

OBSERVATION

Policy

AllWays Health Partners reimburses contracted providers for covered, medically necessary observation services.

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. Observation services are considered medically necessary only when provided by the order of a physician or by the order of another individual authorized both by State licensure and by hospital staff bylaws, to admit patients to the hospital or to order outpatient services.

Reimbursement

Providers are reimbursed according to the plan's network provider reimbursement or contracted rates. Claims are subject to payment edits that are updated at regular intervals.

Covered services are defined by the member's benefit plan. The manner in which covered services are reimbursed is determined by the AllWays Health Partners Payment Policy and by the provider's agreement with AllWays Health Partners. Member liability amounts may include but are not limited to: copayments; deductible(s); and/or co-insurance; and will be applied dependent upon the member's benefit plan.

Various services and procedures require referral and/or prior authorization. Referral and prior authorization requirements can be located [here](#).

Please reference procedure codes from the current CPT, HCPCS Level II, and ICD-10-CM manuals, as recommended by the American Medical Association (AMA), the Centers for Medicare & Medicaid Services (CMS), and the American Hospital Association. CMS and the AMA revise HIPAA medical codes on a pre-determined basis, including changes to CPT, HCPCS, and ICD-10 codes and definitions.

Please refer to the CMS or CPT guidelines for requisite modifier usage when reporting services. The absence or presence of a modifier may result in differential claim payment or denial.

AllWays Health Partners reviews claims to determine eligibility for payment. Services considered incidental, mutually exclusive, integral to the primary service rendered, or part of a global allowance, are

not eligible for separate reimbursement. Please refer to [General Coding and Billing](#) for more information.

All claims are subject to audit services and medical records may be requested from the provider.

AllWays Health Partners reimbursement is based on line of business. Unless otherwise specified within the medical policies, please follow the guidelines based on membership type:

MassHealth and MyCare Family:

Refer to MassHealth Acute Outpatient Hospital manual at:

https://www.mass.gov/files/documents/2016/07/ur/aoh-18_47197_59054.pdf

Commercial:

Entire guideline applies

Contracts

Some or all of the guidance contained herein may not apply, depending on individual provider contract terms that articulate reimbursement for this set of services. Please refer to the provider contract governing the billing provider's relationship with AllWays Health Partners, for specifics on how Observation services may be reimbursed differently than described by the guidelines in this document.

Direct Referral

Observation services may be billed standalone if a member is referred by a physician and admitted to Observation status.

Emergency Room Visit Prior to Observation Stay

A patient may be admitted to observation status following an Emergency Room visit, for purposes of monitoring and diagnosis. In this instance, Observation is reimbursable only after:

- a) the admit-to-Observation order has been written **and**;
- b) eight (8) hours of Observation services have been rendered

Observation services rendered for fewer than eight hours are considered incidental to the reimbursement for Emergency Room services, with some of the ancillary Observation services individually and separately reimbursable. If a member is in Observation for more than eight hours, the Emergency Room services reimbursement is incidental to the Observation reimbursement.

Inpatient Admission Following Observation Stay

- Observation services that occur on the same calendar day as an inpatient stay are not separately reimbursed, but are considered part of the reimbursement for the inpatient stay
- When the Observation stay terminates, an acute inpatient notification of the admission is required

within 24 hours of the admission or the next business day as a condition of reimbursement

- Refer to the AllWays Health Partners Net Authorization User Guide for further information

Obstetrical Observation Stay

- When an obstetrical patient is admitted to Observation status, and does not deliver during the same admission, the entire episode of care is considered Observation status
- When an obstetrical patient is admitted to Observation status and delivers prior to discharge, the entire episode of care is considered an inpatient admission. Associated Observation care services are not separately reimbursed
- The entire episode is considered an inpatient admission if delivery occurs prior to discharge.
- The entire episode is considered an Observation stay if delivery does not occur, and the member is sent home
- Reimbursement includes diagnostic testing performed in conjunction with an obstetrical Observation stay
- Reimbursement will not be made for Observation care services submitted with routine pregnancy diagnoses

Outpatient Observation Stay

- Observation only: Observation services may be billed standalone if a member is referred by a physician, and admitted to Observation status (see “Direct Referral”, above)
- Post-operative: In rare circumstances, patients receiving ambulatory surgical services require treatment beyond the routine post-operative recovery period may be admitted to Observation (routine post-operative recovery period is defined by CMS as anywhere from zero to twenty-four hours). Unless exigent circumstances apply, no separate Observation service reimbursement is made for post-operative care. The same authorization, admission to Observation, and documentation requirements described above apply.

