Energy and Commerce Committee
Subcommittee on Health
Hearing on "Examining ICD-10 Implementation"
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Written Statement of Richard F Averill, M.S.
Director of Public Policy, 3M Health Information Systems

3M Company ("3M") appreciates the opportunity to testify before the Committee on Energy and Commerce, Subcommittee on Health Hearing on "Examining ICD-10 Implementation."

3M is a large U.S.-based employer and manufacturer established over a century ago in Minnesota. Today, 3M is one of the largest and most diversified manufacturing companies in the world. We are a global company conducting the majority of our manufacturing and research activities in the United States. 3M thanks the Committee for its recognition that health care innovation is happening quickly in the U.S. and for its leadership on trying to get the health care system to keep pace for the betterment of patients. Ensuring that we have a code set that provides better clinical data and accurately reflects care being provided to patients is a critical component in this effort.

ICD10 - We need it – we're ready. This is the message I want to make sure that I convey to this Committee today.

We need it. If we are to transition the health care system to one that focuses on value over volume, we need ICD-10. If we are to rate hospitals and physicians based on their outcomes, we need ICD-10. If we are to better assess what procedures, technologies, or approaches best aid improving patient care, we need ICD-10.

We're ready. The transition to ICD-10 is supported by the majority of the health care community – hospitals, health plans, coding experts, physician office managers, vendors, medical device manufacturers, health informatics specialist, the health information technology community, and some of the physician community. We've all invested significant time, energy and money into being ready. Providers, clearinghouses, payers – including CMS – are all testing. Testing results show that the system is ready for those who have taken the time to prepare. For those still in need of action, transition is proving to be manageable. The resources available to help with transition – many of which are free and online – are significant. The Coalition for ICD-10, of which 3M is a Member, stands ready to help in any way for those still left needing to take steps to be ready for October.

3M looks forward to working with the Committee on ensuring adoption of ICD-10 in October 2015.

Background on 3M

3M, formerly known as Minnesota Mining and Manufacturing, is an American company currently headquartered in St Paul, Minnesota. The company, created in 1902 by a small group of entrepreneurs, initially began as a small sandpaper product manufacturer. Today, 3M is one of the largest and most diversified manufacturing companies in the world. 3M is home to such well-known brands as Scotch, Scotch-Brite, Post-it®, Nexcare®, Filtrete®, Command®, and Thinsulate® and is composed of five business sectors: Consumer; Electronics and Energy; Industrial; Health Care; and Safety and Graphics.

Ahead of their peers, 3M's founders insisted on a robust investment in R&D. Looking back, it is this early and consistent commitment to R&D that has been the main component of 3M's success. Today, 3M maintains 46 different technology platforms. These diverse platforms allow 3M scientists to share and combine technologies from one business to another, creating unique, innovative solutions for its customers. The financial commitment to R&D equated to $1.7 billion of R&D spending in 2013 and over $7.6 billion over the last 5 years. These investments produced high quality jobs for 4400 researchers in the United States. The results are equally impressive with 625 U.S. patents awarded in 2014 alone, and over 40,000 global patents and patent applications.

3M's worldwide sales in 2014 were $31 billion. 3M is one of the 30 companies on the Dow Jones Average and is a component of the Standard & Poor's 500 Index. This success is attributable to the people of 3M. Generations of imaginative and industrious employees in all of its business sectors throughout the world have built 3M into a successful global company.

3M: Health Information Systems

3M Health Information Systems works with providers, payers and government agencies to anticipate and navigate a changing healthcare landscape. 3M provides healthcare data aggregation, analysis, and strategic services that help clients move from volume to value-based health care, resulting improved provider performance and better patient outcomes. 3M HIS is one of the industry leaders in computer-assisted coding, clinical documentation improvement, performance monitoring, quality outcomes reporting and terminology management.

ICD-10: We Need It

I was one of the original developers of the DRGs at Yale University. Since the inception of the Medicare inpatient prospective payment system by President Reagan and Speaker O'Neill, I have worked with CMS to maintain and update the DRGs. The biggest frustration with DRGs updates is that reasonable proposed DRG modifications from the health care providers often cannot be considered because there are no ICD-9 code to available to evaluate the proposal. Congress rightly wants to move the health care system to focus more on value over volume. I'm

here to tell you – you can't do it with ICD-9. You need ICD-10. It is simply time to have our diagnosis and procedure coding system reflect modern medicine.

The RAND report commissioned by the National Committee on Vital and Health Statistic concluded that the ICD-10 benefits from more accurate payments, fewer rejected claims, fewer fraudulent claims, better understanding of new procedures, and improved disease management would far exceed the cost of implementation. It is time to start realizing those benefits.

ICD-10 is a long overdue replacement for the outdated ICD-9-CM system for reporting diagnosis and procedure information. If we are to rate hospitals and physicians based on their outcomes, we need ICD-10. If we are to better assess what procedures, technologies, or approaches best aid improving patient care, we need ICD-10.

ICD-9 lacks adequate information to establish fair payment and judge quality. ICD-9 was developed nearly 40 years ago. When ICD-9 was developed you could smoke in the patient's room, there was no personal computer, no internet and minimal invasive endovascular and laparoscopic procedures where not even envisioned. ICD-9 reflects medicine of a bygone era. The reality is with ICD-9 we often don't know what really is wrong with the patient or what procedures were performed. ICD-9 codes like a repair of an unspecified artery by an unspecified technique are virtually useless for establishing fair payment levels or evaluating outcomes.

