

National Home Health ICD-10 Readiness Study

May 9

2013

A detailed analysis of the results from the largest-ever survey of the home health industry's state of readiness to adopt the ICD-10-CM diagnosis code set. Includes conclusions and recommendations. Research and analysis conducted by DecisionHealth and the National Association for Home Care & Hospice (NAHC).

*A comprehensive
look at industry
readiness for the
biggest change to
health care in a
generation*

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Executive summary

The United States is poised to make a dramatic change to its healthcare system that will greatly enhance the diagnostic detail across every segment of care. On Oct. 1, 2014, the country will switch from the using the decades-old Ninth Revision of the International Classification of Diseases (ICD-9), which is a set of diagnosis and inpatient procedure codes, to the Tenth Revision (ICD-10). ICD-10, which was adopted years ago by most developed nations, allows providers to much more accurately describe their patients' diagnoses. This greater level of detail is expected to drastically improve epidemiological research and data gathering.

All entities subject to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) will be required to adopt the ICD-10-CM and ICD-10-PCS diagnosis code sets (home health agencies will use ICD-10-CM). In effect, the entire healthcare industry must transition. As this process is poised to reach a climax, DecisionHealth and the National Association for Home Care & Hospice (NAHC) conducted the largest-ever readiness survey of the home health sector¹ from April 15 to May 1, 2013. Our results from nearly 300 separate home health agencies suggest that most agencies are **behind in their planning, confused about how to prepare financially, and lack urgency** because they **underestimate both the scope of the transition and the severity** of the impact to cash flow in 2014.

For example, more than **90% of respondents have not yet completed** an ICD-10 gap analysis – a crucial early step that informs an agency's overall transition plan, according to experts. Nearly **three-quarters of responding agencies said they have no implementation plan yet**, and surprisingly, **10% said they will not develop a plan** until Q2 2014. Home health agencies reported having little knowledge of how their software systems will transition to ICD-10, despite repeated warnings from government officials, private consultants, and many software vendors. Almost one in three respondents said they were "not well-informed" about their vendor's plans and timelines for making their systems ICD-10-capable. Another 15% reported having no communication with their vendor about ICD-10.

Only 20% of respondents said ICD-10 was a top priority, while **nearly 63% said other challenges were more pressing**. When asked what aspect of ICD-10 they found most exciting, 39% said nothing excited them, and that they would rather not transition at all. A **majority of respondents do not plan to begin training** for their clinical and support staff until 2014. **As for their coders, 25% of respondents do not plan to begin training** until 2014.

This study confirms what private sector consultants and government officials have been warning about for months, if not years. First, that there is an urgent need for home health agencies to plan and prepare for ICD-10; second, that a majority of agencies are under-prepared; and third, that most of these under-prepared agencies are not currently on a trajectory to being prepared in time for the Oct. 1, 2014, deadline.

¹ There are more than 12,000 home health agencies certified by Medicare, and more than 1.5 million patients who receive home health services. Source: CDC fact sheet at <http://www.cdc.gov/nchs/fastats/homehealthcare.htm>.

ICD-10 perceptions and planning

While the ICD-10-CM diagnosis code set will be a major challenge for all HIPAA-covered entities nationwide, the provider community in particular has been slow to prepare.

Part of the reason lies in a decision by the Centers for Medicare and Medicaid (CMS) to delay the implementation date of ICD-10 from Oct. 1, 2013, to Oct. 1, 2014. The one-year delay immediately sent a signal to the provider community – long familiar with the government’s tendency to propose major changes, then delay them repeatedly – that ICD-10 was far off in the future, and could eventually be canceled.

Surveys conducted in 2009, 2010 and 2011 suggested that home health agencies in particular had been lulled into a false sense of security. Because many agencies are small and independent, they are often too busy to adequately cope with constantly changing rules. This may explain why so many agencies seemed complacent and slow to begin ICD-10 transition efforts, despite repeated statements by top CMS officials, including Acting Administrator Marilyn Tavenner, that the government is “100% committed to moving forward” and will not delay ICD-10 again.²

Our first goal in this study was to assess the latest perceptions of ICD-10 by home health agencies, to see whether this dynamic had changed, and whether CMS efforts to warn about readiness were having any impact.

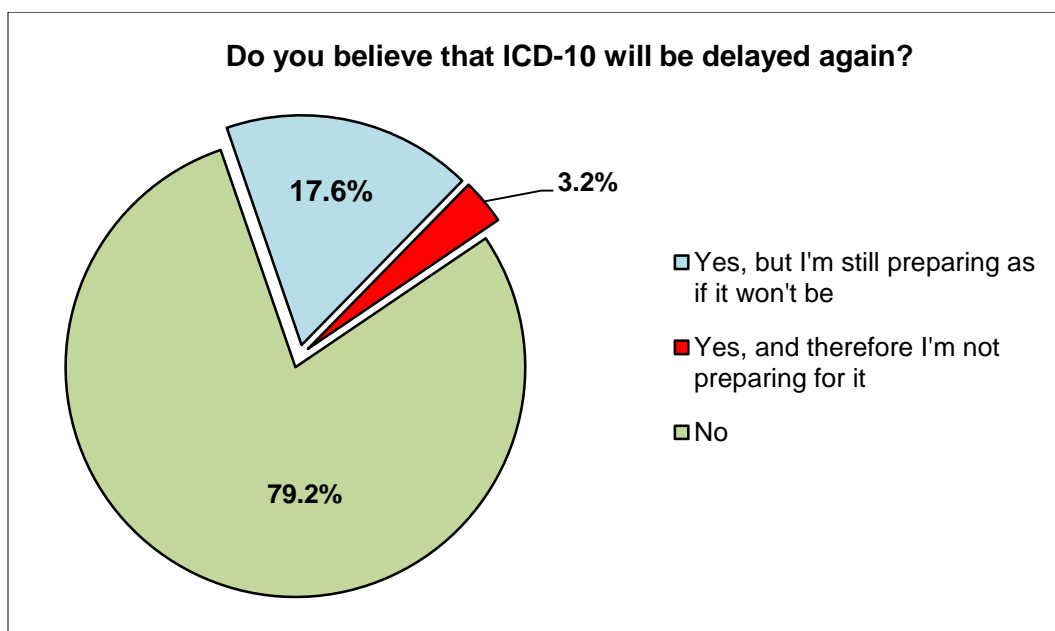


Chart 1

² “CMS: No further ICD-10 delays, so get ready.” *DecisionHealth Daily*, 8 March 2013. <http://daily.decisionhealth.com/Articles/Detail.aspx?id=515213>

Our results suggest that the vast majority of agencies have changed their mindset. Our first questions shows that most home health agencies take seriously CMS's assertions that ICD-10 will be mandatory on Oct. 1, 2014. Nearly 80% don't expect another delay, and even those expecting a delay are basing their preparations on the advertised 2014 date (**chart 1**).

About 83% of respondents said they expect their agencies to be ready in time for the deadline, while nearly 15% don't believe their agency will be ready. These respondents were then asked to explain why they don't expect to be ready. A sampling of the reasons given are below:

- *"Small agency, few referrals. Cost of changes."*
- *"Lack of cooperation of administration to fund training."*
- *"Administration thinks it will be easy."*
- *"Too much training and education needed."*
- *"Too many other changes and priorities. Costs involved too high."*
- *"No, because training is so expensive."*
- *"Too busy now keeping up let alone planning for something over a year away."*
- *"Not enough staffing."*
- *"Not enough hours in the day."*

These results, combined with responses to other specific readiness questions later in the survey, suggest that **the 83% of respondents who believe they will be ready are simply uninformed about what it takes to be ready.**

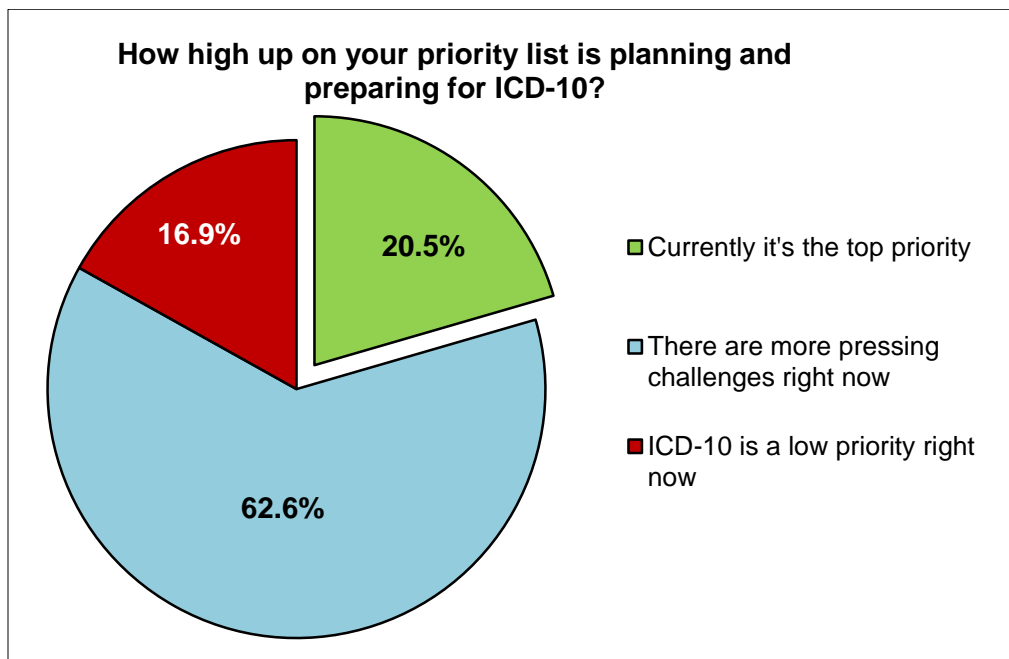


Chart 2

One in five respondents said ICD-10 is a current top priority – almost the same as the number who said ICD-10 is a low priority (20.5% vs. 16.9%). Nearly two in three cited other challenges as being more pressing. Home health agencies are still struggling to comply with Medicare’s face-to-face rule, increased claim audits, and steady declines in reimbursement.

