

# The Vitals

## Medical Mag

### ***Introduction:***

International Classification of Diseases (ICD) is the foundation for the identification of health trends. Today, they are practically implemented in major nations across the globe. The use of ICD codes make identifying and reporting both diseases and claims related to them, a simple and unanimous procedure. On the other hand, it has not been more than a decade when the subject of VAT was first mentioned in the GCC region. Today, 4 of the 6 GCC members have fully adopted the VAT system, while the remaining two—Qatar & Kuwait— are in the intermediary phase of VAT system development.

### ***Inside this Issue***

#### **International Classification of Diseases (ICD) Codes**

These are the codes that represent the international standards for reporting diseases and health conditions. In their absolute essence, these codes make sure that patients receive right treatment and are billed accordingly.

#### **Value Added Tax (VAT) in GCC Region**

This section provides a brief introduction of VAT across the GCC region and also sheds light on the impacts of application of VAT in the health insurance sector in UAE.



# International Classification of Diseases (ICD) Codes

ICD is an abbreviation of International Classification of Diseases. In simplest terms, it is an internationally recognized diagnostic tool used for health management and clinical purposes. It was first adopted by the International Statistical Institute (ISI) in 1893. The system was based on the Bertillon Classification of Causes of Death.<sup>1</sup>

Ever since its inception, the use of ICDs is important because it significantly aids in providing a common language for reporting and monitoring diseases. Hence, it allows various users such as hospitals, professionals, and authorities to compare and share data in a consistently standardized manner.

ICD codes were originally used to assist insurance companies in correctly identifying the diagnosis as they help companies understand why the care provided was necessary. ICD-codes when combined with Current Procedural Terminology (CPT) codes develop a link significantly useful in reimbursing claims. With the help of both ICD and CPT codes, companies can devise an amount to be reimbursed in the form of claim as well as the share of claim payable by the insured. According to the ICD-10 official guidelines, two diagnosis codes can be combined in one single detailed code. For example<sup>2</sup>:

## ICD-9 codes

2 4 9 • 5 0

Secondary diabetes mellitus with ophthalmic manifestations, not stated as uncontrolled, or unspecified.

2 5 0 • 5 0

Diabetes with ophthalmic manifestations, type II or unspecified type, not stated as uncontrolled.

