



***EDIFECS***<sup>®</sup>

**Survey: Industry Reaction to Potential Delay of  
ICD-10**

**A Delay will be Costly, but Manageable...Unless it's  
more than a Year**

## Survey of Industry Reaction to Potential Delay of ICD-10

### Executive Summary

Despite good intentions to the contrary, a potential delay of the ICD-10 compliance deadline could have far-reaching—and highly negative—impact to the healthcare industry’s effort to implement the mandate. That’s the finding of one of the first surveys of industry reaction to the U.S. Department of Health & Human Services’ (HHS) announcement it would consider delaying the ICD-10 implementation deadline for certain entities.

Less than 48 hours after HHS’ announcement, attendees of the [2012 ICD-10 Summit](#) were surveyed by conference host Edifecs, a provider of healthcare software solutions that improve operational performance by streamlining the exchange of information among health plans, hospitals, and other healthcare organizations.

The study found overwhelming opposition to an ICD-10 delay among respondents, all of whom are senior healthcare professionals actively involved in their organization’s ICD-10 transition and carrying significant responsibility for the overall success of the project.

The majority of survey respondents stated any delay would be problematic and would not have the effect intended by the Centers for Medicare and Medicaid Services (CMS). A few highlights:

- Overwhelmingly, respondents believe that while a one-year delay would be “costly, but manageable,” a two-year delay would be either “potentially catastrophic” or cause an “unrecoverable” failure
- If CMS does delay the compliance date, respondents almost unanimously support clearly communicated and enforced interim milestones to ensure the industry doesn’t encounter the same problem a year from now
- The annual cost of delaying the ICD-10 deadline could exceed \$4 billion, based on a 30% increase in costs for every year of delay

#### **Key Finding: A Delay in ICD-10 Won’t Have the Desired Effect**

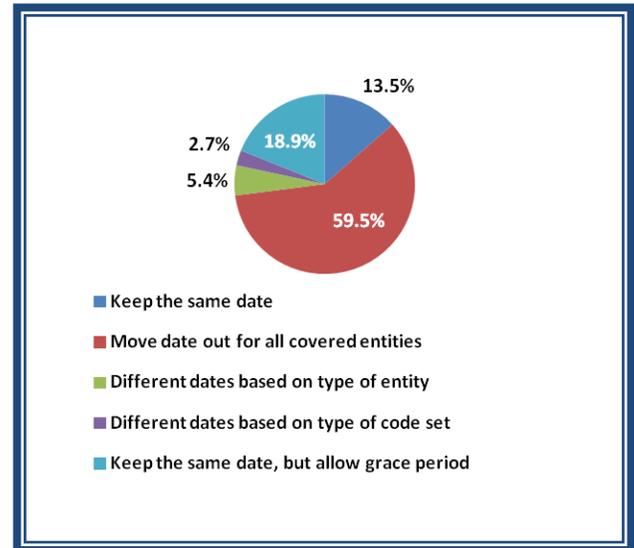
- 64% of respondents state a delay will not improve readiness
- 60% believe even a one-year delay will have a negative impact
- 69% say a two-year delay would be either potentially catastrophic or unrecoverable
- 76% believe a delay will harm other healthcare reform efforts

### **The Survey Data: A Delay will be Costly, but Manageable...Unless it’s More than a Year**

The survey data indicate a strong preference among healthcare professionals for not delaying ICD-10. Additionally, if a delay is inevitable, most recommend that it not be more than one year. This desire is likely driven by the concern that a delay will result in budget freezes, work slowdowns and redeployed resources—all of which would be extremely difficult to recover, once progress starts up again.