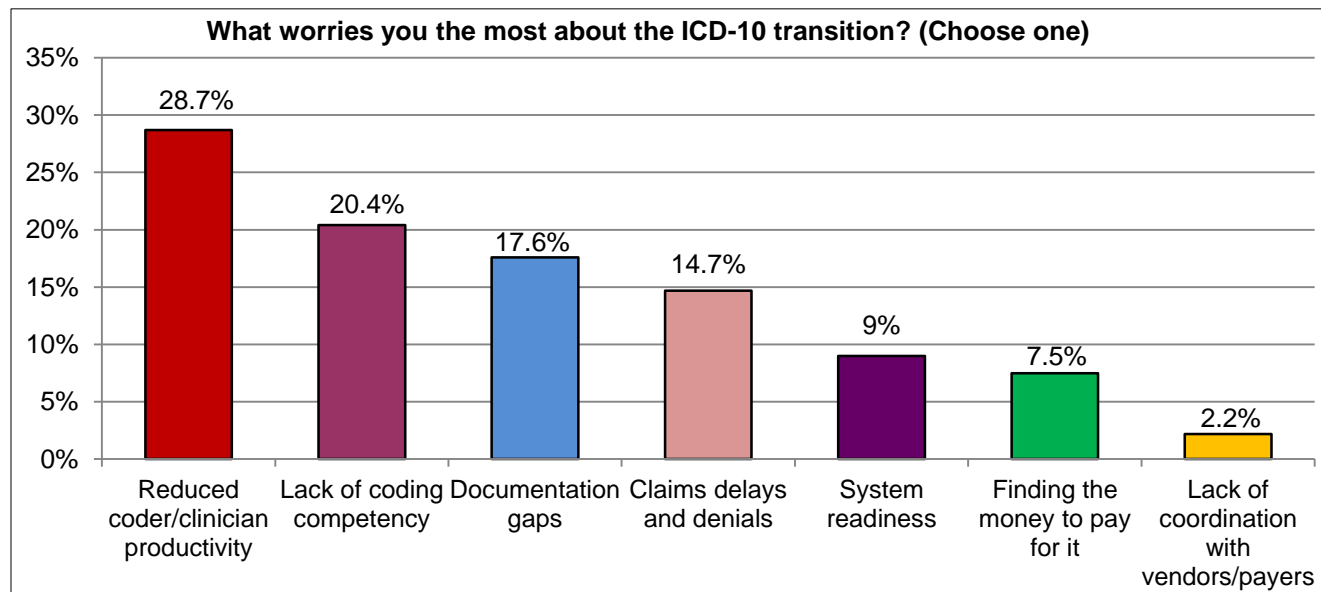


Chart 3

Interestingly, when asked to choose a single top ICD-10 concern, agencies chose “reduced coder and clinician productivity” over “finding the money to pay for it” (**chart 3**). Agencies seem more focused on the impact to day-to-day operations, and see it as having greater long-term consequences, while “claims delays and denials” and “finding the money to pay for it” both ranked much lower. These seem to be seen as shorter-term budget issues.

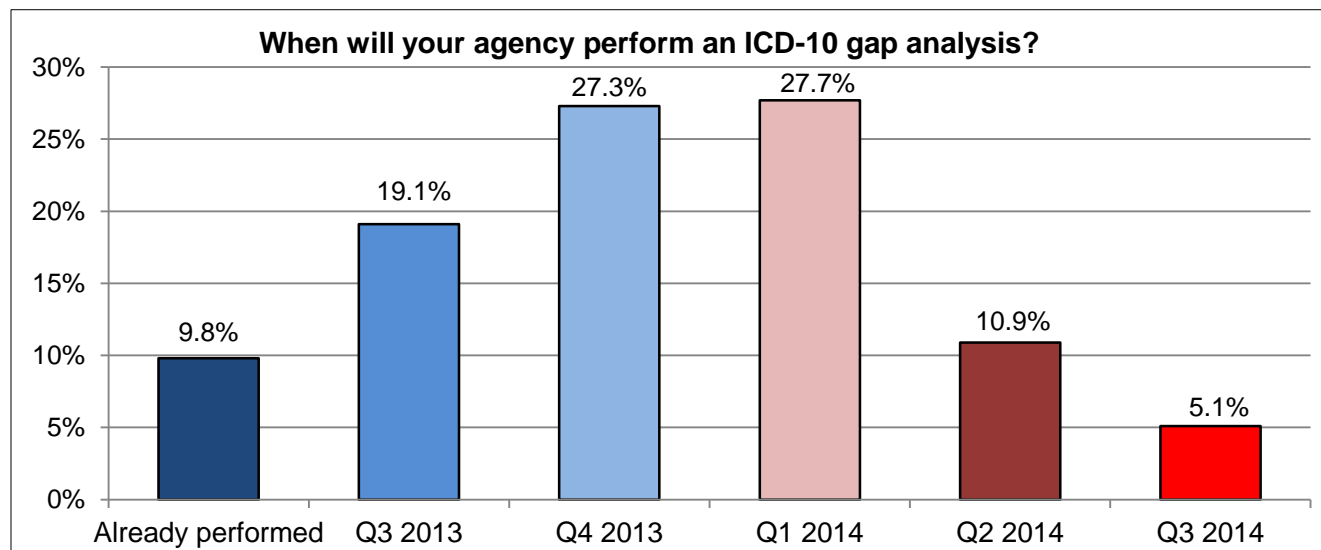


Chart 4

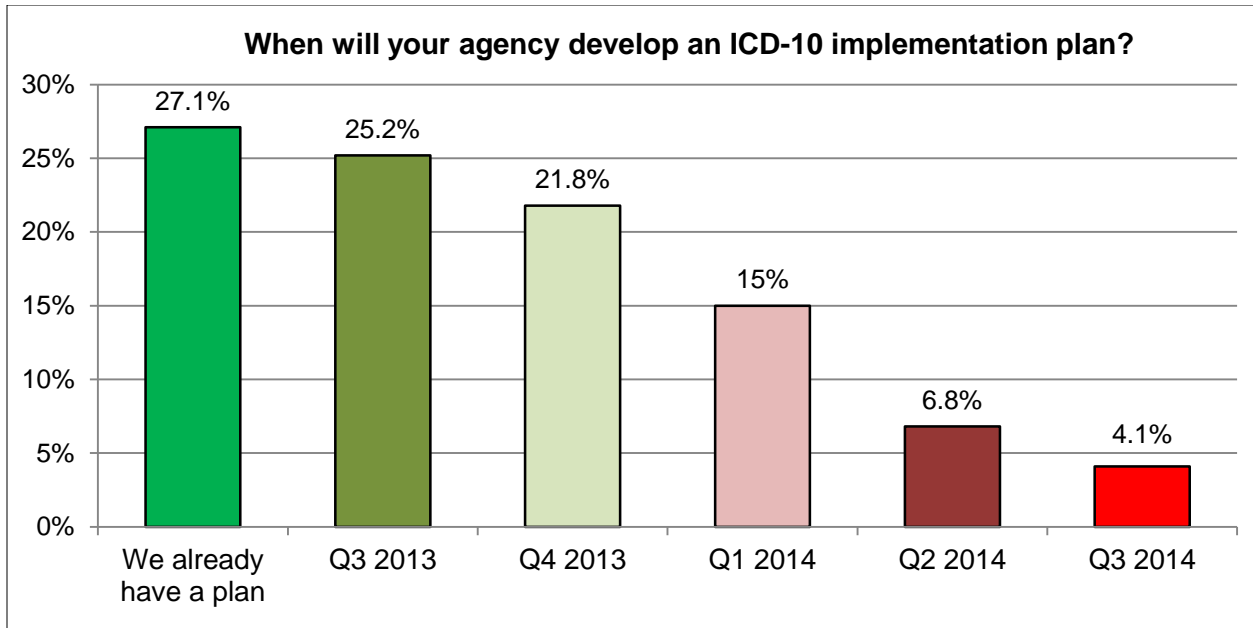


Chart 5

Charts 4 and 5 examine home health agencies' timeline for ICD-10. The gap analysis question is perhaps the most striking, with fewer than 10% of agencies having already done a gap analysis. More than 90% have not done a gap analysis, and 43.7% don't expect to perform one until 2014, when they will have at best 10 months to be ready for ICD-10.