ICD-10: We're Ready

The transition to ICD-10 is supported by the majority of the health care community – hospitals, health plans, coding experts, physician office managers, vendors, medical device manufacturers, health informatics specialist, the health information technology community, and some of the physician community. We've all invested significant time, energy and money into being ready. Each delay adds substantially to the cost of ICD-10 conversion - the last one year delay is estimated to have cost the health care sector $6.5 billion dollars. The whole industry has to have fully functional ICD-9 and ICD-10 systems ready to go awaiting the final implementation date from policy makers. CMS has estimated that $20 billion will be spent getting ready for ICD-10. Because of the long lead times involved in transitioning major software systems, the vast major of those costs have already been incurred and grow with each additional delay.

Questions have been raised concerning the ability of CMS to move forward with ICD-10 implementation. For CMS and its fiscal intermediaries, the implementation of ICD-10 is primarily an update to its claim processing system. In contrast to the difficulties CMS has encountered with consumer facing websites, CMS has extensive experience performing significant updates to its claims processing system. As the recent GAO report demonstrates CMS has done extensive planning, preparation and outreach. The GAO report demonstrates that CMS has been responsive to the concerns of stakeholders and is on track to successfully implement ICD-10. CMS is continuing its program of end-to-end testing to ensure that providers have ample opportunities participate in a complete testing of their ICD-10 readiness. The Blue Cross Blue Shield Association reports that its member plans have completed internal testing and have an end-to-end testing program initiated for providers. Testing results have favorable with

no material problems detected and a successful October 2015 implementation is expected. Providers, clearinghouses and payers are all testing and will continue to test. Testing results demonstrate that the system is ready for those providers who have taken the time to prepare.

For example, because of it's in depth use of diagnosis and procedure information and its impact on a $120 billion in Medicare payments to hospitals, the component of the Medicare claims processing system that present one of the biggest challenges was the conversion of MS-DRGs to ICD-10. In 2012 CMS release the specifications for the ICD-10 version of the MS-DRGs and in 2013 released the ICD-10 MS-DRG software giving the industry ample time for preparation. In addition, CMS has just released a payment impact analysis that concluded that the conversion to ICD-10 will cause negligible changes in MS-DRG payments to hospitals.

For those still in need of action, studies are showing that transition is manageable. The resources available to help with transition – many of which are free and online – are significant. ICD-10 educational materials are now readily available for a nominal cost. Practice specialty specific superbills can be downloaded at no cost from the internet. Many software system vendors are providing ICD-10 system updates at no additional cost. The adoption of electronic health records has further facilitated the transition to ICD-10. The availability of inexpensive support resource has resulted in ICD-10 conversion cost being much lower than initially estimated. The Professional Association of Health-care Office Management (PAHCOM) is the association for managers of physician practices. PAHCOM conducted a survey of its membership to assess the ICD-10 related costs actually being incurred by small physician practices with a focus on practices with six or less direct care providers. This PAHCOM survey found that the average ICD-10 related expenditures per provider for a physician practice with six or less providers is $3,430. The American Academy of Professional Coders also conducted a survey of the ICD-10 implementation costs in small physician practices (defined by AAPC as under 10 providers) and found that ICD-10 implementation costs averaged $750 per provider.

Unfortunately, what should be a routine update to the reporting of diagnosis and procedure information has become somewhat overwhelmed in controversy. There are many ICD-10 misconceptions relating to the large increase in the number of codes and codes that will rarely ever be used.

Large number of codes

The notion that a large number of codes create a burden assumes that each provider will have the need to use *all* the codes. However, physicians and other providers will only use the subset of ICD-10 that is relevant to their patient population (i.e., an ophthalmologist will primarily use only the eye codes). Assuming complexity and difficulty of use merely based on the number of codes is like asserting the English language is overly complex and difficult to use because there are 470,000 words in Webster's unabridged English dictionary. Clearly, no one is expected to know and use all 470,000 words. An individual only uses the words he/she needs, and those words constitute a tiny fraction of the words in the dictionary. The same is true for codes. Physicians and other providers will only use the codes relevant to their patient population, and those codes will constitute a tiny fraction of the codes in ICD-10.

Rarely used codes

Because there are some codes that are rarely used there has been the contention that much of the detail in ICD-10 is unnecessary. However, the primary examples of unnecessary detail that are given are from the external cause of injury section of ICD-10, typically dealing with injuries from animals (alligator versus crocodile bite) or extreme causes of injury (sucked into a jet engine). However, except for a very narrow set of external cause codes that deal primarily with medical interventions (surgery on wrong body part), Medicare does not require that physicians or other providers report external cause of injury codes. Further, with the exception of special circumstances like a worker's compensation claim, few other payers require the coding and reporting of external cause of injury codes. Therefore, use of these codes presents minimal, if any, coding and reporting burden for physicians or other providers. Despite the fact that the external cause of injury codes will rarely ever need to be coded and reported, they are used to imply that ICD-10 is riddled with unnecessary detail. Arguing that ICD-10 should be abandoned because a few ICD-10 codes are viewed as unnecessary detail is like arguing that English should be abandoned because it contains the unnecessary word "floccinaucinihilipilification"**.** The ICD-9 external cause codes also contain codes that could be viewed as unnecessary detail (E800.3 Railway accident involving collision with rolling stock and a pedal cyclist). Yet for the last 35 years, the ICD-9 external cause codes have presented minimal if any burden for physicians or other providers.

Summary of 3M Recommendations

We thank the Committee for the opportunity to share our perspective on the need for transitioning to ICD-10.

ICD-10: We need it, We're ready. As a member of the Coalition for ICD-10, a broad-based healthcare industry group that includes hospitals, health plans, hospital and physician office coding experts, physician office managers, vendors, medical device manufacturers, health informatics and information technology leaders, we strongly oppose any further delays to the adoption of ICD-10 in October 2015.

3M stands prepared to work with you in any way we can to support you on this critical coding system upgrade.