April 11, 2013

The Honorable Kathleen Sebelius
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

RE: Workgroup for Electronic Data Interchange ICD-10 Survey Results

In its advisory role under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Workgroup for Electronic Data Interchange (WEDI) periodically brings to the attention of the Department of Health and Human Services (HHS) issues related to Administrative Simplification and related areas that it believes merit review and consideration by the Secretary of Health and Human Services (HHS).

WEDI has been conducting ICD-10 readiness surveys since 2009 to gauge the status of industry progress and has recently closed the March 2013 survey. This survey used an abridged set of questions aimed mostly at status rather than approaches to compliance, and survey questions paralleled those in the February 2012 survey to facilitate direct comparison. WEDI feels the results may be of interest to CMS and has included a full report of the results as an attachment to this communication. It should be noted that, although not all participants answered every question pertaining to their industry sector, the majority did. The results are based on those who responded and positively confirmed that they were satisfied with their responses.

Some items of note include the following:

- Participation in this latest survey included 974 respondents consisting of 778 providers, 87 vendors, and 109 health plans.
- About half the vendors indicate they are half or less than halfway complete with product development. This is very similar to the 2012 survey with only slight progress being made.
- About two thirds of vendors indicate they plan to begin customer review and beta testing by the end of this year. This is similar to the number who expected to begin by the end of 2012 in the prior survey.
- Almost half the health plans have completed their assessment, and another quarter are nearly complete. This shows moderate progress over the 2012 survey.
- Almost half of the health plans expect to begin external testing by the end of this year. In the 2012 survey all health plans had expected to begin in 2013.
- Over two fifths of provider respondents indicated they did not know when they would complete their impact assessment, business changes, and begin external testing. This is essentially the same as in the 2012 survey, and indicates that many providers have not made significant progress towards ICD-10 implementation.

- About a tenth of providers expected to begin external testing in 2013; while half responded that they did not know when testing would occur. In the 2012 survey the number who did not know when external testing would occur was about the same, although the rest expected it would begin in 2013.
- The change in compliance dates resulted in a shift in project timelines across all entity types.

Based on the survey results, it is clear the industry is not making the amount of progress that is needed for a smooth transition. The industry is well behind the milestones suggested in the revised WEDI/NCHICA timeline. Factors that contributed to this slow progress include the change in compliance dates, competing internal priorities and other regulatory mandates.   WEDI plans to conduct additional surveys during 2013 and 2014 to continually gauge progress. WEDI appreciates the opportunity to work with your office to continue outreach efforts and to identify best approaches for achieving industry compliance.

Devin Jopp, President and CEO of WEDI, or I would be pleased to answer further questions.

Sincerely,

Jim Daley
Chairman, WEDI

CC: WEDI Board of Directors
CC: Rob Tagalicod
CC: Chris Stahlecker
CC: Lorraine Doo

ATTACHMENT

Workgroup for Electronic Data Interchange February 2013 ICD-10 Survey Results

WEDI has been conducting ICD-10-CM/ICD-10-PCS (ICD-10) readiness surveys since 2009 to gauge the status of industry progress and has recently closed the February 2013 survey. This survey used an abridged set of questions aimed mostly at status rather than approaches to compliance. It should be noted that, although not all participants answered every question pertaining to their industry sector, the majority did and the results are based on these responses.

BACKGROUND

The first ICD-10 readiness survey was released in November 2009 and was meant to gather a high-level initial readiness baseline. The survey included separate sections for software vendors, clearinghouses, health plans and providers. The number of questions was very limited.

A much more detailed ICD-10 survey was launched in January 2010. In this survey, software vendors and clearinghouses were consolidated into one section and separate sections were kept for health plans and providers. Follow-up surveys were conducted on a roughly semi-annual basis through this most recent one.

These surveys should not be considered as a perfectly balanced representation of the state of the industry. Historically, WEDI membership and survey participants tend to be more aware of industry issues and correspondingly more advanced in addressing these issues. Therefore, the survey results would tend to provide a somewhat more advanced picture of readiness progress.