Remember, an ICD-10 **gap analysis** is an assessment done to highlight the difference between current systems and processes and a version of those systems and processes that will be compatible with and adapted to ICD-10.

Chart 5 shows a slightly more reassuring picture, as most agencies will have an ICD implementation plan by the end of 2013. Even so, the results show that more than a quarter of agencies are waiting for 2014 before coming up with a plan. This would be the more pessimistic interpretation, and unfortunately one quarter represents a very large number of the respondents.

Overall, agencies' enthusiasm for ICD-10 is tempered. About 50% of agencies are excited about improved documentation specificity. But 39% aren't excited about any aspect of ICD-10, and would prefer not to transition.

The state of training for ICD-10

The ICD-10 transition impacts home health agencies across all key business areas: documentation, back-end workflow, cash flow, and reporting. A successful transition will require awareness and training for staff in all these skills. Agencies must strike a balance between starting training too early, and having staff not retain the knowledge, and starting too late, risking all the financial consequences of improperly coded claims.

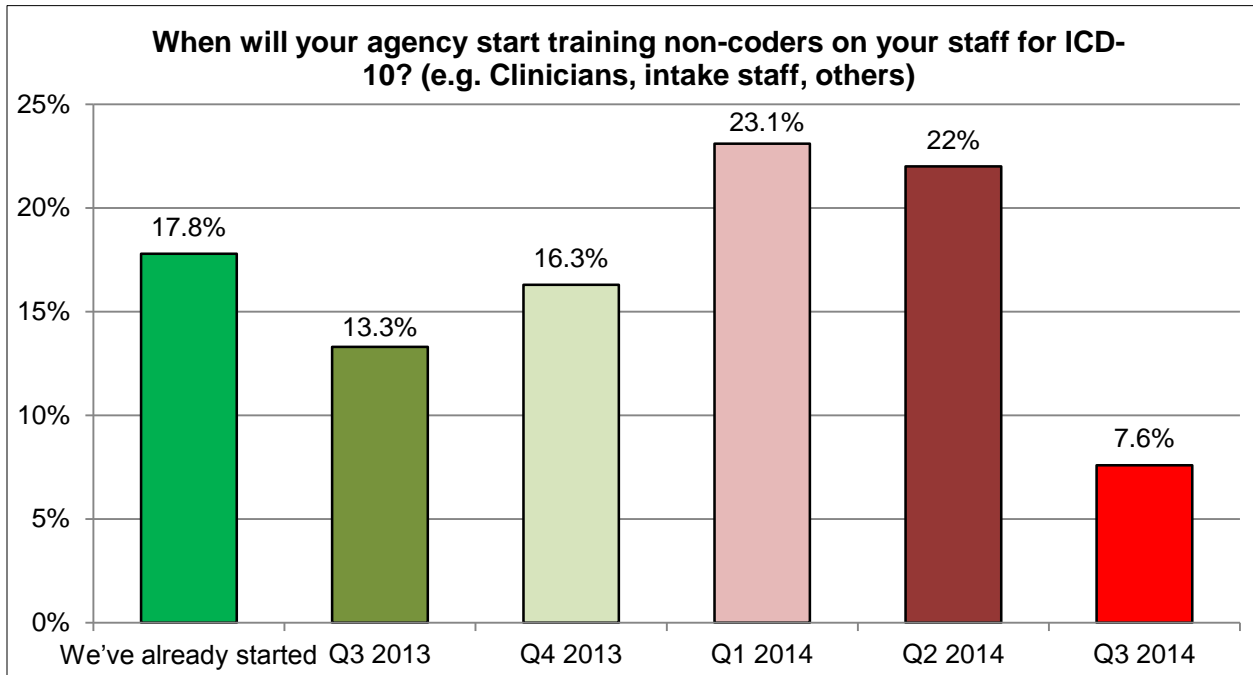


Chart 6

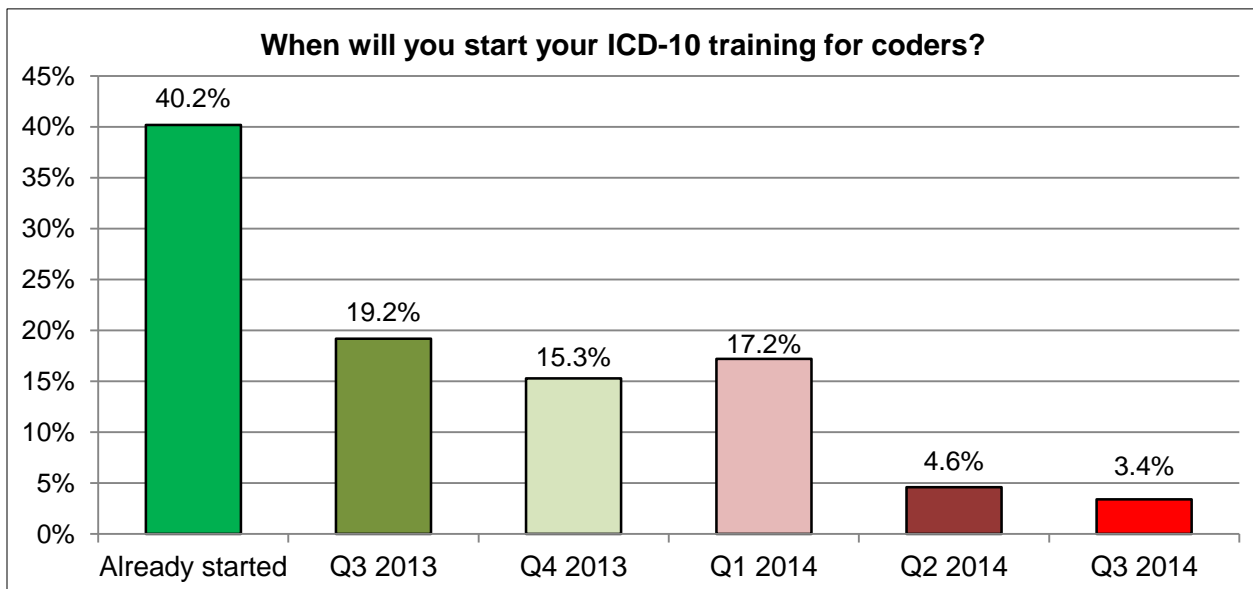


Chart 7

Our results show that agencies recognize coders require the most training, and therefore place much greater urgency on early training for coders as opposed to other staff (**chart 7** vs. **chart 6**). It's encouraging to see that 40% of respondents have already begun ICD-10 training for their coding staff, and that by the end of 2013, nearly 80% will have begun training their coders.

There's much more of a mixed bag for other staff training, however, with a majority (52.7%) saying that they won't begin training until 2014.

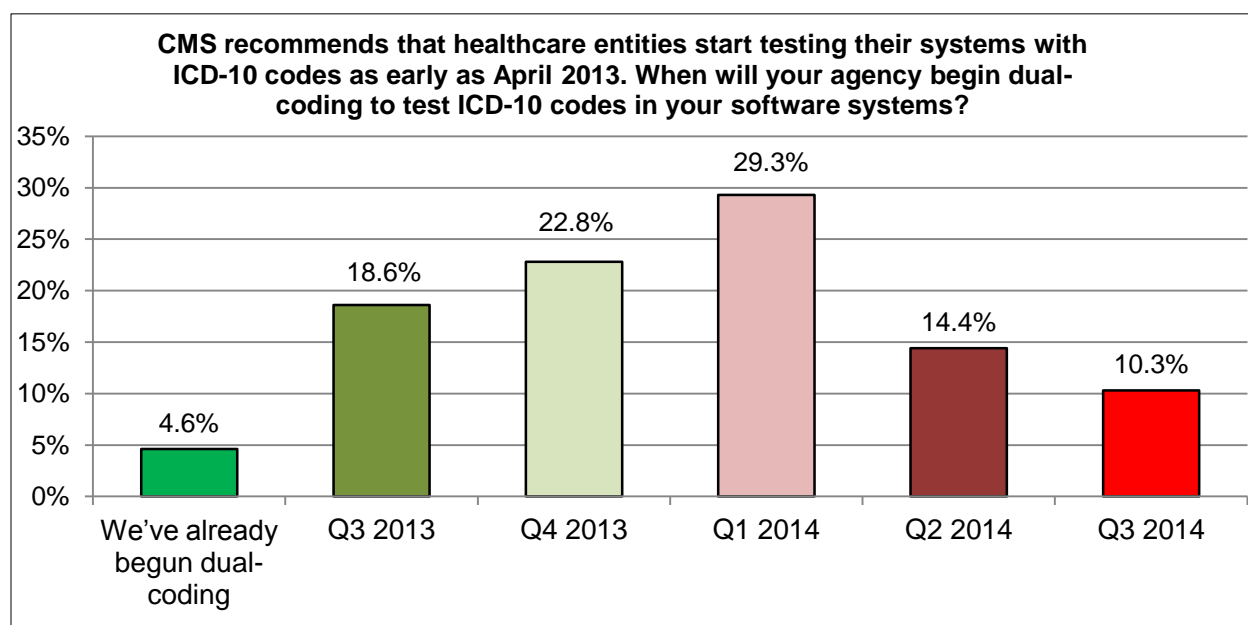


Chart 8

In early 2013, CMS released its official ICD-10 implementation guides, including suggested timelines, for all healthcare entity types (including physicians, hospitals, and payers). This guide called for transition training to begin March 1, 2013, and for ICD-10 dual-coding testing to begin on April 1, 2013.³

Unfortunately, our results indicate that less than 5% of those surveyed actually followed CMS's guidelines. Most of our respondents expect to begin dual-coding testing in Q4 2013 and Q1 2014. About 25% won't begin testing dual-coded claims until 2014.

