THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

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JAMES L. MADARA, MD
EXECUTIVE VICE PRESIDENT, CEO

James L. Madara, M.D.
Executive Vice President & Chief Executive Officer
American Medical Association
330 N. Wabash Avenue, Suite 39300
Chicago, IL 60611

Dear Dr. Madara:

Thank you for your letter to Secretary Sebelius regarding the implementation of the 10th revision of the International Statistical Classification of Diseases (ICD-10). While ICD-10 will improve quality measurement and reporting and lead to more accurate reimbursement for medical services, I understand your concerns about the challenges physicians face as they transition to the new classification system, and I welcome your input on ways to address these challenges.

On April 1, 2014, Congress enacted the Protecting Access to Medicare Act of 2014 (PAMA), which states that the Secretary of Health and Human Services may not adopt ICD-10 prior to October 1, 2015. The Department of Health and Human Services (HHS) issued a final regulation on July 31, 2014, implementing this provision. That regulation establishes October 1, 2015, as the new compliance date for the use of ICD-10 and requires HIPAA-covered entities to continue to use ICD-9 through September 30, 2015. The new compliance date will give providers, insurance companies, and others in the health care industry more time to ensure their systems and business processes are ready to use ICD-10 on October 1, 2015. The Centers for Medicare & Medicaid Services (CMS) will continue to collaborate with providers and other industry stakeholders to support the transition to the new system.

That support includes CMS outreach to physicians to raise awareness about the October 1, 2015 compliance date. For example, CMS holds national calls to discuss best practices and answer questions about ICD-10 implementation; more than 58,000 participants joined the most recent calls. CMS also sends weekly ICD-10 updates to more than 175,000 individuals. To facilitate the transition for small physician practices, CMS developed an ICD-10 transition tool in collaboration with physicians from small practices. CMS also launched on-site training for small physician practices across the country and released two new provider training videos that offer ICD-10 implementation tips and free continuing education credits. With extensive input from provider and industry stakeholders, CMS continues to develop new implementation and educational resources to help everyone successfully transition to ICD-10.

CMS is committed to robust testing of ICD-10 to avoid disruptions in reimbursement and to ensure that providers are ready once the ICD-10 code sets go into effect. To that end, CMS is adopting a four-prong approach that includes CMS internal testing of its claims processing systems, Beta testing tools for the provider community, acknowledgement testing, and end-to-end testing.

CMS has a mature and rigorous testing program for its Medicare fee-for-service (FFS) claims processing systems that supports the implementation of four quarterly releases per year. Each release is supported by a three-tiered, time-sensitive testing methodology: each FFS claims processing system maintainer performs Alpha testing for four weeks, Beta testing is performed by a separate Integration Contractor for eight weeks, and Acceptance Testing is performed by each Medicare Administrative Contractor (MAC) for four weeks to ensure compliance with local coverage requirements and well-functioning systems.

CMS began installing and testing system changes to support ICD-10 in 2011. As of October 1, 2013, all Medicare FFS claims processing systems were ready for ICD-10 implementation. CMS continues to test its ICD-10 software changes with each quarterly release. To help the provider community prepare for ICD-10, CMS recommends that the provider community leverage the variety of Beta versions of its software that include ICD-10 codes, as well as national coverage determination and local coverage determination code crosswalks. These testing tools are available for download from the CMS website and include:

- National Coverage Determinations converted from ICD-9 to ICD-10;
- Medicare Severity-Diagnosis Related Groups (MS-DRGs) converted from the current ICD-9 version to an ICD-10 (versions of the current ICD-10 MS-DRG Grouper, Medicare Code Editor, and MS-DRG Definitions Manual are available); and,
- A pilot version of the October 2014 Integrated Outpatient Code Editor utilizing ICD-10.

In addition, each MAC posted Local Coverage Determinations to their individual websites.

In March 2014, CMS conducted a successful ICD-10 testing week, which allowed testers and CMS to learn valuable lessons about ICD-10 claims processing. Testers submitted more than 127,000 claims with ICD-10 codes to the FFS claims systems and received electronic acknowledgements confirming that their claims were accepted. Approximately 2,600 participating providers, suppliers, billing companies, and clearinghouses participated in the testing week. Clearinghouses, which submit claims on behalf of providers, were the largest group of testers, submitting 50 percent of all test claims. Other testers included large and small physician practices, small and large hospitals, labs, ambulatory surgical centers, dialysis facilities, home health providers, and ambulance providers. Nationally, CMS accepted 89 percent of the test claims, with some regions reporting acceptance rates as high as 99 percent. The normal FFS Medicare claims acceptance rates average 95-98 percent. Testing did not identify any issues with the Medicare FFS claims systems.

Providers, suppliers, billing companies, and clearinghouses are welcome to submit acknowledgement test claims anytime up to the anticipated October 1, 2015, implementation date. However, those who submit claims may want to delay acknowledgement testing until after October 6, 2014, when Medicare updates its systems. Submitters should contact their local MAC for more information about acknowledgment testing. CMS will conduct end-to-end testing in 2015 and will soon provide details about this testing.

With respect to our advance payment policy, I understand the importance of ensuring claims are paid timely during the transition to ICD-10. We believe that the ICD-10 transition tool, extensive outreach and education, and robust testing described above will help meet our mutual goal of continued reimbursement flow when the ICD-10 codes go into effect.

Please note that regulations at 42 CFR § 421.214(g) provide that CMS may determine circumstances warrant the issuance of advance payments to all affected suppliers furnishing Medicare Part B services without requiring specific requests from the physician/supplier. This authority could apply if CMS systems are unable to process valid Part B claims that contain ICD-10 codes beginning October 1, 2015. Under these circumstances, no action would be needed from the physician/supplier and publishing criteria or modifying the existing policy is not necessary. HHS is committed to working closely with care providers during the move to ICD-10 to ensure a smooth transition, to ensuring that beneficiaries continue to have access to the care they need, and to timely processing claims, while safeguarding trust fund dollars during this transition.

Thank you again for your continued collaboration, and I welcome your input and feedback on additional ways to help physicians successfully transition to ICD-10. Please do not hesitate to contact me with any further thoughts or concerns.

Sincerely,

Sylvia M. Burwell