Testimony to National Committee on Vital and Health Statistics Subcommittee on Standards

ICD-10: Achieving a Successful Transition
February 19, 2014

Introductory Statement and Emdeon Overview

Emdeon is pleased to offer the following comments to the Subcommittee on our status of ICD-10 readiness, the challenges we see and some ways in which we have faced these challenges to help our customers in their implementation of ICD-10. Emdeon has been actively engaged with our customers to develop ICD-10 testing and implementation strategies so we hope that our experiences and observations will be helpful as you review the industry's experience with this critical initiative.

Emdeon is a leading provider of revenue and payment cycle management and clinical information exchange solutions. Building on more than 25 years of government and commercial service, Emdeon provides powerful financial, administrative and clinical communication solutions that connect payers, providers and patients to improve healthcare efficiency. Entering 2014, Emdeon processes more than 7 billion healthcare transactions each year, and our industry-leading network connects 700,000 physicians, 81,000 dentists, 60,000 pharmacies, 5,000 hospitals, 600 vendors, 450 labs and 1,200 government and commercial payers. In effect, Emdeon can act as a representative sample of the entire U.S. commercial healthcare sector and a major portion of the U.S. government sector – giving us a unique, 360-degree view of the impact of these changes on the industry.

Today we would like to provide the Committee with a status of our readiness with respect to the ICD-10 implementation. Our focus will be on the following:

1. Remediation efforts
2. Challenges
3. Strategies for helping our customers through the transition
4. Testing approach
5. Key message to customers

Remediation

Emdeon's Exchange Clearinghouse was remediated during the 5010 implementation. The ICD-10 tables have been installed in preparation for testing. We are anticipating that we will receive payer specific edit requests throughout the remainder of this year.

Emdeon will have completed full remediation of our EDI provider product, Claim Master, by end of the first quarter of 2014. This remediation includes the work necessary to support the new 1500 (02/12) Paper Form. This product was transformed to output 5010 during the transition to 5010 in anticipation of ICD-10 readiness. Claim Master is a web-based product so provider deployment is not an issue. However, this product takes in various formats including NSF, ASC X12 version 4010, print image and other proprietary formats coming from the provider's practice management or billing system. The Claim Master product has been enhanced to allow the provider to code to ICD-10 through the use of a

pop-up screen prior to exporting to version 5010 for transmission to the Emdeon Exchange Clearinghouse. For other products or customers who do not have ICD-10 capabilities, Emdeon Clearinghouse will reject based on the payer requirements.

Emdeon began communicating the ASC X12N version 5010 (5010) dependency for ICD-10 very early ahead of the transition from ASC X12N version 4010. The Emdeon ICD-10 Playbook published in October 2012, clearly set the expectation that all Emdeon Exchange trading partners including Channel Partners, providers and payers would need to migrate to 5010 prior to the ICD-10 compliance date.

In an effort to gage the readiness of our customers, Emdeon conducts analytics of the transaction formats exchanged with our trading partners. Based on the results, we continue to outreach to our non-5010 customers to encourage them to migrate to the 5010 standard. This includes vendor partners that have been certified to send 5010, but have not yet migrated all of their providers. Emdeon proactively provides this analytical reporting at the provider level free of charge to our customers.

Transaction	5010	Legacy
Professional Claims	96.78%	3.22%
Institutional Claims	99.76%	.24%

It is important to note that although the 5010 format accommodates ICD-10 data content, there could be upstream applications utilized that do not natively support ICD-10. For example, the originating application is legacy in nature and does not support ICD-10, but upstream “helper” workflows translate transactions to the 5010 standard. We cannot assume that because transactions are received as 5010, that they are ICD-10 enabled. This presents a challenge in determining the actual readiness of the providers since ICD-10 is a “big bang” point in time cutover. The industry will have limited visibility into the actual real-world ICD-10 readiness until on and after 10/1/2014.

Challenges

The most significant challenge that the providers face is their dependency on their Physician's Office Management and Medical Information Systems (POMIS) and Hospital Information Systems (HIS) vendors. Often times, there is more than one vendor that supplies the technology to transmit electronically. The vendors must provide ICD-10 enabled software, the ability to transmit ICD-10 in the outbound EDI files, and the ability to support natively coded ICD-10 test claims. The software must also accommodate and interpret the test data feedback. The challenge the provider may need to deal with is that claim status and remittance advice may be in a machine readable format that they cannot interpret without the proper tools in place. Often providers do not have a means to post test remittance feedback in their A/R systems.

many providers expect payers to provide an accurate payment outcome in response to their test claims. Payers may not have a test system that in kept in synch with the production accumulators, benefit plans, fee schedules, policies, member and provider enrollment information and history. This could result in payment differences not directly related to the ICD-10 testing leading to additional confusion and anxiety. In addition, the provider may use different methods to reach the payer. For example they may go direct to the payer for claims but use a clearinghouse for their remits; they may use a clearinghouse for their

claims and use another clearinghouse or web based tool for their remits. We have encouraged our payers and providers to collaborate and communicate on how they will receive the results of ICD-10 testing.