**Survey Question: Given there will be a postponement of ICD-10 compliance for certain covered entities, what is the best option?**

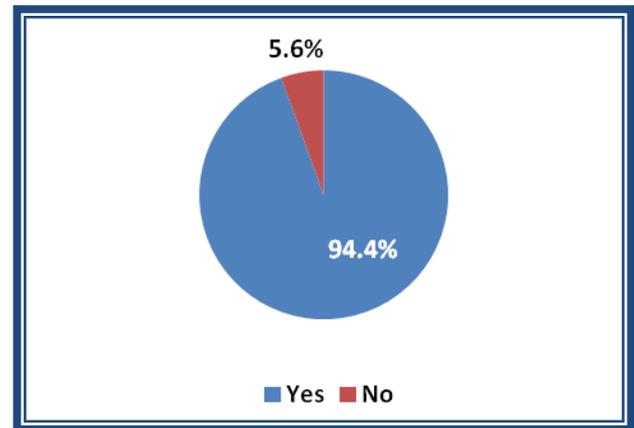
When asked what the best option would be for the impending delay, 59 percent believe the date should be moved out for all covered entities, versus mandating different compliance dates for different types of entities. Thirty-three percent advocate keeping the same date, either as is (14 percent) or with an extended grace period similar to what was done for the HIPAA 5010 mandate (19 percent). Only eight percent advocate multiple dates, based on type of entity (five percent) or type of code set (three percent).



It's worth noting that mandating different compliance dates for different types of entities will force payers to process ICD-9 and ICD-10 codes simultaneously for the same date of service (also known as "dual processing"). The main driver behind the overwhelming preference for a single compliance deadline for all entities appears to be the significant cost and effort needed to run in the dual processing mode. While payers can already process in ICD-9 today and are transitioning systems to process ICD-10, the impact across business processes, technology solutions, enterprise integration and data repositories from intermingling both code sets for the same service dates would be significant, as would the increase in overall system maintenance costs. This is not something most healthcare entities have built into their ICD-10 project plans.

**Survey Question: If you believe the date should be moved out, do you believe specific milestones should be set toward attaining the deadline?**

The overwhelming majority (94 percent) say CMS should set interim milestones to help healthcare organizations measure progress toward any new compliance date for ICD-10. Most believe interim milestones can also serve as an early warning for issues that may keep entities from meeting the deadline.



While CMS laid out interim milestone guidelines in the preamble to the final ICD-10 rule, it's clear that many healthcare entities did not heed that advice. For any delay, the strong preference among respondents is to have the interim milestones keep their projects moving, rather than slowing down or stopping.

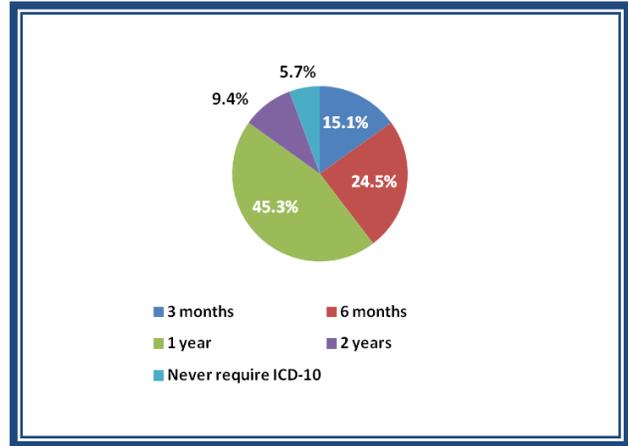
However, as history with past mandates has shown, this approach is not as effective as mandated—and enforceable—deadlines.

One example of an enforceable deadline could be to use the original October 2013 compliance deadline as a mandated milestone for when entities must be ready to start external testing. This approach may

help to keep entities on track with their existing project schedules, while allowing more time for final compliance.

**Survey Question: If the compliance date shifts, what is the preferred time frame?**

A whopping 85 percent of respondents believe a shift in the compliance date should not exceed one year. Some (25 percent) actually prefer a delay of no more than six months and others (15 percent) want just a three-month delay. Only nine percent believe a two-year delay is appropriate, and six percent say that ICD-10 should never be mandated at all.

