

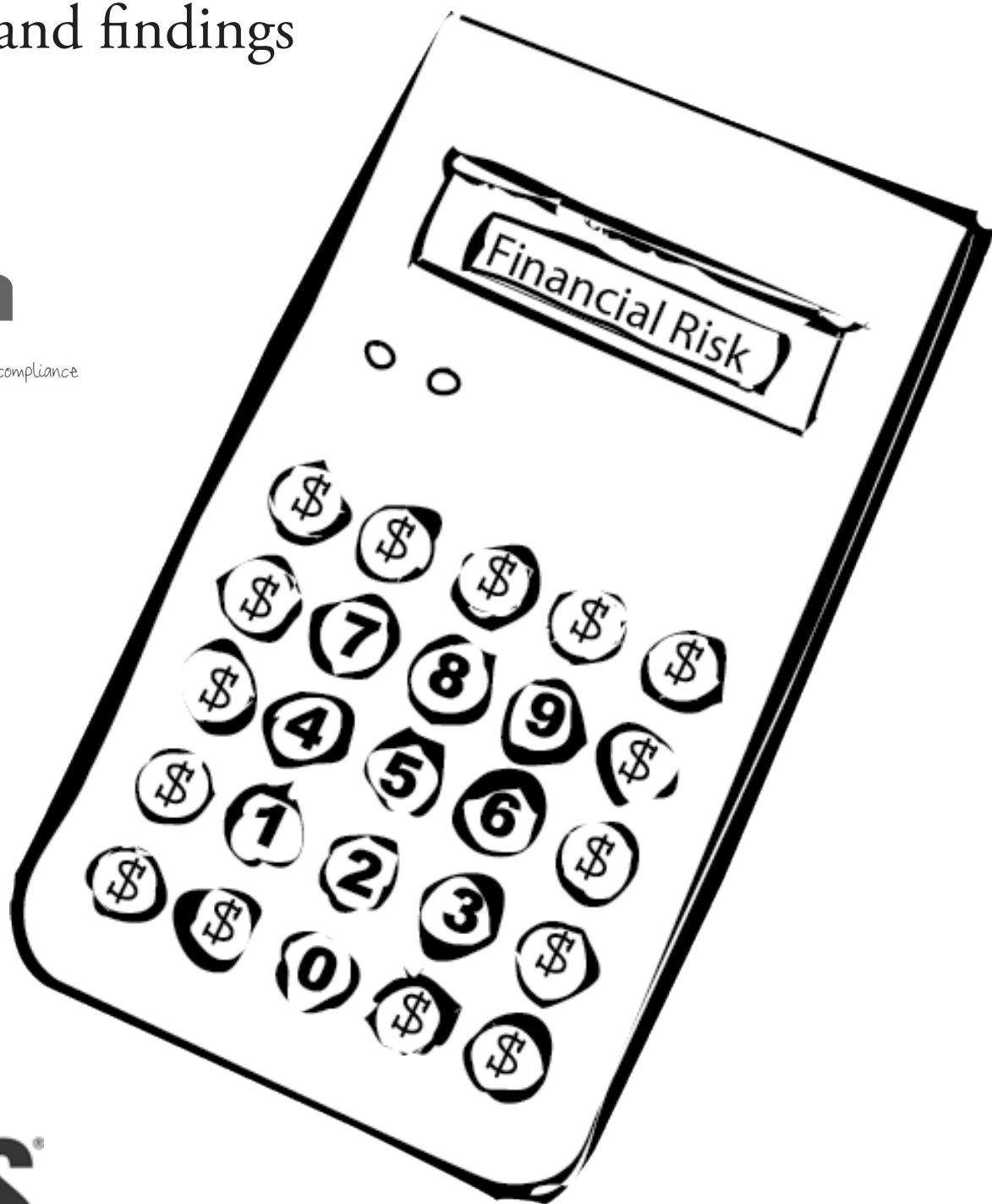
# HIMSS ICD-10 PlayBook ICD-10 Financial Risk Calculator

