and health plan resources pushed to their limits, it became apparent that the complex integration and technology challenges for all parties were going to impede the claims paying process, creating serious, even if temporary, cash-flow issues for providers and health systems. Ultimately, after some concerns voiced by the American Medical Association, the Centers for Medicare & Medicaid Services (CMS) agreed to a grace period, staving off any further ICD-10 delays.

Sound familiar? It should.

CMS's latest initiative, passed by both houses of Congress in 2015 by an overwhelming, bipartisan majority, is the Medicare Access and Children's Health Insurance Reauthorization Act (MACRA). Once again, health plans and providers must prepare for the costs and administrative burdens involved in implementing a new standard—and quickly.

Recently, there has been a flurry of comments about the headaches its complexity is causing and hints of a potential delay from CMS; however, on Oct. 14, CMS issued its final rule, giving clinicians the opportunity to determine the pace at which they want to transition from fee-for-service to value-based care by choosing advanced alternative payment models (APMs) or the Merit-based Incentive Payment System (MIPS).

Interestingly, while on their face ICD-10 and MACRA are seemingly unrelated, there are striking parallels and lessons that should have been learned from the former's implementation. And regardless of what the perceived impact is with either, health plans owe it to their members to "future proof" the infrastructure supporting and enabling their core administrative processes. With healthcare reform regulations and changes repeatedly hitting the shores of insurers like high tide on a beach, the time is now to "batten down the hatches" with the right technology that both fortifies systems and provides the agility to make necessary changes as rapidly as market forces demand.

"Similarly with MACRA, CMS is leading the charge to curb spending by holding medical professionals accountable for patient outcomes with precise quality (and not unnecessary) care."

Looking at some of the characteristics and repercussions the industry experienced with ICD-10, MACRA sends many similar signals:

The government is leading the charge on healthcare reform. It almost sounds shocking that the government could be out in front on the specifics of sweeping changes, but that's exactly what happened with ICD-10. One of the key motivations behind ICD-10's implementation was a move toward beneficial specificity in medical payments, ably supported by

advancing technology. Even with the outlandish codes for ailments such as "other contact with shark," a non-billable and non-specific code, CMS's data-driven initiatives were designed to eliminate wasteful spending by being more precise.

Similarly with MACRA, CMS is leading the charge to curb spending by holding medical professionals accountable for patient outcomes with precise quality (and not unnecessary) care. Both initiatives introduce increased unavoidable complexity, which requires modern technology infrastructure.

Insurers' habit of applying "Band-Aids" to handle complexity will haunt them. It was the cry of healthcare's Y2K when ICD-10 was announced. Insurers were forced to shell out millions to incorporate the new codes into their claims processing systems. With many health plans using 30-year-old systems to manage internal processes, it should not have come as a shock that these systems served as roadblocks.

MACRA poses a different challenge, but one that demands many of the same considerations. Core administration systems lacking the ability to handle quality-driven, payment models can stand in the way of modernization just as implementing thousands of new ailment classifications did. The quality measures promised by the government as part of MACRA have yet to be formally introduced, meaning that more implications will take place later this year.

(continued on page 2)

ICD-10 Informs Lessons for MACRA About Costs of Change....continued from page 1

Critical automation takes one step forward, then one step back. Ask any health plan's executive team, and it will say that automating key administrative processes is one of its top goals. But in many cases the necessary transformation is done piecemeal, which causes additional headaches and delays the potential benefits of true change. Each time a significant new reform or update lands, some health plans choose to apply a Band-Aid method to automate. Then the next initiative arrives, and the challenges occur all over again. This approach has proven to be inadequate many times over, and different action is clearly called for. The age of technology is all about agility and scalability and utilizing technology to take advantage of available market opportunities.

The bottom line is that for years, healthcare reform has been about complex change and moving very quickly. But for many, it's been about complex change with costly challenges to move quickly. The "with costly challenges" portion of that model is unnecessary if health plans "future proof" their systems and processes. ICD-10 and MACRA are assuredly (and quite honestly) just two blips in a continued march toward reform, but what often occurs is shortsightedness: trying to solve one issue at a time instead of taking the strategic and broader view.

Not everything can be a seamless transition but if done right ahead of time, many health plans could get ahead of the regulatory curve, save a lot of money and provide better healthcare in partnership with their providers, all resulting in better outcomes and greater member satisfaction.

"ICD-10 and MACRA are assuredly (and quite honestly) just two blips in a continued march toward reform, but what often occurs is shortsightedness: trying to solve one issue at a time instead of taking the strategic and broader view."

¹ "Implementing ICD-10—How Much Will it Cost?" *ICD10monitor*. Accessed Oct. 10, 2016.

Ray Desrochers is executive vice president of HealthEdge.