## ICD-10 codes

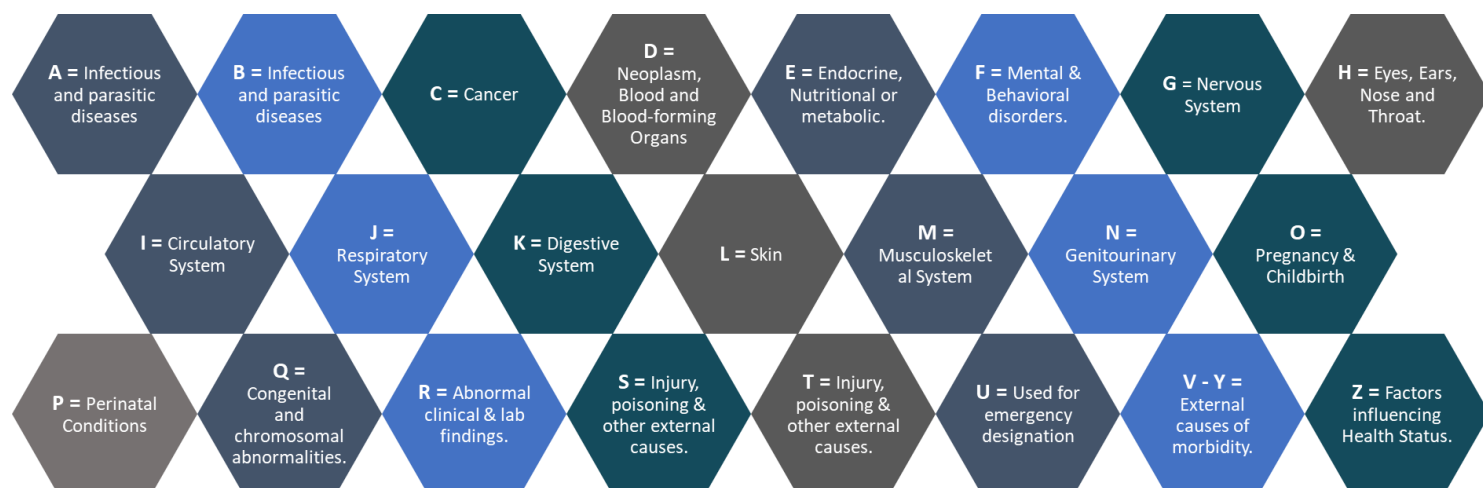
E 1 3 • 3 7 X 1

Other specified diabetes mellitus with diabetic macular edema, resolved following treatment, right eye.

## Facts About ICD Codes <sup>3</sup>

1. Under, the ICD-10 system, the first digit will always be a letter.
2. Initially, all letters except U were used. post COVID, two new ICD-10 codes, U07.1 & U07.2 have been added to account for Covid-19.
3. The second digit will always be numeric in ICD-10 codes system.
4. The letter E or V can only be used as the first digit in ICD-9 codes.
5. ICD-9 codes consist of 3-5 characters whereas ICD-10 codes consist of 3-7 characters.

The following list explains significance of every alphabet that is a requirement for the syntax of a code. <sup>4</sup>



## Progression of ICD Codes:

ICD-9 was first introduced in late 1970's in the United States of America. <sup>5</sup>

ICD-9 was based on outdated technology and was unable to reflect new equipment or procedures. It fails to capture key details of patient conditions for recording and exchanging pertinent clinical information.

However, even during the development, many users were of the view that ICD-9 codes might not be sufficient to serve the purpose the of diagnosis codes efficiently.

Therefore, in October 2015, ICD-10 was introduced.<sup>5</sup> One important thing to identify here is that ICD-10 codes are not just ICD-9 codes increased in number. In fact, ICD 10 is more complex in nature as it is based on a comparatively different terminology and thus provides more helpful details. The best part of ICD-10 code sets are, they help in reducing requests for documentation and denied claims. Similar to ICD-9, the ICD-10 codes can also be

divided into two distinct categories: ICD-10 – Clinical Modification Codes and ICD-10 – Procedure Codes. The subsequent 'table 1' can help develop a better understanding regarding the two categories of ICD-10 codes by drawing a comparison with the two categories of ICD-9 codes. <sup>5</sup>

ICD-10 PCS stands for the Procedure Coding system. It was first introduced in 1998 in the United States of America. <sup>6</sup> Since then, it has been maintained and updated periodically on annual basis. ICD-10 PCS differs from ICD-10 CM with respect to its applicability. While ICD-10 CM is a coding system applicable for diagnosis in all settings, ICD-10 PCS contains codes that are only applicable for diagnosis in hospital inpatient settings. However, it does not means that ICD-10 PCS is just an another name for CPT codes. CPT codes are entirely related to enhance and facilitate the Physician's work while ICD-10 PCS are introduced to smoothen the diagnosis process. <sup>7</sup>

**Table 1**

Clinical Modification Diagnosis Codes		Clinical Modification Procedure Codes	
ICD 9	ICD 10	ICD 9	ICD 10
Contains around 13,000 codes	Contains around 68,000 codes	Featured around 3,000 codes	Features around 87,000 codes
Code length is 3 to 5 characters	Code length is 3 to 7 characters	Code length was 3 to 4 characters	Code length is 7 characters
Digit one can be either alpha or numeric	First digit is always alpha	Codes were always numeric in character	Codes are alpha-numeric in character
Addition of new codes has limitations	More flexibility in adding new codes	Featured body parts in generic terms	Features detailed description of anatomical parts

In the present times, ICD-10 codes are generally predicting clinical outcomes, but also helps to more widely recognized and accepted. ICD-10 is detect fraud and abuse by improving the claim better at maintaining records of patient's anatomy processing methodology. Since ICD-10 offers and complications. This also provides the better terminologies and classification of diseases, researchers with more organized data to conduct it caters for a higher precision assessment and research such as that of morbidities or severity of tracking of certain conditions. In short, ICD-10 illnesses. Next ICD-10 helps to assess clinical serves a greater level of details in terms of severity, outcomes associated with certain conditions as complexity, and laterality. Above all, ICD-10 well as the quality of services rendered to patients. contains all those minute details that were Hence, the system is not only efficient in terms of previously not included in the ICD-9 chapter. <sup>5</sup>



