

Medical Coverage Policy



**Blue Cross
Blue Shield**
of Rhode Island

Outpatient Observation Services

Device/Equipment Drug Medical Surgery Test Other

Effective Date:	07/06/2010	Policy Last Updated:	6/10/2013
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Prospective review is recommended/required. Please check the member agreement for preauthorization guidelines.

Prospective review is not required.

The effective date of this policy relates to the date BCBSRI created documentation to reflect reimbursement processes that have already been established and does not indicate a change in the payment process.

This policy addresses the calculation of hours for reimbursement of observation care only and is not intended to determine the level of care.

Description:

Observation care provides interim services in place of an inpatient admission that allows necessary time to reasonably evaluate and provide needed services to a member whose diagnosis and treatment are not expected to exceed 24 hours, but no longer than forty-eight (48) hours without discharge or admission.

Observation care is considered a medical service received in any location within a hospital. Observation care can, for example, be delivered in a hospital emergency room, an area designated as "observation," a bed within a unit, or an entire unit designated as an observation area.¹

Medical Criteria:

None

Policy:

All BCBSRI products

Observation services are covered only when:

- Ordered by a physician or another individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient services.

- The chart order indicates the physician's intent regarding level of care intended, such as "admit to observation" with a date and time (the order must be included in the patient's medical record).
- An "Admit Stamp" or preprinted order must include the signature of the physician, and the date and time of the order

NOTE: BCBSRI will not reimburse "standing orders" for Observation Services.

Reimbursement:

WHEN OBSERVATION STAY BEGINS

Admission to observation begins at the clock time documented in the medical record when the patient clearly transitions to observation level of care (ie. is placed in an observation bed), as confirmed by the initiation of services rendered and documented, in accordance with the directions on the physician order.

WHEN OBSERVATION STAY ENDS

Observation time ends when all medically necessary services related to observation care are completed. *Observation time may include follow-up observation care provided after the time that the physician writes the discharge order, but before the patient is actually discharged. Alternatively, the end time of observation services may coincide with the time the patient is actually discharged from the hospital or admitted as an inpatient. However, observation time does not include the time patients remain in the hospital after treatment is finished, for reasons such as waiting for transportation home.

OUTPATIENT PROCEDURES RELATED TO OBSERVATION HOURS

Routine preoperative preparation, monitoring and postoperative recovery is included in the allowance for surgery. Prolonged services that require placing the patient in observation status are not eligible for payment unless a 6 hour threshold of post operative monitoring is exceeded, regardless of the location of the postoperative monitoring.

OBSERVATION CARE TO INPATIENT FOR NON DRG FACILITIES

(DRG facilities- reference policy "DRG Facilities: Outpatient Services Treated as Inpatient Services.")

- Outpatient observation services provided on the day prior to an inpatient admission will be reimbursed as an outpatient service. The calculation for observation time will end at 12 midnight of the day of observation care.
For example, on June 1 a patient is outpatient observation status. On June 2, the patient is admitted to inpatient care at 2:00 PM in the afternoon. The time spent in observation care ceases to be counted as observation time at 11:59 PM on June 1. The hours spent

between 12 midnight and 1:59 PM will not be calculated as observation time, as it is inclusive of the inpatient service.

- A patient admitted to inpatient care on the same day as outpatient observation; all services provided as part of observation care will be reimbursed as inpatient hospitalization.
- A patient may not be discharged to outpatient observation status after an inpatient hospital admission.

CODING, FILING AND REIMBURSEMENT:

Revenue Code:

Observation services are billed under revenue code 762 with the applicable HCPCS code noted below

HCPCS Code

G0378 Hospital observation service, per hour

G0379 Direct admission of patient for hospital observation care

Claims Submissions:

Claim forms submitted must specify the number of hours the patient received outpatient observation services in the "units" column on the UB-92. Hospitals should round to the nearest hour. For example, a patient who was placed in an observation bed at 3:03 p.m. according to the nurses' notes and discharged to home at 9:45 p.m. should be written as "7" in the units field of the reported observation HCPCS code.

Separately Reimbursed Services:

The following services when provided in conjunction with observation services will be separately reimbursed:

- Emergency department services;
- Surgical procedures; and
- MRI and MRA

NOTE: The administration of chemotherapy while in observation status is not separately reimbursed. Chemotherapy administration before admission to observation is separately reimbursed as well as the observation stay.

Related Topics:

DRG Facilities: Outpatient Services Treated as Inpatient Services

Publications:

Provider Update, July 2013

Provider Update, August 2011

Provider Update, September 2010

References:

1. Medicare Claims Processing Manual: Chapter 4 - Part B Hospital (Including Inpatient Hospital Part B and OPPS), Section 290 Outpatient Observation Services. Accessed 03/16/2010 at <http://www.cms.hhs.gov/manuals/downloads/clm104c04.pdf>

Medicare Benefit Policy Manual: Chapter 6 - Hospital Services Covered Under Part B, Section 20.6 - Outpatient Observation Services (Rev. 107, Issued: 05-22-09, Effective: 07-01-09, Implementation: 07-06-09) A. Outpatient Observation Services Defined. Accessed 03/10/2011. <http://www.cms.hhs.gov/manuals/Downloads/bp102c06.pdf>

CMS Manual System. Pub. 100-02 Medicare Benefit Policy. December 16, 2005. January 2006 Update of the Hospital Outpatient Prospective Payment System (OPPS) Manual Instruction: Changes to Coding and Payment for Observation.

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