## Initial trends and findings

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Prepared by:



In collaboration with the  
HIMSS ICD-10 Task Force



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In July 2012, the HIMSS ICD-10 PlayBook launched the ICD-10 Financial Risk Calculator. This self-assessment tool helps providers identify gaps that leave them vulnerable to ICD-10's financial impact and provides guidance on how to mitigate potential risks. Juliet Santos, HIMSS Senior Director, explained: "When we started this project, providers were still relatively under-educated about ICD-10's inherent revenue effects. The calculator provides a platform to inform and equip providers with individualized financial risk information that will help them avoid potential negative reimbursement shifts."

To develop the tool, a subcommittee, led by ICD-10 Task Force members from the Atlanta-based team at Jvion, was assembled. Their goal was to develop a free, easy-to-use, and interactive tool that would help ICD-10 PlayBook visitors:

- Determine their organizational ICD-10 financial risk profile
- Understand their relative risk profile compared to similar organizations
- Identify the initial steps needed to start mitigating financial risk

The team delivered an online, 10-15 minute questionnaire that calculated a detailed ICD-10 financial risk profile based on responses provided. Users are asked to identify with one of seven facility types: acute care small/medium/large; physician/clinical practice small/medium/large; and integrated healthcare delivery network (IHDN) (please visit the ICD-10 Financial Risk Calculator landing page at [www.jvionhealth.com/jra](http://www.jvionhealth.com/jra) for a more detailed description of each category). Questions are tailored based on the facility type selected.

Once in the tool, users are prompted to answer questions across three financial risk dimensions:

- Cash flow: levers that impact the overall accounts receivable process
- Revenue: levers that impact reimbursement amounts
- Operational cost: levers that impact productivity and provider operations

Each answer is given a score between one and five based on the risk weight assigned to the question and answer. One represents the least risk while five represents the highest risk (preview sets of these questions are available on the ICD-10 Financial Risk Calculator landing page).



## Who is using the ICD-10 Financial Risk Calculator?

To date, more than 200 providers have completed the ICD-10 Financial Risk Calculator tool. Of those users, the highest numbers come from small physician/clinical practices (36%) and small to mid-sized acute care facilities (34%). Of the acute care facilities, the largest proportion identified the operating room as their highest revenue department (28%) followed by cardiology (20%). Of the physician/clinical practice facilities, family and community medicine practices represented the largest specialty type (18%) followed by internal medicine (14%).

Administrators within these organizations made up the largest proportion of users. Most of the represented providers are for profit. And regionally (taking outliers/user error into account) the highest represented states are California (9%), Wisconsin (8%), Texas (6%), and Florida (5%).

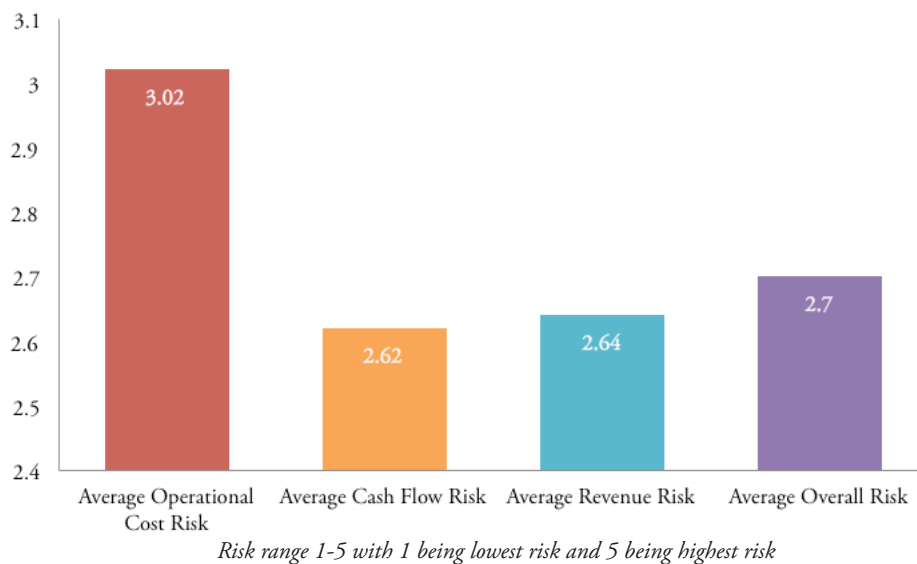
## What are the general trends?

