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Contingency Planning

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Contingency Planning - Overview

Any significant change brings with it the risk of failure. Reducing the risk of failure requires the execution of options based on a contingency plan. Contingency planning helps organizations reach desired outcomes. To reach these outcomes and to mitigate risk requires that:

- Failure is defined;
- The risk points for failure are identified;
- Options are determined;
- Pre-defined options are aligned at each risk point (Plan B, Plan C ...);
- Metrics are identified that indicate potential failure;
- Options are executed based on established metric driven trigger points;
- There are ongoing measures of the positive and negative aspects of executing these options; and
- There is a plan to recover from the impact of contingencies.

This paper will discuss why contingency planning is a critical part of any change process. It will discuss the components of an effective project plan including the types of options that might be considered. It will discuss what is needed to identify the right option for the right problem.

Just having contingencies is not good enough; they must be the right contingencies executed at the right time with the right result. Contingencies must be resourced. The impact of executing contingences must be known. There must be a plan to recover from those impacts and get back to the original goals at the onset of the project.

There is little doubt that healthcare is going through a dramatic change. The ICD-10 transition alone is one of the greatest changes to healthcare information and data management in decades. Considering the many other initiatives in healthcare delivery, the risk of failure has never been higher. Proper project planning, including risk management, contingency planning and pre and post implementation testing is critical to avoid the catastrophic failures that jeopardize the healthcare system.

Defining Failure

Failure is a word we all hate to hear. We have been taught that success is good; failure is bad. Sometimes we hide from it. Sometimes we blame it on others. Sometimes we try to make it go away by redefining success. But failure is what it is. Before we can define failure we first need to clearly define the goals or intended outcomes of the



project and potential risks. Based on the clearly stated goals, we can “unemotionally” define failure.

1. Failure is the degree to which goals are not met and risk is not mitigated.
2. Failure is the culmination of unresolved problems.

For the ICD-10 transition this might mean:

- Claims are not paid, or payment is not received
- Data is unreliable,
- Operations are slowed,
- Compliance requirements are not met,
- Customers or trading partners are unhappy, and/or
- Predicability is lost.

Failure is always relative and comes in a range from catastrophic to minimal impact. Failures can be a major functional level or at some sub-system or sub-operational level. The culmination of these failures may result in an enterprise or at least project level failure.

Managing Risk

Mitigating the risk of failure or the impact of failure requires a well-defined plan to manage it.

DEFINE RISK/FAILURE POINTS

A careful analysis of where the potential risk or potential failure points exist in the overall implementation is critical. In many instances, these risk points can be defined by a virtual or reference implementation that simulates the new world post-implementation based on today’s environment similar to a disaster drill or fire drill to shine a light on potential weak areas. All of these potential risk points should be cataloged to determine options if failure occurs in these areas.

ESTABLISH THE LIKELIHOOD OF REACHING THOSE RISK POINTS

Once the risk points are defined, some assessment of the likelihood of failure must be determined.

QUANTIFY THE IMPACT OF FAILURE

Similarly, the impact of failure must be determined. Will failure result in substantial financial or other impact or will it just be a minor embarrassment?

ESTABLISH TOLERANCE LEVELS

Since failure is relative and resources are limited, it is important to determine the degree to which failure can be tolerated.

PRIORITIZE, PRIORITIZE, PRIORITIZE

Based on the likelihood of failure, the impact of failure and the tolerance of failure, each risk point should be prioritized. This will clearly influence the options that are selected to address the risk.

DEFINING THE METRICS THAT DEFINE FAILURE

At the time the risk point is identified, there should also be a measure that defines if failure has occurred or if mitigation has been successful. The type of metric must be tailored to the risk. Defining some of these metrics will be considered below ([Metrics](#)).

ESTABLISH OPTION TRIGGER POINTS

If there is no action executed to address the problem, then failure will occur.

|| *“Failure is not fatal, but failure to change might be”* – John Wooten ||

Based on defined metrics, values must be established that identify when execution of options should occur.

Metrics: Recognizing You Have a Problem

Assuming there has been a definition of what constitutes failure at any level, there must be a way to determine if the risk of failure is at a point that action should be taken. To do this, metrics must be established. If the problem is not recognized, it can't be addressed. Creating metrics means understanding the goals of the transition. For example, a payer or provider going through the ICD-10 transition, the initial high level goals might include:

- No change in rejection or denial rates,
- Revenue neutrality,
- Compliance,
- No negative customer or trading partner response, and
- No change in operational efficiency.

Key metrics should be developed that measure the degree to which goals are reached. For the above stated goals, the key metrics might include the following:

- Claim rejection rate
- Claim denial rate



- Billed to paid ratio
- Claim volume
- Data quality
- Customer service measures
- Claims operational measures

CLAIM REJECTION RATE

Claims may never make it in the door due to validation edits that reject claims for invalid codes or code related formatting in the claims transaction. Rejections may have no impact on measured denial rates since these claims may not have been part of the denominator.