Dual-coded testing means taking actual claims that are submitted using the current ICD-9-CM code set, and also coding them using ICD-10 in the same patient record, for practice.

³ "CMS: Your ICD-10 transition should've started on March 1." *DecisionHealth Daily*, 21 March 2013. <http://daily.decisionhealth.com/Articles/Detail.aspx?id=515325>

Consultants to play major role in training

When asked who will actually train home health agency coders, paid consultants from outside the organization came up as a very popular choice. One in three respondents (32.9%) say they will spend money on outside consultants, while 26.1% say they will rely on their own coding supervisor. Still, two in three agencies plan to rely on internal resources for training.

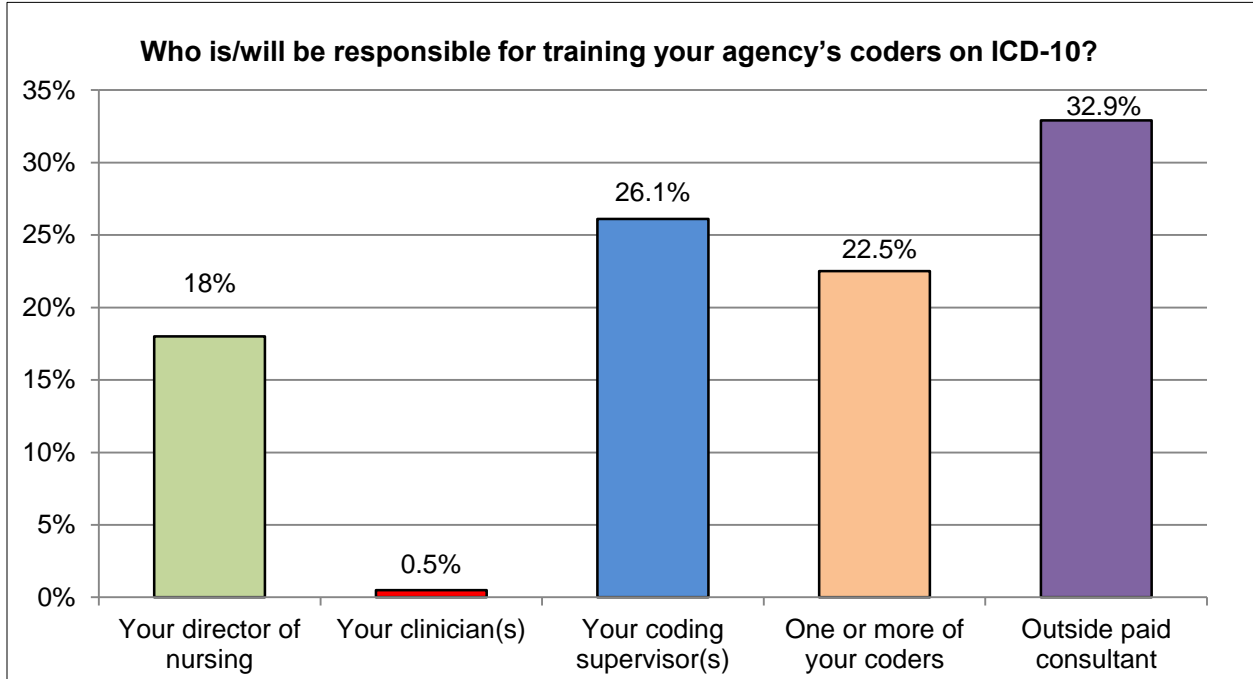


Chart 9

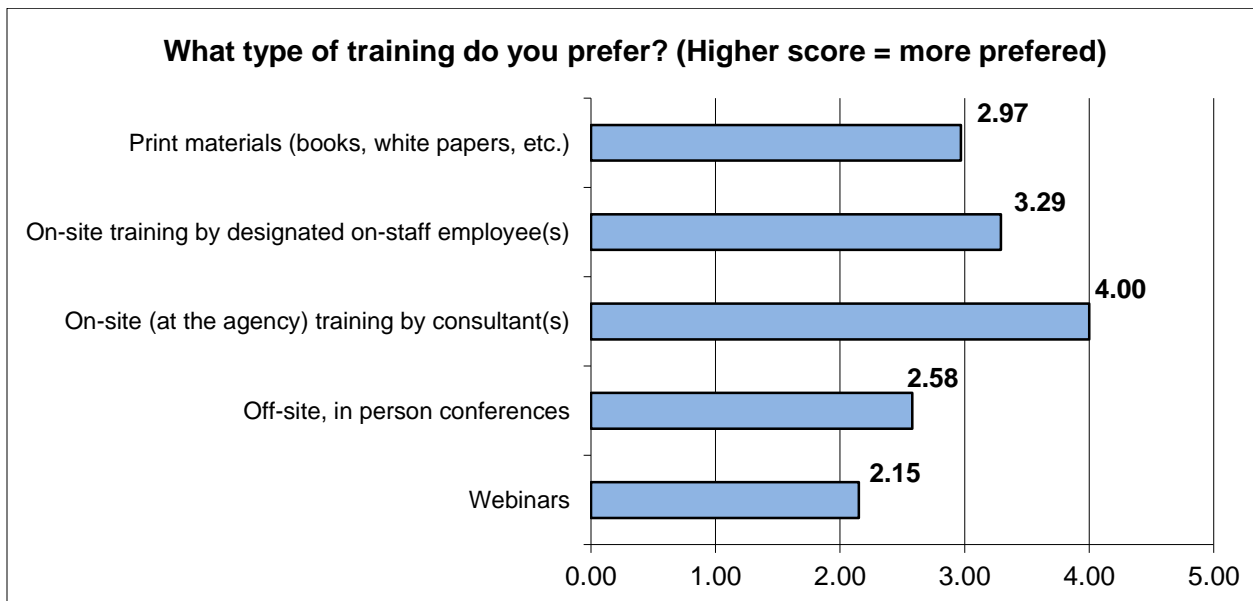


Chart 10

The preference for outside consultants is echoed in **chart 10**, which shows that “on-site training by consultants” received the highest aggregate score for the most preferred training format. **Chart 10** represents results for a ranking question, thus each response is graphed according to its average score from 1 to 5. Webinars were the least preferred, while on-site training by internal staff received the second highest score.

Software and vendor readiness

Billing software and other systems used by home health agencies must be updated in order to function with ICD-10. Experts have stressed the need to anticipate how software that produces dashboards and reports will be impacted. Each report will need to be adapted to ICD-10; some should probably be retired.