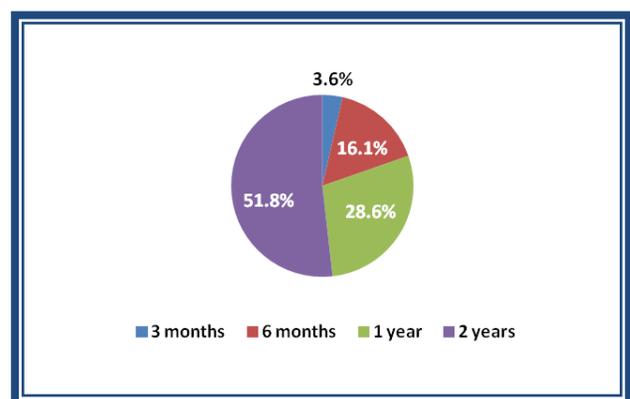


The results suggest respondents are well aware of the risks of delaying longer than a year. While a delay of 3-6 months may not appear to provide much benefit to the industry, a delay of longer than a year will likely freeze budgets, slow down schedules or stop work altogether. Both AHIMA and HIMSS have recommended that all entities continue moving forward with their ICD-10 transitions—compliance delay or not. The consensus among the ICD-10 Summit attendees was that stopping or slowing down would be detrimental to the overall success of ICD-10 projects. Several in this same group indicated they will not slow down their ICD-10 migration, for fear of losing resources and money to other business initiatives. However, the challenge may be getting executive sponsors to agree.

Regardless of when the final compliance date occurs, the near-term issue is uncertainty. Until CMS announces a specific date, some organizations are holding their breath (and their project) until they have a firm date to work toward. Clearly, CMS needs to do something to keep entities moving forward until the formal rule-making process for determining a new compliance date is complete. And even then, it will be critical for entities to continue working diligently so the industry can avoid the same problems a year from now.

**Survey Question: What length of delay will lead to a reduction in funding and work slow down or stoppage?**

Building on the responses to the previous question, more than half (52 percent) of respondents believe a delay of two years will reduce budgets and force either a slowdown or complete halt to ICD-10 projects. Twenty-nine percent say even a year would cut budgets and delay work, and 20 percent state a delay of less than a year would have the same effect.

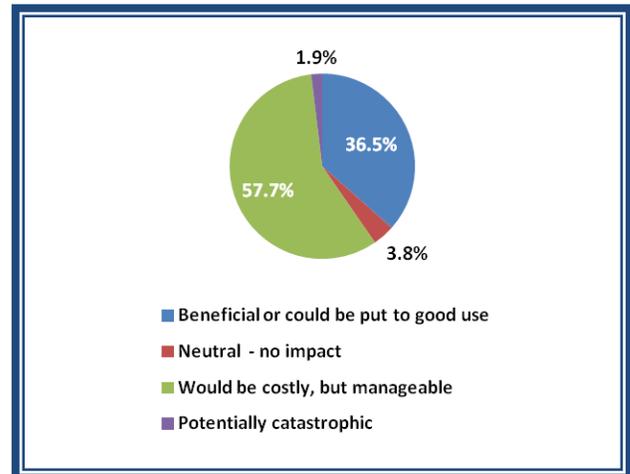


Given the knee-jerk reaction to the announcement by some entities to freeze budgets and/or halt work until the new date is known, any delay will likely cause some shift in budget and resources to other

projects. The issue is that a prolonged delay will increase costs and likely create a resource vacuum once an entity is ready to move forward again. Industry experts have already begun warning that ICD-10 will require significant resources across the industry all at the same time, and that even under the best of circumstances, healthcare organizations will be competing for the best talent.

**Survey Question: What would be the impact of a one-year delay?**

This question asked respondents to assess the impact to their ICD-10 projects of a one-year delay. Fifty-eight percent report the overall impact would be costly, but manageable. Thirty-seven percent believe the delay could be beneficial for them. Only four percent feel there would be no impact, and two percent say a one-year delay would be potentially catastrophic.