CLAIM DENIAL RATE

Claim denials may increase or decrease because of unintended consequences of the remediation of existing policies and rules. If new rules or policies have been implemented, or old policies dropped, the impact will not be known.

BILLED TO PAID RATIO

Historically, there is a ratio of the billed amount on the claim to the paid amount. While this ration is highly variable from organization to organization and from product to product, a baseline can be established that should allow comparable comparisons within the organization. Assuming one of the stated goals is financial neutrality, there should not be a significant change in this ratio.

CLAIM VOLUME

Outside of normal seasonal variations, there should not be a significant change in claim volume. It will be important to monitor this metric since significant changes in volume could suggest a delay in claims submission. In considering any “Incurred But Not Reported” (IBNR) analysis it will be important to understand impact to trending predictability across this transition.

DATA QUALITY

Ongoing measures of data quality including code validity and other measures of expected data may be important to monitor aspects of compliance as well as data reliability from an analytic standpoint.

CUSTOMER SERVICE

Standard measures of customer service (including members and trading partners) such as complaints, call volume, response times, and other standard measures will be important to get a pulse on tolerance for disruption of all stakeholders during this transition.

OPERATIONAL MEASURES

Operational efficiency will change. Measures of claim turnaround, first-pass rate, lag times, adjudication rates and other standard operational measures will be critical to monitor operational impacts during the transition period

The goal of these measures is to trigger action when needed. To do so, the following must happen:

- Baseline metrics must be established to create the benchmark for variations.
- Trigger points based on these measures tied to specific option or contingencies should lead to action.
- Ongoing measurement is needed to assess the success of executed options.

The Right Option for the Right Risk Point

Options represent a contingent plan of action in the event there are problems with the original operational or system implementation at any level. To be effective, the options should:

- Be defined early,
- Establish trigger points appropriate for the specific risk point,
- Provide a clear understanding of the impact of the option,
- Be executed in a timely fashion,
- Include ongoing measures of effectiveness,
- Include a “Plan C” option in the event the original contingent option fails and
- Include a plan to recover from the option where needed post implementation,

There is no universal option. Different risk points call for different options. The following represent options that may be considered to address any problem or potential failure.

- Fix the problem,
- Accept the problem,
- Bridge the problem,
- Develop a workaround,
- Revert to the past,
- Do nothing and see what happens, or
- *Declare real failure and find a new business.*

In reality any contingency plan may use any or many of these options to address all risk points or problems that may lead to failure (*hopefully excluding the last option*).

FIX THE PROBLEM



While it may seem obvious that if there is a problem it should just be fixed. Unfortunately, that's not really possible in many instances. The following summarizes some advantages and disadvantages of this approach.

Advantages:

- Most aligned with goals
- Reduces post-implementation work
- Predictable (assuming the original assumptions were correct)

Disadvantages:

- Problem fix may require precious resources
- Fix may not be in time
- Fix may cause other problems
- May disrupt the project plan

ACCEPT THE PROBLEM

Assuming there has been an analysis of the impacts of failure at the risk point, the tolerance level for failure and the current list of problems, it may be decided that the priority of this problem does not support the required resources and plan disruption to address the problem. It is simply accepted as a known issue. Unlike ignoring the problem, accepting the problem is a prioritized decision that is made with eyes wide open.

Advantages:

- Easy
- Least disruption to the project plan

Disadvantages:

- Compromises the overall goal
- Less predictable outcome
- Price to pay in loss of function
- Internal or external entities may not be happy
- Additional work may be required post-implementation

Accepting the problem is a reasonable and a commonly used option assuming the choice has been well thought out. In many instances it may be the best option.

BRIDGE THE PROBLEM

This option may be used when it is recognized the problem will need fixing soon after the implementation date, but there is simply not enough time. Bridging the problem is an attempt to mitigate the impact through a different option. For ICD-10 this may mean creating an interim payment method to keep providers whole for a period of



time in the event the system is unable to make payments. With this type of option there must be interaction with impacted parties so there is a clear understanding of expectations. Bridging options only work if it is likely the bridge will reach the other side in an acceptable time.

Advantages:

- Provides additional time for the fix
- Maintains alignment with goals
- Mitigates the impact to external entities

Disadvantages:

- May create a reconciliation nightmare
- Serious impact to predictability
- Assumes a fix that will come later
- Increases the resources requirements across the implementation

Bridging options are likely to be a commonly used option in ICD-10, but there will be a considerable price to pay for everyone. Reconciliation will create a significant operational burden at a time when these resources are taxed to the limit. Managing expectations will be difficult if there is a reconciliation that results in a perceived or real take away. Analysis and predictability will be compromised during the transition, especially when analyzing historical information that looks back at data captured during this bridging period.

