

**OCTOBER 14, 2008**  
**ICD 10 PRESS RELEASE**

FORWARDED FROM THE AOA FOR YOUR INFORMATION:

Attached please find copies of a press release and fact sheet on the proposed rule on the ICD-10 code set to be adopted by 2011. This will go out to the press later this morning. The AOA has been involved with a coalition fighting this proposal. We are also in the process of finalizing comments to be sent to the Centers for Medicare & Medicaid Services on this. The attached fact sheet describes the cost impact of the proposed ICD-10 rule on providers.



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**PRESS RELEASE  
FOR IMMEDIATE RELEASE  
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**FACT SHEET**

**New ICD-10 study confirms CMS underestimates costs and time required to implement complex new code set**

The American Academy of Dermatology, American Academy of Professional Coders, American Association of Neurological Surgeons, American Association of Orthopaedic Surgeons, American Clinical Laboratory Association, American College of Physicians, American Medical Association, American Optometric Association, American Physical Therapy Association, American Society of Anesthesiology, and the Medical Group Management Association retained Nachimson Advisors to assess the cost impact of the proposed ICD-10 rule on providers. Nachimson Advisors estimated the cost impact of an ICD-10 mandate on three different provider practices:

- A typical “small” practice, comprised of three physicians and two impacted administrative staff.
- A typical “medium” practice, comprised of 10 providers, one full-time coder, and six impacted administrative staff.
- A typical “large” practice, comprised of 100 providers, with 64 coding staff comprised of 10 full-time coders and 54 impacted medical records staff.

**Total Cost Impact of ICD-10 Mandate on Individual Provider Practices**

- For a typical small practice, Nachimson Advisors estimates the total cost impact of the ICD-10 mandate as \$83,290.
- For a typical medium practice, Nachimson Advisors estimates the total cost impact of the ICD-10 mandate as \$285,195.

- For a typical large practice, Nachimson Advisors estimates the total cost impact of the ICD-10 mandate as more than \$2.7 million.

### **Cost Impact of ICD-10 Mandate in Six Key Areas**

Requiring five times as many codes as the previous code set, the proposed rule would impact every aspect of business operations for physician practices and clinical laboratories and produce significant added costs in six key areas:

1. *Staff Education & Training.* Nachimson Advisors estimates the staff education and training costs associated with an ICD-10 mandate would range from \$2,405 for a small practice to \$46,280 for a large practice.
2. *Business-Process Analysis of Health Plan Contracts, Coverage Determinations & Documentation.* Nachimson Advisors estimates the business-process analysis costs associated with an ICD-10 mandate would range from \$6,900 for a small practice to \$48,000 for a large practice.
3. *Changes to Superbills.* Nachimson Advisors estimates the changes to new claim form software (superbills) costs associated with an ICD-10 mandate would range from \$2,985 for a small practice to \$99,500 for a large practice.
4. *IT System Changes.* Nachimson Advisors estimates the IT costs associated with an ICD-10 mandate would range from \$7,500 for a small practice to \$100,000 for a large practice.
5. *Increased Documentation Costs.* Nachimson Advisors estimates the increased documentation costs associated with an ICD-10 mandate would range from \$44,000 for a small practice to \$1.785 million for a large practice.
6. *Cash Flow Disruption.* Nachimson Advisors estimates the cash-flow disruption costs associated with an ICD-10 mandate would range from \$19,500 for a typical small practice to \$650,000 for a typical large practice.

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#### **About AAD**

The American Academy of Dermatology, founded in 1938, is the largest, most influential, and most representative of all dermatologic associations. With a membership of more than 15,000 physicians worldwide, the Academy is committed to: advancing the diagnosis and medical, surgical, and cosmetic treatment of the skin, hair and nails; advocating high standards in clinical practice, education, and research in dermatology; and supporting and enhancing patient care for a lifetime of healthier skin. For more information, please visit [www.aad.org](http://www.aad.org).

#### **About AAPC**

The American Academy of Professional Coders (AAPC) was founded in 1988 in an effort to elevate the standards of medical coding by providing certification, ongoing education, networking, and recognition. Currently, the AAPC has a membership base of 72,000 worldwide, of which more than 52,000 are certified. For more information please visit [www.aapc.com](http://www.aapc.com).