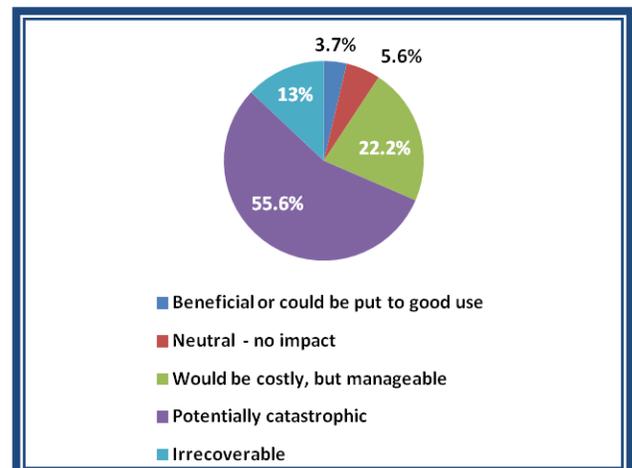


Key considerations for this scenario are resources—both cost and availability. Many entities have brought ICD-10 subject matter experts on board with defined-term contracts. A one-year delay means entities will have to choose between two unpleasant scenarios: Either extend the contract or terminate the contract, knowing the risk of not being able to get those subject matter experts back when the project starts up again. Most entities will likely choose the former option and retain the expertise they already have. Many are also concerned about the added costs of maintaining technology resources, such as test regions, for an extended time period. Unfortunately, this means most organizations will incur a much greater cost to implement ICD-10 than originally anticipated.

And for those who believe a one-year delay could be beneficial, they are likely thinking about it from the standpoint of having 12 more months to implement or test with the same level of resources. The reality is that some organizations are already freezing budgets, delaying technology decisions and considering rolling resources onto other projects. In other words, a one-year delay won't really provide 12 months of breathing room.

**Survey Question: What would be the impact of a two-year delay?**

When asked the same question about a two-year delay, the responses shifted dramatically. Sixty-nine percent believe a two-year delay would be either potentially catastrophic (56 percent) or cause an unrecoverable failure (13 percent). Just four percent say there would be a benefit to a two-year delay, while six percent believe there would be no impact. The remaining 22 percent feel the delay would be costly, but manageable.



The primary rationale for the gloomy response to a two-year delay is losing executive sponsorship for the

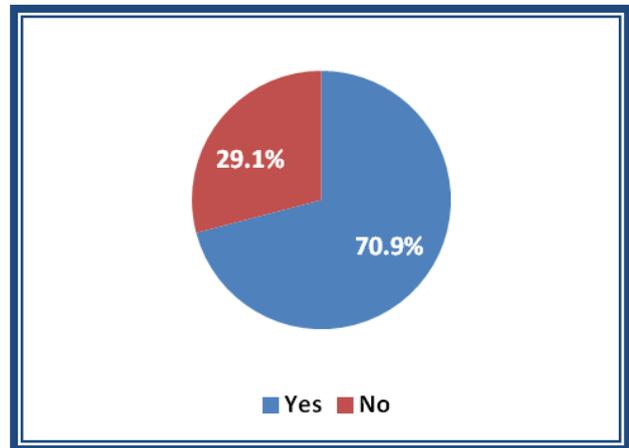
project. Two years is an eternity for enterprise budget and headcount planning cycles. The moment funds previously allocated to ICD-10 appear to be available (even just temporarily), the temptation will be to divert them to other priorities. This will result in significant setbacks in the form of redirected or lost resources and completed work becoming obsolete.

One alternative that's cropped up in recent days is to completely scrap ICD-10 implementation in the United States and—instead—wait for ICD-11. This is not a realistic view. While the World Health Organization (WHO) has created a framework for ICD-11, it won't be finalized until 2015. At that point, the U.S. healthcare industry would then need to create its own version of ICD-11, adding even more time, which means ICD-11 may not be ready for implementation until close to 2020. The industry simply can't wait that long.

