



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** A 14-002, **Version:** 1

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Approve and direct the Purchasing Manager for Natividad Medical Center (NMC) to execute Renewal and Amendment No. 2 to the Agreement (A-12118) with Healthcare Services Management (HSM) for ICD-10 (International Classification of Diseases - version 10) code set implementation, training and consulting services at NMC, extending the agreement to June 30, 2015 and adding \$1,202,950 for a revised total agreement amount not to exceed \$2,023,675 in the aggregate.

### **RECOMMENDATION:**

It is recommended the Board of Supervisors approve and authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute Renewal and Amendment No. 2 to the Agreement (A-12118) with Healthcare Services Management (HSM) for ICD-10 (International Classification of Diseases - version 10) code set implementation and training consulting services at NMC, extending the agreement to June 30, 2015 and adding \$1,202,950 for a revised total agreement amount not to exceed \$2,023,675 in the aggregate.

### **SUMMARY/DISCUSSION:**

The Department of Health and Human Services (HHS) has established several changes for national coding with the purpose of meeting the growing demands of the complex payment environment in healthcare. As of October 1, 2014, reporting claims for medical diagnoses and inpatient procedures, once submitted to payers using ICD-9 code sets, will need to be submitted using the new ICD-10 (International Classification of Diseases - version 10) code sets.

ICD codes are the common system of codes used to classify diseases and other health problems on many types of health records. ICD means International Classification of Diseases. ICD codes are alphanumeric designations given to every diagnosis, description of symptoms and cause of death attributed to human beings. This means that each diagnosis a human being may be given has a code that goes with it. That code means that every medical professional in the United States and many other parts of the world will understand the diagnosis the same way.

ICD code sets are critical to NMC. They are required for the hospital to retrieve revenue for services rendered, used to calculate payments for covered services, compile statistics and assess quality within a healthcare setting. The transition to ICD-10 is being mandated because ICD-9 codes (currently used nation-wide) produce limited data about patients' medical conditions and hospital inpatient procedures. ICD-9 is 30 years old, has outdated terms, and is inconsistent with current medical practices.

With a federally mandated compliance deadline for ICD-10 code sets effective October 1, 2014, it is important for NMC to start the implementation and prepare and train staff as soon as possible. To help facilitate this endeavor and meet the federal deadline, NMC will need to engage consulting assistance from HSM for the purpose of providing ICD-10 subject matter expertise, financial impact analysis, project planning, code set implementation, and physician and staff education and training.

HSM will also provide implementation assistance to help NMC complete assessment recommendations and prepare the hospital for the transition to ICD-10. Utilizing an enterprise-wide approach, HSM will collaborate with NMC with implementing a strategy and roadmap for ICD-10 that will assist NMC in achieving and

maintaining compliance. For a complete list of services requested per this Renewal and Amendment No. 2 with associated costs, and history of the Agreement, please see Attachment A; “*HSM Renewal and Amendment No. 2 and History*”.

**OTHER AGENCY INVOLVEMENT:**

County Counsel has reviewed and approved this Renewal and Amendment No. 2 as to legal form and risk provisions. Auditor-Controller has reviewed and approved this Renewal and Amendment No. 2 as to fiscal provisions. The Renewal and Amendment No. 2 has also been reviewed and approved by Natividad Medical Center’s Executive Committee.

**FINANCING:**

The cost for this Renewal and Amendment No. 2 is \$1,202,950 over two years. \$600,000 is included in the Fiscal Year 2013/2014 Adopted Budget. Amounts for remaining years of the Agreement will be included in those budgets as appropriate. NMC's FY 2013-2014 appropriation obligations exceeded its budget for the period July 2013 through December 2013 (six months). NMC has received additional Disproportionate Share funding from the State and is forecasted to be back on budget. There is no impact to the General Fund.

Prepared by: Jim Fenstermaker, Senior IT Strategist 783-2559

Approved by: Harry Weis, Chief Executive Officer, 783-2553

Attachments: Renewal and Amendment No. 2, Original Agreement, Renewal and Amendment 1, Attachment A: “*HSM Renewal and Amendment No. 2 and History*”, Spend Sheet