Of the providers who completed the calculator, IHDNs reported the highest overall average risk rating across all dimensions at 2.77. They were followed closely by acute care small and medium providers; both groups reported an overall average risk rating of 2.75. These scores put all three provider types in the medium-high to high risk range for ICD-10 financial impacts.

When financial risk dimensions (cash flow, revenue, and operational cost risks) are isolated, the following patterns emerge:

- Acute care small providers have the highest average cash flow risk at 2.78 and highest operational cost risk at 3.38
- IHDNs reported the highest average revenue risk at 2.81

Across all provider types, operational cost represented the highest average risk with an overall score of 3.02. Average cash flow risk reported at 2.62; and average revenue risk reported at 2.64.



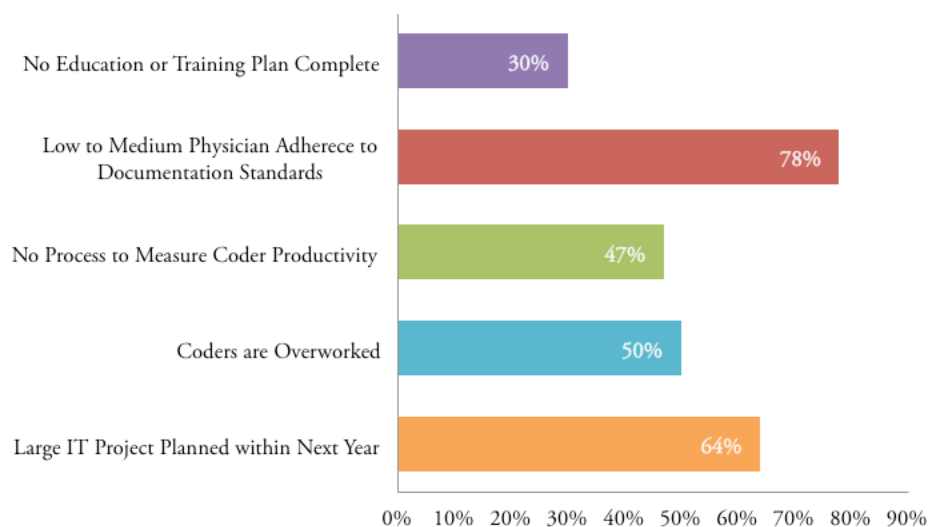
While the summary numbers provide some perspective on which segments of the provider community are at greatest ICD-10 financial risk, the detailed responses within each financial risk dimension deliver rich insights into gaps and strengths.

### Financial Risk Dimension: Operational Cost

With operational cost being the highest risk dimension, it is not surprising that some of the biggest vulnerabilities to ICD-10 financial impacts sit within this category. Of those who completed the ICD-10 Financial Risk Calculator, 64% reported that an EMR/EHR implementation or other large IT project is planned for the next year. This high number means that many IT departments will be stretched through 2014 as they try to balance large technology initiatives with the mandated ICD-10 compliance date.

50% of users reported that their current coders are overworked; another 47% do not have processes in place to measure coder productivity. So, while 66% of the participating providers plan to use certified coders to support ICD-10, these trends indicate serious challenges with coder productivity following October 2014. This is compounded by the fact that the average coder age is 50+. ICD-10 may result in higher rates of early retirement in an already aging workforce. And without the appropriate level of visibility, providers will not have the information they need to make operational adjustment that avoid major drops in coder throughput.

