Q: How do you eat an elephant?

Perspectives on ICD-10 Budgeting

April, 2011

A: One bite at a time

Top questions to consider when budgeting for ICD-10

Taking an Enterprise-wide View

1. Are you looking at individual departments in isolation or are you taking a wider, organizational view?
2. How engaged are your stakeholders and can they validate your ICD-10 budget and timeline?
3. How well does your IT Group understand the business impacts of ICD-10?
4. How well is your leadership educated on the enterprise-wide impacts of ICD-10?
5. How will the ICD-10 conversion impact your other strategic initiatives?

Understanding Internal and External Factors

6. How well do you understand ICD-10's system impacts including code sets, reports, and interfaces?
7. How well do you understand the impact to items outside of your systems including standard operating procedures, compliance reports, and training materials?
8. How are you developing your conversion roadmap to account for trading partner timelines and internal dependencies?
9. How are you addressing vendor conversion timelines given that vendors may migrate at different times?
10. Have you considered contingencies if vendors cause a delay?

Getting Your Workforce Engaged and Ready

11. Who within your organization will be impacted by process changes resulting from ICD-10?
12. How are you addressing ICD-10 training needs?
13. How have you accounted for organizational impacts and skill gaps?
14. What is your plan to communicate changes resulting from the ICD-10 conversion?

Preparing for Conversion and Long-term Impacts

15. Which systems will be neutralized, converted, or replaced?
16. Will your data requirements drive you to parallel systems?
17. How are you addressing operational impacts during and post implementation?
18. What are the costs to support testing for internal initiatives and external trading partners?
19. How are you accounting for additional transmission capacity and data storage?
20. How many additional resources will you need to support conversion and post conversion coding requirements?
21. How are you accounting for additional processing requirements to cover the projected increase in denials after implementation?
22. How will provider contracts be impacted?

Budgeting for a large change is a lot like eating an elephant. The job seems too big, too difficult, and too much for one person to swallow. Just ask any hospital manager or executive who has had the dubious distinction of developing the budget for a multi-functional, multi-system project. There are always technologies, processes, schedules, and people not accounted for, which leads to constant heartache, excessive documentation, and a stockpile of antacid.

As we look ahead to the mandated conversion to ICD-10, the risks of not budgeting correctly go beyond late nights and stomach ulcers.

Poor ICD-10 budgeting will most likely lead to one of two broad scenarios: (1) a delay in converting and non-compliance or (2) cutting corners to comply with the mandate. Both of these have serious financial and operational consequences.

Scenario 1—Delay and Non Compliance

If a provider misses the October 2013 deadline, their claims denials will skyrocket. Day-to-day operations will be disrupted and resource constraints will tighten. The productivity and reimbursement losses alone will cancel the potential benefits that ICD-10 is projected to deliver to an individual organization.

Scenario 2—Cutting Corners

But, the impacts of a delay are relatively straight-forward. What is harder to quantify is the impact of cutting corners to comply with the mandate. If a provider rushes through conversion and only focuses on compliance, they miss the opportunity to capitalize on the more accurate reporting and claim processing enabled by ICD-10's comprehensive code set.

Missing this opportunity means that an organization won't realize the reimbursement and operational benefits made possible by more accurate coding. In fact, they may end up with increased denials, negatively impacting reimbursements and resulting in additional costs post conversion.

With so much at stake, providers have to get their budgets right before stepping into conversion. To do this, it is important to think across the entire ecosystem of an organization. Business functions, systems, external entities, documentation, and people all need to be accounted for. How do you do this? The same way you eat an elephant, one bite at a time.

Taking the First Bite

An ICD-10 budget has to be comprehensive to be accurate. This is nothing new in the world of budgeting; but the size of the impact and complex interdependencies of the conversion make the job of building an ICD-10 budget seem insurmountable. The critical budgeting considerations fall into four broad categories:

- The enterprise
- Internal and external dependencies
- The needs of the workforce
- Immediate and long-term operational impacts

Taking an Enterprise-wide View

Building a comprehensive budget starts with an enterprise-wide view. Providers can only depend so much on vendors, feedback from siloed departments, and IT. These inputs, while important, only paint a portion of the picture.

An ICD-10 budget starts with a full view of the enterprise and drives the engagement of key stakeholders who can work across functions to validate budget numbers and the conversion timeline. It is equally important that ICD-10 be viewed as more than just an IT problem. ICD-10 is a business problem with real business and revenue impacts.

The sooner a provider can drive that message into the organization, the better.

Understanding Internal and External Factors

Quantifying ICD-10's impact may seem like an easy task on first blush; but, as many providers who have started the process will tell you, understanding the internal and external consequences of ICD-10 is a monumental effort.

This process starts with ICD-9. A provider has to account for every instance and every reference to an ICD-9 code to have a true understanding of ICD-10's impact. This process must be done for every system, database, report, and interface inside the technology landscape. This also needs to be done for critical documentation that sits outside the system including training manuals and standard operating procedures.

In addition, external dependencies including vendor and trading partner conversion timelines have to be incorporated. Not all vendors or trading partners will convert at the same time making a linear conversion from ICD-9 to ICD-10 nearly impossible. This will add resource and timeline constraints to the budget as you determine which systems need to be neutralized and for how long.

It is best to think about the budget in smaller pieces and tackle each area as you work toward a complete picture of your ICD-10 implementation.

Getting Your Workforce Engaged and Ready

A provider's budget must account for its people. This starts with an understanding of who and how they will be impacted. For some groups, communication alone will fit the need while others will require more extensive change management. A comprehensive ICD-10 budget should include any HR impacts, training needs, and communications required throughout conversion. The more informed and prepared the workforce is the more engaged they will be. This engagement will help drive a better understanding and faster adoption of the new code set, which translates into fewer denials and faster reimbursements.

Preparing for Conversion and Long-term Impacts

The conversion strategy should be aimed toward the goal of maximizing the benefits of ICD-10. This has a direct influence on the decision to neutralize, convert, or replace a system. And, each of these options has a budget impact. This has to be weighed against risk for end systems and process. Providers also have to account for any back fill or additional help needed to support hospital functions through implementation and testing. These resources should be aligned to those operations that are at most risk from ICD- 10. Additionally, providers should identify and create a plan to handle parallel systems following conversion and account for any additional capacity or storage needs. And, while all of these impacts are relatively time bound to conversion,

the longer-term operational impacts that will include longer processing time and increased denials typical of any code change need to be included in ICD-10 and on-going budgets.

And the Second Bite

Now that you can think about the different elements of an ICD-10 budget, it's time to build one. Developing a comprehensive ICD-10 budget should start with an organization-wide assessment. This type of assessment should include a detailed impact analysis, stakeholder questionnaire, risk assessment, landscape analysis, and change assessment. The result is a clear view of where ICD-10 codes are within and outside the system, the business processes most impacted and at greatest risk, the training and organizational needs, and system impacts.

With this complete view, a provider can develop a more accurate budget and timeline that reduces the risk and enables the most value from ICD-10 over the long-term.

For more information on how to create an ICD-10 budget, please contact:

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