#### **About AANS**

The American Association of Neurological Surgeons (AANS) was founded in 1931 as the Harvey Cushing Society. The AANS is a scientific and educational association with over 7,400 members worldwide. Its organization is dedicated to advancing the specialty of neurological surgery in order to provide the highest quality of neurosurgical care to the public. All Active members of the AANS are board certified by the American Board of Neurological Surgery, the Royal College of Physicians and Surgeons of Canada, or the Mexican Council of Neurological Surgery, A.C. For more information please visit [www.aans.org](http://www.aans.org).

**About AAOS**

The American Association of Orthopaedic Surgeons was founded by the Academy Board of Directors in 1997, the Association engages in health policy and advocacy activities on behalf of musculoskeletal patients and the profession of orthopaedic surgery. For more information please visit [www.aaos.org](http://www.aaos.org).

**About ACLA**

The American Clinical Laboratory Association (ACLA) is a not-for-profit organization created in 1971 that offers members the benefits of representation, education, information and research. Its primary purpose is to advocate laws and regulations that recognize the essential role that laboratory services play in delivering cost-effective health care; encourage the highest standards of quality, service and ethical conduct among its members; and promote public awareness about the value of laboratory services in preventing illness, diagnosing disease, and monitoring medical treatment. For more information please visit [www.acla.org](http://www.acla.org).

**About AMA**

The American Medical Association helps doctors help patients by uniting physicians nationwide to work on the most important professional and public health issues. Working together, the AMA's quarter of a million physician and medical student members are playing an active role in shaping the future of medicine. For more information on the AMA, please visit [www.ama-assn.org](http://www.ama-assn.org).

**About AOA**

The American Optometric Association represents approximately 36,000 doctors of optometry, optometry students and paraoptometric assistants and technicians. Optometrists serve patients in nearly 6,500 communities across the country, and in 3,500 of those communities are the only eye doctors. Doctors of optometry provide two-thirds of all primary eye care in the United States. For more information please visit [www.aoa.org](http://www.aoa.org).

**About APTA**

The American Physical Therapy Association (APTA) is a national professional organization representing more than 72,000 members. Its goal is to foster advancements in physical therapy practice, research, and education. The mission of APTA is to further the profession's role in the prevention, diagnosis, and treatment of movement dysfunctions and the enhancement of the physical health and functional abilities of members of the public. For more information, please visit [www.apta.org](http://www.apta.org)

**About ASA**

The American Society of Anesthesiologists. Anesthesiologists: physicians providing the lifeline of modern medicine. Founded in 1905, the American Society of Anesthesiologists is an educational, research and scientific association with 43,000 members organized to raise and maintain the standards of the medical practice of anesthesiology and improve the care of the patient. For more information please visit [www.asahq.org](http://www.asahq.org).

**About MGMA**

The Medical Group Management Association, founded in 1926, is the nation's principal voice for medical group practice. MGMA's more than 21,500 members manage and lead 13,500 organizations, in which more than 270,000 physicians practice. MGMA's core purpose is to improve the effectiveness of medical group practices and the knowledge and skills of the individuals who manage and lead them. MGMA headquarters are in Englewood, Colo. For more information please visit [www.mgma.com](http://www.mgma.com).



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## New Study Finds ICD-10 Mandate Hardship for Health Care Providers

### *Typical 10-physician practice to spend \$285,240 to comply with new federal mandate*

(Washington, DC), Oct. 14, 2008 — A controversial proposed rule from the US Department of Health & Human Services (HHS) requiring all physician practices and other providers to adopt a new coding set – the ICD-10 code set – by 2011 would dramatically increase costs for physician practices and clinical laboratories, according to a new cost study initiated by a broad group of provider organizations and conducted by Nachimson Advisors. Armed with this new information, these groups call on HHS to carefully reassess its plan to rapidly adopt ICD-10 and extend the implementation time frame. The costs associated with implementing ICD-10 in such a short timeframe, are markedly higher than what CMS has estimated and will place a major burden on providers, taking valuable time away from their patients and straining other resources needed to invest in health information technology.

Cost estimates for practices and laboratories to implement ICD-10 were highlighted in the study. The total estimated cost for a 10-physician practice to move to ICD-10 would be more than \$285,000. These expenses include:

- Total training expenditures estimates - \$4,745
- New claim form (superbill) software - \$9,990
- Business process analysis - \$12,000
- Practice management and billing system software upgrades - \$15,000
- Increases in claim inquiries and reduction in cash flow - \$65,000
- Increased documentation costs - \$178,500

For a small, three-physician practice, the total cost to implement ICD-10 is estimated to be \$83,290, for a large, 100-physician practice the estimated costs to implement ICD-10 is more than \$2.7 million.

