

Medical Coding Fundamentals

Beginner course | Updated for ICD-10-CM FY 2027 and CPT 2027

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What you will learn

1 What is medical coding

2 The three code sets

3 US healthcare and payers

4 Revenue cycle management

5 Types of coding

6 HIPAA and ethics

7 What is new in 2026-27

8 Future scope and certifications

What is medical coding?



Care is given

Provider documents

Coder assigns codes

Claim submitted

Claim adjudicated

Provider is paid

The coder is the translator between clinical documentation and payment.

Golden rule: if it is not documented, it is not coded.

Coding vs billing

Medical coding

- Reads clinical documentation
- Assigns ICD-10-CM, CPT and HCPCS codes
- Follows official guidelines
- Queries the provider when unclear

Medical billing

- Builds and submits claims
- Tracks payer responses
- Posts payments and works denials
- Bills the patient for the balance

The three main code sets

1

ICD-10-CM

WHY the patient was seen

Diagnoses, symptoms and conditions. Maintained by CDC/NCHS. Updated every October 1.

2

CPT

WHAT the provider did

Procedures and services. Owned by the AMA. Updated every January 1.

3

HCPCS II

Supplies and other services

Equipment, drugs and ambulance. Maintained by CMS.

Inpatient hospital procedures use a fourth set: ICD-10-PCS.

ICD-10-CM: diagnosis codes

E11.9

E chapter letter (endocrine)

E11 category: type 2 diabetes mellitus

.9 without complications

Always verify in the Tabular List before assigning.

22

chapters, by body system

3-7

characters per code

190

new codes in FY 2027
(Oct 1, 2026)

CPT: procedure and service codes

Category I

5 digits

Main procedures and services

Category II

4 digits + F

Quality performance tracking

Category III

4 digits + T

Emerging technology

Category I sections: E/M | Anesthesia | Surgery | Radiology | Pathology and Lab | Medicine

CPT 2027 adds 299 new codes, effective January 1, 2027.

HCPCS Level II and modifiers

HCPCS Level II

- Letter + 4 digits
- A: supplies, ambulance
- E: durable medical equipment
- J: drugs
- G: temporary CMS procedures

Modifier	Meaning
25	Separate E/M on the same day as a procedure
59	Distinct procedural service
26	Professional component
TC	Technical component
50	Bilateral procedure
LT / RT	Left side / right side

US healthcare: who pays?

Commercial

Employer or marketplace plans, such as Aetna, Cigna and BCBS

Medicare

Age 65+, disability or ESRD. Parts A, B, C and D

Medicaid

Federal-state program for low income. Rules vary by state

TRICARE and VA

Coverage for military families and veterans

Workers' comp

Work-related injuries, paid by the employer's carrier

Self-pay

No insurance. The patient pays directly

How revenue cycle management works



Coding sits at the center: errors here ripple through every later step.

The coder's role in RCM

**Clean claims start
with accurate
codes.**

1

Codes must match the documentation, nothing more and nothing less

2

Each diagnosis supports medical necessity for the procedure billed

3

Accurate coding means fewer denials and faster payment

Types of medical coding

1 Professional-fee coding: Physician and clinic visits with CPT, HCPCS and ICD-10-CM

2 Facility outpatient: Hospital outpatient, ER and ambulatory surgery claims

3 Inpatient coding: Hospital stays using ICD-10-PCS and MS-DRG

4 Risk adjustment (HCC): Diagnoses that drive Medicare Advantage payment

5 Auditing and CDI: Checking accuracy and improving documentation

HIPAA, privacy and ethics

1

Privacy Rule

Use or share PHI only as needed: the minimum necessary standard.

2

Security Rule

Protect electronic PHI: VPN, locked screens, no personal devices.

3

Coding ethics

Never upcode or code unsupported services. Queries must not lead.

Breaches must be reported to affected patients within 60 days of discovery.

What is new in 2026-27

190

New ICD-10-CM codes,
effective Oct 1, 2026 (30
deleted, 4 revised)

299

New codes in CPT 2027,
effective Jan 1, 2027

43

AI-related CPT codes in total,
10 of them new in 2027

OB

New CPT maternity
framework replaces global
OB package codes

Sources: CMS FY 2027 IPPS final rule; AMA CPT 2027 release (Sept 9, 2026). Verify with current code books.

Future scope of medical coding

1

Automation

Computer-assisted coding drafts codes from notes. Coders review, correct and handle complex records.

2

Growing areas

Risk adjustment, CDI, auditing, compliance and denial prevention.

3

Skills that last

Anatomy, guideline mastery, critical thinking, EHR and data literacy.

Remote and hybrid roles are common, and demand favors accuracy plus analytical skill.

Certifications

Credential	Body	Best for
CPC	AAPC	Outpatient and physician-office coding
COC	AAPC	Outpatient hospital and facility coding
CRC	AAPC	Risk adjustment (HCC) coding
CCA	AHIMA	Entry-level coding competency
CCS	AHIMA	Hospital inpatient and outpatient coding
RHIT	AHIMA	Health information technician

CPC exam: 100 multiple-choice questions, 4 hours, 70% to pass, open book. Confirm details on [aapc.com](https://www.aapc.com).

Start your coding journey

1 Terminology and anatomy

2 ICD-10-CM

3 CPT and HCPCS

4 Practice and certify

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