ICD-10's financial impact before and after Oct. 1

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By Michelle Cavanaugh, RN, CPC

There is no doubt that ICD-10 has already had an impact on your practice's financial picture both before the transition and likely long after Oct. 1, 2015. Many predict a sharp rise in claims denials and drop in revenue in the months after the transition.

What to expect before October

Between now and Oct. 1, every medical practice will have some expenses related to the ICD-10 transition. There are new coding manuals to buy, training to attend, etc. A small practice can expect to spend between $2,000 to $3,000 per provider to make the conversion to ICD-10, according to a survey conducted by the Professional Association of Health Care Office Management. The sooner you plan for those expenses, the more you can spread them out.

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Now is also the time to consider setting aside cash reserves or applying for a line of credit to help mitigate revenue reductions after Oct. 1. No matter how prepared your practice is, you have no guarantees about how the process will go with your payers. This is a significant change, which is why some experts are predicting a 30 percent or greater reduction in revenue for the first three months to six months. Prepare for a reduction of up to 50 percent for a minimum of three months just to be safe. You need to keep the lights on as you get those claims paid and things smooth out with billing using ICD-10.

Next: What to expect after October

What to expect after October

Speaking of denials, in the short term, expect to see a delay in getting paid. This may be because your staff is a little slower to get claims out or because payers are slower in paying them. Unfortunately, you will probably see a spike in denials. A recent whitepaper from the Workgroup for Electronic Data Interchange suggested that denials could increase by as much as 200 percent.

You can start preparing now for managing all the issues that will come with the new coding set. First, clean up your current accounts receivable (A/R) as much as you can. Try to clear whatever your practice can off the books. It will give you a little cash infusion and allow staff to focus more attention on ICD-10 after Oct. 1. Consider providing incentives to staff to get your A/R in shape.

Make sure going into the ICD-10 transition that you have a billing system in place that will provide alerts when denials and rejections come in, as well as an option for an alert for no-response claims. This should be an alert that you customize for a specific payer since different payers may have different "normal" reimbursement timelines. For example, if Blue Cross Blue Shield usually pays within 21 days, you can set an alert to notify you anytime a claim isn't paid by the payer within 21 days. Then, staff can quickly follow up.
To keep your cash flow going, it will be critical to stay on top of claims processing and denials. Plan for some staff overtime or hire extra help during the initial start of ICD-10. Better to have help in place and not need it, than to get overwhelmed and fall behind. If you aren't sure your current billing system is up to snuff, now is the time to make changes. You need time to implement a new billing system or get set up with a billing service. Don't wait until the last minute or the financial impact could be much worse for your practice.

Luckily, there is a silver lining. ICD-10 has the potential to help you improve your medical billing and reimbursement in the long term. Under-coding and over-coding have long been problems in healthcare. The increased specificity of ICD-10 will remove some of the guesswork and help reduce both of these problems, resulting in more accurate billing. More specific diagnosis coding should also paint a clearer picture about the patient's condition. This should reduce denials for medical necessity and requests for medical records, speeding payments as well.

Everyone wants to get paid what they are owed quickly and accurately. ICD-10 has the potential to make this happen. But in the meantime, to get to that day requires a sharp eye on your finances and ramping up your billing processes.

Michelle Cavanaugh, RN, CPC, CANPC, CGIC, CPB, CMRS, is an American Health Information Management Association approved ICD-10-CM trainer, certified coder, certified professional biller, and certified medical reimbursement specialist at Kareo. She can be reached at michelle.cavanaugh@kareo.com.