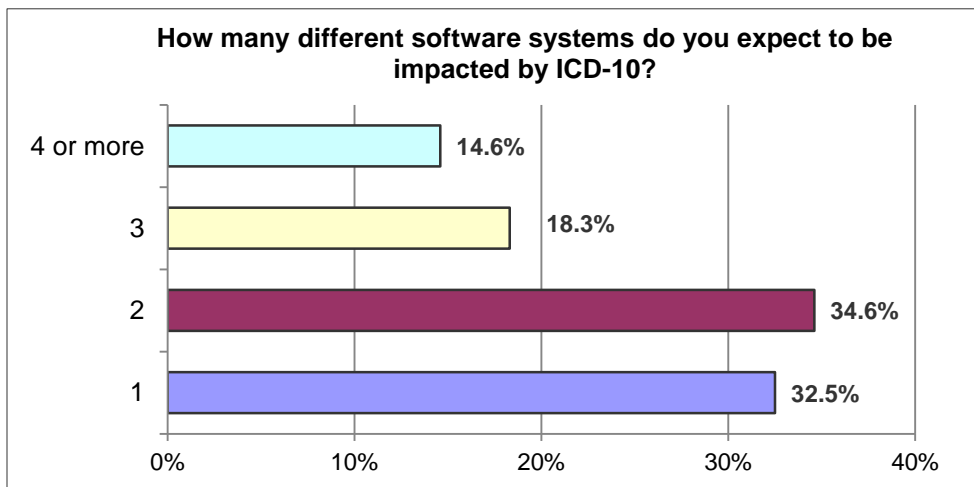


Chart 11

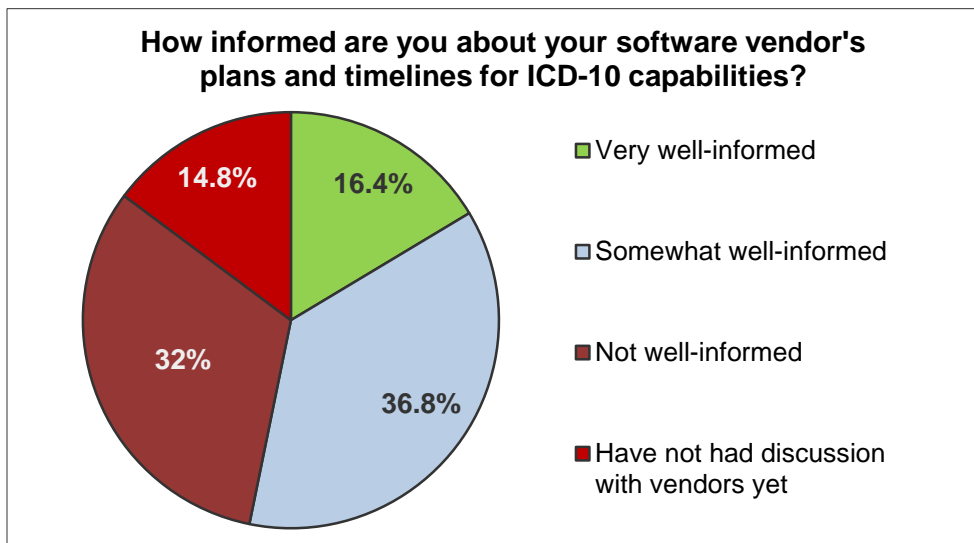


Chart 12

The vendor role is crucial, as some vendors will require payment for ICD-10 compatibility, and all vendors have their own internal timeframes for testing and upgrades. In this section, we tried to evaluate how well-prepared agencies were to adapt their software, and how engaged they were with their vendors in the process.

Chart 11 shows that the majority of agencies believe they have just one or two systems that will be affected by ICD-10; while we did not ask for specific types of software, typically agencies use coding and billing systems that would be impacted by the new code set.

Chart 12 is worrisome, as it shows nearly 47% of agencies admitting to either being poorly informed or having no interaction with their vendors about ICD-10.

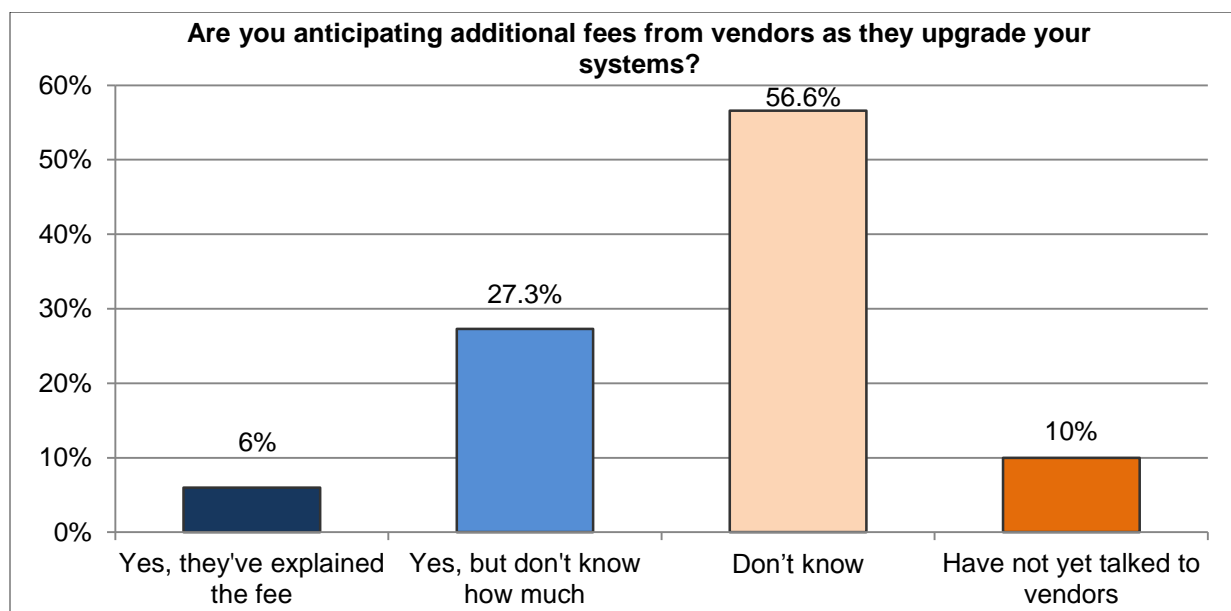


Chart 13

The cost of upgrading software seems to be a significant factor. One in three agencies say their vendor will be charging a fee for upgrading. The majority, 56.6%, don't yet know whether their vendor will charge a fee, though they are at least talking to their vendor contacts.

Overall, only 11.5% of agencies surveyed say they have reached out to communicate with their vendor about ICD-10 preparedness. The great majority, 73.3%, say they plan to talk to their vendor, but have not yet done so. The importance of talking to vendors about software updates isn't fully subscribed to, either; 15.2% of respondents say they have not spoken to the vendors yet because they don't need to.

Budgeting for ICD-10 and financial backups

The financial planning for ICD-10 is one of the most critical aspects of transitioning, because of the expenses associated with training and preparation, and the potential for revenue streams to freeze when claims are improperly coded.

This section looks at budgeting for the transition, including paying for training and materials, and whether agencies have an emergency source of cash in case payments freeze due to improper usage of ICD-10 codes.