Providers are also faced with the issue of non-covered entities such as workers' compensation. There will be a need for providers to continue to code in ICD-9 for many of the state programs adding complexity to the coding process.

Strategies for Helping with Transition

Emdeon has been actively involved in outreach and education programs in the industry. We work with the standards organizations to provide insight and learn about the challenges of all stakeholders. We participated in the NGS End-to End Testing Model initiative.

Emdeon is prepared to participate in the upcoming Medicare ICD-10 test week. Communication went out in early December encouraging Emdeon providers / submitters to start sending Medicare professional and institutional test claims as soon as they were ready vs. waiting until the Medicare testing week in March. To date we have received **four** accepted claims. This is a big concern to us – will providers be ready to send natively coded claims this early?

Emdeon encourages a realistic approach to testing based on the current state of the industry. We encourage our providers to test with their vendors and clearinghouses and encourage our clearinghouse partners to make natively coded provider claims available to payers for internal payer regression testing. We feel that testing at any level is better than no testing at all.

Emdeon's Claim Master product provides a tool that allows the customer to customize their ICD-10 code list to fit their business needs, reducing the codes to an manageable number. This will assist providers through the transition.

Emdeon communicates on a regulator basis with our internal staff including our product teams as well as our key Channel Partners, vendors and payers. We have regularly scheduled meetings to review project plans and key milestones and ensure expectations are in synch. Our message has been that as a clearinghouse we cannot manage the transition as we have in the past and that we cannot assure providers that payers will be ICD-10 ready nor can we assure payers that all providers will be ICD-10 ready on the compliance date. We work with our Channel Partners and direct submitters to provide education on the need to continue to send ICD-9 for non-covered entities and run-out claims.

Emdeon participates on planning calls with our major customers to develop charters, project plans and implementation schedules. We encourage our customers to develop contingency plans and to communicate them to their providers and to us as soon as possible.

Emdeon has published educational whitepapers, held webinars on regulatory changes including ICD-10, and maintain HIPAASimplified.com our one-stop on-line resource. The HIPAA Simplified site is where we publish our ICD-10 Playbook, general ICD-10 information and links; general and product specific FAQ's and our testing guidelines for both product and clearinghouse services.

Testing Strategy

Emdeon began communicating in August 2013 that the Emdeon Testing Exchange for ICD-10 was open and ready for business free of charge for all Emdeon customers. This is an automated test environment that will receive ICD-10 natively coded test claims and return clearinghouse reports. Participating payers can request and receive accepted test claims through Emdeon's easy to use, self-service ON24/7 customer service portal.

Emdeon is proactively encouraging testing; however, to date we have seen little volume. We engaged in early adopter pilot testing as early as 2012. Our account managers are outreaching to trading partners to set expectations.

Through the Emdeon Testing Exchange for ICD-10, we will be able to provide some insight and trending. The Emdeon Vision for Claim Management portal will provide our customers with their top ICD-10 rejection reasons and the Claim Master Product has created a self-service tool for testing that utilizes the Testing Exchange as well.

Key Messages

Not all trading partners will be ready for ICD-10 testing at the same time. It is important to reach out to key partners to establish testing timeframes. Despite best efforts, implementation of system changes do not always go as planned – it is critical for everyone to develop contingency plans and communicate them to their trading partners. ICD-10 test findings and lessons learned should be shared throughout the industry to help gain a better understanding of the impacts.

Emdeon believes that clearinghouses cannot up code or down code for the providers. The point of care clinical information required is not available to help with the appropriate coding. We have communicated to providers the importance of participating in educational coding sessions for both their front and back offices. We encourage our providers to work with their vendors to confirm that they have the capability to transmit ICD-10 codes in the 5010 format. They should be communicating with their vendors to establish the timeframe for software upgrades and learn what testing capabilities will be available to them. We are concerned that testing may provide a false sense of security and we encourage our providers to monitor claim submissions and payments closely following the compliance date.

Conclusion

In closing, we would like to thank the members of the Subcommittee for their time and attention. The changes being discussed today represent a major transformation for our industry. We appreciate all of your efforts to bring clarity and consensus to the process. We hope this information will be useful to you. Should you have questions or need any further information, please do not hesitate to let us know.

Thank you.

####