**Survey Question: Do you believe CMS should compensate payers and providers for the costs of delaying ICD-10?**

Not surprisingly, the majority of respondents (71 percent) say yes, while just 29 percent say no. All discussion aside of whether such a payment scenario is even likely, the costs of such a delay is significant.

When it published the final rule for ICD-10 in 2009<sup>1</sup>, HHS estimated the industry-wide cost to implement ICD-10 at \$1.9 billion dollars, a figure that encompasses both payers and providers. However, cost estimates in final rules historically tend to be on the low side, and this is certainly the case with ICD-10 if other industry estimates are considered.



Based on a survey it conducted in late 2010, AHIP estimated the overall cost of implementing ICD-10 for payers to be somewhere in the \$2-3 billion range<sup>2</sup>. And for providers, earlier estimates from consulting firm Nachimson Advisors put the cost at \$83,290 for a small practice and up to \$2.7 million for a large one<sup>3</sup>. Given the estimated 660,000+ healthcare provider entities nationwide, those figures mean the overall cost of implementing ICD-10 for providers could exceed \$10 billion. Therefore, the dollars at risk that may be “lost” due to delay of ICD-10 could be substantial.

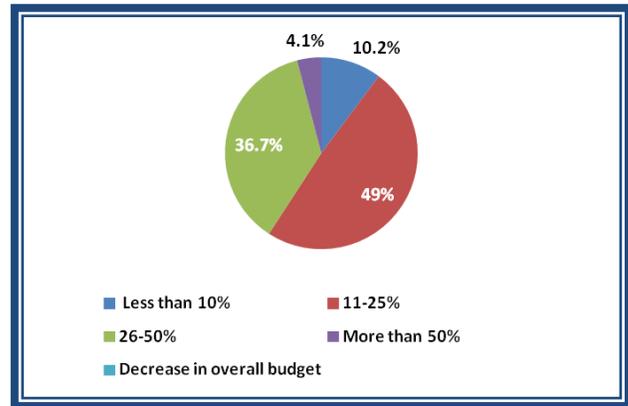
<sup>1</sup> U.S. Department of Health and Human Services. *Federal Register*, Vol. 74, No. 11. *HIPAA Administrative Simplification: Modifications to Medical Data Code Set Standards To Adopt ICD-10-CM and ICD-10-PCS*. January 16, 2009.

<sup>2</sup> America's Health Insurance Plans, Center for Policy and Research. *Health Plans' Estimated Costs of Implementing ICD-10 Diagnosis Coding*. September 2010.

<sup>3</sup> Nachimson Advisors, LLC. *The Impact of Implementing ICD-10 on Physician Practices and Clinical Laboratories*. October 8, 2008.

**Survey Question: Based on your current multi-year ICD-10 budget, what is the percentage increase in cost to your organization for every year of delay?**

ICD-10 is a huge investment for all healthcare entities. When asked what the percentage increase in cost for every year of delay would be, respondents said it would be significant. Forty-nine percent estimate that every year of delay would increase their required budget between 11 and 25 percent, while another 37 percent estimate the increase would be somewhere between 26 and 50 percent. No one believes a year-long delay would result in decreased cost, and only 10 percent think the impact will be less than 10 percent.



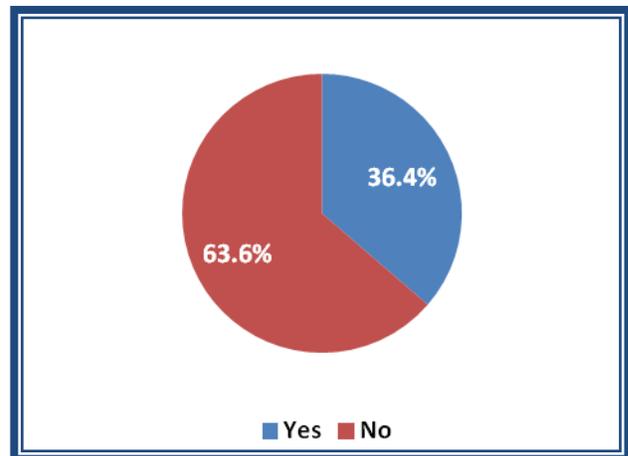
Based on existing implementation budgets, timelines and knowledge of project plans for its clients, Edifecs estimates the annual cost of delaying ICD-10 implementation for a given organization to be between 25 and 30 percent. One of the largest health plans in the country is spending upwards of \$40 million on ICD-10, and another is spending nearly \$100 million. With that level of spending, a 25% increase in cost due to a one-year delay would run a single large health plan \$10 – 25 million.

