

# Why ICD-10 Is Worth the Trouble

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*Transitioning to ICD-10 is a major disruption that providers and payers may prefer to avoid. But it is an upgrade long overdue, and the benefits are far-reaching.*

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It has been nearly five years since the National Committee on Vital and Health Statistics recommended to the secretary of Health and Human Services that the regulatory process for ICD-10-CM and ICD-10-PCS adoption be initiated. The healthcare industry continues to wait for definitive action.

And it waits anxiously, because the change represents a looming disruption. Yet, no matter the trouble, the transition is necessary, because the current coding system can't take healthcare into the future. Today's data needs are dramatically different than they were 30 years ago when ICD-9 was introduced. ICD-10 will advance healthcare in many ways, with benefits accruing across five major categories.

## Quality Measurement

ICD-10-CM and -PCS offer greater detail and increased ability to accommodate new technologies and procedures. The codes have the potential to provide better data for evaluating and improving the quality of patient care. For example, data captured by the code sets could be used in more meaningful ways to better understand complications, design clinically robust algorithms, and track care outcomes.<sup>1</sup>

Many quality measures, such as those from HealthGrades and the Agency for Healthcare Research and Quality, rely on ICD-9-CM codes. Increasing the detail and better depicting severity will help clarify the connection between a provider's performance and the patient's condition. In addition, ICD-10-CM greatly expands the codes for medical complications and medical safety issues.

Complete, accurate, and up-to-date procedure codes will improve data on the outcomes, efficacy, and costs of new medical technology and ensure fair reimbursement policies for the use of this technology. Expanded detail will help payers and providers more easily identify patients in need of disease management and more effectively tailor disease management programs.<sup>2</sup>

## Public Health

The US is the only industrialized nation not using an ICD-10-based classification system for morbidity purposes. This makes it difficult to share disease data internationally at a time when such sharing is critical for public health. The US's ability to track and respond to global threats in real time is thus limited.

The US belongs to the World Health Organization, which requires member states to notify the organization of all events that constitute a public health emergency of international concern and to respond to requests for verification of information regarding such events. The vision is that every country should be able to detect, rapidly verify, and respond appropriately to epidemic-prone and emerging disease threats to minimize their impact on the health and economy of the world's population.<sup>3</sup>

Adoption of ICD-10-CM also would facilitate international comparisons of quality of care and the sharing of best practices globally.

Overall, ICD-10-CM is more effective at capturing public health diseases than ICD-9-CM. It is more specific and fully captures more of the nationally reportable public health diseases, diseases related to the top ten causes of mortality, and diseases related to terrorism.<sup>4</sup>

## Research

ICD-10-CM and -PCS's finer detail, and the fact that the cleaner logic of the codes may lead to fewer coding errors in the long term, cannot help but improve research. Code analysis is an essential component of research in which there is no direct access to patient medical records.

Greater detail offers the ability to discover previously hidden relationships or uncover phenomena such as an incipient epidemic early. For instance, knowing whether and in what circumstances laparoscopic surgery improves healthcare outcomes more than open surgery does would affect thousands of lives and could save billions of dollars.<sup>5</sup>

It is anticipated that ICD-10-CM will open new opportunities in injury research and trauma services evaluation. It will provide much-needed improvements in accurately classifying the nature of injuries and correlating them with cause, treatment, and outcome.

These improvements have important implications for the ability to rate the severity of injuries, for which ICD-9-CM is inadequate. ICD-10-CM would bring the US closer toward a universal classification of injuries, which could be used to more adequately describe the nature of the injury and its severity, both in terms of mortality risk and probability of residual impairment.

External cause of injury codes are also much more detailed in ICD-10-CM than in ICD-9-CM. This coding provides a framework for systematically collecting population-based information needed to fully describe and document how and where injuries occur. The codes are important for injury surveillance and for designing, implementing, and monitoring injury prevention and control programs.

Greater detail in the codes will help monitor progress on US objectives to measure progress on injury and violence prevention and control. The health insurance industry also uses external cause of injury codes for healthcare cost-containment purposes.

## Organizational Monitoring and Performance

The upgrade to ICD-10 offers providers and payers better data in support of their efforts to improve performance, create efficiencies, and contain costs. Better data also enhance health policy decision making.

