Health Service Board
City & County of San Francisco

ICD-10 Report

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Background

International Classification of Diseases (ICD)

Purpose

- **Diagnosis codes** on claims to identify disease classification
- **Procedure codes** on claims to identify service rendered
- Used across the health care industry (health plans, providers and health care clearing houses)
- For diagnostic, billing and reporting purposes

Update

- Current U.S. version: ICD-9-CM
- ICD-10 (10th revision) released globally by WHO and adopted by other countries since the mid-1990s
- U.S. adopting U.S. versions:
  - **ICD-10-CM** (clinical modification)
  - **ICD-10-PCS** (procedure coding system)

Transition date is October 1, 2015

ICD-10-CM (Clinical Modification)

- ICD-10-CM will refine ICD-9-CM (volumes 1 and 2)
  - Diagnosis codes for health care settings in the U.S.
  - 400% increase in the number of codes
  - Used to support HCPCS and CPT procedure codes, which identify the service rendered

ICD-9-CM—Volumes 1 and 2	ICD-10-CM
14,000 Codes	69,000 Codes
3-5 Digits	7 Digits
No Laterality	Right / Left Indication (on nearly half the codes)
Limited Specificity	Increased Specificity

ICD-10-PCS (Procedure Coding System)

- ICD-10-PCS will replace ICD-9-CM (volume 3 procedure codes)
  - Inpatient hospital procedure codes for hospital settings in the U.S.
  - 1,700% increase in number of codes (greater impact)
  - Use of HCPCS and CPT procedure codes will continue for outpatient and physician office claims

ICD-9-CM—Volume 3	ICD-10-PCS
4,000 Codes	72,000 Codes
3-4 Digits	7 Digits
Diagnosis Included	Diagnosis Excluded
Limited Specificity	Increased Specificity

ICD-10 Code Examples

More than 7x the number of codes for better specificity

W22.02XD
(walked into lamppost, subsequent encounter)

W55.41XA
(bitten by pig, initial encounter)

V97.33XD
(sucked into jet engine, subsequent encounter)

Z63.1
(problems in relationship with in-laws)

R46.1
(bizarre personal appearance)

W61.62XD
(struck by duck, subsequent encounter)

V95.45XA
(spacecraft explosion injuring occupant, initial encounter)

Carrier Comments

System Readiness

- **Major carriers (Blue Shield of California, UHC, Cigna, Aetna) expect a smooth conversion from their end** (based on years of extensive internal and external testing), but we remain cautious as a significant disruption is possible (especially on the provider side and with smaller providers)
- Mappings will be used to convert algorithms from ICD-9 basis to ICD-10 basis
- Identification tables (e.g. for medical management, case management, disease management), prior authorization tables and referral tables have been converted
- Reporting, modeling and auditing algorithms have also been converted
- **Despite carriers having converted their coding to ICD-10, potential for disruption**

Carrier Comments

Claims Processing

- **Short-term dual processing (both ICD sets) planned to support run-out submissions**
- Correctly coded claims are expected to be processed in a timely manner
- **Incorrectly coded claims (not using appropriate ICD-10 codes) will be rejected and the provider will need to resubmit the claim using the correct code**

Shifts in Trends

- **Slight changes in trends (e.g. cost projections, risk s**cores, case mix index, Diagnostic Related Groups (DRGs), etc.) are generally expected
- Since some conditions and procedures will not map into the same DRG code under both ICD-9 and ICD-10, a slight (less than 1%) DRG shift is expected in the industry and will be followed closely to ensure the conversion is revenue neutral
- **Physician upcoding is not anticipated as reimbursements are based on CPT codes**

Potential Industry Impact

- Case, Disease and Utilization Management
- Actuarial Projections and Incurred But Not Paid (IBNP) Calculations
- Data and Trends
- Audits and Medical Policy
- Claims Submission and Processing
- Underwriting
- Provider Contracting
- Risk Scores and Risk Adjustment
- IT

Potential Client Impact

Claims Data	Actuarial	Members
■ Questionable early data quality ■ Costs may appear to dive in Q4 2015 and then spike up ■ The timing and degree of all this is fairly uncertain	■ Possible IBNP, pricing, EMR and medical loss ratio impact ■ Risk of DRG shifts impacting claims trend ■ Unspecified code usage could lower DRG payments	■ Benefits may be miscoded and copays collected on preventive care visits ■ May not be aware of new coding impact on benefits

Stages of Impact

Transition

- Expect to see a large IBNP increase initially, as costs appear to have decreased
  - Providers may not be able to submit claims properly
  - Carriers may have increased coding rejections and/or delays in claims processing
- Development method might be challenging during transition, so we recommend the projection method

Recovery

- Expect to see a recovery period follow the transition phase
- Earlier claims are finally paid and costs may appear to spike
- Data through this phase may contain a higher proportion of coding inaccuracies

Ongoing

- Expect to see claims submitted and processed in a timely fashion
- Reliability and accuracy on an ongoing basis
  - ICD 9: good reliability due to 30 years of experience but poor accuracy
  - ICD 10: good accuracy but reliability will take time and experience