

### The Expense of the ICD-10 Conversion

In 2009, the Department of Health and Human Services (HHS) approved the conversion from ICD-9 to ICD-10. Although final implementation is set for October 2013, providers who have not yet begun the transition may face significant challenges compared to those already making preparations.<sup>1</sup> The conversion to ICD-10 will likely require significant direct and indirect costs, as providers, payers, and vendors update health information technology (HIT), educate and train staff, adjust operational workflows, and absorb the costs associated with increased documentation and cash flow disruption.<sup>2</sup> Despite the American Medical Association's (AMA) vigorous attempts to stop the costly conversion, the change seems to be inevitable.<sup>3</sup>

The International Statistical Classification of Diseases and Related Health Problems (ICD), was developed in 1893 to track mortality statistics. Currently on its tenth iteration, the system is used worldwide for mortality and morbidity statistics, reimbursement systems, and automated decision support.<sup>4</sup> The ICD-10 conversion represents a practical overhaul of the ICD system, increasing its complexity in hopes of better tailoring patient care. The ICD-10 will increase the number of procedure codes from 4,000 to 72,000 and diagnostic codes from 14,000 to 69,000, and change codes from a five-digit numeric code to a seven-digit alphanumeric code, resulting in more specific coding and documentation of medical conditions and procedures than the ICD-9.<sup>5</sup>

The Centers for Medicare and Medicaid Services (CMS) estimate that the total costs associated with the ICD-10 conversion may reach \$640 million in 2013 alone. Hospitals with less than 100 beds are expected to pay between \$100,000 and \$250,000 or between \$1.5 million and \$5 million for practices with more than 400 beds. Issues with improper and returned claims may account for an estimated \$329 million in productivity losses in 2015, as organizations may be hindered by the learning curve associated with a more comprehensive coding system.<sup>6</sup> In addition, HIT system changes necessary to incorporate the new codes are estimated to cost providers nearly \$75 million.<sup>7</sup>

For physician practices, ICD-10 implementation will cost an estimated \$28,500 per physician.<sup>8</sup> This cost breakdown includes: staff education and training (\$2,405 for a 10-physician practice to \$46,280 for a 100-

physician practice); business-process analysis of health plan contracts, coverage determinations and documentation (from \$6,900 to \$48,000); software changes (\$2,985 to \$99,500); IT system changes (\$7,400 to \$100,000); increased documentation costs (\$44,000 to \$1.785 million); and, finally, cash flow disruption (\$19,500 to \$650,000).<sup>9</sup>

The significant costs associated with the transition and the upcoming 2013 deadline have raised concerns in the healthcare industry as providers are already burdened with the obligations of the Affordable Care Act and other healthcare reform mandates. The AMA held a vote in the House of Delegates to "*vigorously work to stop the implementation*" of what they consider an "*onerous*" transition.<sup>10</sup> 60 percent of providers expect the ICD-10 transition to negatively affect short-term cash flows and 45 percent anticipate overall revenue loss.<sup>11</sup> Similarly, poor ICD-10 implementation could potentially increase claim denial rates by one to three percent.<sup>12</sup> Beyond direct challenges, the ICD-10 transition will likely require significant physician and staff buy-in and support. Critics also assert that the ICD-10 may gather an unprecedented amount of data too extensive to efficiently analyze.<sup>13</sup> Despite the AMA's push against ICD-10, supporters maintain the benefits outweigh potential costs.

Utilized since 1979, the ICD-9 likely excludes many recently discovered diseases, conditions, treatments, and procedures currently utilized.<sup>14</sup> The ICD-10 specifically has the potential to provide more thorough information, allowing providers to improve patient outcomes. 72 percent of providers agree that ICD-10 will eventually help with quality initiatives.<sup>15</sup> In addition, the added specificity may help deter fraudulent billing and reduce complications associated with reporting. The new system should also align with current EMR adoption initiatives.<sup>16</sup> As with any significant change, estimates predict providers may experience a decrease in coding productivity of approximately 30 percent and the benefits of the ICD-10 conversion may take up to five years to realize.<sup>17</sup>

