Fast Tracking ICD-10 – Developing the Budget

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There have been many studies conducted over the years identifying the cost to move to ICD-10. However putting together a “real” ICD-10 budget can be a challenge. We have been working with our hospitals to accomplish this and there is a great deal to consider.

Business requirements are a vital component of successful ICD-10-CM/PCS implementation but faced with budgets and resources constraints and the pressure to attain compliance, the organization may be tempted to skip an implementation step to cut costs. But not defining the business data and system requirements at the start of ICD-10-CM/PCS implementation can result in significant costs.

The ICD-10 Budget is an important step after completing the impact assessment. The largest expenditure is information systems, and education and training. The item that should be included in the budget is the potential for reduction in cash flow post implementation. Other issues to consider when developing the budget are the cost to rebuild templates or workflows in the electronic health record. Keep the ICD-10 budget separate from the regular budget and make sure once the budget has been developed that the budget is reviewed at each Steering Committee Meeting and updated at least each quarter as costs and budgetary items may need adjustment.

Many organizations including hospitals are on a June 30th fiscal year end, meaning the budget must be completed and approved by this date. So expediency is imperative, but make sure you consider all the items in the impact assessment analysis that must be addressed.

What we do know is that each organization whether large or small will incur a major expense in the implementation of ICD-10-CM/PCS and that the financial cost to the organizations for implementing the ICD-10 code set will be significant. Having time to implement ICD-10-CM/PCS allows organization accurately budget their resources.

To keep it simple, I will break a sample budget out by implementation item. Keep in mind that each organization is different and costs can be higher or lower depending on the scope of your Implementation Project.

The impact assessment for a medium size organization will cost around $75,000 and could be as high as $300,000 for a large organization for the field work, and report which can take many weeks to complete.

The GAP Analysis and Risk Assessment can be typically performed simultaneously and takes approximately 40-60 hours to complete and can run from $16,000 up to $50,000 for a large hospital system.
One of the key areas of concern in the ICD-10 budget is Information Systems. We all use software applications including the electronic health records, encoders, applications that provide images, as well as other applications that may or may not interface with the electronic health

From analyzing the impact assessment the organization should have information concerning costs for expanding or adding additional hardware and application software upgrades due to the expansion of the ICD-10 codes and the fact that we will be running dual systems (ICD-9 and ICD-10) concurrently for an unknown time frame. Also consider the cost to rebuild the workflows and/or templates within each system. The cost to expand systems and hardware needs to be a key item in the ICD-10 budget and could encompass upwards of hundreds of dollars to thousands.

The documentation assessment is an important piece of implementation and includes reviewing the hospital inpatient and outpatient records as well as any employed physicians. Typically we review 75 hospital records and 10 records per employed physician. This will give us an assessment as to where the documentation is today with ICD-9-CM and what documentation is lacking for ICD-10. This will assist in building the documentation training for the physicians.

The documentation Assessment for 75 records for inpatient hospital services should cost approximately $45,000 for a medium facility and up to $180,000 for a very large hospital system. Once you complete the documentation assessment you can develop your budget for training.

Now let’s move on the training budget. We split our training budget into 4 segments:

- Awareness Training
- Documentation Training
- Fundamental Training
- In-depth CM and/or PCS Training.
Everyone needs the awareness training. What we have done is develop the awareness training and it is packaged as a webinar that organizations can put on their intranet for everyone to view. Some hospitals we work with also give a copy of the training to each department and they set up a department meeting to review the webinar. It should be no more than 2 hours. The cost for development and delivery should be budgeted at around $5,000 which should include a post-test to ensure compliance.

Documentation training is designed for the practitioners (physicians, NPP, therapist, etc) to train them by specialty what documentation needs to look like in ICD-10. By taking their top 25-30 diagnosis codes by specialty this training can be developed very easily. The cost per practitioner should be budgeted around $100.00 and should be at least 2-4 hours.

Fundamental Training should be a full day designed to give attendees the basic fundamental knowledge of ICD-10 for those who work with the codes but do not do the in-depth day-to-day coding. Practitioners would benefit from this training as well as key staff members in the organization that work with the codes, review reports, enter codes from orders, etc. The cost per person will run around $299 for a 6 hours session.

