

Outpatient Hospital Observation Policy, Facility

IMPORTANT NOTE ABOUT THIS REIMBURSEMENT POLICY

You are responsible for submission of accurate claims. This reimbursement policy is intended to ensure that you are reimbursed based on the code or codes that correctly describe the health care services provided. UnitedHealthcare reimbursement policies may use Current Procedural Terminology (CPT®), Centers for Medicare and Medicaid Services (CMS) or other coding guidelines. References to CPT or other sources are for definitional purposes only and do not imply any right to reimbursement.*

This reimbursement policy applies to all health care services billed on CMS 1500 forms and, when specified, to those billed on UB04 forms. Coding methodology, industry-standard reimbursement logic, regulatory requirements, benefits design and other factors are considered in developing reimbursement policy.

This information is intended to serve only as a general reference resource regarding UnitedHealthcare's reimbursement policy for the services described and is not intended to address every aspect of a reimbursement situation. Accordingly, UnitedHealthcare may use reasonable discretion in interpreting and applying this policy to health care services provided in a particular case. Further, the policy does not address all issues related to reimbursement for health care services provided to UnitedHealthcare enrollees. Other factors affecting reimbursement may supplement, modify or, in some cases, supersede this policy. These factors may include, but are not limited to: legislative mandates, the physician or other provider contracts, the enrollee's benefit coverage documents and/or other reimbursement, medical or drug policies. Finally, this policy may not be implemented exactly the same way on the different electronic claims processing systems used by UnitedHealthcare due to programming or other constraints; however, UnitedHealthcare strives to minimize these variations. UnitedHealthcare may modify this reimbursement policy at any time by publishing a new version of the policy on this Website. However, the information presented in this policy is accurate and current as of the date of publication.

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Application

This reimbursement policy applies to services reported using the UB04 claim form or its electronic equivalent or its successor form. This policy applies to all products and all network and non-network outpatient facility claims, Ambulatory Surgical Centers (ASC), Outpatient Surgical Centers (OSC), including, but not limited to, non-network authorized, and percent of charge contract facilities.

United Healthcare Commercial

This Reimbursement Policy applies to all UnitedHealthcare Commercial benefit plans.

UnitedHealthcare Individual Exchange

This Reimbursement Policy applies to all Individual Exchange benefit plans.

Policy

Overview

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.

Hospital outpatient observation services are reported with the Centers for Medicare and Medicaid Services (CMS) HCPCS codes G0378 and G0379. CMS publishes guidelines for use of these codes to allow for consistent coding and billing by facilities reporting observation services.

Reimbursement Guidelines

Observation Services (HCPCS code G0378)

Observation services must be reported by facilities utilizing the following guidelines:

- Observation services are submitted with type of bill 13X, 78X, or 85X.
- Report HCPCS code G0378 (hospital observation service, per hour) under the appropriate revenue code (0762) with units that represent the hours in observation care (rounded to the nearest hour).
- Observation service code G0378 will only be considered for reimbursement when the observation period meets or exceeds 8 hours.

Observation services code G0378 should only be reported when one of the following services was also provided on the same date of service or the day before the date reported for observation.

- Emergency Department visit (99281-99285, G0380-G0384), or
- Clinic visit (HCPCS code G0463), or
- Critical care (CPT code 99291), or
- Direct referral for observation care reported with HCPCS code G0379 which must be reported on the same date of service as the date reported for observation.

Observation services must be reported on a single line and the date of service for that line is the date that observation care begins. Observation services should not be reported with a date span or on separate claim lines even when the period of observation care spans more than one calendar day.

Observation care should not be reported for monitoring that is inclusive of, or included in payment for, a surgical, diagnostic, or therapeutic procedure (Example: observation associated with monitoring before a decision is made to proceed to surgery, during surgical recovery or for routine preparation and recovery services required for a diagnostic test). HCPCS code G0378 will not be reimbursed when reported in addition to procedure codes that are assigned a status indicator of J1 or T under the CMS Integrated Outpatient Code Editor (IOCE).

The status indicator J1 and T code list can be found in the link below following this path: OCE Quarterly Release Files>OCE Quarterly Data Files>Data Table Reports>Data HCPCS.xlsx.

<https://www.cms.gov/Medicare/Coding/OutpatientCodeEdit/OCEQtrReleaseSpecs>

Direct Referral/Admission to Observation Care (HCPCS code G0379)

Facilities should report HCPCS code G0379 when observation services are the result of a direct referral/admission for observation care without an associated emergency room visit, hospital outpatient clinic visit or critical care service on the day of initiation of observation services. Facilities should only report HCPCS code G0379 when a patient is referred directly to observation care after being seen by a physician in the community.

Direct admission of a patient for hospital observation care code G0379 is not reimbursable if not submitted on the same date of service as G0378. In addition, code G0379 is not separately payable when a critical care service (CPT 99291), clinic service (HCPCS G0463), emergency department visit, or a service assigned a status indicator of T or V under the CMS IOCE are reported on the same date of service.

