



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



Date: November 21, 2014
Board Meeting Date: January 27, 2015
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Jean S. Fraser, Chief, Health System
Susan Ehrlich, MD, MPP, Chief Executive Officer, San Mateo Medical Center

Subject: Agreement with Altegra Health Operating Company

RECOMMENDATION:

Adopt a Resolution authorizing an agreement with Altegra Health Operating Company for coding support services, for the term of February 1, 2015 through December 31, 2015, in an amount not to exceed \$300,000.

BACKGROUND:

The Centers for Medicare and Medicaid Services (CMS) mandated that the 10th revision of the International Statistical Classification of Diseases and Related Health Problems (ICD-10) coding system be implemented by October 1, 2015. According to the American Health Information Management Association, the transition to ICD-10 may result in as much as a 25% decrease in productivity for Health Information Management coding staff during the initial stages of implementation due to the increased specificity of the ICD-10 coding system and the increased number of queries to providers for clarification of medical record documentation. The Advisory Board Company, one of America's premier healthcare research think tanks, has advised that cash flow could be reduced by 2-3% during this period. In the case of San Mateo Medical Center (SMMC), this could result in a \$2-3 million reduction during the period immediately following the implementation.

DISCUSSION:

Altegra Health Operating Company (Altegra) will provide a portion of SMMC's ICD-9, ICD-10, and Current Procedural Terminology (CPT) coding services in order to help SMMC navigate through this challenging transition period. SMMC is striving to be ready well in advance of the implementation date and will begin ICD-10 coding in early 2015 to ensure a successful implementation. However, because all final bills submitted for reimbursement by SMMC must use ICD-9 codes until October 2015, SMMC's billing

systems must be able to accommodate “dual coding” (both ICD-9 and ICD-10) in the interim. SMMC’s inpatient and ancillary systems permit dual coding, but the eClinicalWorks system used by SMMC’s ambulatory clinics will only accommodate ICD-10. It is expected that upwards of 66,000 cases (25% of total cases) will need to be manually converted back to ICD-9. Altegra will assist with this manual conversion, given that SMMC’s Health Information Management department does not have the capacity to perform this function. In January 2014, SMMC completed a Request for Proposals and found that Altegra was the best fit at the best price for the required services. SMMC is simultaneously submitting for your Board’s consideration an agreement with Healthcare Cost Solutions, Inc. for compliance coding audits, which will help ensure SMMC coding accuracy in the long-term.

The Resolution contains the County’s standard provisions allowing amendment of the County’s fiscal obligations by a maximum of \$25,000 (in aggregate).

The agreement and Resolution have been reviewed and approved by County Counsel as to form.

This agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing improved coding, which ultimately affects revenue cycle through improved billing and collections and should reduce the likelihood of non-compliance with government programs. It is anticipated that SMMC’s cash flow will be maintained at pre-implementation levels of \$10 million dollars per month and vendor coding will achieve 95% accuracy or higher.

PERFORMANCE MEASURE:

Measure	FY 2013-14 Actual	FY 2014-15 Projected
Cash flow maintained at pre-implementation levels	\$10 million per month	\$10 million per month
Vendor coding accuracy	NA*	95%

*New Measure

FISCAL IMPACT:

The term of the agreement is February 1, 2015, through December 31, 2015, in an amount not to exceed \$300,000. Funds in the amount of \$136,364 are included in the SMMC FY 2014-15 Adopted Budget. Similar arrangements will be made for future budget years.

Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care are covered by the County’s General Fund contribution to SMMC, and are within the existing annual appropriation.