

## PROVIDER BULLETIN

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## OBSERVATION CARE BULLETIN

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### OBSERVATION ROOM SERVICES

In an effort to more closely mirror Medicare's policy and billing practices for observation room services, MO HealthNet has changed the way observation room charges are to be billed. Hospital providers are to now use procedure codes G0378 "Hospital observation service, per hour" when billing for observation room services for dates of service on or after May 1, 2011.

### PROCEDURE CODE G0378

Procedure code G0378 **must** be billed with revenue code 0762 and the appropriate number of hours the participant was in observation status in the Units field of the claim. Only one observation code per stay may be billed. If the stay spans beyond midnight, only one date of service is billed, which is the date the patient was placed in observation status. For example: A MO HealthNet eligible participant is admitted for observation care on Tuesday at 10:00 am and then discharged Wednesday at 8:00 am, the units billed would be 22 and the date of service billed would be Tuesday's date.

Hospital providers will continue to be reimbursed at the current calculated outpatient rate reflected on their provider file.

### CLARIFICATION OF OBSERVATION POLICY

Observation care 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 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 covered only when provided by the order of 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.

General standing orders for observation services following outpatient surgery are **not** recognized. Hospitals must not report as observation care, services that are part of another covered outpatient service, such as postoperative monitoring during a standard recovery period (e.g., 4-6 hours). Similarly, in the case of participants who undergo diagnostic testing in a hospital outpatient department, routine preparation services furnished prior to the testing and recovery afterwards are included in the payments for those diagnostic services. The participant must have been seen and/or received a service/procedure and had a complication arise or the participant is not recovering as quickly as expected, etc... and requires additional hospital care for observation until stabilized or formally admitted as an inpatient. Documentation in the participant's medical record must record this complication or the need for the observation services.

Observation services should not be billed concurrently with diagnostic or therapeutic services for which active monitoring is a part of the procedure (e.g., colonoscopy, chemotherapy). In situations where such a procedure interrupts observation services, hospitals would record for each period of observation services the beginning and ending times during the hospital outpatient encounter and add the length of time for the periods of observation services together to reach the total number of units reported on the claim for the hourly observation services.

#### Observation Time

Observation time begins at the clock time documented in the patient's medical record, which coincides with the time that observation care is initiated in accordance with a physician's or other medical professional's order (individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient services). Hospitals should round to the nearest hour.

Observation time ends when all medically necessary services related to observation care are completed. For example, this could be before discharge when the need for observation has ended, but other medically necessary services not meeting the definition of observation care are provided (in which case, the additional medically necessary services would be billed separately or included as part of the emergency department or clinic visit). 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. Observation time may include medically necessary services and follow-up care provided after the time that the physician writes the discharge order, but before the patient is discharged. However, reported observation time would not include the time patients remain in the hospital after treatment is completed for reasons such as waiting for transportation home.

#### 24 Hour Time Limit

MO HealthNet will cover up to 24 hours of observation time. Only one observation code per stay may be billed. If the hospital has a patient in an observation room more than 24 hours, the charges beyond that time **must** be absorbed as an expense to the hospital. Those charges **cannot** be billed to MO HealthNet or to the participant. If the stay spans beyond midnight, only one date of service is billed, which is the date the patient was placed in observation status. Diagnostic and procedural services, performed after the initial 24 hour

period has expired, may be billed to MO HealthNet. The date of service is the date the services were provided. Outpatient hospital services beyond 24 hours *must not* be billed as inpatient services.

### **NONCOVERED OBSERVATION CODES FOR 2011**

The 2011 CPT Code book has added the subsequent observation care procedure codes: 99224, 99225 and 99226. According to correct coding standards, the subsequent observation care procedure codes are used when observation care lasts multiple days. Since MO HealthNet only covers the initial 24 hours of observation care as stated above, procedure codes 99224, 99225 and 99226 are not payable by MO HealthNet. The participant cannot be held responsible for any observation charges incurred beyond the 24 hour time limit.

**Provider Bulletins** are available on the MO HealthNet Division (MHD) (Formerly the Division of Medical Services) Web site at <http://dss.mo.gov/mhd/providers/pages/bulletins.htm>. Bulletins will remain on the Provider Bulletins page only until incorporated into the [provider manuals](#) as appropriate, then moved to the Archived Bulletin page.

**MO HealthNet News:** Providers and other interested parties are urged to go to the MHD Web site at <http://dss.mo.gov/mhd/global/pages/mednewssubscribe.htm> to subscribe to the electronic mailing list to receive automatic notifications of provider bulletins, provider manual updates, and other official MO HealthNet communications via E-mail.

**MO HealthNet Managed Care:** The information contained in this bulletin applies to coverage for:

- MO HealthNet Fee-for-Service
- Services not included in MO HealthNet Managed Care

Questions regarding MO HealthNet Managed Care benefits should be directed to the patient's MO HealthNet Managed Care health plan. Before delivering a service, please check the patient's eligibility status by swiping the red MO HealthNet card or by calling the Interactive Voice Response (IVR) System at 573-751-2896 and using Option One for the red or white card.

**Provider Communications Hotline  
573-751-2896**