



## Top Ten ICD-10-CM/PCS Questions July 2014

**Q: What is ICD-10-CM and ICD-10-PCS?**

A: The World Health Organization's (WHO) International Classification of Diseases has served the healthcare community for over a century. The United States implemented the current version (ICD-9) in 1979. While most industrialized countries moved to ICD-10 a number of years ago, the United States is just now transitioning with a final compliance date of October 1, 2015. The WHO's ICD-10 is a classification system for diagnosis codes only, which does not contain a procedural code set.

ICD-10-CM (International Classification of Diseases -10<sup>th</sup> Revision-Clinical Modification) is a US clinical modification of the WHO's ICD-10, developed to support US health information needs. ICD-10-CM is designed for classifying and reporting diseases in all US healthcare settings.

ICD-10-PCS (Procedure Classification System) was developed by CMS and is not based on an international coding system. ICD-10-PCS replaces the ICD-9-CM procedure coding system and will only be required for facilities reporting procedures on hospital inpatient services.

When speaking of both these new classifications, the term "ICD-10" is often used.

**Q: Who has to comply with ICD-10?**

A: ICD-10 will affect diagnosis and inpatient procedure coding for everyone covered by the Health Insurance Portability and Accountability Act (HIPAA), not just those who submit Medicare or Medicaid claims.

**Q: Why does the US need to replace ICD-9-CM?**

A: Developed in the 1970s, the ICD-9-CM code set no longer fits with the needs of the 21<sup>st</sup> century healthcare system. ICD-9-CM is used for many more purposes today than when it was originally developed and is no longer able to support current health information needs. Continuing to rely on the outdated and imprecise ICD-9-CM platform adversely affects the value of healthcare data. For example, ICD-9 does not meet current needs to track, identify, and analyze new clinical services and treatments available for patients. ICD-10 offers more detail and specificity in capturing healthcare data.

**Q: Why is it important not to further delay the implementation of ICD-10?**

A: ICD-10-CM and ICD-10-PCS must be adopted as soon as possible to reverse the trend of deteriorating health data. Never in US history have we used the same version of ICD for 35 years. In addition, many countries have already moved to ICD-10.

**Q: Will ICD-10-PCS procedure codes be used for both inpatient and outpatient hospital services?**

A: No. ICD-10-PCS procedure codes are designed only for hospital reporting of inpatient services. Current Procedural Terminology (CPT) codes will continue to be used for physician and outpatient services.

**Q: ICD-10 seems so complicated. Do physicians really need to use all the codes in ICD-10?**

A: No. Healthcare providers will not use all the codes in the classification system; rather they will use a subset of codes based on their practice. Physicians will only use the ICD-10-CM code set for diagnosis coding. The ICD-10-CM code set is like a dictionary that has thousands of words, but individuals use some words very commonly while other words are never used.

**Q: Is the cost of ICD-10 implementation worth making the transition?**

A: There are costs associated with implementation of ICD-10, just as there are costs to implement any healthcare change. Actual implementation costs will depend on the size of the healthcare organization. It is important to note that delaying ICD-10 also costs the industry money, in addition to mounting opportunity costs from continuing to rely on the outdated and imprecise ICD-9-CM platform. There is also a fiscal and public health cost from the continued use of ICD-9-CM due to the reliance on imprecise data.<sup>1</sup>

The RAND study commissioned by the National Committee on Vital and Health Statistics (NCVHS) is the most comprehensive and unbiased study on the cost benefit of implementing ICD-10. RAND concluded that the ICD-10 benefits from more accurate payments, fewer rejected claims, fewer fraudulent claims, and better understanding of new procedures and improved disease management would exceed the cost of implementation.<sup>2</sup>

In 2012, CMS has estimated that a one-year delay will cost the industry between \$1 billion to \$6.6 billion, on top of the already incurred costs from the previous one-year delay. In the same analysis CMS noted that “it will cost health plans up to an additional 30 percent of their current ICD-10 implementation budgets for a 1-year delay,” and they “assume a two-year delay would be at least double the cost.” These figures do not include the lost opportunity costs of failing to move to a better code set or the costs associated with continued use of an outdated code set (such as the cost of erroneous decisions based on faulty or imprecise data).<sup>3</sup>

**Q: Does ICD-10 compete with other healthcare initiatives that require time and resources to implement?**

A: Healthcare organizations and providers have known for 14 years that ICD-10 implementation would occur and that they should prepare for the implementation, and the industry began to officially move toward implementation in 2008. While there are always competing priorities, the US healthcare system has already waited too long to realize the benefits of ICD-10. In addition, many healthcare initiatives are tied to ICD-10 implementation, so they work hand in hand.

