



observation status payment policy

description of procedure/service

This policy applies to the facility and provider payment of observation status.

Observation status is defined as acute services provided in a hospital setting when the member meets the intensity of service guidelines for observation status.

disclaimer

FCHP recognizes, reviews and incorporates CPT code changes published annually by the AMA effective the first of each year. This payment policy has been developed to provide you with FCHP general billing, coding and documentation guidelines. Even though this payment policy may indicate that a particular service or supply is considered covered, specific provider contract terms and/or member individual benefit plans may apply.

policy

Fallon Community Health Plan (FCHP) reimburses for observation status when acute care services are provided in a hospital setting based on the facilities contract. The hospital stay must meet severity of illness and intensity of service guidelines based on nationally recognized criteria, such as InterQual, in order to qualify for observation status. Whenever possible, the status of observation will be assigned at the time of admission, if clinical data is available from the facility. Fallon Community Health Plan will notify facilities of plan determination for observation status consistent with Utilization Management policies.

benefits application

- FCHP Direct Care/FCHP Select Care
- FCHP Independent Care
- FCHP Flex Care Direct/Select
- Fallon Senior Plan™
- FCHP MassHealth
- Major Medical
- Bill at Home/Direct Enrollment
- Fallon Preferred Care

coverage and reimbursement criteria

FCHP will reimburse acute care facilities and providers for observation status when the member meets nationally recognized criteria, such as InterQual, for observation status per their contracted rates.

preauthorization/notification/referral requirements

Facilities are required to provide plan notification prior to claims submission on all observation stays. Reimbursement eligibility is determined by independent review by Inpatient Care Services.

billing/coding guidelines

facility

FCHP will reimburse facilities for the observation status.

The following codes should be used when billing observation status:

- Revenue code: 0762 (Observation Room)
- CPT codes: 99217-99220 and 99234-99236
- Note: Observation CPT code G0378 is bundled into the observation code payment for facilities unless specified by your contractual agreement.

Bill observation (room charges revenue code 0762) services on one claim line indicating the total number of hours in the service unit field.

Reimbursement will be based on the facility's contract.

If a patient is seen in the emergency department, then admitted to observation status, the emergency room co-payment will not be applicable unless otherwise stated in the member's *Evidence of Coverage*. In this situation, the emergency department technical charge is considered part of the observation charge and will not be reimbursed separately, but the professional emergency department charge will be reimbursed unless otherwise stated in the contract.

If an observation patient is admitted to inpatient status, the observation services billed charges shall be denied and rolled up into the inpatient bill and paid accordingly. The admission date shall be determined by the arrival time in the emergency room or the observation room, whichever is earlier. All changes in level of care will be reviewed by Inpatient Care Services to determine medical necessity using InterQual criteria.

Observation in conjunction with a same-day surgery procedure will **not** be reimbursed.

provider

FCHP will reimburse providers for the observation status.

The following codes should be used when billing observation status:

- CPT codes:
 - 99218, 99219, 99220 (Either the patient stay is 1-7 hrs and discharged in same calendar day or the patient has stayed past midnight and we are into day 2)
 - 99234, 99235, 99236 (minimum patient stay of 8 hours within same calendar day; patient is discharged before midnight). This one code pays for observation and discharge services
 - 99211-99215 (Day 2 in observation is coded as outpatient E&M office visit (99211 – 99215).
 - 99221-99223 (Patient is admitted from Observation status to Inpatient Status (POS 21).
 - 99217 (Observation discharge)
 - 99238 (Inpatient discharge)
 - 99239 (Inpatient discharge > 30 minutes. The provider needs to **document time** and the reasons why the discharge exceeded 30 minutes. (i.e. extenuating circumstances)
- Observation codes function by calendar day **and** are considered "outpatient" codes (POS: 22)
- Observation Status is defined as services which are reasonable and necessary to evaluate an outpatient's condition to determine the need for admission.
- Observation status implies a diagnosis and patient outcome is "not known".
- Both observation and inpatient admissions require a written order with a date, provider signature and time of order.
- Provider documentation must clearly support the 'medical necessity' of being in observation such as continual care, frequent nursing and provider visits, lab orders and diagnostic testing to support the reasonableness of continuing a stay in observation.

observation examples:

If a patient is admitted into observation for abdominal pain, whereby no diagnosis has been made yet and within the same day the patient is admitted/changed to an "inpatient" status, code: 99221-99223 (inpatient admission only)

If a patient is admitted to observation and stays after midnight and is discharged the next day then code:

- Day 1: 99218-99220
- Day 2: 99217 (discharge code).

If a patient is admitted and discharged within the same calendar day and has stayed a minimum of 8 hours from either observation and/or inpatient status, code: 99234-99236 (POS: 22-outpatient. This 1 code pays discharge and evaluation "all in one")

If patient is admitted to observation on day 1 and on is still in observation on day 2 and is discharged on day 3, code:

- Day 1: 99218-99220
- Day 2: 99211-99215
- Day 3: 99217

observation services not covered

- A substitute for an inpatient admission
- Continuous monitoring
- Routine therapeutic services routinely performed in outpatient settings such as blood transfusions, chemotherapy, dialysis
- Routine surgical.
- Routine pre or post operative care following a diagnostic or surgical service.
- diagnostic tests
- Patients awaiting nursing home placement
- A routine "stop" between the emergency department and an inpatient admission

observation services possible coverage exceptions:

- an extended recovery due to an unusual situation such as an unexpected reaction or a complication that requires either more time than is typically required to determine the patient's medical disposition
- and/or monitoring or treatment is required beyond what is considered the normal recovery period for a particular procedure
- and or surgery performed (e.g., post-operative bleeding, poor pain control, intractable vomiting, delayed recovery from anesthesia beyond 6 hrs).

place of service

Outpatient 22

policy implementation

Connection issue: May 2008
Policy number: ADM0014
Origination: 08/29/03
Last review: 3-10-08
Next review: 3-10-09
Revision date(s): 09/01/04, 08/01/07, 2-25-08
Effective date: 7-1-08

This document is designed for informational purposes only and is not an authorization, or an explanation of benefits, or a contract. Receipt of benefits is subject to satisfaction of all terms and conditions of the coverage. Medical technology is constantly changing, and we reserve the right to review and update our policies periodically.