AllWays Health Partners Reimburses

- Observation stay for patients recovering from ambulatory surgical services (ASC) who in rare circumstances require treatment beyond the routine post-operative recovery period due to nausea, vomiting, pain control, administration of IV antibiotics or other complications meeting the following criteria:
 - The normal post-operative recovery time exceeds eight hours but lasts fewer than 48 hours
 - The treating physician admits the member into Observation, and develops a treatment plan stating the purpose and goal for the observation level of care
- Obstetrical Observation stay for an obstetrical patient placed in Observation care, not resulting in delivery during the same admission

AllWays Health Partners Does Not Reimburse

The following services are not separately reimbursable and should not be billed as Observation services:

- Custodial care
- Labor and delivery
- Obstetrical Observation stays when an obstetrical patient is placed in observation care and delivers prior to discharge.
- Observation services preceding an inpatient admission
- Physician or patient convenience
- Post-operative monitoring during a standard recovery period that should be characterized as recovery room services
- Routine and normal recovery following surgery
- Routine outpatient or emergency department care prior to an observation stay
- Routine preparation for diagnostic or surgical procedures (e.g. fetal non-stress tests)
- Services provided concurrently with therapeutic services such as chemotherapy

Provider Payment Guidelines and Documentation

Generally, AllWays Health Partners follows CMS guidelines regarding threshold services, timing, and reporting for Observation Services. For MassHealth and MVACO members, AllWays Health Partners follows the MassHealth Acute Outpatient Hospital Manual's guidelines for Observation services. Please refer to the Related Documents section for more information on CMS and MassHealth guidelines.

Observation care requires a provider's order documenting: the treatment plan; reason for Observation care; the goal of the Observation care; and the date and time the order was written.

- Report Observation services on a UB-04 claim form. For hospitals whose contract reimburses using the Outpatient Fee schedule, utilize HCPCS G Codes to report Observation services (see "Procedure Codes", below)
- Report Observation services with the appropriate revenue code and CPT code(s)
- Report outpatient Observation services with place of service (POS) 22
- Report ancillary services received during an observation stay with the appropriate revenue code and HCPCS code(s) on the same UB-04 claim form as the Observation services
- Report only one Observation service on a UB-04 claim form.
- Report Observation services resulting from an outpatient surgery or emergency room service on the same UB-04 claim form
- Report Observation services that convert to an inpatient admission on the same UB-04 claim form as the inpatient admission
- The maximum reimbursement for an Observation stay may not exceed the inpatient per diem allowable rate.

Procedure Codes

Note: Code descriptors modified from the AMA CPT for publishing purposes. This list of codes may not be all-inclusive and can and will change from time to time. Inclusion of a code in this document does not imply or guarantee coverage and/or reimbursement.

Revenue Codes

Code	Descriptor	Comments
0729	Obstetric Observation not resulting in delivery prior to discharge	Report in UB-04 Form Locator 42 when there is no delivery during same admission
0762	Observation Room	Report in UB-04 Form Locator 42.

