BlueCross BlueShield Minnesota

COMMERCIAL REIMBURSEMENT POLICY

Hospital Observation Care Services

Active

Policy Number: Facility - 007
Policy Title: Hospital Observation Care Services
Section: Facility
Effective Date: 11/01/23

Description

This policy addresses coding and reimbursement for hospital observation care services submitted on an institutional electronic claim format (837I).

Definitions

Observation Care: As defined by the Centers for Medicare and Medicaid Services (CMS), observation care is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment, that are furnished while a decision is being made regarding whether patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital. Observation services are commonly ordered for patients who present to the emergency department and who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.

Revenue code 0762, Specialty Services: Observation hours are reported with the number of hours spent in observation care furnished by a hospital on the hospital's premises. Observation care includes the use of a bed and periodic monitoring by a hospital's nursing staff, which are reasonable and necessary to evaluate an outpatient's condition or determine the need for possible admission to the hospital as an inpatient.

Policy Statement

Observation care is an outpatient hospital service. Hospital observation care charges should be billed under revenue code 0762 with the appropriate CPT/HCPCS observation code(s). Service units are reported as the number of hours that the patient is in observation status.

Observation care time limitation

Observation care normally does not extend beyond 24 hours, however, claims for observation services over 24 hours will be allowed up to 48 hours. Observation time over 48 hours will be denied.

Requirements for reimbursement of observation care

Services are reimbursed only when provided by the order of a physician or other individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests. The reason for observation must be clearly stated in the physician's order for observation.

The patient must be in the care of a physician during the period of observation, as documented in the medical record by admission, discharge, and other appropriate legible progress notes that are timed, written, and signed by the physician.

Hospital billing for observation services begins on the clock time documented in the patient's medical record, which coincides with the time that observation services are initiated in accordance with the physician's order for observation services. A patient's time receiving observation services (and hospital billing) ends when all clinical and medical interventions have been completed, including follow-up care furnished by hospital staff and physicians that may take place after a physician has ordered the patient be released or admitted as an inpatient.

Services not reimbursable as observation care:

- Services that are not reasonable and necessary for the diagnosis or treatment of the patient, but are provided for the convenience of the patient, his or her family, or a physician.
- Services reimbursed under other services, such as post-operative monitoring during a standard recovery period (e.g., four to six hours) should be billed as recovery services.
- Routine preparation services furnished prior to diagnostic testing and recovery afterwards that are included in the payment for the diagnostic service.
- Standing orders for observation following outpatient surgery.

Admission to Inpatient Status Following Observation Care
If the decision is made to directly admit the patient to inpatient hospital status, or if observation services are provided within the 3 days prior to an inpatient admission to the same facility for a related diagnosis, charges for the observation services must be billed on the inpatient claim. Refer to *Facility – 006 Outpatient Services Prior to an Inpatient Admission Reimbursement Policy*.

Note: This policy does not apply to FEP.

Documentation Submission

Documentation must identify and describe the services performed. If a denial is appealed, this documentation must be submitted with the appeal.

Coverage

Eligible services will be subject to the subscriber benefits, applicable fee schedule amount and any coding edits.

The following applies to all claim submissions.

All coding and reimbursement is subject to all terms of the Provider Service Agreement and subject to changes, updates, or other requirements of coding rules and guidelines. All codes are subject to federal HIPAA rules, and in the case of medical code sets (HCPCS, CPT, ICD), only codes valid for the date of service may be submitted or accepted. Reimbursement for all Health Services is subject to current Blue Cross Medical Policy criteria, policies found in the Provider Policy and Procedure Manual sections, Reimbursement Policies and all other provisions of the Provider Service Agreement (Agreement).

In the event that any new codes are developed during the course of Provider's Agreement, such new codes will be paid according to the standard or applicable Blue Cross fee schedule until such time as a new agreement is reached and supersedes the Provider's current Agreement.

All payment for codes based on Relative Value Units (RVU) will include a site of service differential and will be calculated using the appropriate facility or non-facility components, based on the site of service identified, as submitted by Provider.

Coding

The following codes are included below for informational purposes only and are subject to change without notice. Inclusion or exclusion of a code does not constitute or imply subscriber coverage or provider reimbursement.

CPT/HCPCS Modifier:	N/A						
ICD-10 Diagnosis:	N/A						
ICD-10 Procedure:	N/A						
CPT/HCPCS:	99221	99222	99223	99231	99232	99233	99234
	99235	99236	99238	99239			
	G0378	G0379					
Revenue Codes:	0762						

Resources

Current Procedural Terminology CPT®
HCPCS Level II
Official UB-04 Data Specifications Manual.
Medicare Claims Processing Manual, Chapter 4 Part B Hospital

Policy History

07/26/2022	Initial Committee Approval Date; Separated facility observation services from Evaluation and Management – 004 Observation Care Services.
01/01/2023	Code Update: Added 99221, 99222, 99223, 99231, 99232, 99233 Removed 99217, 99218, 99219, 99220, 99224, 99225, 99226
10/24/2023	Annual Policy Review