Considering the cost estimates in the preamble to the final rule and those of AHIP and Nachimson Advisors, the industry-wide impact of just a one year delay in ICD-10 could range anywhere from \$475 million (25 percent of CMS’ cost estimate) to more than \$4 billion (30 percent of a combined \$13.5 billion, based on the AHIP and Nachimson Advisors data). Obviously, this is not a decision to be taken lightly.

**Survey Question: Do you believe a delay will result in improved readiness?**

Roughly two-thirds of respondents (64 percent) say a delay would not result in improved readiness. The more surprising figure was that 36 percent say it would.

Those who believe the delay will result in improved readiness may be overly optimistic. In many cases, they may not be able to protect their resources from other project leaders who are looking for additional funds or headcount. Many organizations will see the opportunity to save money by putting off implementation another year, and the ICD-10 project manager will be hard-pressed to argue for spending the extra 12 months in full implementation mode since it would mean admitting the original schedule may not have been workable in the first place.



One potential benefit of a delay is more time for testing, but that assumes projects will not be slowed or stalled. Most large IT projects typically require more testing time than is usually allocated. ICD-10 will

likely be no different in this regard, and the scale of the project means the testing required to fully ensure business readiness, as well as benefit and financial neutrality is unprecedented. For those organizations that have the determination to keep moving forward as if the delay had never been announced, it may end up being a true gift on the testing front.

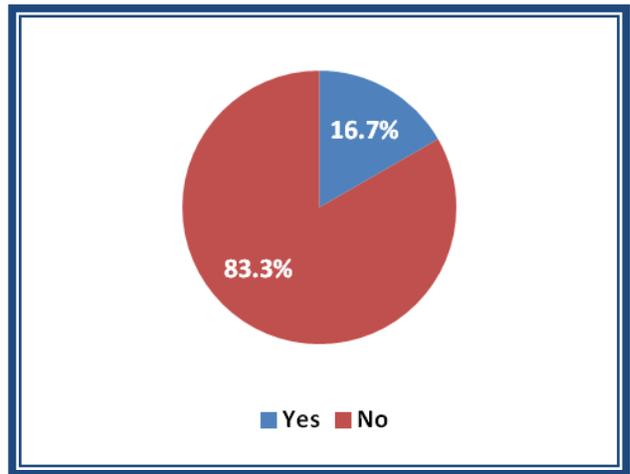
CMS should do all it can to encourage entities to keep moving forward without slowing down, thereby actually delivering the potential for a real benefit from the delay.

**Survey Question: Is a delay the only option for addressing the challenges faced by entities concerned about attaining compliance?**

The vast majority of respondents (83 percent) believe there are other options for helping entities overcome compliance challenges in time to meet the deadline. Overall, most respondents were surprised by the announcement and expressed dismay that it could freeze projects and stall progress.

The announcement didn't mention any other options or specifically say any had been considered, and the uncertainty of what CMS' decision-making process was leading up to the announcement has only contributed to the confusion.