## Coding Error Example

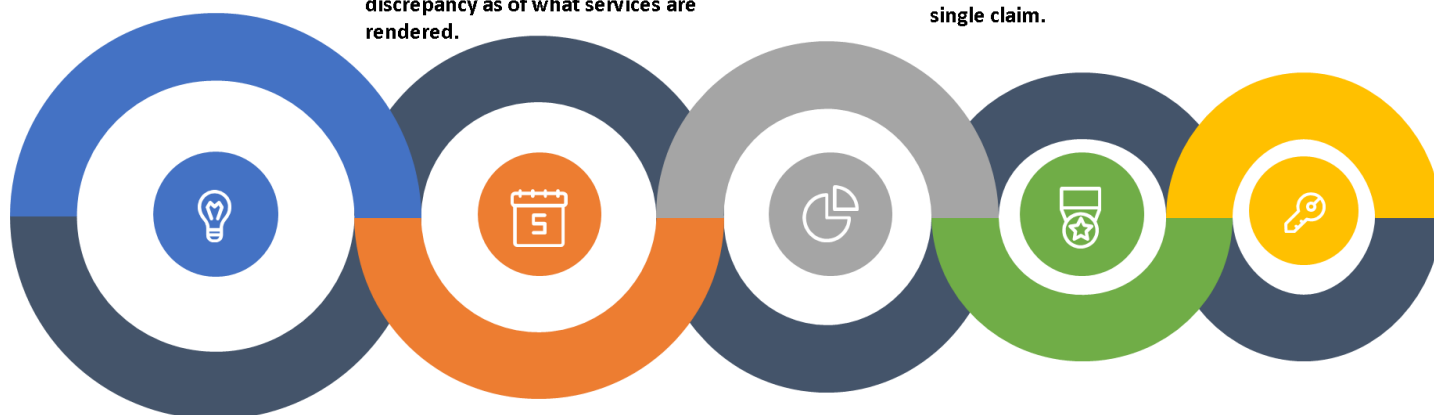
An insured accidentally injured one of his elbows. Following an X-ray, sprained elbow was diagnosed. Several weeks later, the insured received a bill from hospital for AED 500 pertaining to the X-ray performed.

Upon inquiry, it came to the insured's knowledge that his health plan had denied the claim since the billing clerk had accidentally added S93.4 (sprained ankle) instead of S53.4 (sprained elbow) to the diagnosis code. Since, the diagnosis code and the services performed did not match, the health plan rejected his claim.

## Tips to Avoid Coding Errors: <sup>8</sup>

It is critical to ensure that the codes submitted match with injury allegations so that there is no discrepancy as of what services are rendered.

Either apply an ICD – 9 code or an ICD – 10 code. Both cannot be applied simultaneously on a single claim.



