PAYMENT REIMBURSEMENT POLICY

Title: PRP-01 Observation Care Facility Charges

Benefit Coverage Policy: BCP-04 Observation Care Services

Category: PHP_PAYMENT REIMBURSEMENT (PR)

Effective Date: 12/28/2023

Physicians Health Plan
PHP Insurance Company
PHP Service Company

1.0 Guidelines:

This policy applies to all network and non-network providers, including but not limited to percent of charge contract providers. This policy does not guarantee benefits or solely determine reimbursement. Benefits are determined and/or limited by an individual member's benefit coverage document (COC, SPD, etc.). The Health Plan reserves the right to apply clinical edits to all medical claims through coding software and accuracy of claim submission according to industry billing standards. Clinical edits are derived from nationally recognized billing guidelines such as the Centers for Medicare and Medicaid Services (CMS), the National Correct Coding Initiative (NCCI), the American Medical Association (AMA), and specialty societies. The Health Plan may leverage the clinical rationale of CMS or other nationally sourced edits and apply this rationale to services that are not paid through CMS but are covered by the Health Plan to support covered benefits available through one of the Health Plan's products. Prior approval does not exempt adherence to the following billing requirements. The provider contract terms take precedence if there is a conflict between this policy and the provider contract.

2.0 Description:

Observation care services include initial care, subsequent care, and discharge services. It is 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 a hospital inpatient 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 Policy:

Claims from the network and non-network providers billed with observation units greater than 48 may be reviewed for medical necessity prior to payment. If a claim qualifies for review, a request for clinical documentation is requested. If clinical documentation received does not medically support observation stay beyond 48 hours, the claim may be denied as not medically necessary. The claim may need to be rebilled as an inpatient stay.

4.0 Coding and Billing:

Codes that are covered may be subject to medical benefit review and benefit limits.

Observation Hours:

HCPCS G0378: Hospital observation service, per hour.

HCPCS G0379: Direct admission of patient for hospital observation care.

- The following applies to G0378 and G0379: Not expected to exceed 48 hours in duration.
- Greater than 48 hours may be reviewed for medical necessity upon submission of medical records.
- Observation services beyond 72 hours are considered medically unlikely and may be denied.

Billing Requirements:

- Observation is considered an outpatient service.
- UB-04 billing outpatient claim under a 13X or 85X type of bill (TOB).
- Report revenue code 0762 and HCPCS G0378.
- Direct admits should include revenue code 0762 and HCPCS G0379.

Covered Codes	
Code	**Description**
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
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
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 high complexity
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
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
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
99234	Observation or inpatient hospital care, for the evaluation and management 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 examination; and Medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) requiring admission are of low severity. Typically, 40 minutes are spent

	at the bedside and on the patient's hospital floor or unit.
99235	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date, requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision-making of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies is provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) requiring admission are of moderate severity. Typically, 50 minutes are spent at the bedside and on the patient's hospital floor or unit.
99236	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date, requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision-making of high complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies is provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) requiring admission are of high severity. Typically, 55 minutes are spent at the bedside and on the patient's hospital floor or unit.
99238	Hospital discharge day management; 30 minutes or less
99239	Hospital discharge day management; more than 30 minutes
G0378	Hospital observation service, per hour
G0379	Direct admission of the patient for hospital observation care

Verification of Compliance

Claims are subject to audit, prepayment, and post payment, to validate compliance with the terms and conditions of this policy.

5.0 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 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 health care provider has determined that a particular health care 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 can 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, receive medical and nursing care, diagnostic tests, treatments, supplies, medications, and food.

Observation Time: Observation time should be billed in one-hour increments, rounded to the nearest hour and reported on one line.

6.0 References, Citations & Resources:

Centers for Medicare and Medicaid Services, CMS Manual and other CMS publications.

American Medical Association (AMA), Current Procedural Terminology (CPT), Healthcare Common Procedure Coding System (HCPCS) and associated publications.

7.0 Associated Documents [For internal use only]:

MMP-09 Benefit Determinations

MMS-52 Inpatient Case Process in CCA

BCP-04 Observation Care Services

8.0 Revision History:

Original Effective Date: 01/01/2019

Next Revision Date: 01/01/2025

Revision Date	Reason for Revision
11/18	Reimbursement policy created.
8/19	Annual review; missing word, "hours" added after 72 in section 3.0.
10/20	Annual review; no changes, approved by CCSC 12/1/20
10/21	Annual review changed verbiage on Guidelines to be uniform, approved at the CCSC on 12-07-2021
12/22	Annual review
10/23	Annual review – CPT 99217 has been deleted. To report observation care discharge services, see 99238, 99239. CPT 99218, 99219, 99220 have been deleted. To report initial observation care, new or established patient, see 99221, 99222, 99223. CPT 99224, 99225, 99226 have been deleted. To report subsequent observation care, see 99231, 99232, 99233- Effective 1/1/2023