Questions and Answers

1 **Q:** How do I report HCPCS code G0378 for observation care that began at 10:00 PM on one date (Friday), but was not discharged until 4:00 PM on the following day (Saturday)?

	<p>A: Observation care is reported on a single claim line using the date of service on which the patient was admitted for observation. For this example, HCPCS code G0378 would be reported on a single claim line with 18 units and the Friday date of service. No other claim would be submitted for that observation period.</p>
2	<p>Q: Is it appropriate to report HCPCS code G0379 (direct admission for observation care) when the patient was admitted through the emergency department?</p> <p>A: No. HCPCS code G0379 is intended for use when the patient is seen by a physician in the community and then sends the patient to the outpatient facility specifically for observation services. The placement of a patient in observation care after receiving outpatient services such as an emergency department visit, outpatient clinic visit or critical care is not considered a direct admission to observation.</p>
3	<p>Q: How would I report the appropriate hours/units when an observation service started at 10:15 AM and ended at 6:52 PM on the same day?</p> <p>A: It would be appropriate to round to the nearest hour, so in this example you would round the start time to 10:00 AM and the end time to 7:00 PM. That would equate to 9 hours/units of observation services that can be reported.</p>
4	<p>Q: Can I report G0378 when the patient is to be observed/monitored for less than 8 hours?</p> <p>A: Yes. You should accurately report the number of observation units/hours provided, but in order to be considered for reimbursement under the CMS billing and payment guidelines and this policy, the indicated number of units reported with HCPCS code G0378 must equal or exceed 8 hours.</p>
5	<p>Q: Why are the CPT observation codes 99221-99223, 99231-99233, 99234-99236 and 99238-99239 not addressed in this policy?</p> <p>A: These CPT codes are for reporting physician or other healthcare practitioner professional services. These services are addressed in the UnitedHealthcare commercial reimbursement policy titled, "Observation and Discharge Policy, Professional."</p>
6	<p>Q: Can I report HCPCS code G0379 with revenue code 0760?</p> <p>A: No. When reporting services for the direct admission for observation G0379, report with Revenue code 0762.</p>
7	<p>Q: Can I report G0378 when the patient is being monitored diagnostically and then the decision is made to proceed to surgery?</p> <p>A: No. G0378 is for assessment and reassessment while a decision is being made regarding whether the patient will require surgical intervention. Observation services are provided as a supportive service in conjunction with other independently payable hospital outpatient services such as surgical procedures</p>

Codes	
G0378	Observation Services
G0379	Observation Services

Attachments	
Status Indicator J1 List	Status Indicator J1 List
Status Indicator T List	Status Indicator T List
Status Indicator V List	Status Indicator V List

Resources



Centers for Medicare and Medicaid Services, Healthcare Common Procedure Coding System, HCPCS Release and Code Sets

Center for Medicare and Medicaid Services (CMS), Manual System and other CMS publications and services

Center for Medicare and Medicaid Services (CMS) Integrated Outpatient Code Edit (IOCE)

Center for Medicare and Medicaid Services (CMS) Hospital Outpatient Prospective Payment System (OPPS)

History

1/18/2026	Policy Version Change Policy List Change: Status Indicator J1, Status Indicator T and Status Indicator V lists History Section: Entries prior to 1/18/2024 archived
10/12/2025	Policy Version Change Policy List Change: Status Indicator J1 Entries prior to 10/12/2023 archived
7/13/2025	Policy Version Change Policy List Change: Status Indicator J1, Status Indicator T and Status Indicator V lists History Section: Entries prior to 7/13/2023 archived
4/20/2025	Policy Version Change Policy List Change: Status Indicator J1 and Status Indicator T Entries prior to 4/20/2023 archived
1/12/2025	Policy Version Change Policy List Change: Status Indicator J1, Status Indicator T and Status Indicator V lists Entries prior to 1/12/2023 archived
9/22/2024	Policy Version Change Policy List Change: Status Indicator J1 and Status Indicator V lists
6/30/2024	Policy Version Change Policy List Change: Status Indicator J1 Entries prior to 6/30/2022 archived
4/14/2024	Policy Version Change Updated application section Policy List Change: Status Indicator J1 Entries prior to 6/26/2022 archived
4/1/2024	Template Update <ul style="list-style-type: none"> • Transferred content to shared policy template that applies to both UnitedHealthcare Commercial and Individual Exchange benefit plans. • Updated Application section to indicate this Reimbursement Policy applies to: <ul style="list-style-type: none"> ○ All UnitedHealthcare Commercial benefit plans ○ All Individual Exchange benefit plans
10/1/2020	Policy implemented by UnitedHealthcare Employer & Individual
6/25/2020	Policy approved by Reimbursement Policy Oversight Committee