The following table illustrates the number of respondents to each survey by type of entity:

SURVEY	Vendor/CH	Health Plan	Provider
November 2009	72	102	187
January 2010	37	87	41
June 2010	23	66	61
January 2011	16	72	27
August 2011	40	92	163
February 2012	231	242	2118
February 2013	87	109	778

The February 2012 and February 2013 surveys received a higher volume of responses due to enhanced outreach efforts. Although the 2013 responses were much lower than in 2012, the volume is such that it should provide a fairly reliable depiction of industry readiness. For specifics related to prior surveys, please reference the WEDI testimony to NCVHS in June 2011 and the WEDI observations on industry progress from 2011 and 2012. Both items are available via the WEDI website at www.wedi.org.

SURVEY RESULTS

This section highlights the results from the current February 2013 survey and compares them to the results from 2012. The results are described according to type of entity – vendor (including clearinghouses), health plan, and provider. Survey questions mirror those from the 2012 survey except for an additional one regarding the impact of the change to the compliance date.

VENDOR RESULTS:
The vendors represented all sizes from those with fewer than fifty health care related employees to those having over one thousand. Their customers included physicians, hospitals, health plans, clearinghouses and other vendors. Offerings included clearinghouse services, electronic health records, coding services and revenue cycle services and products. The following questions were asked:

1. ***Did the compliance date delay shift the timeline of any of your major ICD-10 projects and/or change resources assigned?***

About one quarter of the respondents indicated a greater than 6 month delay, with another quarter indicating a 3-6 month delay. About two-fifths indicated that there was no delay. Of those that answered the resource question, most indicated no change in resources.

2. ***How complete is your solution development for the majority of your ICD-10 products and services?***

About two-fifths have not yet started or are less than 25% done. This is about the same percentage as in the February 2012 survey. Around one-fifth responded that they are complete, which is twice as many as in the last survey.

3. ***When do you plan to start ICD-10 customer review and beta testing?***

This phase of implementation shows little change when compared to the implementation date. About half of the respondents indicate this will occur in 2013 (about the same that answered last year that they would be doing this task in 2012), with about one sixth indicating that they had already started. About one fifth plan to do this in 2014; about the same percent as in the prior survey indicating they would do it in 2013. There was a slight decrease in the percent answering "Unknown" from the 2012 survey to the 2013 survey.

4. ***When do you plan to have your ICD-10 services/software available to customers?***

About the same percentage of vendors (one-fifth) indicated that they have their products ready, representing no change from the prior survey. There was an increase in the percentage of vendors indicating products would be ready in the year before compliance (around one-quarter in the 2012 survey, around one third in the 2013 survey. Around one-third will have their products ready in the year of compliance. The percent answering "unknown" dropped from about one-fifth to one-tenth.

5. ***Which of the following are your top 3 obstacles/issues that have caused delay and/or lack of progress in ICD-10 planning and implementation?***

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The top three reasons remained the same (customer readiness, competing priorities and other regulatory mandates), but there was a shift from 2012 to 2013 in the top answer for this question. The most frequent answer in the latest survey was customer readiness concerns; in 2012 the top answer was competing priorities.

HEALTH PLAN RESULTS:

Health plans included a mix of Blue Plans, other Commercial Plans, Federal Plans and State Agencies with about half covering under a million lives and half covering over a million lives. The following questions were asked:

1. *Did the compliance date delay shift the timeline of any of your major ICD-10 projects and/or change resources assigned?*

About half of the respondents indicated a shift in their timeline of greater than 6 months, with another fifth indicating a 3-6 month delay as well as a fifth indicating no delay. About a third of the respondents noted that they lost resources; with one quarter saying they stayed the same. A smaller percentage indicated that they added resources to the project.

2. *How complete is your formal impact assessment/gap analysis?*

Survey results indicated significant progress in this step from the prior year. Around half of the respondents said they were complete with this step in the 2013 survey, with another quarter saying they were more than three-quarters complete. This compares to the 2012 survey numbers of around one-third and one-fifth.

3. *How complete is your internal business process design and development?*

Health plans showed progress in the completion of their internal business process design and development. For the 2013 survey, slightly more than one-third indicated they were either complete or nearly complete with this step. In 2012, the results indicated only about one-sixth of respondents has reached this stage. Additionally, only a few respondents indicated they had not yet started in the 2013 survey, while in 2012 one sixth had not yet started this step.

4. *What is your estimated date to start internal testing of fully functional ICD-10 processing?*

About three-quarters of health plans indicated in the 2013 survey that they will begin internal testing in the year before compliance (2013). This is an increase from the 2012 survey, where slightly over half would begin in the year before compliance (2012).

