

**AP/AL:** Appropriation

**Project Type:** Information Technology / Systems / Communication

**Category:** Health/Human Services

**Location:** Statewide

**House District:** Statewide (HD 1-40)

**Impact House District:** Statewide (HD 1-40)

**Contact:** Jennifer Klein

**Estimated Project Dates:** 07/01/2012 - 06/30/2017

**Contact Phone:** (907)465-1870

**Brief Summary and Statement of Need:**

This request is to fund phase 2 of a Center for Medicare and Medicaid Services (CMS) approved project in the amount of \$9,714,712 to comply with federal standards for electronic health interactions with the provider community. This establishes standardized formats for exchange of data between computer systems. By using this updated standard, Alaska Medicaid eliminates the risk of federal penalties for failure to comply with the law. The International Classification of Diseases-10 (ICD-10) code sets provide a standard coding convention that is flexible, providing unique codes for all substantially different health conditions.

<b>Funding:</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>Total</b>
Fed Rcpts	\$3,805,400						\$3,805,400
G/F Match	\$901,600						\$901,600
<b>Total:</b>	<b>\$4,707,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,707,000</b>

<input checked="" type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input checked="" type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
50% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

CH5/SLA11/P85/L14 - \$4,500,000 fed, \$600,000 GF

**Project Description/Justification:**

The International Classification of Diseases (ICD-10) code sets provide a standard coding convention that is flexible, providing unique codes for all substantially different health conditions. It also allows new procedures and diagnoses to be easily incorporated as new codes for both existing and future clinical protocols.

The purpose of this project is to comply with federal standards for electronic health interactions with the provider community. This establishes standardized formats for exchange of data between computer systems. By using this updated standard, Alaska Medicaid eliminates the risk of federal penalties for failure to comply with the law.

The guiding principles for this implementation are:

- Implementation of required changes by the compliance date of October 1, 2013;
- Accommodation of the provider community as they prepare for, test and implement their

changes prior to, or following, the October, 2013 date, and;

- Minimal remediation of the Legacy System.

The State will be able to process ICD-9-CM transactions when the ICD-10 remediated Affiliated Computer Services (ACS) Enterprise system is implemented for those providers who are not yet ICD-10 compliant as of the October 1, 2013 date.

- The state will implement a bi-directional "Crosswalk" solution, supported by the CMS General Equivalency Mappings (GEMs) files that aid in data mapping and the creation of crosswalks which include proposed generally equivalent mapping of ICD-9-CM and ICD-10 diagnosis and inpatient hospital procedure codes. This will be used until a) the Enterprise System is fully ICD-10 compliant, b) all providers are submitting ICD-10 transactions, and c) the Enterprise system files and fiscal agent operational staff have sufficient data, experience, knowledge and documentation procedures to warrant discontinuation of those enabling tools.

The changes to the "Electronic Transaction Standards" and "Code Sets" for covered entities (health care providers, health plans and health care clearinghouses) must comply with the transaction standards for any transactions submitted as of January 1, 2012. They must comply with the new ICD-10 code set regulations for dates of service (dates of discharge for inpatient claims) on and after October 1, 2013. The changes to the electronic transactions enable the use of ICD-10 codes in those transactions. The new transactions will be in place for well over a year before the ICD-10 codes will be required for use in them.

The estimated implementation date of the new Enterprise system is April 1, 2012. The problem or deficiency of that currently designed Enterprise system is that it cannot process ICD-10 transactions that will be required for payment and processing by October 1, 2013. The Alaska Department of Health and Social Services (DHSS) has until that time to plan, implement, and test changes to assure the system will comply with the law. ACS will have financial responsibility for the modification of the core Enterprise system.

Alaska intends to implement the ICD-10 changes through its Medicaid Management Information Systems (MMIS) contractor who will perform the tasks necessary to effect all changes in the new ACS Enterprise environment. The State also expects the contractor, Edifecs software solution, acquired for 5010 processing, to provide an on-going technology platform for Electronic Data Interchange (EDI) functionality in the MMIS transaction management. Edifecs is developing support within its toolset for ICD-10 implementation and on-going transaction support. The State has evaluated the Edifecs solution for utilization with ICD-10 and it will leverage the licenses obtained for the Health Insurance Portability and Accountability Act 5010 (HIPAA 2010) project.

There will be a three phase approach to the ICD-10 implementation which will parallel work completed for HIPAA 5010 to save on costs associated with these modifications. ICD-10 requires a significant amount of project management and development of a timeline for deliverables. This phased approach will require time to complete in order to be in compliance with the new federal regulations by the compliance date of October 1, 2013.

The current drafted timeline and scope of work exists only for HIPAA 5010 at the project management office because we are still in the planning phase for ICD-10. We are currently developing the implementation advance planning document for the ICD-10 work; however, it will closely parallel the HIPAA 5010 project timeline. It will have an initiation phase, assessment phase, and implementation phase.

This is phase 2 of a continuing project funded in FY2012.

The itemized breakdown of the Center for Medicare & Medicaid Services (CMS) implementation advance planning document proposal is:

- ACS Contract Amendment: \$7,920,498
- Technical Assistance Contractor--Qualis Contract Amendment: \$914,148
- Department of Health Care Services (DHCS) Project Management Office Staffing: \$287,114.10
- DHCS Implementation Team subject matter expert: \$592,951.73
- Total Request: \$9,714,712 (90%/10% for all costs except for those associated with Software/Licenses which will be at 75%/25% and those costs for training will be at 50%/50%)

The ICD-10 code sets provide a standard coding convention that is flexible, providing unique codes for all substantially different health conditions. It also allows new procedures and diagnoses to be easily incorporated as new codes for both existing and future clinical protocols.

Medicaid providers and Medicaid plans must use the ICD-10 as the coding mechanism for medical diagnoses and procedures. The state may not continue to use, nor can the providers send, the ICD-9 medical code sets after October 2013.

Contractor costs and Division of Health Care Services (DHCS) associated staffing costs are one-time capital requests; there are no operational day-to-day costs post-implementation.

Federal Register /Vol. 74, No. 209 / Friday, October 30, 2009 /Rules and Regulations 56123 covers current 4010 compliance as well as Privacy, Security, 5010, and ICD-10.

The Table of Penalties requires states to comply and defines 'willful neglect' for non-compliance. Violations include for:

- Did not Know - \$50,000 up to \$1,500,000
- Reasonable cause - \$1,000 up to \$1,500,000
- Willful Neglect Corrected - \$10,000 up to \$1,500,000
- Willful Neglect Not Corrected - \$50,000 up to \$1,500,000

Funding enables Alaska Medicaid to continue its electronic commerce with the providers who serve our beneficiaries. Greater than 80% of our claims activity is electronic in nature. Agencies that update their systems to be compliant with the new laws will be able to continue their electronic commerce with Alaska Medicaid.

**Mission:**

To promote and protect the health and well-being of Alaskans.

**End Result:**

The physical health of Alaskans is optimized. The mental health of Alaskans is optimized. Alaskans have access to health care.