University of Michigan Health Plan

BENEFIT COVERAGE POLICY

Title: BCP-04 Observation Care Services

Payment Reimbursement Policy: PRP-01 Observation Care Facility Charges

Effective Date: 01/01/2024

Important Information - Please Read Before Using This Policy

The following coverage policy applies to health benefit plans administered by UM Health Plan and may not be covered by all UM Health Plan plans. Please refer to the member's benefit document for specific coverage information. If there is a difference between this general information and the member's benefit document, the member's benefit document will be used to determine coverage. For example, a member's benefit document may contain a specific exclusion related to a topic addressed in a coverage policy.

Coverage determinations for individual requests require consideration of:

1. The terms of the applicable benefit document in effect on the date of service.
2. Any applicable laws and regulations.
3. Any relevant collateral source materials including coverage policies.
4. The specific facts of the particular situation.

Contact UM Health Plan Customer Service to discuss plan benefits more specifically.

1.0 Policy:

The Health Plan covers observation care services.

For all non-network covered services to be paid at the network benefit level except for emergency/urgent services, prior approval is required.

Refer to member's benefit coverage document for specific benefit description, guidelines, coverage, and exclusions.

2.0 Background:

Observation care services include initial care, subsequent care and discharge services. It is a well-defined set of specific, clinically appropriate services, which includes ongoing short-term treatment, assessment, and reassessment before a decision can be made regarding whether patients will require further treatment as Hospital inpatients or if they are able to be discharged from the Hospital. Observation status is commonly assigned to patients who present to the Emergency Department and then require a significant period of treatment or monitoring before a decision is made concerning their admission or discharge. During these stays, a variety of outpatient services may be rendered, such as laboratory tests, drugs, minor procedures, x-rays, and other imaging services.

Patients do not need to be located in a designated observation area as long as the medical record indicates that the patient was admitted as "observation status" and the reason for observation care is documented. Observation services are usually needed for 48 hours or less.

3.0 Benefit Guidelines:

A. Observation services are considered medically necessary for a member who requires the following care in any location within a hospital:

a. Short-term monitoring that is expected to require a significant period of time (usually 6 hours or more) for assessment or treatment and improves significantly within 24-48 hours; and

b. At least one of the following:

i. Acute treatment and reassessment; or

ii. Event monitoring (e.g., cardiac dysrhythmia) or response to therapy (e.g., from drug ingestion) that may require immediate intervention; or

iii. Diagnostic evaluation to establish a treatment plan

B. If the member's condition does not improve within 48 hours, additional clinical information should be submitted to support an inpatient level of care.

C. Observation services are not medically necessary for the convenience of the hospital, physicians, members, or member's families, or while awaiting placement to another health care facility.

4.0 Coding:

Prior Approval Legend: Y = All lines of business; N = None required; 1 = HMO/POS; 2 = PPO; 3 = ASO group L0000264; 4 = ASO group L0001269 Non-Union & Union; 5 = ASO group L0001631; 6 = ASO group L0002011; 7 = ASO group L0001269 Union Only; 8 = ASO group L0002184; 9 = ASO group L0002237; 10 = ASO group L0002193.

COVERED CODES			
Code	**Description**	**Prior Approval**	**Benefit Plan Cost Share Reference**
99221	Initial hospital care, per day, for E&M of a patient, which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive exam; and Medical decision-making that is straightforward or of low complexity	N	Professional fees for surgical and medical services
99222	Initial hospital care, per day, for E&M of a patient, which requires these 3 key components: A comprehensive history; A comprehensive exam; and Medical decision-making of high complexity	N	Professional fees for surgical and medical services
99223	Initial hospital care, per day, for E&M of a patient, which requires these 3 key components: A comprehensive history; A comprehensive exam; and Medical decision-making of moderate complexity	N	Professional fees for surgical and medical services
99231	Subsequent hospital care, per day, for E&M of a patient, which requires at least 2 of these 3 key components: A problem-focused interval history; A problem-focused exam; Medical decision-making that is straightforward or of low complexity	N	Professional fees for surgical and medical services
99232	Subsequent hospital care, per day, for E&M of a patient, which requires at least 2 of these 3 key components: An expanded problem-focused interval history; An expanded problem-focused exam; Medical decision-making of moderate complexity	N	Professional fees for surgical and medical services

