Dollars and Sense: ICD-10 Cost Survey Results

Prepared For:
American Institute of Healthcare Administrative Management

Presented By:
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Defining the Problem

Top 3 Provider Concerns
*as discussed in the WEDI National Conference, May 2014

- **Cost**
  - Updated Cost Study shows small practice costs ranging from $56k to $226k
  - The bulk of these costs fall into Testing and Payment Disruption
  - “ICD-10 cost a ‘crushing burden’ for docs” – Healthcare IT News headline

- **Complexity**
  - ICD-10 Diagnosis Codes increase five-fold over ICD-9: from 13,000 to 68,000

- **Testing**
  - Too many small providers for each to test with key regional payers
What Can You Expect Today?

This Presentation Focuses on Cost:
- Review findings from UHC driven ICD-10 cost survey
- Share best practices identified in cost survey
- Call to arms: leverage industry to engage in a broader, collaborative effort to identify costs & viable cost reduction strategies

Further Work Being Done:
- Collaborative efforts for partner testing
- Education on ICD-10 complexity
Question for You:

By a show of hands, please provide your answer to the following question:

What is your best guess as to the overall costs a small PCP practice (2-3 physicians) will experience in the transition to ICD-10:

1) Under $10,000
2) $10,000-$50,000
3) $50,000-100,000
4) $100,00-$200,000
5) Over $200,000
Why an ICD-10 Cost Survey

- To better understand the specific cost burdens of small practices for ICD-10
- Utilize specific case scenarios to explore remediation alternatives and their impact on cost
- Test out the assumption that not all costs are applicable to all providers
- Identify what small practitioners deem to be “best practices” and share with provider partners

Bottom Line:

- From the outset, UnitedHealthcare has been particularly concerned with small/solo practitioners, rurally situated practitioners, or resource sensitive practitioners because the transition to ICD-10 can be a resource heavy activity. Information shared about the transition helps create awareness and the ability to offset or mitigate those factors which might affect productivity or revenue
Overview of Study Participants

- **Participants:**
  - 3 Small Sized (2-4 physician) Practices’:
    - Small Practice A. 2 MDs/ 1 coder
    - Small Practice B. 1 MDs/ zero coders
    - Small Practice C. 4 MDs/ zero coders
  - 1 Medium Sized Practice
    - 11 MDs/ 3 coders
  - 1 Large Sized Practice
    - 59 MDs/ 2.5 coders

  Total: 78 Physician 6.5 Coders (12:1 physician to coder ratio)

- **Specialty:**
  - All Primary Care Based (large practice did include specialists)

- **Where:**
  - 3 practices located in Colorado/ 1 practice located in Illinois and Iowa

- **When:**
  - All surveys performed in August, 2014

- **How:**
  - Onsite and/ or telephonic interview
Below is feedback from two of the small practices we interviewed that helps illustrate that ICD-10 cost implications vary widely from practice to practice.

Small practice #1:

Q. How difficult has the ICD-10 transition been relative to your expectations?
A. More difficult than I thought.

Q. Generally speaking, are the ICD-10 transition costs you’ve incurred more or less than your expectations?
A. Less costly than I thought.

Small practice #2:

Q. How difficult has the ICD-10 transition been relative to your expectations?
A. Less difficult than I thought.

Q. Generally speaking, are the ICD-10 transition costs you’ve incurred more or less than your expectations?
A. More costly than I thought.
Here is feedback received when each of the various sized practices were asked:

In which ICD-10 transition areas – Documentation/IT Readiness/Coder Training/Working with Clearinghouse/Code Mapping/Preparing for Payment Disruption – did they see their practice performing better than average:

- All three small practices indicated IT readiness
- One smaller practice indicated coder training
- The medium practice indicated coder training/code mapping/clearinghouse
- The large practice indicated coder training and preparing for payment disruption
Here is feedback received when each of the various sized practices were asked:

In which ICD-10 transition areas – Documentation/IT Readiness/Coder Training/Working with Clearinghouse/Code Mapping/Preparing for Payment Disruption – did they see their practice as **performing worse** than average:

- Two small practices indicated documentation and preparing for payment disruption
- The medium practice indicated preparing for payment disruption
- The larger practice indicated IT readiness and code mapping
When asked about ICD-10 Impact Assessment Costs, responses included:

- Yes, the practice hired a third party to conduct an ICD-10 Impact Assessment
- Not applicable. We do not expect costs to arise out of our Impact Assessment
- No, the practice did not hire a third party to conduct an ICD-10 impact assessment, and it was being done internally

**Small Practice findings:**

- Two practices will perform the assessment in-house (no costs identified when asked)
- One practice’s billing company is performing the function at no added charge to the monthly fee

**Medium Practice findings:**

- Performing assessment in-house (budgeting $2,500)

**Large Practice findings:**

- Hired a third party to perform assessment (budgeting $80,000 for consultant)
When asked about ICD-10 Training Costs, responses included:

- Yes, the practice will use a third party to conduct ICD-10 training
- Not applicable. We do not expect costs related to ICD-10 training.
- No, the practice did not hire a third party to conduct ICD-10 training, and it will be handled internally

Small Practice findings:

- One practice will perform training in-house (no costs identified when asked)
- Two practices’ billing organization are performing this function at no added charge outside of the contract (will certify two internal staffers)

Medium Practice findings:

