Complete Healthcare Compliance Manual
Health Information Management: Coding with ICD-10 Procedure Coding System (ICD-10-PCS)

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What Is the ICD-10 Procedure Coding System?

Since 1984, the Medicare program has reimbursed hospitals for inpatient acute-care services using the inpatient prospective payment system (IPPS). Under IPPS, diagnosis-related groups (DRGs) were initially the mechanism for payment. In 2008, the IPPS was updated to Medicare Severity–Diagnosis Related Groups (MS-DRGs) to better account for severity of illness. Both the DRG and the MS-DRG systems rely on the International Classification of Diseases, 10th Revision (ICD-10) codes (which were ICD-9 prior to October 1, 2015) to determine which MS-DRG is assigned and, ultimately, the reimbursement amount for the hospital stay. If the discharge is medical (nonsurgical), the ICD-10 Clinical Modification (ICD-10-CM) diagnosis codes drive reimbursement. Surgical discharges are assigned ICD-10 Procedure Coding System (ICD-10-PCS) procedure codes, which then drive the MS-DRG assignment and reimbursement amounts.

The ICD-10-PCS coding system was developed for the Centers for Medicare & Medicaid Services (CMS) by 3M Health Information Systems. The guidelines governing ICD-10-PCS code assignment are provided by CMS after approval by the four groups that make up the ICD-10 Cooperating Parties: CMS, the National Center for Health Statistics (NCHS), the American Health Information Management Association (AHIMA), and the American Hospital Association (AHA). Generally, guidelines are updated annually, as is the ICD-10-PCS system.[3] ICD-10-PCS is used only for coding surgical procedures for hospital inpatients.

The material difference between ICD-9-CM and ICD-10-PCS for reporting surgical procedures is the structure of the systems. Unlike its predecessor—ICD-9-CM Volume 3—ICD-10-PCS is not a closed classification. A closed classification has a code for virtually every procedure description, regardless of ambiguity. ICD-9-CM provided codes for terminology that was not otherwise specified. For example, if the patient's body system was known (e.g., respiratory), a procedure could be coded even if the specific root operation (e.g., excision) or site (e.g., bronchus) was not documented. In contrast, ICD-10-PCS is a table-driven, multiaxial code system with specific valid options in each character position. In this example, unless the specific root operation and body site of the skin is documented, a coder cannot assign an ICD-10-PCS code. Prior to October 1, 2015, if a coder read in the progress notes that an incision and drainage of a skin abscess was performed, even though there was no documentation of the site, the coder could assign ICD-9-CM's 86.04: "Other incision with drainage of skin and subcutaneous tissue." The procedure was captured, even with little documentation. However, a procedure code for this case could not be assigned in ICD-10-PCS, because the body site of the skin abscess is required.

Each ICD-10-PCS code is composed of a sequence of seven alphanumeric characters. The position of each character has a specific meaning, as does the value assigned to it. Characters can be assigned one of 34 values: numerals 0–9 and letters (excluding I and O). ICD-10-PCS is organized in 16 separate sections (e.g., Medical and Surgical, Obstetrics, Imaging). Within each section the value definitions may change. The Medical and Surgical section is the most commonly used (see **Table 1** for these characters).

Table 1. ICD-10-PCS Medical and Surgical Section						
Character 1	Character 2	Character 3	Character 4	Character 5	Character 6	Character 7
Section	Body System	Root Operation	Body Part	Approach	Device	Qualifier

The remaining sections are: Obstetrics, Placement, Administration, Measuring and Monitoring, Extracorporeal Assistance and Performance, Extracorporeal Therapies, Osteopathic, Other Procedures, Chiropractic, Imaging, Nuclear Medicine, Radiation Oncology, Physical Rehabilitation and Diagnostic Audiology, Mental Health, and Substance Abuse Treatment. While the character definitions in certain sections may resemble those in the Medical-Surgical section, the definitions for those characters in the ancillary areas often differ.

The ICD-10-PCS is a table-based classification. The tables are organized by the first three characters, shown at the top of the table. The remaining characters are in a four-column format. There may be multiple rows to specify the valid choices for the remaining characters. The coder must build the code based upon the choices provided for each character. There is an index provided to assist the coder in selecting the right table; however, use of the index is not required. Selection of the correct table is essential to identifying the correct ICD-10-PCS code. And the correct code is essential for determining the right MS-DRG, which leads to the correct reimbursement. An example of two similar tables is shown in **Table 2** and **Table 3**. Selection of the correct table is essential to identifying the correct ICD-10-PCS code.

Table 2. ICD-10-PCS Table Example

0 Medical and Surgical (Character 1)

L Tendons (Character 2)

H Insertion: Putting in a nonbiological appliance that monitors, assists, performs, or prevents a physiological function but does not physically take the place of the body part (Character 3)

Body Part	Approach	Device	Qualifier
Character 4	Character 5	Character 6	Character 7

	0 Open		
X Upper Tendon	3 Percutaneous	Y Other Device	Z No Qualifier
Y Lower Tendon	4 Percutaneous Endoscopic		

Table 3. ICD-10-PCS Table Example

0 Medical and Surgical (Character 1)

L Tendons (Character 2)

J Inspection: Visually and/or manually exploring a body part (Character 3)

Body Part	Approach	Device	Qualifier
Character 4	Character 5	Character 6	Character 7
X Upper Tendon Y Lower Tendon	0 Open 3 Percutaneous 4 Percutaneous Endoscopic X External	Z No Device	Z No Qualifier

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