COVERED CODES			
Code	**Description**	**Prior Approval**	**Benefit Plan Cost Share Reference**
99233	Subsequent hospital care, per day, for E&M of a patient which requires at least 2 of these 3 key components: A detailed interval history; A detailed exam; Medical decision-making of high complexity	N	Professional fees for surgical and medical services
99234	Observation or inpatient hospital care, for E&M of a patient including admission and discharge on the same date, which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive exam; and Medical decision-making that is straightforward or low complexity	N	Professional fees for surgical and medical services
99235	Observation or inpatient hospital care, for E&M of a patient including admission and discharge on the same date, which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision-making of moderate complexity	N	Professional fees for surgical and medical services
99236	Observation or inpatient hospital care, for E&M of a patient including admission and discharge on the same date, which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision-making of high complexity	N	Professional fees for surgical and medical services
99238	Hospital discharge day management; 30 minutes or less	N	Professional fees for surgical and medical services
99239	Hospital discharge day management; more than 30 minutes	N	Professional fees for surgical and medical services
G0378	Hospital observation service, per hour	N	Professional fees for surgical and medical services
G0379	Direct admission of the patient for hospital observation care	N	Professional fees for surgical and medical services

3.0 Unique Configuration/Prior Approval/Coverage Details:

None.

4.0 Terms & Definitions:

Medically Necessary, Medical Necessity**.** Coverage of health care services and supplies that we determine to be medically appropriate per Health Plan medical policy and nationally recognized guidelines, and are:

- Not Experimental or Investigational Services.
- Necessary to meet the basic health needs of the Covered Person.
- Delivered in the most cost-efficient manner and type of setting that is appropriate.

- Consistent in type, amount, frequency, level, setting, and duration of treatment with scientifically based guidelines that are accepted by the Health Plan.
- Consistent with the diagnosis of the condition.
- Not done for reasons of convenience.
- Demonstrated through current peer-reviewed medical literature to be safe and effective.

Even if you have already received treatment or services, or even if your healthcare provider has determined that a particular healthcare service or supply is medically appropriate, it does not mean that the procedure or treatment is a Covered Health Service under the Policy.

Observation Care. A well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment before a decision can be made regarding whether patients will require further treatment as Hospital inpatients or if they are able to be discharged from the Hospital. Observation status is commonly assigned to patients who present to the Emergency Department and who then require a significant period of treatment or monitoring before a decision is made concerning their admission or discharge.

Observation Status: Observation Status refers to the classification of hospital patients as "outpatients," even though, like inpatients, observation patients may stay beyond 24 hours in a hospital bed, and receive medical and nursing care, diagnostic tests, treatments, supplies, medications, and food.

5.0 References, Citations & Resources:

1. Department of Health and Human Services Hospitals' Use of Observation Stays and Short Inpatient Stays for Medicare Beneficiaries, OEI-02-12-00040, 7/29/2013 https://oig.hhs.gov/oei/reports/oei-02-12-00040.asp.

6.0 Associated Documents [For internal use only]:

A. Policy and Procedure (P&P):

MMP-09 Benefit Determinations

B. Standard Operating Procedure (SOP):

MMS-03 Algorithm for Use of Criteria for Benefit Determinations

MMS-45 UM Nurse Review

MMS-52 Inpatient Case Process in CCA

MMS-53 Outpatient Case Process in CCA

C. Sample Letter:

TCS Approval Letter; Clinically Reviewed Exclusion Letter; Specific Exclusion Letter; Lack of Information Letter

D. Form:

Request Form: Out of Network/ Prior Authorization.

PRP-01 Observation Care Facility Charges.

7.0 Revision History:

Original Effective Date: 01/01/2019

Next Review Date: 01/01/2025

Revision Date	Reason for Revision
5/18	Policy created
10/19	Annual review; associated PRP added, no coding changes

Revision Date	Reason for Revision
10/20	Annual review; no changes, code cost share references updated
11/21	Annual review; no changes
10/22	Annual review; Added 9 = ASO group L0002237; 10 = ASO group L0002193. Updated associated documents.
10/23	Annual review; Updated effective date, Changed title to Section 3.0 to Benefit Guidelines and added details, Added definition for Observation Status Per Gap Analysis: Removed deleted codes 99217-99220, 99224-99226. Added new codes: 99221 – 99223, 99231 – 99233 and 99238 - 99239. Added codes 99234-99235 to align with PRP-01. Updated 99236 code description to match auth viewer.