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Health Care Code Sets

What's Changed?

We added information about National Drug Codes (pages 2 and 6).

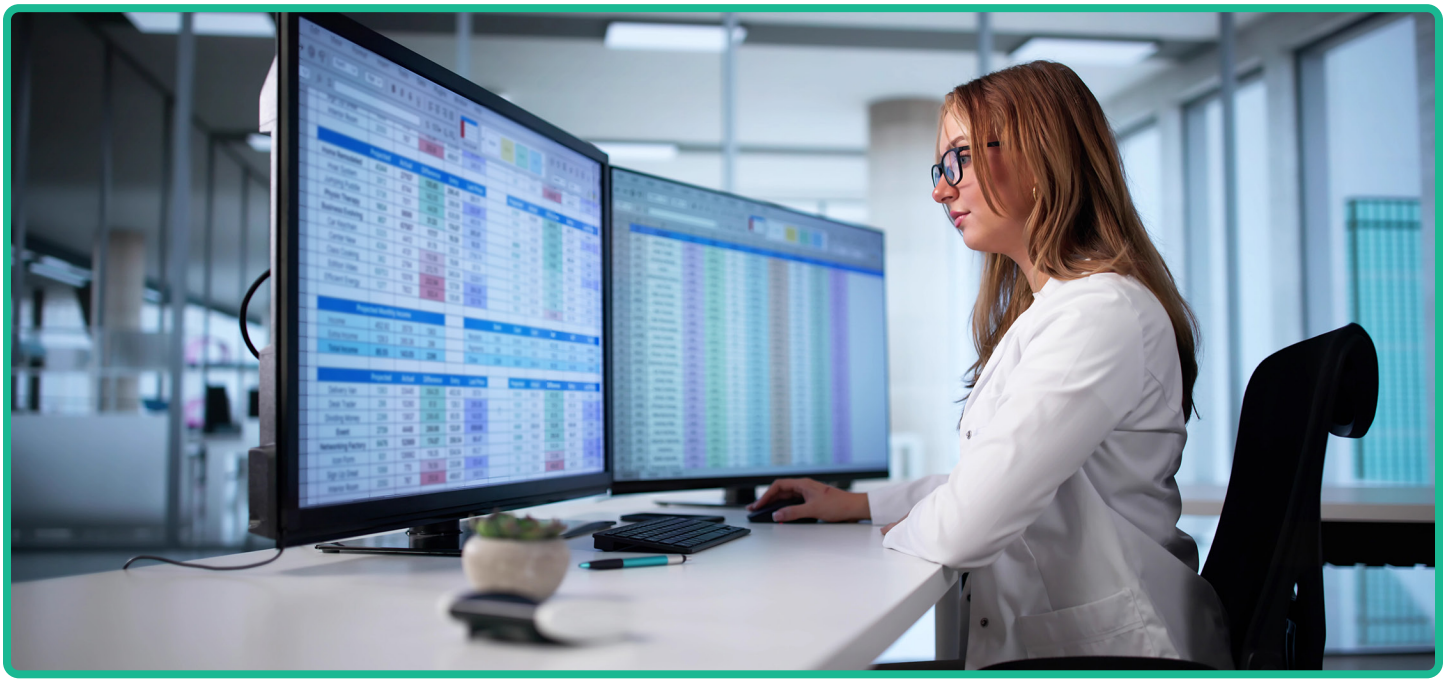
Substantive content changes are in dark red.

CMS CENTERS FOR MEDICARE & MEDICAID SERVICES
Medicare Learning Network®

Health care providers, suppliers, medical coders, and billing staff use health care code sets for coding and reporting diagnoses, procedures, medical equipment, supplies, and drugs when submitting inpatient and outpatient claims.

The Health Insurance Portability and Accountability Act (HIPAA) requires the reporting of codes for patient diagnoses and procedures using standard content, formats, and coding for health care transactions. Code sets include:

- ICD-10, which consists of codes for diagnoses and hospital inpatient procedures. Within ICD-10, there are 2 code sets:
  - ICD-10 Clinical Modification (ICD-10-CM) diagnosis codes
  - ICD-10 Procedure Coding System (ICD-10-PCS) procedure codes
- HCPCS, which is a standard, national medical code set specified to make sure that claims are processed in an orderly and consistent manner. It's divided into 2 principal subsystems, referred to as Level I and Level II:
  - Level I
    - CPT codes
  - Level II, which is divided into 2 code sets:
    - HCPCS codes
    - Current Dental Terminology (CDT) codes
- National Drug Codes (NDCs), which serve as FDA's identifier for drugs. FDA publishes the NDC numbers in the NDC Directory and updates the directory daily.