Physician education and documentation practices are also an area of major risk. Close to 78% of all users reported low to medium adherence by physicians to current documentation practices. In addition, a third of the providers who used the calculator have not initiated planning activities to train and educate physicians on ICD-10 related changes. Taken together, these trends indicate that current documentation challenges will most likely magnify unless providers move quickly to address gaps and the larger educational challenges posed by ICD-10.

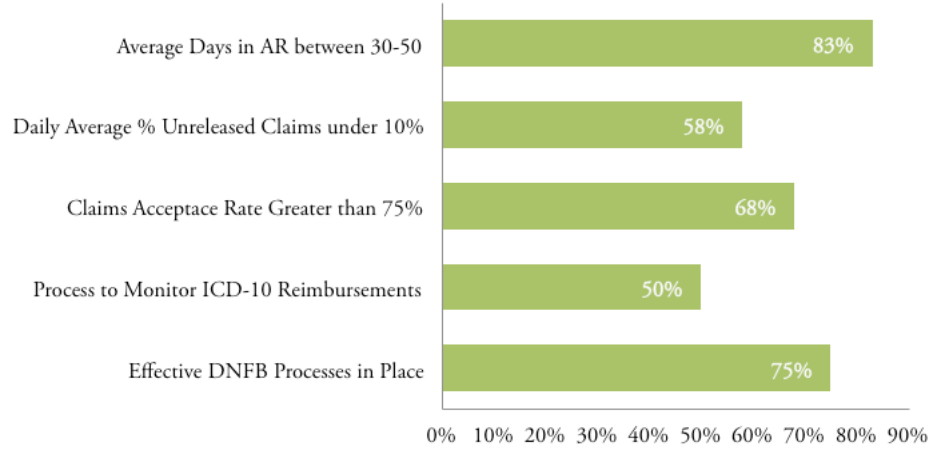


### Financial Risk Dimension: Cash Flow

Cash flow risk trends are mixed with some good news and some not so good news. From a process standpoint, providers are fairing pretty well. More than 75% reported that they have effective Discharged Not Final Billed (DNFB) processes in place. Sixty-eight percent reported a claims acceptance rate of more than 75%; 58% have a daily average percentage of un-released claims under 10%; and 83% reported that the average number of days that a claim is in AR falls between 30-50 days.

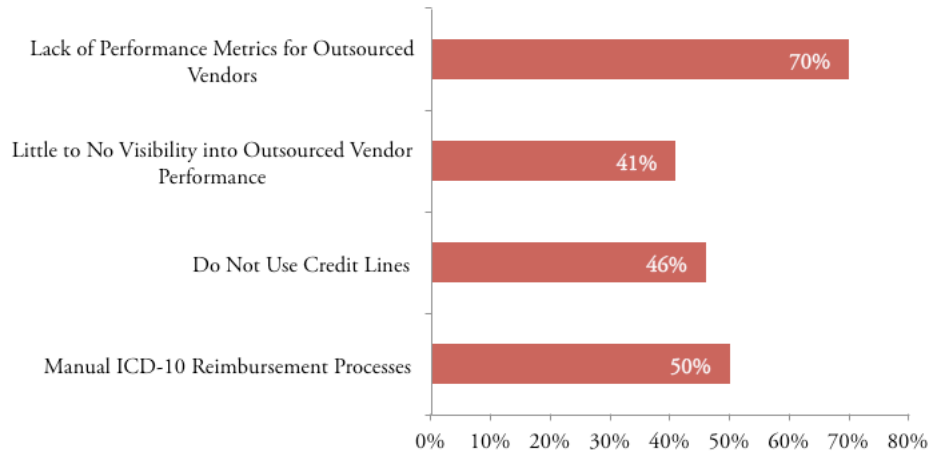
But coder productivity and increased payor scrutiny brought about by ICD-10 threaten to disrupt the entire revenue cycle if new processes aren't put in place and education is not delivered effectively. Additionally, with cash flow a major area of concern, providers may want to reexamine their credit lines. Almost half (46%) of those who responded do not use credit lines, which cuts off a potential source of funding to help float cash flow challenges resulting from ICD-10.