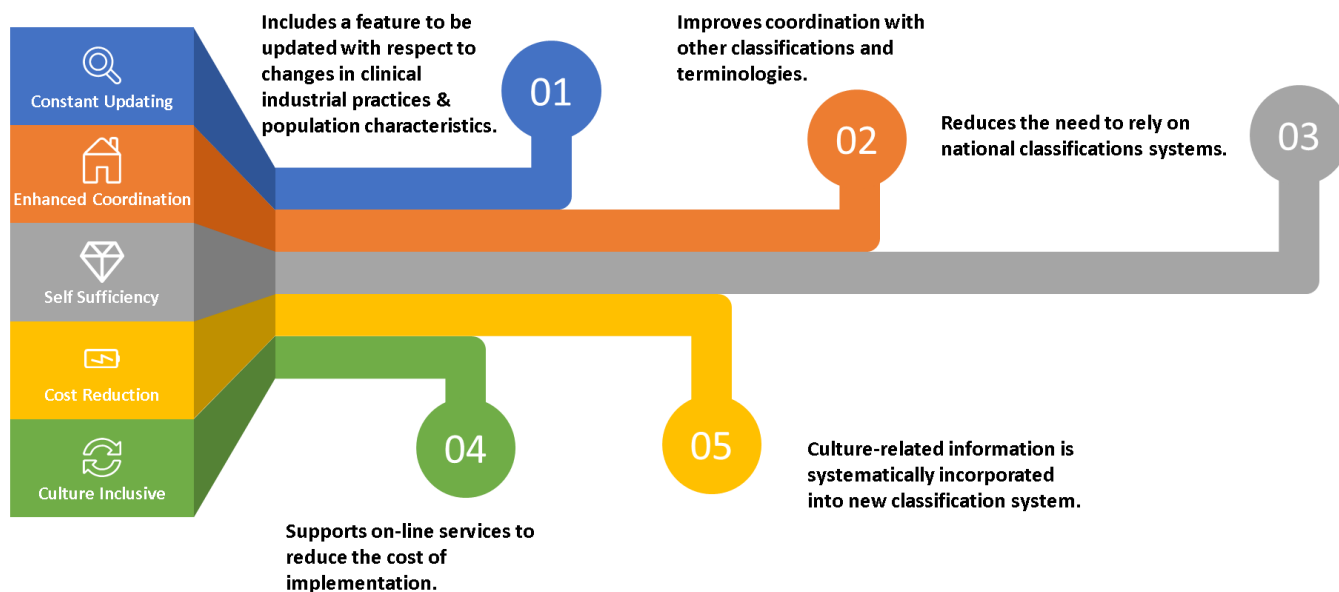
If an ICD code is less than 7 digits, Do not add leading or trailing extra zeros. Rather fill extra position(s) with spaces.

Cross-check the inserted ICD codes with CPT codes to ensure relevant codes have been inserted.

Use the latest coding manual issued by the World Health Organization.

## The Age of ICD—11: <sup>9</sup>

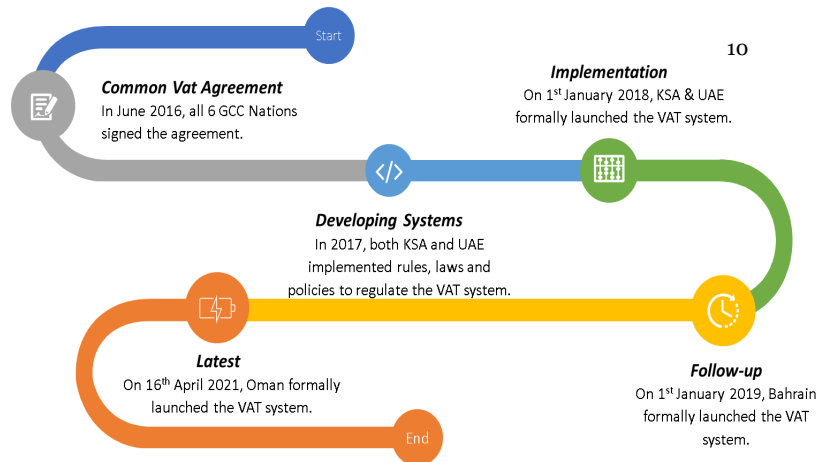
In 2018, the World Health Organization published ICD – 11 for review, however, it was formally adopted by the World Health Organization assembly on 25<sup>th</sup> of May 2019. It is expected to be effective from 1<sup>st</sup> January 2022. Relevant users believe that ICD – 11 is a step towards brighter future as it is designed to take advantage of today's digital capabilities to:





# Value Added Tax (VAT)

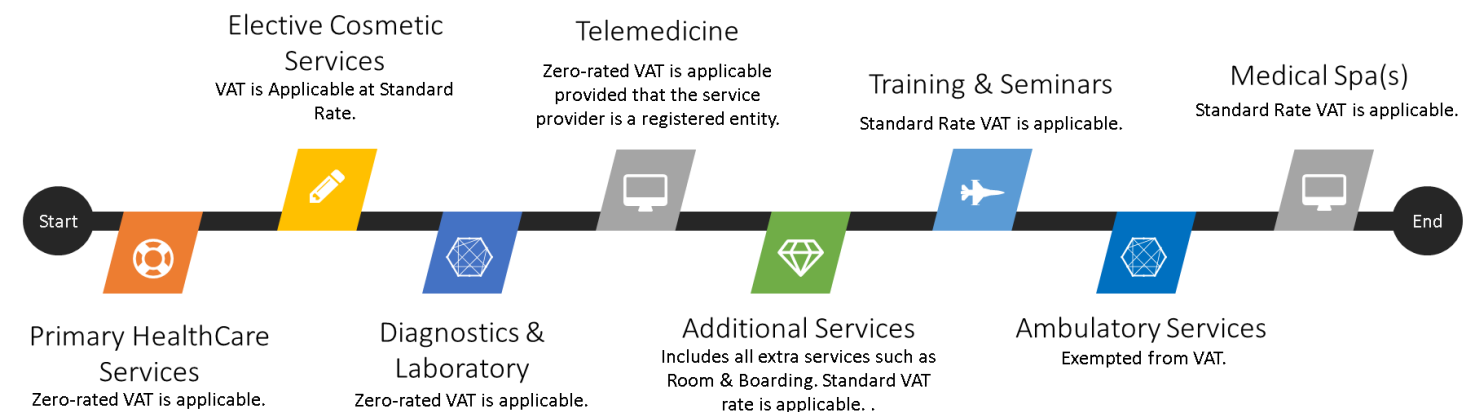
VAT is an abbreviation of Value Added Tax and regarded as an indirect tax. Today, VAT has become the most common form of general consumption tax as it is applied by more than 150 nations. In 2016, all GCC member nations signed an agreement to introduce VAT as a part of formal tax system. UAE, under the Vat law, classifies most of the healthcare services as zero rated supplies. This means that a VAT of 0% is applied to such services. However, they are not fully exempted. Which in other words means that the VAT incurred on additional associated cost is eligible for recovery.<sup>11</sup>



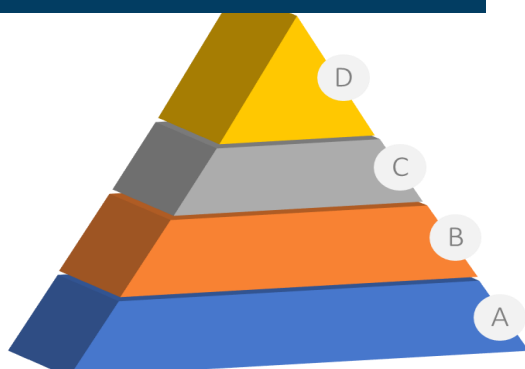
Healthcare services generally refer to all the medical services recognized essential by medical profession for the wellbeing of the recipient of the services. Hence, the supply of healthcare service is only accredited as a zero-rated supply if it satisfies the following three conditions:<sup>11</sup>

- ♦ Service is provided by a licensed medical professional such as doctor, nurse etc.
- ♦ Service is provided for the wellbeing of the recipient.
- ♦ Service is not provided as holiday accommodation or for entertainment.

The diagram below illustrates VAT rates applicable on Healthcare Service Providers in UAE.



## Challenges for Health Insurers<sup>12</sup>



- A Overhauling Technical Procedures**  
Filling VAT is a lengthy task with specific requirements necessarily to be met.
- B Increased Costs of Outsourcing**  
In certain areas, outsourced services (such as shared accounting or IT services) are subject to VAT at a standardized rate. Where these outsourced services are an input for the provision of both taxable and exempted supplies, there will be a restricted claim for input tax. This will increase the cost of doing business.
- C Input Tax Ineligibility**  
Services received from unregistered brokers/ agents for exempted supplies may lead to an increase in cost of commissions in absence of their ineligibility to claim input VAT tax.
- D System Upgradation**  
Due to various exemptions and zero rating on certain insurance policies such as Health insurance, IT systems should be re-configured and upgraded to ensure proper VAT treatment on all transactions.

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## How can we help



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Alternatives**

**Performance  
Monitoring &  
Analytics**



**Profit  
Optimization**

**Provide  
Network  
Structure**



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