PAYMENT REIMBURSEMENT POLICY

Title: PRP-01 Observation Care Facility Charges

Benefit Coverage Policy: BCP-04 Observation Care Services

Category: Compliance

Effective Date: 09/03/2019

Physicians Health Plan
PHP Insurance Company
PHP Service Company

1.0 Guidelines:

This policy does not guarantee benefits. Benefits are determined and/or limited by an individual member Certificate of Coverage (COC). Reimbursement is not solely determined on this policy, Physicians Health Plan (PHP) reserves the right to apply coding edits to all medical claims through coding software and accuracy of claim submission according to industry billing standards. A prior authorization does not exempt adherence to the following billing requirements.

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 Hospital inpatient or if they can 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 in a designated observation area if 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 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, claim may be denied as not medically necessary. 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.

<u>Observation Hours:</u>

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.

<u>Billing Requirements:</u>

- 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.

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:

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 Revision History:

Original Effective Date: 01/01/2019

Last Approval Date: 09/03/2019

Next Revision Date: 09/03/2020

Revision Date	Reason for Revision
11/18	Reimbursement policy created.
8/19	Annual review; missing word, "hours" added after 72 in section 3.0.

8.0 Document Evaluation Panel:

Document Owner:	Mollie Callow, Sr. Plan Standards Coordinator
Document Reviewers:	Trisha Adams, Sr Compliance Analyst Nick D'Isa, Director of Legal and Compliance Sue Vaughn, Manager of Medical Resource Management
Document Approvers:	Configuration and Code Set Committee