“We are just now beginning to learn the increased costs on physician practices associated with moving to the ICD-10 code set – and they are staggering,” said William F. Jessee, MD, FACMPE, Medical Group Management Association president and CEO. “If HHS’s proposed 2011 timeframe for implementing ICD-10 goes forward as planned, physician practices will have to cope with a crushing burden of added costs, duplicative systems, and confusion over health

insurers' coverage decisions. HHS's proposed timeframe is unworkable for patients, physician practices and clinical laboratories and needs to be changed."

This past August, HHS proposed a new rule that would require all physician practices and clinical laboratories to use this new coding set as the standard code set for coding diagnoses on *all* HIPAA standard transactions. This proposed update of the ICD-9 code set expands diagnosis codes by a factor of five. Compounding this challenge for practices, the proposed rule for the new HIPAA transactions standards (5010 version) also was released in August.

The health care industry agrees that the 5010 standard must be in place prior to ICD-10. Even the Department's own advisory group, the National Committee for Vital and Health Statistics (NCVHS) recommended a minimum two-year implementation period to test and verify the standards is needed and that work on ICD-10 not begin until two years after the deadline for the 5010 version HIPAA transactions standards. However, HHS proposed an overly aggressive April 1, 2010 compliance date for the 5010 HIPAA transaction standards. The implementation of the 5010 standard and the ICD-10 code set together will have a profound impact on the operations of physician practices and clinical laboratories.

Joseph M. Heyman, M.D., board chair, American Medical Association (AMA) stated "The AMA is deeply concerned that HHS is rushing head-first into the transition to a complex coding system without fully recognizing the impact on the health care system. Physicians, insurers, medical labs and others are raising the alarm that the costs, documentation and training required by ICD-10 will be significantly greater than HHS now recognizes. We are committed to improving the health care system, but we cannot let history repeat itself as CMS attempts to quickly implement yet another major HIPAA change without allowing time for physician education, software vendor updates, coder training, and testing with payers - steps that are needed for a smooth transition and cannot be rushed."

**Clinical Laboratories**

In the study, Nachimson Advisors identified a large national laboratory as estimating its up-front cost of implementing ICD-10-CM to be approximately \$40 million, including IT and education costs. This is based roughly on estimating that ICD-10-CM will be twice as difficult as National Provider Identifier, and that the impact will reach across all of their main IT systems – order entry, laboratory, billing, reporting, data warehousing and client products. This laboratory expects the implementation to take 3-4 years *after* HIPAA upgrades (i.e., implementation of the 5010 version of the HIPAA standard transactions) are complete. However, the implementation of ICD-10-CM will result in a permanent increase in operational costs for large clinical laboratories due to the ongoing personnel expense associated with the hiring of hundreds of dedicated, certified translators.

"This study illuminates the fact that adopting ICD-10 will be far more costly for physician practices and clinical labs and much more complicated than HHS acknowledges in the proposed rule," said Alan Mertz, president of the American Clinical Laboratory Association. "We are hopeful that HHS will review this study closely and revise their compliance strategy to correspond with a more appropriate timeline."

**Total Cost Summary of Costs**

	Typical Small Practice	Typical Medium Practice	Typical Large Practice
Education	\$2,405	\$4,745	\$46,280

<b>Process Analysis</b>	\$6,900	\$12,000	\$48,000
<b>Changes to Superbills</b>	\$2,985	\$9,950	\$99,500
<b>IT Costs</b>	\$7,500	\$15,000	\$100,000
<b>Increased Documentation Costs</b>	\$44,000	\$178,500	\$1,785,000
<b>Cash Flow Disruption</b>	\$19,500	\$65,000	\$650,000
<b>TOTAL</b>	<b>\$83,290</b>	<b>\$285,195</b>	<b>\$2,728,780</b>

The American Academy of Dermatology, American Academy of Professional Coders, American Association of Neurological Surgeons, American Association of Orthopaedic Surgeons, American Clinical Laboratory Association, American Medical Association, American Optometric Association, American Physical Therapy Association, American Society of Anesthesiologists, and the Medical Group Management Association retained Nachimson Advisors to assess the cost impact of the proposed ICD-10 rule on providers.

The study is available at: <http://nachimsonadvisors.com/products.aspx>.