The full ICD-10 code conversion is expected to be complete by October 1, 2013, at which time CMS will only accept claims in ICD-10 form. The CMS website provides detailed compliance timelines that outline the essential activities needed to successfully transition from

ICD-9 to ICD-10. Separate timelines apply to large providers, small providers, payers, and venders. CMS also provides an implementation widget that can be embedded on personal desktops, organizational websites, e-mail correspondence, or social media channels.<sup>18</sup>

As of October 2011, nearly 86 percent of inpatient facilities indicated they had started ICD-10 implementation planning.<sup>19</sup> However, only 50 percent of other health care entities claimed to have done so, and only 29 percent of facilities that have begun planning are beyond the assessment phase. As of July 2011, only 3 percent of providers claimed to be fully prepared for ICD-10 and 16 percent had not yet started the conversion process.<sup>20</sup> Industry experts suggest that healthcare organizations should be ready for ICD-10 six months prior to the 2013 deadlines and those who have yet to begin may face significant challenges to completing the conversion in time for the October 2013 deadline. One commentator noted that some providers, *“may not totally appreciate the enormity of [the] task, and that might be something that comes back to bite them.”*<sup>21</sup> All providers should begin steps sooner rather than later to avoid the challenges and costs associated with delayed implementation.

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9 Ibid.

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13 Clark, “ICD-10 Cost, Timing Concerns Explain AMA Vote” 2011.

14 Minich-Pourshadi, “ICD-10 Puts Revenue at Risk” 2011.

15 “10 Ways ICD-10 Will Improve Quality of Care” By Cheryl Clark, HealthLeaders Media, December 1, 2011, <http://www.healthleadersmedia.com/content/QUA-273822/10-Ways-ICD10-Will-Improve-Quality-of-Care##> (Accessed 12/2/2011).

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**Robert James Cimasi**, MHA ASA, MCBA, AVA, CM&AA, President. Mr. Cimasi is a nationally recognized healthcare industry expert, with over 25 years experience in serving clients, in 49 states, with a professional focus on the financial and economic aspects of healthcare industry including: valuation consulting; litigation support & expert testimony; business intermediary and capital formation services; certificate-of-need and other regulatory and policy planning; and, healthcare industry transactions, joint ventures, mergers and divestitures.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, and several professional certifications. He has been certified and has served as an expert witness on cases in numerous states, and has provided testimony before federal and state legislative committees.

Mr. Cimasi is a nationally known speaker on healthcare industry topics, is the author of several nationally published books, chapters, published articles, research papers and case studies, and is often quoted by healthcare industry press. Mr. Cimasi's latest book, "The U.S. Healthcare Certificate of Need Sourcebook", was published in 2005 by Beard Books. In 2006, Mr. Cimasi was honored with the prestigious "Shannon Pratt Award in Business Valuation" conferred by the Institute of Business Appraisers and was elevated to the Institute's College of Fellows in 2007.



**Todd A. Zigrang**, MHA, MBA, ASA, FACHE, Senior Vice-President. Mr. Zigrang has over twelve years experience in providing valuation, financial analysis, and provider integration services to HCC's clients nationwide. He has developed and implemented hospital and physician driven MSOs and networks involving a wide range of specialties; developed a physician-owned ambulatory surgery center; participated in the evaluation and negotiation of managed care contracts, performed

valuations of a wide array of healthcare entities; participated in numerous litigation support engagements; created pro-forma financials; written business plans and feasibility analyses; conducted comprehensive industry research; completed due diligence analysis; overseen the selection process for vendors, contractors, and architects; and, developed project financing.

Mr. Zigrang holds a Masters in Business Administration and a Master of Science in Health Administration from the University of Missouri at Columbia. He holds the Certified Healthcare Executive (CHE) designation from, and is a Diplomat of, the American College of Healthcare Executives and a member of the Healthcare Financial Management Association.



**Anne P. Sharamitaro**, Esq., Vice President. Ms. Sharamitaro focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro was admitted to the Missouri after graduating with J.D. and Health Law Certificate from St. Louis University School of Law. At St. Louis University, served as an editor and staff member of the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare

industry related research papers before Physician Hospitals of America (f/k/a American Surgical Hospital Association) and the National Association of Certified Valuation Analysts.