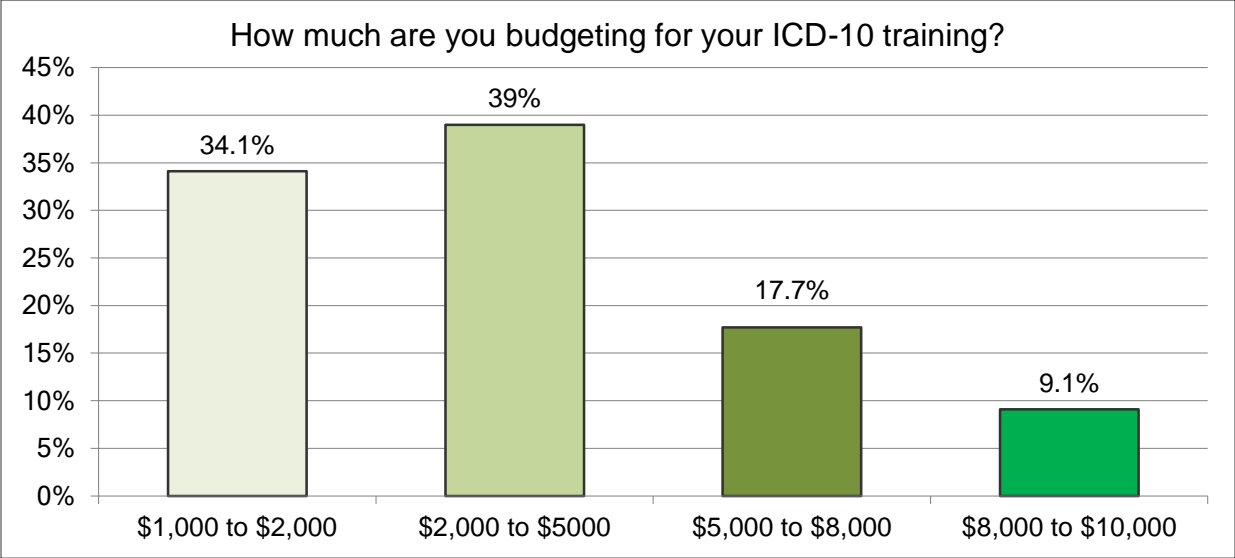


Chart 14

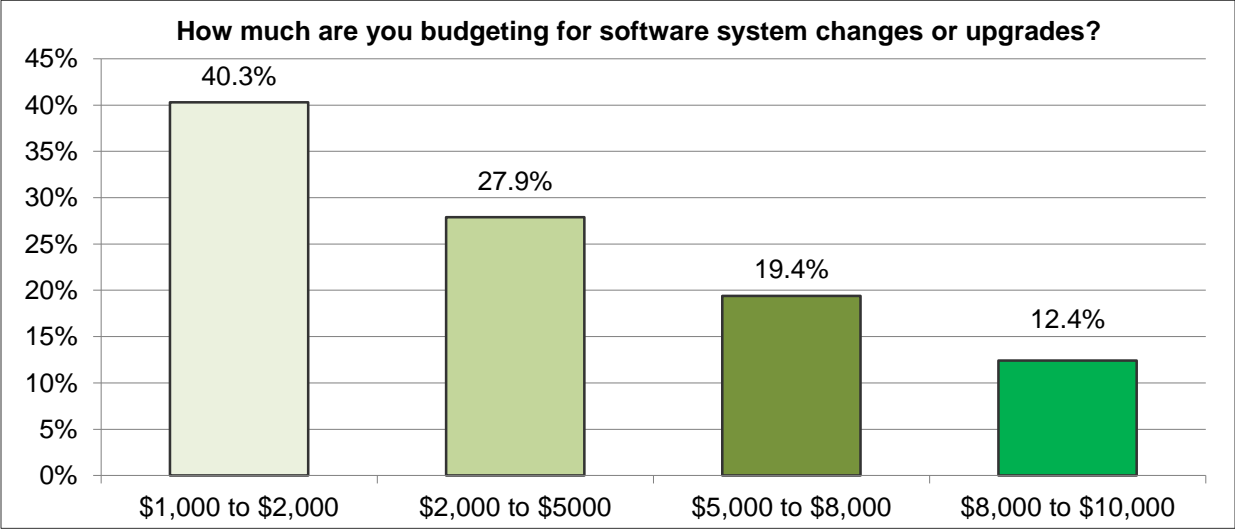


Chart 15

We received a similar distribution of responses to our questions about budgeting for training and for software upgrades. Because few agencies know about upgrade costs (see

chart 13), we received fewer responses on the question depicted in **chart 15**. Thus we can infer that the responses represented on **chart 15** are mostly coming from agencies that have communicated with their vendor, and asked about such fees.

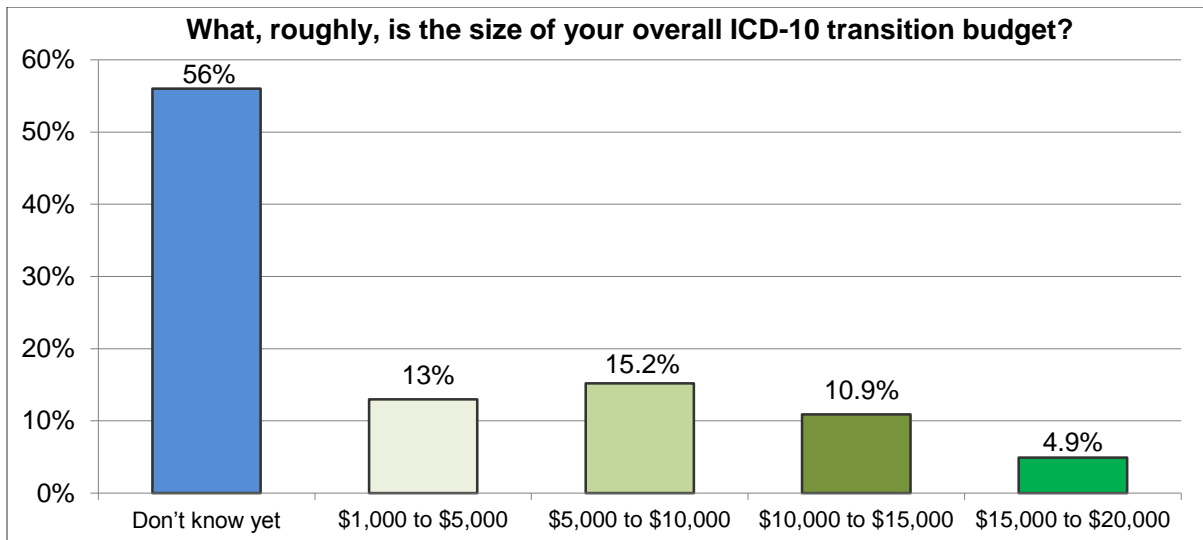


Chart 16

Few agencies have a set ICD-10 budget, as shown in **chart 16**. It is encouraging to see that most of those with budgets have set aside an amount around the \$5,000 to \$10,000 mark, though obviously budgets are driven as much by agency size as by agency priority on ICD-10 preparation. **Charts 14-16** show that the mindset has in fact grown more realistic from a few years ago, when 63% of surveyed agencies offered \$1,000 as their ICD-10 budget.⁴

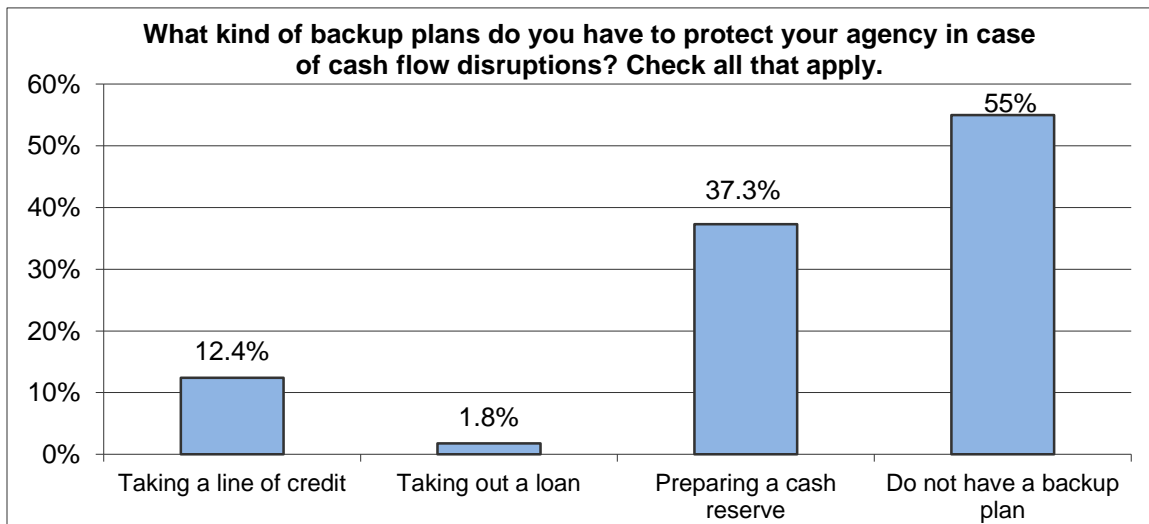


Chart 17

⁴ "ICD-10 on the radar but preparation hasn't started at some agencies." *Home Health Line*, 19 July 2010. <http://homehealthline.decisionhealth.com/Articles/Detail.aspx?id=511299>

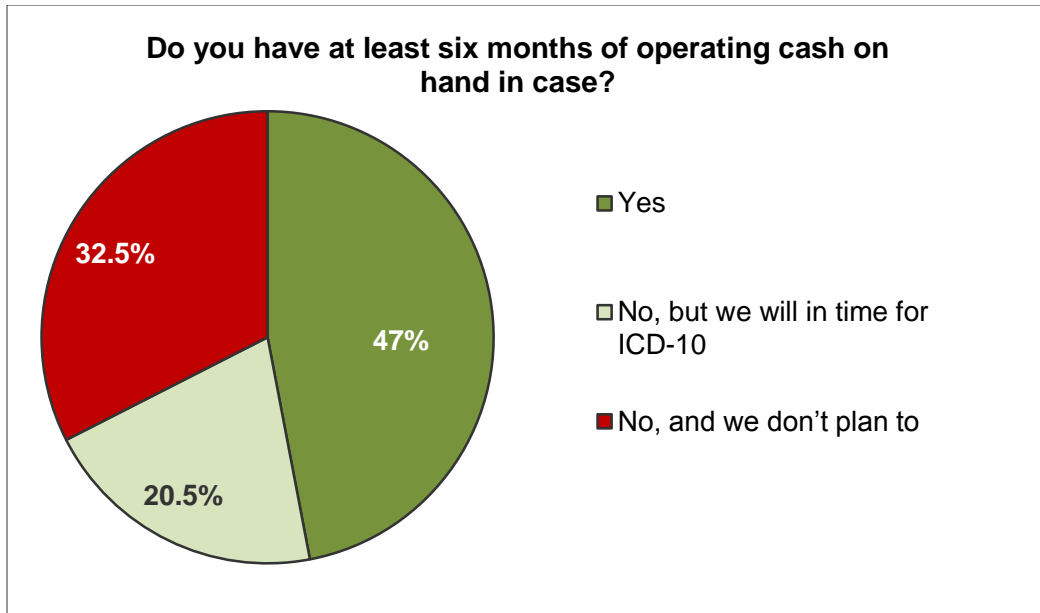


Chart 18

When it comes to a backup plan for cash-flow emergencies, the clear favorite was simply maintaining a cash reserve, with 37.3% of respondents choosing that option in **chart 17**, and 67% of respondents plan to have six months of operating cash on hand in **chart 18**.