ICD-10's increased specificity offers payers and providers the potential for considerable cost savings through more accurate trend and cost analysis. Greater detail can improve payers' abilities to forecast healthcare needs and trend and analyze costs. It will improve payers' and providers' ability to monitor service and resource utilization, analyze healthcare costs, monitor outcomes, and measure performance.

Finer distinctions in the data also offer a more precise evaluation of new medical procedures. US healthcare currently lacks that ability, because ICD-9-CM often groups new procedures with old ones, making it difficult to distinguish the difference. Greater detail on procedure types will allow providers to evaluate their own performance relative to their peers. Providers can use this information to reallocate resources and promote themselves to patients and referring physicians.

Providers and payers can expect a reduced need for supporting documentation under ICD-10. The lack of sufficient detail in current code assignments has led to increased requirements for documentation to support claims. ICD-10-CM and -PCS codes are expected to reduce that need.

The improved logic and standardized definitions of ICD-10-PCS, the more accurate clinical terms in ICD-10-CM, and the more specific code descriptions in both systems give reason to believe that coding error rates will eventually drop below their current level under ICD-9-CM.<sup>6</sup>

## Key for Health IT Advances

Upgrading to ICD-10 is a necessary step in realizing health IT potential. ICD-10 data are more easily retrieved in electronic format than ICD-9-CM data.<sup>7</sup> Because the code set is more robust and up-to-date, it offers better mapping from SNOMED CT, a terminology used to capture the clinical detail of a care episode. Those maps facilitate the administrative reporting process by enabling computer-assisted coding (CAC).

CAC offers improved coding consistency, efficiency, and accuracy.<sup>8</sup> The detailed and logical structure of ICD-10-CM and ICD-10-PCS simplifies the development of map rules and algorithms used in CAC applications.

The full benefits of a reference terminology such as SNOMED CT will not be realized if that system is mapped to an obsolete classification system such as ICD-9-CM.

## Reimbursement

ICD-9-CM codes were not developed for reimbursement purposes; that use came after their implementation. ICD-10-CM and ICD-10-PCS offer more rational systems upon which to build payment systems.

Greater specificity regarding clinical conditions and services delivered will provide payers, policy makers, and providers with better information to make major refinements to US reimbursement systems, including the design and implementation of pay-for-performance programs.

Greater detail may lead to better justification of medical necessity and improved implementation of national and local coverage determinations. With continued use of ICD-9-CM, conditions that support medical necessity for a particular service may be classified to the same code as conditions that would not justify the service. More accurate payments for procedures involving new technology could be a benefit of ICD-10-PCS implementation, since these procedures could be uniquely identified.

Risk adjustment depends on the adequacy of diagnosis coding systems for capturing relevant patient behavioral risks such as smoking history, lack of exercise, or poor dietary habits. Each of these behaviors is more specifically defined in ICD-10-CM.

It is anticipated that implementation of ICD-10-CM and -PCS will ultimately result in a lower coding error rate than ICD-9-CM and fewer erroneous and rejected reimbursement claims because these systems are less ambiguous and more logically organized and detailed.<sup>9</sup>

The increased specificity of the codes will make it easier to compare reported codes with clinical documentation, check for consistency between diagnosis and procedure codes, and check for illogical combinations of diagnoses. The use of ICD-10-CM and -PCS thus may also help reduce opportunities for fraud and improve fraud detection capabilities. Fewer gray areas in coding will make it more difficult for dishonest providers to hide behind ambiguities in code descriptions or rules.

The improved logic and increased specificity in ICD-10-CM and ICD-10-PCS also will facilitate the development of sophisticated tools for detection of questionable patterns and suspected fraud. An anti-fraud study conducted for the Office of the National Coordinator for Health Information Technology concluded that a standardized reference terminology and up-to-date classification systems are essential to the adoption of EHRs and the associated IT-enabled healthcare fraud management programs.<sup>10</sup>

### Why Switch?

If ICD-9-CM has served the industry well for as long as it has, why change now?

The problem is that ICD-9-CM can no longer keep up with medicine. After 30 years, the code set is outdated and can no longer meet the demands of healthcare's data needs. It cannot accurately describe the diagnoses and inpatient procedures for care delivered. The uses being made of coded data today go well beyond the purposes for which ICD-9-CM was designed, or even contemplated, in the 1970s.