5. *What is your estimated date to begin external testing?*

Health plans were split nearly 50-50 between those who would begin external partner testing prior to Jan 1, 2014 and those who would not start until after Jan 1, 2014. This still indicates that a significant percentage of health plans will have less than nine months for external testing. However, in the 2012 survey the vast majority of health plans indicated they would not begin external testing until the year of compliance, so there is some progress here.

6. *What are the top 3 obstacles/issues that have caused delay and/or lack of progress in ICD-10 planning and implementation?*

Competing internal priorities, staffing issues and other regulatory mandates were the top obstacles noted by health plans in the 2013 survey. This is similar to the results in 2012.

7. *What is your primary strategy for ICD-10 claims processing?*

Almost two-thirds of health plans answered that direct ICD-10 processing was their primary strategy, up slightly from the 2012 results. Crosswalking continues to drop as a primary strategy, with only a few respondents choosing it. Roughly one quarter plan to use a combination of direct processing and crosswalking which is similar to the 2012 results.

PROVIDER RESULTS:
Providers included a mix of many different types, with about one half being physician practices and one-fifth being hospitals. The percentage of physician practice responders rose somewhat from the 2012 survey. Over two-fifths of all providers had ten or less clinical full time employees, another two-fifths had between eleven and a thousand clinical employees and the remainder had over a thousand full time clinical employees. The following questions were asked:

1. *Did the compliance date delay shift the timeline of any of your major ICD-10 projects and/or change resources assigned?*

About two-fifths of provider respondents indicated that the compliance delay did not shift their timeline, while about one third indicated that they had delayed their timeline more than 6 months. Most respondents indicated no change in their resources devoted to the project.

2. *What is the expected completion date of your ICD-10 impact assessment?*

Over two-fifths of providers responded "Unknown" to this question, only a small decrease from the 2012 survey. This remains a trouble spot. There was little increase in those providers who had already completed the assessment or planned to complete it in the next 3-6 months.

3. *When do you expect to complete business changes?*

Around two-fifths of providers again responded "Unknown" to this, roughly the same as in 2012. Another one third indicated that they would not be complete until 2014. This is another indication that providers are not making the progress that is needed for their ICD-10 implementation.

4. *What is your expected date to begin external testing with health plans/trading partners?*

An even higher percentage than in the previous two questions (about half) answered "Unknown" to this question, about the same percentage as in the 2012 survey. About one third expect to begin sometime in the compliance year (2014), similar to the 2012 results.

5. *What are your top three obstacles that have caused delay and/or lack of progress in ICD-10 planning and implementation?*

Respondents were fairly evenly split among the answers here (staffing, budget, competing priorities, vendor readiness, IT impacts) with these obstacles listed on between two-fifths and one half of each response. This indicates a myriad of concerns for providers in completing their ICD-10 work. This is similar to the 2012 results.

6. How do you plan to produce ICD-10 codes?

Slightly more than one quarter of respondents indicated that they would choose the ICD-10 code directly, but over half indicated that they would employ both crosswalking and direct coding in their efforts. Less than one sixth indicated that they would just do crosswalking from ICD-9 to ICD-10. This indicates that about two-thirds of providers will be using some crosswalking tools in their coding. The answers were similar to those for the 2012 survey, but a slight increase in use of crosswalking was indicated.

CONCLUSIONS

It appears that the one year compliance delay caused at least some vendors, health plans, and providers to delay their ICD-10 efforts. Based on the survey results, health plans appear to have made some progress from early 2012 to early 2013, but many vendors and providers have not. Provider readiness appears to be a major concern in meeting the 2014 compliance deadline. Unless more providers move quickly forward with their implementation efforts, there will be significant disruption on Oct 1, 2014. Also, there will not be enough time to do proper end to end testing in the CMS suggested timeframes (starting Oct 1, 2013), as the industry would not be ready for that step. WEDI offers our support to CMS to redouble efforts to assist providers in moving forward.

WEDI will continue its efforts to move the industry forward and plans to conduct surveys throughout 2013 and beyond to gauge industry readiness. WEDI appreciates the opportunity to work with CMS in this regard. WEDI has conducted several ICD-10 forums and plans to hold another one in July 2013. Throughout the year WEDI will continue to provide audiocasts and other educational opportunities and will produce work products to assist the industry in preparing for ICD-10 implementation. Further information about these efforts is available on the WEDI website at www.wedi.org.