- Performing training (“train the trainer”) in-house (budgeting $1,500)

Large Practice

- Hired a third party to perform training (budgeting $60,000 for consultants)
Practice Feedback: IT Remediation

When asked about ICD-10 Vendor/Software Costs, findings included:

**For Small Practices:**
- Two had contacted vendor (charge: $17,500 and $7,500 respectively)
- One had not contacted vendor (assuming costs are included as part of recent upgrade)

**For Medium Practices:**
- Had contacted vendor (no additional charge – included in agreement)

**For Large Practice:**
- Had not contacted vendor
Practice Findings: ICD-10 Testing

When asked about ICD-10 Testing Costs, responses included:

• At this point, we don’t anticipate any material costs arising from the practice’s ICD-10 testing plans
• We do anticipate there will be costs associated with the ICD-10 testing the practice will perform.

Findings include:

• All practices said they expect to test
• All participating practices mentioned they do not expect costs arising from testing
Practice Findings: ICD-10 Delay

When asked if they could quantify costs incurred, if any, related to the ICD-10 delay(s), responses included:

For Small Practices:
- Two cited none
- One stated $1,000 (2 books and online ICD-10 resources)

For Medium Practices:
- Cited none

For Large Practice:
- Cited none
Practice Findings: Productivity Loss*

When asked about Process Remediation/ Productivity Costs (additional time/requirements to get claims out to payers), responses included:

- All practices said they expect a post ICD-10 productivity loss

**Small Practices** (one cited 30% loss in productivity/one cited moving from 3 to 7 days to get a bill out and one could not quantify the productivity loss)
- Reasons: All mentioned documentation
- Two mentioned longer time to code
- One mentioned gaps in payments/having to send both ICD-9/ICD-10 codes

**Medium Practice** (Could not quantify productivity loss)
- Reasons: Documentation/ long time to code

**Large Practice** (Could not quantify productivity loss)
- Reasons: Additional time is being anticipated to bill/ work rejections and handle back end issues – in addition to Documentation/Longer time to Code chart/System Issues

*Cost NOT included in calculations*
Practice Findings: Payment Disruption*

When asked about ICD-10 Payment Disruption, responses included:
• At this point, we don’t anticipate any material payment disruption to arise post ICD-10 implementation
• We do anticipate there will be a payment disruption arising from the use of ICD-10

Findings include:
• All practices responded that they expect payment disruption

For Small Practices:
• One cited Private Payer Issues/General Disruptions – smaller payer
• Two cited Private Payer Issue/Government Payer Issues

For Medium Practices:
• Private Payer Issues/Government Payer Issues/ Prior Authorization

For Large Practice:
• Private Payer Issue/Government Payer Issues/Prior Authorization

*Cost NOT included in calculations
# Calculations: ICD-10 Transition

<table>
<thead>
<tr>
<th>Summary Results: Cost Study Survey Additional Costs</th>
<th>Small Practice A (2 MDs)</th>
<th>Small Practice B (2 MDs)</th>
<th>Small Practice C (4 MDs)</th>
<th>Medium Practice (11 MDs)</th>
<th>Large Practice (59 MDs)</th>
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<tbody>
<tr>
<td><strong>ICD-10 Transition Costs</strong></td>
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<tr>
<td>Costs: Assessment</td>
<td>$0.00 (in house)</td>
<td>$0.00 (in house)</td>
<td>$0.00 (Billing Service)</td>
<td>$2,500.00</td>
<td>$80,000.00</td>
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<td>Costs: Training</td>
<td>$0.00 (in house)</td>
<td>$0.00 (Billing Service)</td>
<td>$0.00 (Billing Service)</td>
<td>$1,500.00</td>
<td>$60,000.00</td>
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<tr>
<td>Costs: IT Remediation</td>
<td>$17,500.00 (Included in Recent Upgrade)</td>
<td>$0.00 (Billing Service)</td>
<td>$7,500.00 (Included in Maintance Agreement with Vendor)</td>
<td>$0.00 (Had Not Contacted Vendor)</td>
<td>$0.00 (Included in Maintance Agreement with Vendor)</td>
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<tr>
<td>Costs: Testing</td>
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<td>Costs: Delay</td>
<td>$0.00</td>
<td>$1,000.00 (Online Material/ Books)</td>
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<td>Costs: Productivity Loss*</td>
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<td>n/a</td>
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<tr>
<td>No &quot;additional&quot; costs identified</td>
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<tr>
<td>Costs: Payment Disruption*</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
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<td><strong>Total</strong></td>
<td>$17,500.00</td>
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<td>Costs per physician: (Total costs/ number of physician)=</td>
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<td>$8,750.00</td>
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Findings:
• The larger the practice the harder it is to incorporate costs. More hard costs are realized the larger the practice.
• All practices expect productivity losses, but hard to quantify
• Hard costs associated with IT remediation
• Physician documentation is a top concern

Best Practices:
• Connect with and work with state medical societies
• Billing agencies are working to add value in offering education and assessments with small practices in particular
• Work with IT vendor(s) early – IT costs are a hard cost so knowing them upfront puts the practice in the best position
• Hospitals, in some cases, are providing free documentation training to those with privileges
• Dollars saved in employing a “train the trainer” education strategy
• Understanding ICD-10 prior-authorization process is of benefit.
Questions and Contact information

Questions?

Contact Information:
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ICD-10 Questions??
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Thank you!