AAOS Now

Switching to ICD-10: The impact on physicians

By Lindsay Law and Mary Ann Porucznik

Cost impact could range from $83,000 to $2.7 million per practice

After years of discussion, the U. S. Department of Health and Human Services (HHS) has finalized the adoption of the International Classification of Disease-10th Revision (ICD-10) code set, which would replace the current ICD-9 diagnosis and procedure codes. Under the HHS final rule, the switch will be completed by October 1, 2013.

The impact of this shift is substantial. Not only does the new code set include five times as many codes as the ICD-9 code set, the different arrangement of codes will require more documentation, revised forms, retraining of staff and physicians, and changes to software and other information technology. Changes in reimbursement patterns may also result from the increased specificity of the new code set.

The adoption of ICD-10 will also require the implementation of the next generation version of the nine Health Insurance Portability and Accountability Act (HIPAA) electronic transaction standards, known as 5010. As recommended by the National Committee on Vital and Health Statistics, 5010 must be completely implemented prior to the adoption of ICD-10 because the ICD-10 code set cannot operate with the current HIPAA transaction standards (4010).

Measuring the impact

Implementing these two requirements—the next generation HIPAA transaction standards (5010) and the ICD-10 code sets—will result in many potential costs to physicians. Among these costs are staff education and training, changes in health plan contracts, coverage determinations, increased documentation, changes to superbills, information technology system changes, and possible cash flow disruption.

The AAOS along with 11 other healthcare organizations, released a study conducted by Nachimson Advisors, LLC, which suggests that HHS has underestimated the cost of implementing the ICD-10 code set. According to the study results, the implementation cost for a three-physician practice could be as much as $83,290, while a 100-physician practice might pay more than $2.7 million (Table 1). (View the full study)

Training clinical and administrative staff to use the new ICD-10 code set may require up to 16 hours for coding staff, 8 hours for administrative staff, and 12 hours for providers, according to the analysis. Costs may vary depending on the type of training materials used and the resources available.

Analyzing the impact of ICD-10 on a practice's business processes will also be costly. As health plans modify their contracts to include the more specific codes, they may also alter their payment schedules, resulting in changes to a practice's cash flow.

The shift to ICD-10 will also require software modifications in both the insurance coverage and billing sections of practice management systems. Billing service and clearinghouse vendors will also have to comply with the new system. The time required to implement these changes could be significant, and may result in a lengthy transition period.

Documentation costs are heaviest

According to the study, the move to the ICD-10-CM will increase documentation activities about 15 percent to 20 percent. This translates into a permanent increase of 3 percent to 4 percent of physician time spent on documentation for ICD-10-CM. As the study notes:

"This is a permanent increase, not just an implementation or learning curve increase. It is a physician workload increase with no expected increase in payment, due to the increased requirements for providing specific information for coding. Electronic health record systems will not be able to eliminate the extra time requirement."

The AAOS submitted a formal comment to HHS on October 21, 2008, on the financial, practice, and quality impacts on physicians, as well as the timeline of ICD-10 implementation. The AAOS has been monitoring the transition to ICD-10, and is actively engaged to ensure that the transition places as little administrative and financial burden on physician practices as possible.

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More about the ICD-10 code set

The International Classification of Diseases-10th revision (ICD-10) was endorsed by the World Health Organization (WHO) in 1990; the full version was released in 1994. Currently, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Norway, Sweden, and the United Kingdom use iterations of ICD-10 for reimbursement and case mix. Many other countries use ICD-10 for the reporting of mortality and morbidity.

The U.S. Department of Health and Human Services (HHS) originally proposed completing the implementation of ICD-10 by October 1, 2011. Due to public comment, however, HHS has extended the implementation deadline by 2 years, to 2013.

ICD-10 consists of diagnosis codes (ICD-10-CM) and procedure codes (ICD-10-PCS) similar to

ICD-9. The difference is in the specificity and number of codes. For example, the ICD-9-CM diagnosis code set has about 13,000 codes, but there are approximately 68,000 codes under ICD-10-CM. The number of procedure codes will increase from approximately 3,000 under ICD-9 to about 87,000 under ICD-10.

Structural differences between the two code sets also exist. ICD-9-CM diagnosis codes have three to five digits that are mostly numeric (supplemental chapters have an alpha first digit). The ICD-10-CM diagnosis codes have three to seven digits with an alpha first digit, numeric second digit, and alpha or numeric third through seventh digits.

The ICD-9-CM procedure codes have three or four numeric digits. Procedure codes under ICD-10 have seven digits, which can be either alpha or numeric. Although the ICD-10 code set is larger and more complex, it has the benefit of providing significantly more information, such as laterality or procedural approach.

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