Cost of Converting Small Physician Offices to ICD-10 Much Lower than Previously Reported

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The controversial delay of ICD-10 implementation was based in part on the perceived time, cost and lost productivity for physician offices to perform the necessary assessment, training, software conversions, testing and "super bill" updates.[1] Current evidence suggests that the initial estimates of the costs and effort associated with ICD-10 implementation for physician offices has been overestimated and that vendors, health plans and physicians have made considerable progress[2] with fewer resources than had been previously estimated. This article will reexamine the estimated costs for ICD-10 conversion for a typical small physician practice based on results from recent surveys and published reports as well as ICD-10 conversion experience with numerous hospitals and physicians. The new data suggests that the estimated costs, time and resources required by physician offices are dramatically lower than initially estimated as a result of readily available free and low cost solutions offered by coding, education and software vendors. The revised estimated costs for ICD-10 for a small practice to be prepared for the conversion to ICD-10 is in the range of $1,960-$5,900, where a small practice is defined as three physicians and two impacted staff such as coders and or front desk/back office personnel.

Training Costs

Estimates of ICD-10 training and costs for a physician practice typically include the costs of a coding book, coder training for impacted office staff, web-based training for physicians and the lost productivity time required for these activities. A recent 2014 update[3] of a widely referenced 2008 report[1] by Nachimson Advisors to the American Medical Association estimated the cost for a small practice to implement ICD-10 was in the range of $22,560 to $105,506 which is substantially higher than the $1,960 to $5,900 estimated in this article.

There are a number of reasons why the cost estimates reported in this article are lower. The costs related to EHR adoption and other healthcare initiatives, like meaningful use are not directly related to the ICD-10 conversion although these costs were sometimes included in ICD-10 conversion cost estimates.[3] The coding industry is much more knowledgeable and ready for ICD-10 now than previously reported. Furthermore, the activities necessary to be ready for ICD-10 have become available at very low cost:

- Online clinician documentation and coding training can be purchased for $50 to $300 for three hours of training in a particular specialty and there is a free educational website devoted to making physician practices' transitions to ICD-10 easier.[4]
- The ICD-10 Diagnoses Code book can be downloaded for free and is also available from publishers for $70 to $300.[4] There is an ICD-10 iPhone App for $1.99 that allows a word search function to find an ICD-10 code (there's even a free version).
- Comprehensive ICD-10 training for staff ranges from $350 to $700 which can include "implementation" type training where managers then return to an office and provide training to other administrative staff.[4] For example, the Michigan State Medical Society offers comprehensive ICD-10 training for physicians and staff for $400.[5]

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Recent surveys of stakeholders support lower estimating costs as well with one large survey estimating that implementation costs for small practices at $750 per provider resulting in a $3,750 estimate for a five person office which is consistent with the $1,960 to $5,900 range estimated in this article.[2]

Software Upgrade Costs

An August 2014 a survey from the Workgroup for Electronic Data Interchange (WEDI) reported that two-thirds of vendors indicate that ICD-10 versions of their products are already available and two-fifths of the ICD-10 products and services are complete.[6] Many vendors are including the ICD-10 software update as part of their routine annual software update at no addition cost resulting in physician offices having no incremental ICD-10 related costs associated with their billing, practice management and EMR software.[3,7] Physicians are relying heavily on their vendors, such as billing services, software vendors, and clearinghouses. Furthermore, many small practices are depending on their integrated EHR vendors to provide the necessary training for ICD-10 as well as absorbing the conversion costs.[8] Physician office costs are not expected to change for basic software services and as a result software conversion costs are estimated to be zero for small practices (as well as for some medium or large practices). For example, for physician offices using Virtual Officeware Healthcare Solutions, a value-added reseller of GE Centricity, there is no incremental system cost associated with the upgrade to ICD-10.[4] In addition, government incentive payments of $44,000 to $64,000 have been received by the many physicians for moving from paper-based medical information tracking to a computerized EMR which lays the foundation for a smooth transition to ICD-10.

Super Bill Conversion

Some physician offices may continue to use a "superbill" after the transition to ICD-10 requiring that the superbill be converted to ICD-10. However, physicians who use superbills already update them annually for ICD-9 code changes.[9] An ICD-10 superbill conversion is not substantively more involved than the current ICD-9 update process. superbills can be downloaded at no cost from the internet which can then be easily populated with the physician's most common diagnosis codes. AHIMA coding experts converted a primary care superbill into ICD-10 and reported that this "can easily be done in less than a day".[9] CMS offers a free web site "Road to Ten" where a physician practice can obtain the information needed to construct a superbill by specialty including the relevant ICD-10 codes.[10] Similar web-based guidance is offered by commercial payors.[11]