However, more than half (55%) of agencies surveyed have no contingency plan, though the fact that 47% of agencies keep at least six months of operating cash on hand by default is reassuring. We chose “at least six months” in formulating the question for **chart 18** because CMS has stated that national denial rates are expected to rise to 10% for up to six months after ICD-10 takes effect.⁵ By setting aside at least six months of operating cash, agencies that find themselves facing a depleted cash flow can buy themselves time to correct the problem.

⁵ “ICD-10 Transformation: Five Critical Risk-Mitigation Strategies.” HIMSS G7 Advisory Report, 2011. http://himss.files.cms-plus.com/HIMSSorg/content/files/icd10/G7AdvisoryReport_ICD10%20Version12.pdf

Daily operation and workflow changes

The impact of ICD-10 will be keenly felt when it comes to the day-to-day tasks that dominate the attention of most home health executives. In fact, workflow impact on clinicians and coders was cited as the top ICD-10 concern (see **chart 3**). Even so, the responses to questions in this section show that most home health agencies expect their vendors to do the heavy lifting with respect to documentation and workflow tool changes.

We asked a variety of open-ended questions to capture responses on how agencies currently see ICD-10's impact on all aspects of their daily business.

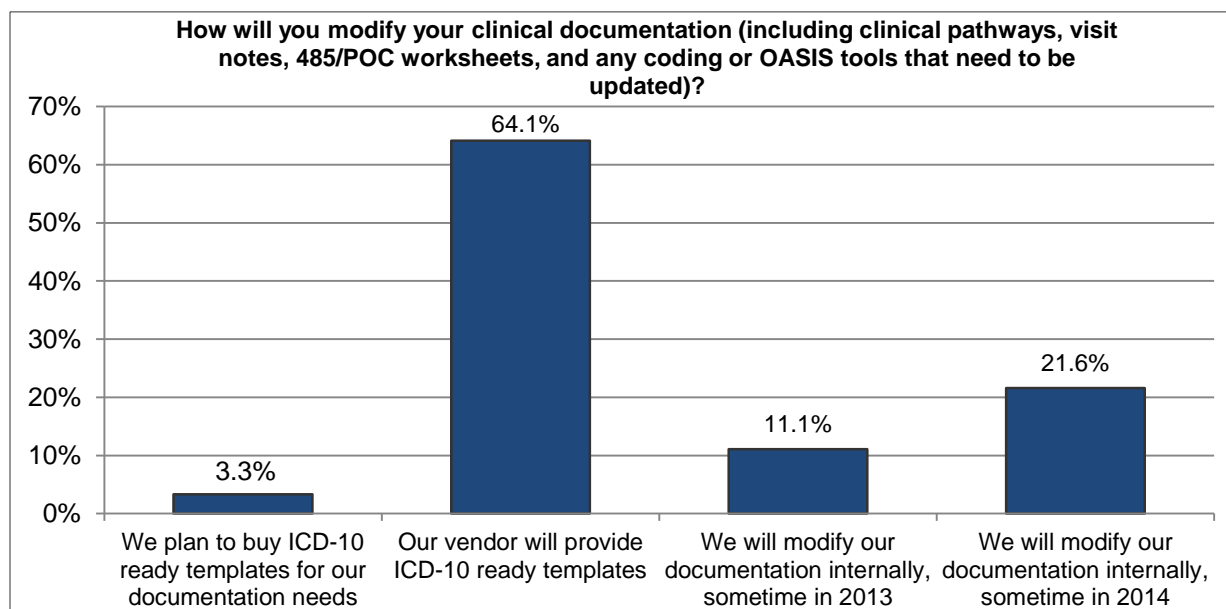


Chart 19

Clinical documentation is one of the most obvious and significant areas of change under ICD-10. There's an expectation that vendors will provide templates for clinical documentation based on the new code set. The number of agencies reporting vendors as their source for modified documentation doubles the number who say they will make changes internally (64.1% vs. 32.7% in **chart 19**).

Changes to intake and referral forms

When we asked specifically about intake and referral forms, the write-in responses frequently cited vendors again as the source for updated forms. Given that many agencies have yet to conduct a gap analysis (see **chart 4**), the second-most common response was some variation of "not sure yet." Also, while we understand that vendors may drive changes to these forms and processes, **the fact that so many agencies cite a reliance on vendors when so many have yet to communicate with their vendor** (see **chart 12**) is concerning to us.

Here is a sampling of responses on how day-to-day workflow will change:

- *“Will ask for very specific diagnoses on H&P.”*
- *“Allowing space for more detail to be recorded.”*
- *“Adding area for documentation of affected side of body for greater specificity.”*
- *“Laterality will be requested.”*
- *“Being more detailed and specific on reasons for referral and disease states and comorbidities.”*

Changes to dashboard/benchmark reports

We asked survey respondents to list in their own words what new dashboard/benchmark reports they plan to add for ICD-10. As with clinical documentation, the responses showed widespread uncertainty over what new reports would be needed (the most common response by far was either “none” or “don’t know yet”).

Those that did offer responses had a wide variety of ideas, many of which focused on metrics to quantify the productivity cost of ICD-10. A sampling of these follow:

- *“Coding productivity, case-mix weights/HHRG.”*
- *“Staff time taken to audit and code records.”*
- *“ICD-10 code-specific benchmarking parameters.”*
- *“Delays in accurate coding due to lack of specificity in documentation by clinicians.”*
- *“Turnaround time for coding.”*
- *“Delays in billing due to coding issues.”*
- *“Rejections in billing due to coding.”*
- *“Payment changes due to coding problems, clinician understanding and usage of correct code, BOM understanding, intake drill-down.”*
- *“Preventing adverse events.”*

Overall process changes

We also asked what overall process changes agencies foresee making to prepare for ICD-10. While many responses were brief, vague, or some variant of “no plan yet/not sure,” we did see repeated emphasis on greater coordination between clinicians and coders, or clinicians taking over the coding, as well as plans to pursue additional training.

A sampling of the responses follow:

- *“Clinicians will code.”*
- *“Requiring clinician with internal review.”*
- *“Clinicians AND coders will be responsible.”*
- *“Clinicians will do initial coding then we will use an outside vendor to run all OASIS through.”*
- *“Clinicians will do initial patient assessment and coding will be completed once assessment is received in office.”*

- “Require clinicians to code assisted by software.”
- “Outsource as needed but attempt to handle workload internally.”
- “Require joint coding with clinician and coder.”
- “Unclear on plans – it is definite that clinicians cannot code! It is hard enough to keep them competent with OASIS data collection. Anyone who is honest about this will agree.”

Outsourcing part of all of the coding

Unlike in other health care provider settings, in home health the use of outsourced coding firms is low. Among our survey respondents, the results were clear: **89.6% of those surveyed do not currently outsource coding** wholly or in part, while 10.4% do.

In response to ICD-10, **64% of those surveyed will not outsource coding**, not even on a temporary basis to help them get through the transition. About 12% will outsource coding due to ICD-10, while a sizeable minority say they don’t know yet (24.4%).

We saw fairly few references to outsourcing coding in response to ICD-10, and surmise that most agencies do not plan to outsource their coding. Most agencies intend to get through the transition by training their own staff and placing greater coding responsibility on clinicians.

ICD-10 transition team

Having specific members of agency staff handle the ICD-10 transition effort is recommended by nearly every consultant and educational source. We wanted to see where agencies are in terms of designating team members.

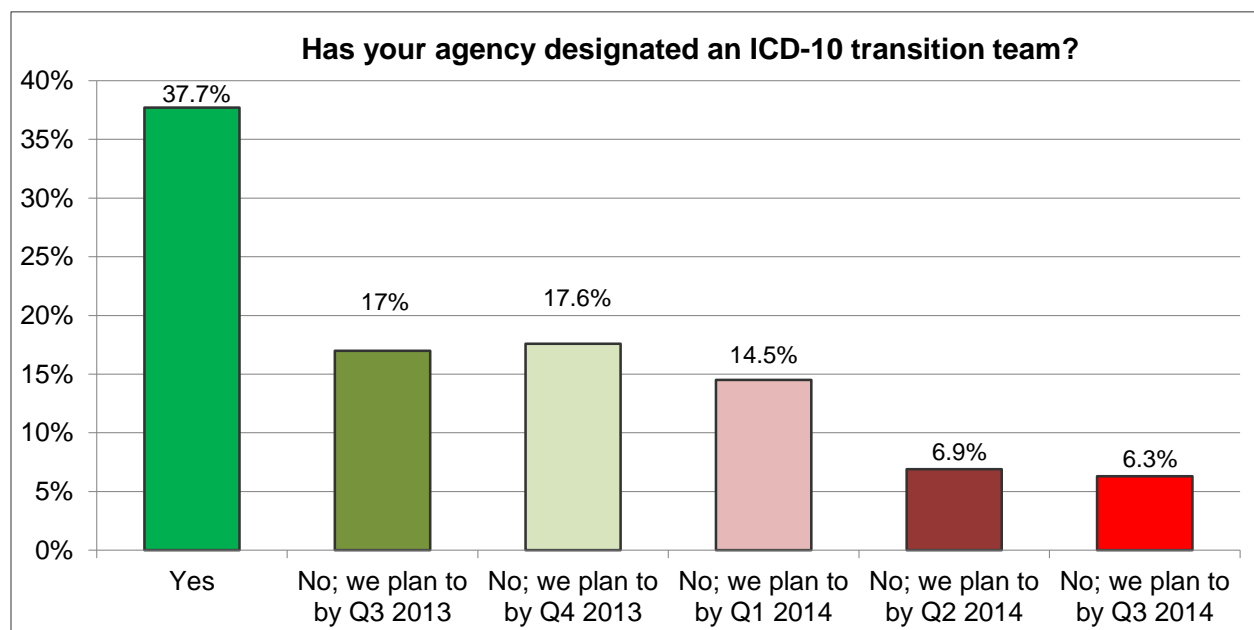


Chart 20

Of those surveyed, a majority (37.7%) already have a team in place, while another 32.6% will have a team in place by the end of 2013. There were still a strikingly high proportion of agencies (13.2%) that do not anticipate having a team until late in 2014.

