AMA's ICD-10 report finds higher costs for implementation; software upgrade cited

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Healthcare providers pushing for a delay in the scheduled Oct. 1 start date for the ICD-10 coding system got support from a new American Medical Association-sponsored report finding that implementation will be more expensive than previously estimated. But the report found that costs will vary widely depending on practice circumstances.

The report, written by consultants Carolyn Hartley, president and CEO of Physicians EHR, and Stanley Nachimson, principal for Nachimson Advisors, estimates that costs will range from $56,639 to $226,105 for small practices; $213,364 to $824,735 for medium-sized practices; and about $2 million to more than $8 million for large practices. In 2008, Nachimson estimated the costs at $83,290 for small practices, $285,195 for medium-sized practices and more than $2.7 million for large ones.

“A major element in the cost is clearly the vendor/software upgrade category,” the authors concluded. “Practices fortunate enough to have no cost associated with a software upgrade, perhaps around one-third, will see their costs toward the lower end of our range.”

Robert Tennant, senior policy adviser at the Medical Group Management Association, said practices at the low end of the cost range are probably those that have expensive maintenance agreements that require vendors to make sure their systems are always in regulatory compliance. While such practices may not have to spend more money for implementation, they have already spent a lot of money to be in that position—something smaller practices may not be able to do.

“It cost them a lot of money to get to zero,” Tennant said. “Also, the practices least able to buy new software, will have to buy new software.”

The projections in the report, based on interviews with practices, vendors and consultants, take into account how moving to ICD-10 will require changes to codes and functions embedded in practice-management systems.

This is further complicated by how practices must use 2014-certified electronic health-record technology, or CEHRT, to meet meaningful-use requirements to receive payments from the federal EHR incentive program.

“Ideally, the implementation of both software components should be synchronized,” the authors wrote. “In reality, the EHR vendors’ release of Version 2014 CEHRT software is not aligned with ICD-10-compliant” practice-management system software.

Many EHR vendors plan to release ICD-10-compliant software in the first quarter of this year and 2014-certified EHR technology this summer, the authors noted. As a result, many practices will be using hybrid systems using ICD-9 coded data for meaningful-use reporting and ICD-10 coded content for billing.

The estimates also included refined calculations for the cost of education, billing, IT costs, increased documentation costs and cash flow disruptions.

The AMA and other organizations such as the MGMA have been lobbying for a delay in the Oct. 1 implementation date, which previously was pushed back.

Earlier this year, the MGMA released research showing that only 9.4% of physician practices responding to a survey reported that they had made significant progress toward ICD-10 readiness.