Professional Services Codes (Do not use Professional services codes to report Observation services on a facility claim)

Code	Descriptor	Comments
99217	Observation care discharge day management	Report when discharge date is other than the initial date of observation status. Do NOT report when observation care is <8 on same calendar date. Do NOT report when observation care is = 8 hours but < 24 hours and patient is discharged on same calendar date.
99218	Initial observation care, problems of low severity, per day	Report when Observation care is < 8 hours on the same calendar date, or Patient is admitted to observation and discharged on a different calendar date. (Patient stayed past midnight into day number two.)
99219	Initial observation care, problems of moderate severity, per day	Report when Observation care is < 8 hours on the same calendar date, or Patient is admitted to observation and discharged on a different calendar date. (Patient stayed past midnight into day number two.)
99220	Initial observation care, problems of high severity, per day	Report when Observation care is < 8 hours on the same calendar date, or Patient is admitted to observation and discharged on a different calendar date. (Patient stayed past midnight into day number two.)
99224	Subsequent observation, per day	Report when observation services are not the initial or discharge days
99225	Subsequent observation, per day	Report when observation services are not the initial or discharge days

99226	Subsequent observation, per day	Report when observation services are not the initial or discharge days
99234	Observation / inpatient hospital care, same-date admit / discharge, presenting problems of low severity	Report for a minimum 8 hour stay, but less than 24 hours on same calendar date. (Patient discharged prior to midnight)
99235	Observation / inpatient hospital care, same-date admit / discharge, presenting problems of moderate severity	Report for a minimum 8 hour stay, but less than 24 hours on same calendar date. (Patient discharged prior to midnight)
99236	Observation / inpatient hospital care, same-date admit / discharge, presenting problems of high severity	Report for a minimum 8 hour stay, but less than 24 hours on same calendar date. (Patient discharged prior to midnight)

HCPCS Codes

Code	Descriptor	Comments
G0378	Hospital observation service, per hour	Report with Rev code 0762 or 0729. Indicate the hours in the unit field. Use these codes to report outpatient services
G0379	Direct admission of patient for hospital observation care	Report with Rev code 0762 or 0729. Indicate the hours in the unit field. Use these codes to report outpatient services

Related Documents

[General Coding and Billing](#)

[Modifiers](#)

[AllWays Health Partners' Prior Authorization Guidelines](#)

[Not Payable Per MassHealth Code Set](#)

[Unlisted Code usage requirements](#)

Other Related Reading

- [American College of Emergency Physicians Observation FAQ](#)
- National Uniform Billing Committee Official UB-04 Data Specifications, Current version
- <http://www.nubc.org/>
- American Medical Association, CPT-4, current year, Professional Edition
- MassHealth Acute Outpatient Hospital Manual: Transmittal Letter AOH-18, dated 9/15/08, Pages 4-3, and 4-16: 410.414: Observation Services
- [CMS Transmittal 1466, Published February 22, 2008](#)

- [Medicare Claims Processing Manual, Chapter 4, Section 290.5.2](#)

Publication History

Topic: Observation	Owner: Network Management
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August 21, 2009	<i>Original documentation</i>
April 19, 2011	<i>Authorization grid, procedure codes, references, and disclaimer updated</i>
May 5, 2012	<i>Annual review, limitations updated.</i>
June 29, 2015	<i>Hours and subsequent observation codes updated</i>
August 30, 2018	<i>Template update; clarification of timing of Observation status relative to normal surgical recovery time and in conjunction with Emergency Services; updated references and links to related documents</i>
January 1, 2019	<i>Document restructure; codes, code descriptor and references updated</i>

This document is designed for informational purposes only. Claims payment is subject to member eligibility and benefits on the date of service, coordination of benefits, referral/authorization/notification and utilization management guidelines when applicable, adherence to plan policies and procedures, claims editing logic, and provider contractual agreement. In the event of a conflict between this payment guideline and the provider’s agreement, the terms and conditions of the provider’s agreement shall prevail. Payment policies are intended to assist providers in obtaining AllWays Health Partners’ payment information. Payment policy determines the rationale by which a submitted claim for service is processed and paid. Payment policy formulation takes into consideration a variety of factors including: the terms of the participating providers’ contract(s); scope of benefits included in a given member’s benefit plan; clinical rationale, industry-standard procedure code edits, and industry-standard coding conventions.

AllWays Health Partners includes AllWays Health Partners, Inc. and AllWays Health Partners Insurance Company.