



# ICD-10

Official CMS Industry Resources for the ICD-10 Transition  
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## Version 5010 and ICD-10 They're coming. Will you be ready?

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News Updates | December 9, 2011

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### CMS Has Issued a Final Rule Updating Medical Loss Ratio to Account for ICD-10 Conversion Costs

The Version 5010 and ICD-10 transitions require significant changes to software and database systems, and may necessitate training for these updated standards and new coding sets. The Centers for Medicare and Medicaid Services (CMS) understands these system conversions can be costly to implement. To help alleviate this financial concern, CMS has released a final rule which addresses medical loss ratio (MLR), which now includes provisions for ICD-10 conversion cost considerations.

What is MLR?

MLR is the ratio of total losses paid in insurance claims divided by the total earned premiums collected by insurers. Regulations of MLR mandate that insurers may only spend 15 or 20 percent of revenue from premiums on expenses that are non-clinical, such as administrative costs, in order to reduce excessive spending. A minimum level of 85 percent of revenue for large group markets and 80 percent for small group markets has been set to be spent only on clinical costs.

How Does this Change Affect ICD-10?

Under this final rule, insurers may shift some of the costs associated with the ICD-10 conversion to the category of clinical cost, which will be considered as quality improvement activity.

This will allow up to 0.3 percent of earned premiums in the relevant state market to be counted as quality improvement activity. This specification of how the MLR is calculated will help covered entities cover some of the cost of ICD-10 implementation. ICD-10 maintenance costs and claims adjudication system costs are still considered to be administrative, and thus will fall under the MLR restriction on non-clinical spending limits.

This [final rule](#) will be effective on January 1, 2012, and will be open for public comment until January 6, 2012. The final rule addresses comments made in the interim rule published in January 2011.

Keep Up to Date on Version 5010 and ICD-10.

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