## The Good News



While most providers keep their revenue cycle teams in house, those that outsource are vulnerable to ICD-10's financial impacts due to a lack of visibility and performance metrics. Of the providers who outsource portions of their financial activities, 41% reported having little to no visibility into vendor effectiveness. Additionally, 70% didn't know or didn't have performance metrics for outside vendors.

## The Bad News



The majority of the providers who used the ICD-10 Financial Risk Calculator are putting plans in place to measure revenue fluctuations after October 1, 2014. Just at 50% reported that they have processes to measure reimbursements following ICD-10. However, half of these same providers indicated that they will measure shifts manually, putting them at risk of oversights and extended review times.

## **Financial Risk Dimension: Revenue Risk**

Like cash flow, revenue risk is a varied bag. On the good side, revenue cycle teams work very well with HIM, and coding and charge entry teams. These seamless handoffs will help to smooth over some of the rough patches created by the ICD-10 conversion. And, as mentioned above, most of these teams sit inside of the provider thereby limiting some of the risks inherent to outsourcing. But on the bad side, 56% of the providers using the calculator have not implemented a revenue planning strategy. Additionally, 63% reported that they do not or only occasionally review billing department processes including financial controls. So while most providers have the teams in place and processes and controls established for ICD-9, they haven't revisited these strategies to address potential ICD-10 impacts.

Denial rates sit somewhere between 3 and 15% for 75% of those who completed the calculator. And the majority of this 75% are between 3 and 7%. But providers have to start planning now for a significant increase in denial rates as a result of ICD-10. And this will be compounded by potential negative reimbursement shifts estimated to be between 4 and 6% depending on an organization's case mix.

### **What does this say about provider readiness against ICD-10's financial impacts?**

While the number of ICD-10 Financial Risk Calculator users is still relatively small, the results collected to-date support industry concerns over coder productivity, physician education, and ICD-10 revenue cycle impacts. They also shed light on particular challenge areas across provider types and more specifically for small physician/clinical practices and small to medium-sized acute care facilities. These findings include the following:

- ICD-10 will continue to stretch already overtaxed resources, specifically within IT and coding departments thereby increasing staff needs and potentially extending AR cycles
- There is a general lack of visibility into potential risk areas including coder productivity and third-party vendor readiness to accommodate ICD-10
- Low adherence to documentation standards by physicians will continue unless providers engage in the appropriate level of change management and education. Without these actions, poor documentation will contribute to increased denials and lower reimbursement rates
- While current revenue cycle processes are effective, providers need to revisit them to ensure that they account for ICD-10 related changes and challenges
- Many providers plan to monitor reimbursements post October 2014; however, most will do so manually, which leaves open the opportunity for mistakes and backlog
- Current denial rates may increase because of ICD-10 as the industry works to accommodate the new code set; providers need to prepare for this increase and other potential revenue impacts resulting from the conversion

In addition to the likelihood of increased denials, it would behoove the healthcare industry to anticipate a 4%-6% drop in reimbursements for some organizations depending on their case mix as ICD-10 processes are further refined. A wise risk mitigation step is to proactively conduct a full financial risk assessment to pin point ICD-10's impact on DRGs and to have a solid plan for submitting clean claims by October 1, 2014.

Taken together, these results reinforce the need for providers to start preparing for ICD-10 now. And for the smaller providers, this message is even more urgent as they are at the greatest risk of financial impacts to their cash flow and operational costs. **Providers should take the first step and self assess their organization's ICD-10 financial risk exposure today by logging into [www.jvionhealth.com/jra](http://www.jvionhealth.com/jra).** And for more information on the ICD-10 Financial Risk Calculator, please visit the HIMSS ICD-10 PlayBook at <http://www.himss.org/library/icd-10/playbook?navItemNumber=13480> or contact Allison Alavi, ICD-10 Financial Risk Calculator Workgroup Co-chair, at [allison.alavi@jvion.com](mailto:allison.alavi@jvion.com).



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