End to End Testing

Previous reports estimated that extensive "end to end testing" of claims would be required by physician offices.[1] However, the billing, EMR and clearing-house vendors have the primary responsibility for testing. Physician participation in this testing is minimal. Many providers have already completed testing with one quarter reporting that they had tested with multiple payers and that the required time if any for internal and external testing with clearinghouses are not the main drivers of cost.[7] For example the staff of almost 400 physicians at City of Hope National Medical Center in California has no requirement or need to be involved in testing.[12] A recent assessment of ICD-10 implementation costs concluded that costs for testing are "zero not only for the small practice but for some larger practices as well".[3] A large survey reported that "more physicians are prepared at less cost than what was being reported elsewhere" with three-quarters of the respondents in the survey reporting being well on their way and one-quarter reporting they have already completed all ICD-10 training.[2] In fact only eight percent said their vendors were not ready to test. National Government Services (NGS) has developed at no cost to physicians an ICD-10 Medicare Fee-For Service claims testing to ensure accurate remittance ad-

vices using 2014 payment rates. This testing tool is intended to provide a universal testing process that can be used throughout the health care industry to validate ICD-10 readiness.[13]

Productivity

A major cost driver in the 2008 report that estimated physician office ICD-10 conversion costs at $83,290 was the additional documentation requirements and associated reduction in productivity. The additional documentation costs were estimated to be $44,000 for a small practice.[1] However, a fundamental problem with that estimate is that it had been based primarily on data from inpatient hospital documentation coding and billing activities [3] and the potential risk of disruption in a hospital environment. Thus, the estimate is of limited value since it was not a result of studies of physician offices. With the implementation of EMRs the additional documentation demands of ICD-10 are readily managed. "Smart Text" functionality in EMRs or natural language processing (NLP) systems that scan the EMR to identify opportunities to improve documentation and code that more accurately to reflect patient complexity. New data in a large study in 2014 confirms physician practice progress when it reported that "a very large practice needed one hour or less for any necessary updating of documentation for the ICD-10 upgrade" [3] illustrating that a number of practices have already established appropriate documentation practices well in advance of ICD-10 implementation. Improved documentation is not simply an added cost but can actually increase revenue for physicians. A report by the Office of Inspector General at the U.S. Department of Health and Human Services found that Medicare actually saved $1.8 billion in 2010 because doctors failed to document and bill for the full value of their services.[14] This illustrates that even without the transition to ICD-10 there is a significant need to improve the completeness and accuracy of documentation and coding. Such improvements not only results in more appropriate reimbursement but also improves the assessment of quality that payers are increasingly linking to value based payments and physician network selection and contracting.[15]

The Value of ICD-10

In a physician survey that included a broad range of specialties and sizes, with 60 percent coming from practices containing 1 to 10 providers, 51 percent of respondents reported that ICD-10 could boost quality improvement efforts.[2] The increased specificity of ICD-10 to capture detailed healthcare data is needed for research, public health monitoring, and quality of care measuring, pay-for-performance and outcomes studies.[16] With all the discussion of costs of ICD-10 implementation, it is easy to forget the reasons ICD-10 is critically needed. Indeed, the RAND report on the cost benefit of implementing ICD-10 commissioned by the National Committee on Vital and Health Statistics concluded that the benefits of ICD-10 implementation far exceeded its implementation costs.[17] It is also important to recognize that there was significant medical society input into the development of ICD-10 so that the additional specificity of ICD-10 reflects the detail requested by physicians. Forgoing ICD-10 translates into a loss of up to $22 billion for the U.S. health care industry. This does not take into account the projected fiscal and public health benefits that would be lost every year that ICD-9 continues to be used.[18]

Conclusions

Table 1 contains a summary of the estimated costs of ICD-10 conversion for a small physician office, estimated to be in the range of $1,960 to $5,900, which is similar to the findings of other recent reports and studies. This estimate supports the conclusion of a large survey of stakeholders that preparation for ICD-10 can be achieved "at a cost less than was reported elsewhere".[2] Since the new estimates of the costs for ICD-10 preparation are much lower than originally estimated, the barriers to ICD-10 implementation are much less than originally projected.[1,3]

Table 1: Summary of ICD-10 conversion costs for a small physician office

REQUIREMENT	PROGRAM COST	TIME	COST of TIME	TOTAL
2 CODE BOOKS	$0-$600	$0	$0	$0-$600
STAFF TRAINING 1-2 DAYS	$400-$1500 /person	16-32 Hours @$50/hour *	$800-$1600	$1200-$3100
3 MD ONLINE 3 HOURS	$50-$300	9 Hours @$81-$194/hour **	$720-$1900	$760-$2200
END TO END TESTING	$0	$0	$0	$0
SUPER BILL	$0	$0	$0	$0
			Total	$1960-$5900

* Impacted staff: front desk or coder assumed blended rate of $50/hour

** MD range of cost per hour for primary care or specialist $81.73-$194.71 [1, 3, 19]

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