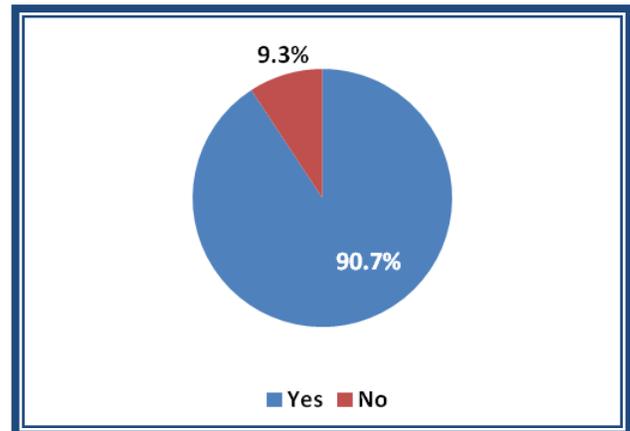
Industry chatter over the last week has discussed multiple alternatives to a compliance deadline delay, including sticking to the existing date while delaying enforcement or utilizing some sort of gateway solution using predefined maps.



**Survey Question: Do you feel CMS should more fully explore options for bridging compliance before considering a delay?**

This question elicited an almost-unanimous response. Ninety-one percent feel that other options should be considered before instituting a delay, while nine percent don't feel it is necessary. This is not surprising since many surveyed are already far down the ICD-10 path. The lopsided response indicates strong feelings across the industry that organizations should keep moving.

That said, the gut-level reaction across the industry was to not read past the word "delay." The official statement discusses a delay for "certain entities." No one knows what this means yet—perhaps not even CMS. Edifecs' impression is that CMS is looking at multiple options, up to and including a rule change that would delay the compliance date for one or more types of entities.

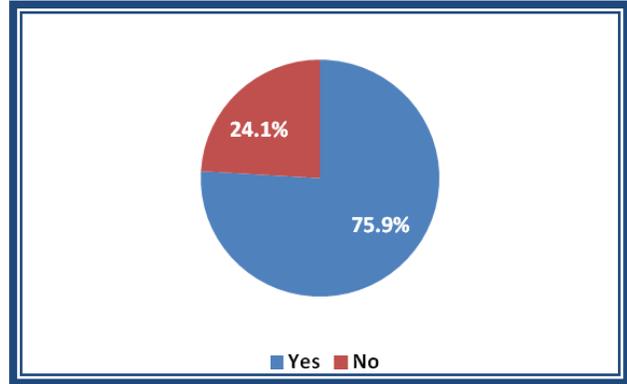


Edifecs joins other groups such as AHIMA and HIMSS in counseling the industry to keep moving on ICD-10 and to not risk letting the short-term uncertainty derail projects. Depending on the final decision by HHS (compliance delay or otherwise), the entities that keep moving will have positioned themselves for the strongest likelihood of success.

**Survey Question: Would a delay negatively impact other healthcare reform efforts?**

Significantly, more than three-quarters (76 percent) believe an ICD-10 delay will negatively impact other healthcare reform efforts, while 24 percent disagree.

Particularly on the provider side, ICD-10 impacts other initiatives, such as EHRs and Meaningful Use. Many providers have opted to implement ICD-10 after they get done with other mandates. This takes a short-term view because ICD-10 will ease meeting the mandatory requirements for Meaningful Use, and it provides more expansive and granular reporting of medical diagnosis and inpatient procedures. Because ICD-10 promises to yield more specific data that can, in turn, be more effectively analyzed to create better health outcomes, tying it to EHRs now, rather than later, is beneficial to payers, providers, and patients and would avoid rework later.



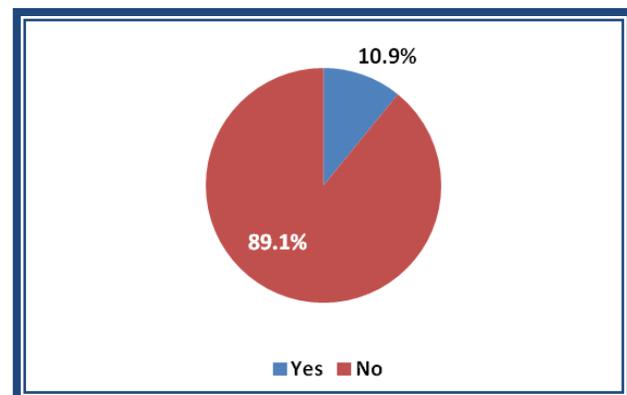
All of these initiatives require providers to analyze how they document patient encounters. When moving from paper to electronic record-keeping, it makes sense to redesign processes and user interfaces to accommodate ICD-10 from the beginning, rather than having to redo them later. Even if a provider isn't collecting the more detailed data required for ICD-10, it's still beneficial to build the ability to collect it into EHR and Meaningful Use initiatives.