In-depth training should be reserved for the inpatient coders, outpatient and physician coders. They will need the most intense training. The inpatient and even some of the outpatient hospital coders will benefit from ICD-10 CM and PCS training. This training should be at least 3 days, but 4 days is much better. We have conducted several ICD-10 trainings for hospital coders and the one comment they all make is we need more time. We have presented our training in a 4 day format ICD-10-CM (2 days) and ICD-10-PCS (2 days). I think we are going to expand PCS to 3 days as the coders are asking for more. You should budget $699 for the 2 day training (CM or PCS) and approximately $1200.00 for the coders who need both CM and PCS. There are numerous training options out there including webinar, on-line, seminar, classroom, etc. but I strongly feel the coders need the workshop or seminar format with an instructor to answer questions. When looking for training look for training that includes the code books and training manuals. The in-depth and fundamental trainings do require hands-on coding so a code book is essential even though we don't always use them day to day with encoders and code look up tools that are on the market.

Don't forget the cost to develop the action plan if you are outsourcing it. It takes many hours to evaluate the impact assessment, GAP analysis and Risk Assessment to come up with a reasonable action plan. These costs range from $25-50,000 to develop the action plan.
The training plan is another key element that takes time to develop. Outlining the scope of training and what type of training that is beneficial is critical to ICD-10 success. Education and training is typically the first item cut from any budget, but word of caution; for ICD-10 the education and training is a critical portion of successful implementation. The training plan can cost between $10-20,000 to develop based on your organization size and numbers that need training.

Review the sample budget I have outlined below. If you decide to perform some of these elements internally these costs are considered project costs and will encompass using valuable staff time to accomplish each task.

**Sample budget for a 200 bed hospital in an urban area.**

<table>
<thead>
<tr>
<th>Implementation Step</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Development, Assistance and Oversight (consultant)</td>
<td>$35,000</td>
</tr>
<tr>
<td>Impact Analysis (consulting firm)</td>
<td>$100,000</td>
</tr>
<tr>
<td>Gap and Risk Assessment (consulting firm)</td>
<td>$45,000</td>
</tr>
<tr>
<td>Documentation Assessment (consulting firm)</td>
<td>$95,000</td>
</tr>
<tr>
<td>Action Plan Development (consulting firm)</td>
<td>$35,000</td>
</tr>
<tr>
<td>Budget Development (consulting firm)</td>
<td>$10,500</td>
</tr>
<tr>
<td>Training Plan Development (consulting firm)</td>
<td>$14,000</td>
</tr>
<tr>
<td>Awareness Training</td>
<td>$5,000</td>
</tr>
<tr>
<td>Documentation Training</td>
<td>200 practitioners at $100 per practitioner=$20,000</td>
</tr>
<tr>
<td>ICD-10 Fundamental Training</td>
<td>34 staff at $299 per person=$10,166</td>
</tr>
<tr>
<td>ICD-10-CM In-depth Training</td>
<td>24- $699 for two day training per person=$16,776</td>
</tr>
<tr>
<td>ICD-10 CM/PCS In-depth Training</td>
<td>30-$1200 for two day training per person=$36,000</td>
</tr>
<tr>
<td>Action Plan Development (consulting firm)</td>
<td>$31,500</td>
</tr>
<tr>
<td>Hardware Costs</td>
<td>$15,000</td>
</tr>
</tbody>
</table>
Keep in mind this is just a sample budget. Your costs might be higher or lower depending on variables such as using consultants, customization, hardware and application upgrades and number of employed physicians and staff that will need training. I have put together numerous budgets for hospitals small to large as well as physician practices to assist with budgeting for ICD-10. I recommend the following steps when developing the budget:

1. Establish strategies, tasks and goals for ICD-10 transition.
2. Perform an in-depth impact assessment prior to development of the budget.
3. Identify available funding for ICD-10 Implementation
4. Select appropriate vendors by evaluating costs associated with ICD-10 changes in the organization’s business processes, and system upgrades.
5. Compare costs with current vendors and investigate other potential vendors and costs.
6. Coordinate with internal and external resources (including vendors and other parties) required to support the ICD-10 transition.
7. Document an inventory of tasks involved in meeting the ICD-10 implementation deadline.
8. Determine if software upgrades are included in the current contract or will there be additional costs? If not included, inquire as to what costs will be incurred. Will there be testing costs.
9. Don’t forget training on new systems if a decision is made to change systems or upgrade systems
10. Plan and approve a budget for expenses related to the transition such as training, and system upgrades.
11. Obtain cost estimates for project team, vendors, and others.
12. Obtain costs for education and training across the organization and include these costs in the budget.
13. Formulate final baseline budget.
14. Obtain final approval from the ICD-10 Steering Committee
15. Continue to review the budget at every Steering Committee Meeting and adjust the budget if addition costs need to be incurred.

Deb Grider.