



Cigna Medical Coverage Policy

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Subject **Observation Care**

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Hyperlink to Related Coverage Policies

INSTRUCTIONS FOR USE

The following Coverage Policy applies to health benefit plans administered by Cigna companies. Coverage Policies are intended to provide guidance in interpreting certain **standard** Cigna benefit plans. Please note, the terms of a customer's particular benefit plan document [Group Service Agreement, Evidence of Coverage, Certificate of Coverage, Summary Plan Description (SPD) or similar plan document] may differ significantly from the standard benefit plans upon which these Coverage Policies are based. For example, a customer's benefit plan document may contain a specific exclusion related to a topic addressed in a Coverage Policy. In the event of a conflict, a customer's benefit plan document **always supersedes** the information in the Coverage Policies. In the absence of a controlling federal or state coverage mandate, benefits are ultimately determined by the terms of the applicable benefit plan document in effect on the date of service; 2) any applicable laws/regulations; 3) any relevant collateral source materials including Coverage Policies and; 4) the specific facts of the particular situation. Coverage Policies relate exclusively to the administration of health benefit plans. Coverage Policies are not recommendations for treatment and should never be used as treatment guidelines. In certain markets, delegated vendor guidelines may be used to support medical necessity and other coverage determinations. Proprietary information of Cigna. Copyright ©2014 Cigna

Coverage Policy

Observation care is defined as those services furnished by a hospital on the hospital's premises, including use of a bed and at least periodic monitoring by a hospital's nursing or other staff which are reasonable and necessary to evaluate an outpatient's condition or determine the need for a possible admission to the hospital as an inpatient. In general, the duration of observation care services does not exceed 24 hours, although in some circumstances, individuals may require additional time. Observation care for greater than 48 hours without inpatient admission may be subject to medical review.

Cigna covers observation care as medically necessary when an individual is not medically stable to safely permit discharge and ANY ONE of the following conditions is met:

- A medical condition requires careful short-term monitoring and evaluation or treatment to confirm or refute a diagnosis in order to determine whether inpatient admission is necessary.
- The individual is undergoing treatment for a diagnosed condition (e.g., chest pain, asthma, congestive heart failure) and short-term continued monitoring of the clinical response to therapy may prevent an inpatient admission.
- The individual has a significant adverse response to therapeutic services, invasive diagnostic testing or outpatient surgery requiring careful short-term monitoring and evaluation.

Cigna considers observation care integral to the base procedure and/or not medically necessary and does not provide separate reimbursement for observation care for the following (this list may not be all-inclusive):

- outpatient blood administration
- lack of/delay in transportation

- provision of a medical exam for an individual who does not require skilled support
- routine preparation prior to and recovery after diagnostic testing
- routine recovery and post-operative care after ambulatory surgery
- when used for the convenience of the physician, individual or person's family
- while awaiting transfer to another facility
- when an overnight stay is planned prior to diagnostic testing
- standing orders following outpatient surgery
- services that would normally require inpatient stay
- no physician's order to admit to observation
- observation following an uncomplicated treatment or procedure
- services that are not reasonable and necessary for care of the individual
- services provided concurrently with chemotherapy
- inpatient discharged to outpatient observation status

General Background

Observation care is defined as the use of a hospital bed and periodic monitoring by a hospital's nursing or other ancillary staff, which are reasonable and necessary to evaluate an individual's condition to determine the need for possible inpatient admission. The overall goal of observation care is to provide short-term evaluation and treatment, and to reduce inappropriate hospital admissions. The services provided should be specific to the individual, and not part of the facility's standard operating procedures or protocol for a given diagnosis.

Observation care services are considered when outpatient care extends beyond the usual 2-3 hour emergency department visit time frame, unless the extended care is routinely associated with a prolonged surgical procedure or clinic visit (e.g., chemotherapy administration, blood transfusion). In these situations, observation care is considered integral to the main procedure being performed. The length of time for most observation care services does not exceed 24 hours, although in some circumstances individuals may require additional time.

Length of time for observation care services may be considered part of the expected timeframe qualifying inpatient stays. According to CMS final rule [CMS-1599-F], modifications have been made regarding how inpatient admissions are reviewed for reimbursement. The final rule states "In addition to services designated as inpatient-only, surgical procedures, diagnostic tests and other treatments are generally appropriate for inpatient hospital admission and payment under Medicare Part A when the physician (1) expects the beneficiary to require a stay that crosses at least two midnights and (2) admits the beneficiary to the hospital based upon that expectation." The timeframe used for determining the expected stay begins when the individual begins receiving services in the hospital and includes observation services as well as services provided in the emergency department, outpatient and other areas.

Categorization of Observation Units

Observation care services have not been uniformly defined by healthcare institutions; however the American College of Emergency Physicians (ACEP) Practice Management Committee has developed Guidelines on Management of Observation Units (ACEP, 1994) which define the following three categories of observation units:

- Emergency department observation/treatment unit: A designated area within and under the direction of the emergency department for individuals who require further treatment or evaluation.
- Holding unit: A designated area in the outpatient setting that may or may not be under the control of the emergency department in which an individual is held pending prearranged actions such as admission or transfer.
- Observation status bed: a bed located in the inpatient area of the hospital in which a person may be evaluated or treated for up to 24 hours before a decision regarding disposition is needed.