DEVELOP A WORKAROUND

A workaround is a somewhat different option from bridging the problem. The workaround may involve using processes that may require additional work, but will remain aligned with goals and keep the plan reasonably on tract otherwise. Common workarounds for ICD-10 challenges may include:

- Paper vs. electronic,
- Manual vs. automated,
- Turn off rules or edits, and
- Accept both non-compliant and compliant standards.

Advantages:

- Maintains alignment with goals
- Provide additional time for a fix
- Keeps external entities happy (?)

Disadvantages:

- Adds additional operational resource requirements



- Slows operational processing
- Workaround may not fully address the requirements
- Adds additional resource requirements post implementation
- Risk of non-compliance
- Loss of predictability
- Increase financial risk

REVERT TO THE PAST

Reverting to the past is essentially saying, “What change?” It is an attempt to insulate systems and processes from change by translating back to the old way. Assuming the rest of the world moves ahead, this is an unsustainable approach. It is still an option that is seriously considered for ICD-10 to stave off significant lack of preparedness. It should only be considered a temporary option to buy time. For example, some payer organizations may be going through a system conversion at or near the time of ICD-10 implementation and are trying to avoid two system upgrades at once. The hope is that the new system that is compatible with ICD-10 will be up and running soon after the mandated transition. Clearly relying on hope is risky!

Advantages:

- Buys time,
- Less initial resources (*more of a perceived advantage than a real one*),
- More predictable initially, and
- Happier external entities (*perhaps in the short run for some*).

Disadvantages:

- Not aligned with goals,
- Not sustainable,
- Substantial risk to data integrity,
- Risk of non-compliance, and
- Loss of predictability in the long run.

Post-implementation recovery from this option will be painful and data will be unreliable for an extended period of time. While this is a real option, it should be one of the last resorts.

DO NOTHING

The “do nothing” option unfortunately is one of the most common options. It is the default if no decision is made and there is no contingency plan in place. It may represent an unconscious or conscious attempt to avoid change. Sometimes vigorous activity or extensive contingency planning can be mistaken for real action but unless another option is executed, the “do nothing” option is the default. A quote from Einstein sums this up:

|| *“Nothing happens until something moves” – Albert Einstein* ||

Advantages:

- Provides a sense of wellbeing, and/or
- Easy; low resource requirements (now).

Disadvantages:

- Not aligned with goals,
- Loss of ability to compete in the market,
- Non-compliant,
- Major loss of data integrity,
- Huge impact to internal and external clients, and
- I could go on...

Contingency Planning

Contingency planning is basically the process of assigning options for action at various risk points. It is important to recognize that there is no one option that will work for all risks. Given the nature of the problem, the choice may be to fix it, or accept it or any other option between. The “do nothing” option is not part of contingency planning, it is simply the default option that occurs if planning is absent or deficient. Part of contingency planning is to clearly define the option since vague options are sometimes worse than no option. A vague option gives a sense that risk will be mitigated, with little evidence that it will do so. It is important to remember in the contingency planning process that options will require resources. Contingency planning must be an integral part of the implementation plan in order for it to reduce the risk of failure. Dependencies, timelines and resourcing must be in synch with the overall project plan.

Testing throughout the entire ICD-10 implementation scope is critical to identifying where probes exist and when to launch options. Testing is not something that should only be done in the last hours prior to implementation, or worse during production. Late options lose their effectiveness quickly.

Executing Options

An option does no good if it’s not executed. Metrics and trigger point will guide when options need to replace intended actions to mitigate failure, but only if executed in a timely fashion. In terms of executing options, following should be considered:

- The option should be executed once the trigger point is reached or a new trigger point should be set.
- The success or failure of the option should be determined as soon as possible.

- If the option fails, the “Plan C” option should be executed.
- There must be an understanding of the potential problems generated by executing the option with a plan for how to address those resultant issues
- Execution will require resources; will they be ready?
- Options executed at different points along the time line will have different implications.

Recovering from Options

Other than fixing the problem, or a temporary workaround, most options will result in some residual effect post implementation that must be addressed in order to align with the organizational goals. A plan needs to be in place to address these residual effects. Additional resources will be required. Without a resourced plan, getting back to aligned goals will prove problematic.

Summary

Any plan for implementation of any change will carry a risk of failure at some level. Contingency planning goes well beyond making a “what if” statement. There is no one contingency option. Contingency planning should include a consideration of different options for different problems. It requires a thorough understanding of all of the risk points, the potential impacts of failure at these points, and a prioritized plan to trigger appropriate options given an understanding of both impact of failure as well as, the potential impact of executing the selected option.