When asked to list the title or titles of the team members, we received a wide range of responses, with the most common being a variation of the following titles:

- *Administrator*
- *Coding director*
- *Clinical supervisor/director*
- *Manager/director of nursing*

Conclusions

The concern from federal officials, home health advocacy groups, educators, consultants and vendors was that the industry as whole is currently unprepared for ICD-10 and is actively under-preparing even as time is running out.

Our survey largely supports this view, though it also found some encouraging signs that nearly all agencies are making some level of effort, and have a far greater overall awareness of ICD-10's timeframe and impacts than they did just a few years ago.

With less than 17 months before ICD-10 takes effect, **it is absolutely clear that there is much work for home health agencies to do in terms of self-education and training.**

One of the **top ICD-10 myths that must be shattered is that only coders need worry, and where training and education budgets are concerned, only coders need apply.** We saw evidence of this mentality in responses to questions throughout this survey. From a lack of early education and training, to many undefined plans to modify systems and workflow tools impacted by ICD-10 (e.g. forms, processes, software, testing, financial contingencies), it is clear to us that **agencies need to focus more holistically on the business ramifications of ICD-10 and the accountability they must assume** (versus vendors) to ensure a smooth transition.

Industry advocacy organizations including DecisionHealth and NAHC are offering many opportunities for this type of training, and have live events aimed at agency executives on a budget and with time constraints. We would recommend a June conference, **ICD-10 Implementation Strategies for Home Health**, as a top option. You can get more information about this training opportunity, and future ones in 2013, at www.decisionhealth.com/implementICD10.

We hope our findings serve as a wake-up call to home health agencies that ICD-10 cannot be avoided, and must be met with careful training and preparation. To do otherwise would simply be bad business at a time when healthcare providers of all types are being squeezed by declining revenue and rising regulatory burdens.

Survey demographics

The **National Home Health ICD-10 Readiness Study** was jointly conducted by DecisionHealth and NAHC from April 15, 2013 to May 1, 2013. A total of 284 home health agencies were surveyed electronically nationwide.

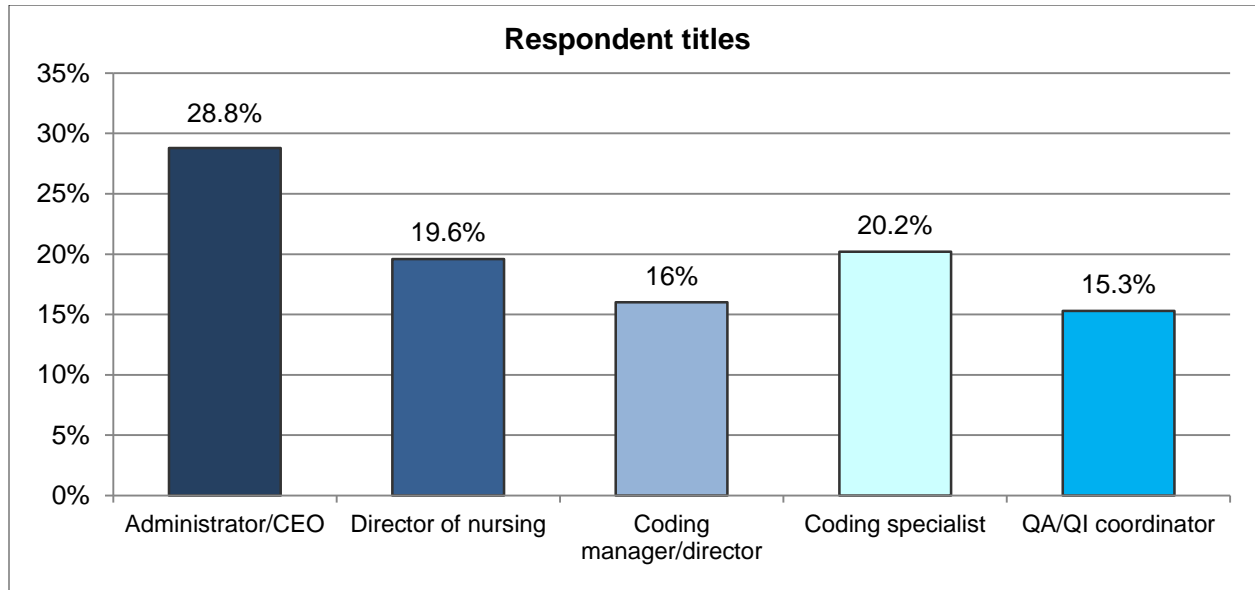


Chart 21

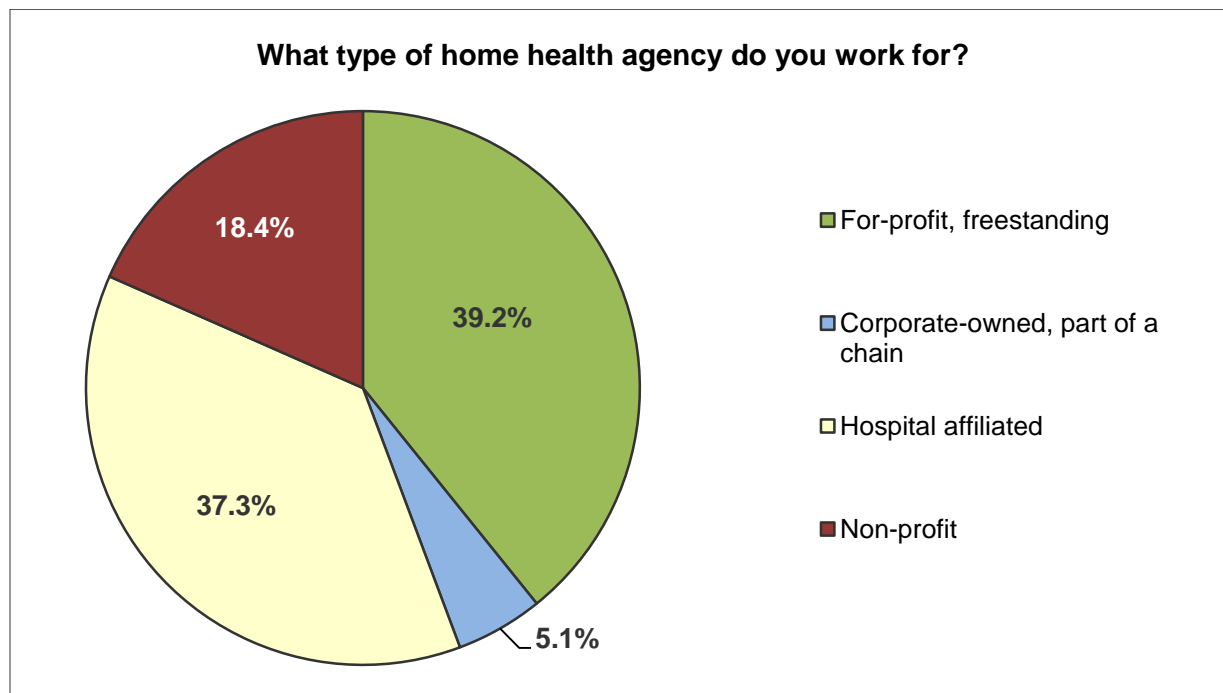


Chart 22



About DecisionHealth. For over 25 years, DecisionHealth® has served as the provider industry's leading source for news, analysis and instructional guidance with brand names such as *Home Health Line* and *Diagnosis Coding Pro*. DecisionHealth's unique blend of award-winning on-staff journalists and unmatched access to health care executives, providers and their administrative staffs results in business management advice and operationally focused editorial that has captured the attention of nearly 100,000 home health care professionals.



About NAHC. The National Association for Home Care & Hospice (NAHC) is a nonprofit organization that represents the nation's 33,000 home care and hospice organizations. NAHC also advocates for the more than two million nurses, therapists, aides and other caregivers employed by such organizations to provide in-home services to some 12 million Americans each year who are infirm, chronically ill, and disabled.