The need for greater coding accuracy and specificity has heightened considerably since the implementation of ICD-9-CM. ICD was primarily used in the hospital inpatient setting for

indexing purposes at the time ICD-9-CM was implemented. ICD-9-CM codes were not used for reimbursement purposes until well after the system's development and implementation. Once prospective payment systems came into existence in the 1980s, the concerns for data quality, coding education, and medical record documentation received new emphasis. The consequences of inaccurate claims data in the prior fee-for-service environment had not been nearly as critical.

ICD-9-CM's terminology and classification of numerous conditions and procedures are outdated, vague, or inconsistent. The system cannot adequately accommodate dramatic advances in medicine and medical terminology. Laser and laparoscopic surgeries were not performed at the time ICD-9-CM was implemented, for example, but today the technology is common. New procedures and technology are often classified to a single code developed for older procedures or lumped into an "other" category. Inaccurate or limited data and insufficient detail affect our knowledge of diagnoses, procedures, severity, quality, and technology.

For these reasons, ICD-9-CM cannot support many of the health IT and data exchange initiatives targeted as healthcare's future. A nationwide health information network requires modern classifications like ICD-10-CM and ICD-10-PCS for summarizing and reporting data. The longer the ICD-10 upgrade is delayed, the longer and more expensive it will be to achieve a fully functioning EHR with the interoperability necessary for advanced data sharing.

The recognition of ICD-9-CM's growing inadequacies is not new. As far back as 1990, the National Committee on Vital and Health Statistics (NCVHS) reported to the Department of Health and Human Services that there were problems with ICD-9-CM's ability to keep pace with medical science. NCVHS's 1993 annual report again noted that ICD-9-CM was rapidly becoming outdated and that ICD-10 represented a significant improvement. The following year the first countries adopted the new code set. In 2003, NCHVS urged that the US begin the regulatory process for adopting ICD-10.

## **The Benefits**

Why are ICD-10-CM and ICD-10-PCS better alternatives? ICD-10, which is the international diagnosis classification system that is the foundation of ICD-10-CM, contains the most significant changes in the history of ICD. Its alphanumeric format provides a better structure than ICD-9, allowing considerable space for future revision without disruption of the numbering system, much more than is possible with ICD-9-CM.

Replacing ICD-9-CM with ICD-10-CM and ICD-10-PCS will provide higher-quality information for measuring healthcare service quality, safety, and efficacy. This will in turn provide better data for:

- Quality measurement and medical error reduction (patient safety)
- Outcomes measurement
- Clinical research
- Clinical, financial, and administrative performance measurement
- Health policy planning
- Operational and strategic planning and healthcare delivery systems design
- Payment systems design and claims processing
- Reporting on use and effects of new medical technology
- Provider profiling
- Refinements to current reimbursement systems, such as severity-adjusted DRG systems
- Pay-for-performance programs

- Public health and bioterrorism monitoring
- Managing care and disease processes
- Educating consumers on costs and outcomes of treatment options

Moving to the new code sets will also permit improved efficiencies and lower administrative costs due to replacement of a dysfunctional classification system. This in turn allows:

- Increased use of automated tools to facilitate the coding process
- Decreased claims submission or claims adjudication costs
- Fewer rejected and improper reimbursement claims
- Greater interoperability
- Decreased need for manual review of health records to meet the information needs of payers, researchers, and other data mining purposes
- Decreased need for large research organizations to maintain dual classification systems (one for reimbursement and one for research)
- Reduced coding errors
- Reduced labor costs and increased productivity
- Increased ability to prevent and detect healthcare fraud and abuse

In a 2004 cost/benefit analysis for the Department of Health and Human Services, the RAND Corporation quantified some of the benefits of improved data derived from ICD-10-CM and ICD-10-PCS. RAND concluded that the benefits far outweigh the costs of implementation, estimating the dollar value of the benefits in the following categories:

- More accurate payment for new procedures
- Fewer rejected claims
- Fewer fraudulent claims
- Better understanding of new procedures
- Improved disease management<sup>1</sup>

#### Note

1. RAND Corporation. "The Costs and Benefits of Moving to the ICD-10 Code Sets." March 2004. Available online at [www.rand.org/pubs/technical\\_reports/2004/RAND\\_TR132.pdf](http://www.rand.org/pubs/technical_reports/2004/RAND_TR132.pdf).

#### Notes

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More information on the aging of ICD-9, the value of ICD-10, and the regulatory process behind the transition is available at [www.ahima.org/icd10](http://www.ahima.org/icd10).

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