Code Sets Table

Code Sets, Definitions & Payment Information

Code Set	Definition	Payment Information
ICD-10-CM (Diagnoses)	• All health care providers and suppliers use this code set in U.S. health care settings to reflect the reason a patient requires or seeks health care • Providers document diagnoses in the patients' medical records, and coders assign codes based on that documentation • Suppliers include diagnosis codes when submitting medical claims • CDC develops and maintains this code set	• Report ICD-10-CM diagnosis codes on all inpatient and outpatient health care claims • Medicare Administrative Contractors (MACs) use the ICD-10-CM codes to determine benefits and coverage • Inpatient acute care providers report ICD-10-CM diagnosis and ICD-10-PCS procedure codes on claims that group to the appropriate Medicare Severity Diagnosis-Related Group (MS-DRG) used for payment
ICD-10-PCS (Procedures)	• Facilities use this code set only to report procedures performed in U.S. inpatient health care settings • Providers document inpatient procedures or other services they use to diagnose or treat diseases, injuries, and impairments, and coders assign codes based on the patient's medical record documentation • CMS develops and maintains this code set • Physicians **don't** use this code set to report their services, including ambulatory services and inpatient visits	Facilities report ICD-10-CM diagnosis and ICD-10-PCS procedure codes on claims for inpatient acute care, and MACs use the MS-DRG relative weight to calculate payment

Code Sets, Definitions & Payment Information (cont.)

Code Set	Definition	Payment Information

HCPCS Level I: **CPT**	• Level I codes and modifiers are developed, copyrighted, and maintained by the American Medical Association (AMA)
	• These codes reflect the services and procedures used to diagnose or treat the patient's diseases, injuries, and impairments
		• When providers and suppliers report HCPCS Level I (CPT) codes on claims, MACs use them to determine the service and decide if Medicare can pay the claim, minus patient coinsurance, deductible, and copayments
		• Outpatient providers like physicians, hospital outpatient departments, ambulatory surgical centers, and suppliers:
		  • Report and get paid for services they provide, including inpatient physician visits, using CPT codes
		  • Use ICD-10-CM diagnosis codes, **not** ICD-10-PCS procedure codes, on outpatient claims
		  • Follow official guidance when reporting CPT codes, including CPT modifiers

Code Sets, Definitions & Payment Information (cont.)

Code Set	Definition	Payment Information

HCPCS Level II: **HCPCS**	• CMS develops Level II codes and modifiers to report products, supplies, and services not included in Level I (CPT) codes (for example, ambulance services, drugs, devices, and, when used outside a physician's office, DMEPOS)
	• They reflect the services and procedures, equipment, drugs, and supplies that are used to treat the patient
	• CMS maintains this code set, except for the CDT codes
		• When providers and suppliers report HCPCS Level II codes on claims, MACs use them to identify the products, supplies, and services, determine if they are covered, and pay the claim, minus patient coinsurance, deductible, and copayments
		• Physicians, suppliers, outpatient facilities, and hospital outpatient departments:
		  • Report and get paid for services they provide using HCPCS codes
		  • Use ICD-10-CM diagnosis codes, **not** ICD-10-PCS procedure codes, on outpatient claims
		  • Follow official guidance when reporting HCPCS codes, including HCPCS modifiers

HCPCS Level II: **CDT**	• CDT codes are a subset of HCPCS Level II that describe dental procedures. Dentists and other dental professionals use them to ensure consistency in documenting dental treatment. • The American Dental Association develops, copyrights, and maintains CDT codes. • Each CDT procedure code entry consists of the code and its nomenclature.	When dentists and other dental professionals report CDT codes on claims, MACs and dental benefit plans use them to identify the service, determine if the service is covered, and pay the claim, minus patient coinsurance, deductible, and copayments

Code Sets, Definitions & Payment Information (cont.)

Code Set	Definition	Payment Information
NDC	• A unique, 3-segment number that serves as FDA's identifier for drugs • FDA maintains NDC numbers • Inclusion on the NDC directory does not mean the product is FDA approved	• Nearly all drugs in the U.S. have a unique NDC, which identifies all current manufactured drugs • NDCs are reported on claims and used to identify specific drugs • Payment for covered drugs is made using HCPCS Level II codes

Resources

- CMS Code Sets Overview
- ICD-10-CM Official Guidelines for Coding and Reporting FY 2026
- ICD-10-PCS Official Guidelines for Coding and Reporting 2026
- Medicare Dental Coverage
- Overview of Coding and Classification Systems