Reimbursement Policy	
Title: Observation - Facility	
Policy Number: RP-F-500M	**Application:** Commercial and Individual and Family Business (IFB)
Last Reviewed: 04/19/2021	**Effective Date:** 08/01/2021
Related Policies:	

Disclaimer: *This reimbursement policy is intended to provide general guidance regarding Medica's policy for the services described, and does not constitute a guarantee of payment. You are responsible for submitting accurate claims. Factors affecting claims reimbursement may include, but are not limited to, state and federal laws, regulations and accreditation requirements, along with administrative services agreements, provider contracts, and benefit coverage documents. Coding methodology and industry standards are also considered in developing reimbursement policy.*

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Summary:

This policy defines observation services and Medica's methodology for reimbursement of these charges. This reimbursement policy applies to services reported using the UB-04 claim form or its electronic equivalent or its successor form.

Policy Statement:

Observation care includes short term treatment, assessment and reassessment services that are necessary to determine whether a patient should be admitted to the hospital for further treatment or can be discharged. Observation is commonly necessary for patients who are seen in the emergency department and then require an extended period of treatment or monitoring before the decision to either admit or discharge can be made. In most cases, the decision can be made within 24 hours, although in some cases it may require up to 48 hours. Per the Centers for Medicare and Medicaid Services (CMS), "In only rare and exceptional cases do reasonable and necessary observation services span more than 48 hours." Medica, therefore, reimburses observation services up to 48 hours; Charges for observation services beyond 48 hours will not be reimbursed. In addition, consistent with CMS, Medica will only reimburse charges reported as observation care when the hours reported meet or exceed 8 hours.

Billing for Observation Services:

Observation services are reported with revenue code 0762 (Observation Room) and HCPCS code G0378 (Hospital observation service, per hour). When a patient is referred directly to observation care after being seen in the physician office or other community setting, code G0379 (Direct admission of patient for observation care) should be used in addition to code G0378.

Observation services must be ordered by the physician or other appropriately authorized individual as determined by hospital staff bylaws and state licensure law. Observation time begins with the start time that is documented in the physician's order and ends when all medically necessary observation services are completed. The observation time should be reported in hour increments (rounded to the nearest hour) in the "Service Units" field of the reported observation HCPCS code.

Observation and Other Outpatient Services:

Observation care should not be reported for routine monitoring associated with outpatient surgical, diagnostic or therapeutic procedures:

- **Outpatient Surgery -** Routine postoperative monitoring (e.g. 4-6 hours) is considered to be part of the associated surgical procedure and should be reported as recovery room services.
- **Diagnostic and Therapeutic Services -** Observation services should not be reported for monitoring associated with diagnostic or therapeutic services such as colonoscopy, chemotherapy or blood transfusion. Active monitoring is considered to be a part of these procedures.
- **Diagnostic Testing -** Observation services should not be reported for routine preparation prior to testing and the recovery afterwards, as these services are considered included in the diagnostic services provided.

Observation and Inpatient Admission

When observation services are provided by the same hospital on the day of, or immediately prior to an inpatient admission, the observation services are to be reported on the inpatient claim. Reimbursement will be included in the payment for the inpatient stay.

Observation Notification

Certain state statutes require hospitals to provide notice to patients informing them that they are outpatients receiving observation services and are not inpatients. Providers should, therefore, refer to and abide by individual state observation notification requirements.

The following revenue and CPT/HCPCS codes are used to report observation charges. Other ancillary services performed during an observation stay should be reported with the appropriate revenue and CPT/HCPCS codes.

Code Lists:
Revenue Codes 0762 Observation Room
HCPCS Codes G0378 Hospital observation services, per hour G0379 Direct referral for hospital observation care

The Observation Policy will apply to facility claims when the number of hours billed would have an impact on the "overall claim allowable" amount.

Claims submitted with charges for observation services are subject to audit including review of medical record documentation and potential recoupment of payment for inappropriately billed charges.

Q & A:
Q: Can I use CPT observation codes 99217-99220, 99224-99226, and 99234-99236 to report facility observation services? A: No. These CPT codes are used to report observation services provided by a physician or other qualified health care professional.

Resources:
Centers for Medicare and Medicaid Services (CMS)
Current Procedural Terminology (CPT®)
Healthcare Common Procedure Coding System (HCPCS)
National Uniform Billing Committee (NUBC)

Effective Date:	08/01/2021

Revision Updates:	
04/19/2021	New policy approved.