**Q: What are the benefits of ICD-10?**

A: ICD-10 will improve national healthcare initiatives such as Meaningful Use, value-based purchasing, payment reform and quality reporting. Without ICD-10 data, there will be serious gaps in the ability to extract important patient health information needed to support research and public health reporting, and move to a payment system based on quality and outcomes.

**Q: What is the value of ICD-10?**

A: The improved clinical detail, better capture of medical technology, up-to-date terminology, and more flexible structure will result in:

- Higher quality information for measuring healthcare service quality, safety, and efficiency
- Greater coding accuracy and specificity
- Recognition of advances in clinical practice and technology
- Improved ability to measure outcomes, efficacy, and costs of new medical technology
- Enhanced review of medical necessity and fewer claims denials
- Improved ability to determine disease severity for risk and severity adjustment
- Global healthcare data comparability
- Improved ability to track and respond to public health threats
- Reduced need for manual review of health records to perform research and data mining and adjudicate reimbursement claims
- Reduced need for supporting documentations to support information reported on claims
- Reduced opportunities for fraud and improved fraud detection capabilities
- Development of expanded computer-assisted coding technologies that will facilitate more accurate and efficient coding and alleviate the coder shortage
- Space to accommodate future code expansion<sup>4</sup>

**Q: Why can't the industry just skip to ICD-11?**

A: The foundations of ICD-11 rest on ICD-10 and the ICD-10 foundation must be laid before a solid structure for ICD-11 can be built. By skipping the ICD-10 implementation, the industry would miss out on vast amounts of experience and training in ICD-10 which is needed for a smooth transition to ICD-11. The WHO version of ICD-11 is currently scheduled to be finalized and released in 2017. Even under ideal circumstances, ICD-11 is still at least 10 years away from being ready for implementation in the United States. The US would still need to evaluate the ICD-11 diagnosis code set for national use and likely develop a national version to allow for the annual updating demanded by Congress and US stakeholders. Additionally, ICD-11 does not include a procedure classification system, which means a procedure coding system for use in the US would need to be developed. It is estimated that the process of developing a US clinical modification, followed by expert review, solicitation of public comments, and further refinement based on review and comments, would take close to a decade.<sup>5</sup>

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<sup>1</sup>Averill, Richard and Rhonda Butler. "Misperceptions, Misinformation, and Misrepresentations: The ICD-10-CM/PCS Saga." June 2013. [http://journal.ahima.org/wp-content/uploads/Week-3\\_Averill-and-Butler\\_final.pdf](http://journal.ahima.org/wp-content/uploads/Week-3_Averill-and-Butler_final.pdf)

<sup>2</sup>Libicki, M., and I. Brahmakulam. "The Cost and Benefits of Moving to the ICD-10 Code Sets." Technical Report, RAND Corporation, March 2004. [http://www.rand.org/content/dam/rand/pubs/technical\\_reports/2004/RAND\\_TR132.pdf](http://www.rand.org/content/dam/rand/pubs/technical_reports/2004/RAND_TR132.pdf)

<sup>3</sup>Centers for Medicare and Medicaid Services. "Administrative Simplification: Adoption of a Standard for a Unique Health Plan Identifier; Addition to the National Provider Identifier Requirements; and a Change to the Compliance Date for the International Classification of Diseases, 10th Edition (ICD-10-CM and ICD-10-PCS) Medical Data Code Sets." September 2012. <https://www.federalregister.gov/articles/2012/09/05/2012-21238/administrative-simplification-adoption-of-a-standard-for-a-unique-health-plan-identifier-addition-to>

<sup>4</sup>Bowman, Sue. "Why ICD-10 Is Worth the Trouble." March 2008. [http://library.ahima.org/xpedio/groups/public/documents/ahima/bok1\\_036866.hcsp?dDocName=bok1\\_036866](http://library.ahima.org/xpedio/groups/public/documents/ahima/bok1_036866.hcsp?dDocName=bok1_036866)

<sup>5</sup>Bowman, Sue. "Myths of ICD-10-CM/PCS." August 2014. [http://library.ahima.org/xpedio/groups/public/documents/ahima/bok1\\_050718.hcsp?dDocName=bok1\\_050718](http://library.ahima.org/xpedio/groups/public/documents/ahima/bok1_050718.hcsp?dDocName=bok1_050718)