Categorization of Observation Services

Outpatient observation care may be medically necessary for a variety of medical conditions including, but not limited to, patient evaluation, diagnostic testing, outpatient therapeutic services and outpatient surgery.

Patient Evaluation: Individuals who arrive at the hospital with unstable medical conditions may require observation care services to determine the need for possible inpatient admission to the hospital. Unstable medical conditions may be defined as a variance from generally accepted normal laboratory values, and when clinical signs and symptoms are above or below those of the normal range, and are such that further monitoring is needed. There may be anticipated changes in the person's medical condition or status that requires immediate medical intervention.

Diagnostic Testing: When routine outpatient diagnostic testing is an invasive procedure, the routine preparation prior to the test and routine recovery post-procedure are not considered observation care services. In the event a person has a significant adverse reaction that requires further monitoring, outpatient observation care may be medically necessary. For these circumstances, observation care would begin at the point in time when the reaction occurred and end when the person is stable.

Outpatient Therapeutic Services: Therapeutic services (such as chemotherapy) are often provided to individuals as a result of a diagnosed medical condition. During therapeutic services, a period time is often required to evaluate the person's response. This period of time is considered a component of the therapeutic service and is not separately reimbursable as observation care services. In the event the individual has a significant adverse reaction to the service provided (e.g., chemotherapy, blood transfusion, or other therapeutic services), observation care may be medically necessary for continued patient-monitoring and evaluation.

Outpatient Surgery: Observation care may be provided in situations where an individual exhibits an uncommon or unusual reaction to a surgical procedure (e.g., difficulty awakening from anesthesia, drug reaction, post-surgical complications) that requires monitoring or treatment beyond that customarily provided in the immediate post-operative period. Routine pre-operative preparation and recovery room services are not separately reimbursable as observation care services.

Documentation in the medical record must clearly support the medical necessity of the observation care services and include the following information:

- the attending physician's order for observation care
- the physician admission and progress notes confirming the need for observation care
- the supporting diagnostic and/or ancillary testing reports
- the admission progress notes with clock time outlining the person's condition and treatment
- the discharge notes and clock time with discharge order and nurses' notes

The following outpatient observation care services are generally considered integral to the base procedure provided and/or are considered not medically necessary:

- services that are provided for the convenience of the individual, individual's family or a physician
- post-operative monitoring during standard recovery period
- chemotherapy administration
- as standing orders for outpatient surgical procedures
- outpatient blood administration
- lack of/delay in transportation
- routine preparation prior to and recovery after diagnostic testing
- routine recovery and post-operative care after ambulatory surgery
- while awaiting transfer to another facility
- when an overnight stay is planned prior to diagnostic testing
- standing orders following outpatient surgery
- services that would normally require inpatient stay
- no physician's order to admit to observation
- observation following an uncomplicated treatment or procedure
- services that are not reasonable and necessary for care of the individual
- services provided concurrently with chemotherapy
- when an individual who is in an inpatient status is discharged to outpatient observation status

Use Outside of the US

No relevant information.

Summary

Observation care services may be considered medically necessary to evaluate a patient's condition in order to assess the need for patient admission. The length of time for most observation care services does not exceed 24 hours, although in some circumstances individuals may require additional time.

Coding/Billing Information

Note: 1) This list of codes may not be all-inclusive.

2) Deleted codes and codes which are not effective at the time the service is rendered may not be eligible for reimbursement.

Covered when medically necessary:

CPT [®] Codes	Description
99217	Observation care discharge day management (This code is to be utilized to report all services provided to a patient on discharge from "observation status" if the discharge is on other than the initial date of "observation status." To report services to a patient designated as "observation status" or "inpatient status" and discharged on the same date, use the codes for Observation or Inpatient Care Services [including Admission and Discharge Services, 99234-99236 as appropriate.]
99218	Initial observation care, per day, for the evaluation and management of a patient 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 problem(s) requiring admission to "observation status" are of low severity. Typically, 30 minutes are spent at the bedside and on the patient's hospital floor or unit.
99219	Initial observation care, per day, for the evaluation and management of a patient, which 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 are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to "observation status" are of moderate severity. Typically, 50 minutes are spent at the bedside and on the patient's hospital floor or unit.
99220	Initial observation care, per day, for the evaluation and management of a patient, which 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 are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to "observation status" are of high severity. Typically, 70 minutes are spent at the bedside and on the patient's hospital floor or unit.
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, which 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 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 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, which 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 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 high severity. Typically, 55 minutes are spent at the bedside and on the patient's hospital floor or unit.

HCPSC Codes	Description
G0378	Hospital observation service, per hour
G0379	Direct admission of patient for hospital observation care

Revenue Codes	Description
0762	Observation room

***Current Procedural Terminology (CPT®) © 2013 American Medical Association: Chicago, IL.**

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