On the payer side, the impact isn't so much concerned with integration among the various mandates as it is competing resources. A delayed ICD-10 deadline will run up against existing deadlines for Operating Rules, impacting the level of resources devoted to both.

**Survey Question: Were the impacts of the delay adequately considered for the entities that were on track for compliance?**

This question got to the heart of the emotional reaction to HHS' announcement. Eighty-nine percent of respondents do not believe HHS adequately considered the impact of a delay on those entities who were already on track for compliance. Eleven percent disagree.

This result wasn't surprising, given that respondents were attending a conference



dedicated to ICD-10 and probably managing an on-track ICD-10 project. Many wondered if the decision had been made in a vacuum without enough input from the industry.

It will be very important for entities across the spectrum of healthcare organizations to carefully review any proposed or interim rules and actively participate in the public comment / review process. However, it is still unclear whether the rule-making process will be used, as HHS may still decide to delay enforcement, as it did for the 5010 mandate. As many are aware, the rule-making process takes time, and it would greatly extend the time frame for the final decision, which would perpetuate the negative impact to ICD-10 projects well underway.

## **Conclusion**

Based on the survey results, most healthcare professionals believe an ICD-10 delay will be problematic. Given the nature of enterprise business and resource planning—as well as the multitude of highly important initiatives that compete for the best talent and most budget—even the potential for delay is giving healthcare entities a reason to step back from their ICD-10 projects.

While there may be a few entities that can truly use the additional time to improve their readiness, the majority of respondents believe this will not be the case. Instead, costs are likely to spiral higher, and valuable resources may be lost as the industry waits for the outcome of CMS' process to determine whether the deadline will slide.

The near-term issue is uncertainty. Until the industry knows the ultimate deadline for ICD-10, progress will be stalled. And if the eventual delay is more than a year, the cost—both in actual dollars and the effort it will take to regain momentum—may be almost unbearably high. The imperative for CMS now is to complete its evaluation as quickly as possible and alleviate the uncertainty around the deadline. If the date does slide, CMS needs to choose a path that will keep the industry moving forward toward successful ICD-10 compliance.

## **Notes on Methodology**

The survey was conducted among healthcare payer and provider attendees of the 2012 ICD-10 Summit, an industry conference hosted by Edifecs that took place February 15-17, 2012 in Cape Coral, Florida. The results represent the responses from more than 50 senior healthcare professionals—each of whom are actively involved in their organization's ICD-10 transition and carry significant responsibility for the overall success of the project. Forty-nine percent of attendees' ICD-10 efforts are currently in the development phase, while 36 percent are in the planning phase. Ten percent are implementing, and five percent are in testing. Attendees represented a wide range of healthcare organizations, including commercial payers (25%), Blue Cross Blue Shield plans (25%), healthcare providers (18%), government entities such as State Medicaid (9%), medical claim clearinghouses (6%), and other healthcare industry organizations (17%).

This survey is not based on a probability sample, and therefore, no estimate of theoretical sampling error can be calculated. All decimals in this report are rounded to the nearest percentage point. This may result in certain numerical totals adding up to slightly more or slightly less than 100 percent.

The estimates and opinions expressed in this report are based on the survey results only; the numbers have not undergone a comprehensive cost analysis, and the results do not purport to represent all entities or professionals in the healthcare industry.

*Edifecs is making the results of this survey publicly available as a service to the healthcare industry. Excerpts from this report (including charts) may be used for editorial purposes without prior permission from Edifecs, provided:*

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