Good morning. My name is Steven Kanig, and I am a physician from Albuquerque, representing the New Mexico Medical Society and the State of New Mexico as one of two elected Delegates from our state to the American Medical Association. I greatly appreciate the invitation to speak with you about the newly implemented system for coding of medical diagnoses and hospital procedures known as ICD-10.

The entire healthcare system of the United States is in the process of doing a major overhaul in the way we bill and get paid. Physicians bill using a system of codes. First, they must designate one or more diagnosis codes appropriate for each patient that they see. That used to be called an ICD-9 code, and now is called an ICD-10 code, where ICD is the International Classification of Diseases. We then add a procedure code called CPT for Current Procedural Terminology, based on what we specifically did with that patient on that visit, and its complexity. We submit all that along with any necessary documentation to the insurance company, and if the insurance company accepts what we've submitted, they multiply the value of the codes by a number called the conversion factor that turns the codes into money and determines what we get paid for that encounter. If there are any problems with the claim, for example any field that is missing information or wasn't completed correctly, the claim is denied, and must be fixed and resubmitted.

On October 1, the entire nation was required by Health and Human Services to switch from one set of 14,000 diagnosis codes (ICD-9) to a new set (ICD-10) that contains 70,000 codes, 5 times as many. Some of the codes that we had to switch to all in one day have a ridiculous amount of detail, and some are so improbable that they are actually funny:

Problems in relationship with inlaws
Being sucked into a jet engine
Burns due to water-skis on fire
Being struck by a duck
Bizarre personal appearance (Perhaps this was made specially for Lady Gaga...)

But physicians haven't been laughing. The costs of preparing for, and implementing ICD-10, including paying for upgraded electronic health records systems and billing systems, and training of staff and physicians, have been enormous. A study by an expert on ICD-10 estimated that the total costs for a typical small practice were in the range of $55,000 - $225,000, and a large practice may have had to spend between $2 and $8 million. That's a huge cost for New Mexico physicians or the hospital systems that employ them. What do we get in return for this investment? It's not clear that we gain anything at all. The conversion to ICD-10 doesn't help us to take better care of our patients, and in fact, some of the newer advances in diagnoses based on genetics and abnormalities at a molecular level aren't included at all in ICD-10. Nobody really knows at this point who if anyone is actually going to benefit from this new system.

Many physicians have been worried about the possibility of things going wrong with the submission and processing of the new claims. So far, New Mexico physicians are

reporting that they've been submitting claims without problems, largely because we've had several years to prepare for this, so we know how to submit claims correctly, and the software vendors and insurance companies have had ample opportunity to upgrade their systems and resolve technical glitches. But it can take up to 45 days for an insurance company to decide whether they are going to pay for a claim, so while we are hopeful that this will go well, we don't know yet if the new claims with ICD-10 codes will be paid on time, or even paid at all.

I'n aware of one practice that took out a $4 million line of credit because they were afraid that they might not be able to make payroll and purchase the supplies that they need to continue taking care of patients if things didn't go well.

There are some things that we night need your help with.

Nationally, the Centers for Medicare and Medicaid Services, CMS, has put into place safeguards for Medicare claims for the first year of the transition. For example, claims won't be denied if the full coding details aren't properly specified, as long as the basic code is correct. There is an ombudsman to help physicians resolve problems. Perhaps most importantly, CMS will authorize advanced payments if Medicare contractors are unable to process claims within established time limits due to problems with ICD-10 implementation, so that physicians don't go bankrupt.

Here in New Mexico, I've been informed that some of our private payers have agreed to similar safeguards, but so far others have not. If things don't go properly, we believe that all payers should be willing to help our practices so that we're still able to take care of our patients.

If there are denials, the payers are not allowed to tell us what we did wrong about specific claims. But they could tell New Mexico Medical Society about frequently encountered problems, and NMMS could then educate physicians on anything that we're doing wrong so that we can fix the problems. That would be very helpful.

Lastly, because there is always concern about physician shortages in New Mexico, and because the additional burdens of ICD-10 implementation have been so substantial, it would be helpful for the state to look carefully at whether there is an increase in the number of older physicians who are retiring early, and whether there are an increasing number of physicians who are abandoning independent and rural practices to become employed by hospitals.

For anyone who might be interested, I've prepared a more detailed discussion that includes a history of how the ICD coding system came into being, and I'd be happy to share that as well as the written version I've just presented.

Thank you very much for the chance to present to you this morning.