

## Observation and Discharge Policy, Professional

### **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 Community Plan reimbursement policies 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 Community Plan's reimbursement policy for the services described and is not intended to address every aspect of a reimbursement situation. Accordingly, UnitedHealthcare Community Plan 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 Community Plan enrollees.

**Other factors affecting reimbursement supplement, modify or, in some cases, supersede this policy. These factors include, but are not limited to: federal &/or state regulatory requirements, 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 Community Plan due to programming or other constraints; however, UnitedHealthcare Community Plan strives to minimize these variations.

UnitedHealthcare Community Plan 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 UnitedHealthcare Community Plan Medicaid Product.**

This reimbursement policy applies to services reported using the 1500 Health Insurance Claim Form (a/k/a CMS-1500) or its electronic equivalent or its successor form. This policy applies to all products and all network and non-network physicians and other qualified health care professionals, including, but not limited to, non-network authorized and percent of charge contract physicians and other qualified health care professionals.

### Policy

#### Overview

Initial Observation Care CPT® codes 99218-99220 and Subsequent Observation Care CPT codes 99224-99226 are used to report evaluation and management (E/M) services provided to new or established patients designated as "observation status" in a hospital.

Observation Care Discharge Day Management CPT Code 99217 is used to report all services provided to a patient discharged from outpatient hospital "observation status" if the discharge is on a date other than the initial date of "observation status".

Observation or Inpatient Hospital Care (including admission and discharge) CPT codes 99234-99236 are used to report observation or initial hospital services for a patient that is admitted and discharged on the same date of service.

Inpatient Hospital Discharge Day Management CPT Codes 99238 and 99239 are used to report all discharge day management services for the hospital inpatient when discharge is on a date other than the initial date of admission.

#### Duplicate or Repeat Services

When duplicate or repeat Initial Observation Care, Subsequent Observation Care, Observation Care Discharge Day Management, Observation or Inpatient Hospital Care (including admission and discharge), or Inpatient Hospital Discharge Day Management CPT codes are reported by the same or different Physician or Other Qualified Health Care Professional, only one Physician or Other Qualified Health Care Professional will be reimbursed.

For the purposes of this policy, duplicate or repeat services are defined as Initial or Subsequent Observation Care, Observation Care Discharge Day Management, Observation or Inpatient Hospital Care (including admission and discharge), or Inpatient Hospital Discharge Day Management CPT codes submitted for the same patient, within the same stay, by any other Physician or Qualified Health Care Professional, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional.

### **Initial Observation Care**

Initial Hospital Observation Service CPT codes 99218 – 99220 describe the first visit of the patient's admission for outpatient hospital observation care by the Admitting/Supervising Physician or Other Qualified Health Care Professional. Hospital outpatient observation services include the supervision of the care plan for observation, as well as, periodic reassessments.

The patient is not required to be physically located in a designated observation area, within a hospital. The designation of "observation status" refers to the initiation of observation care and not to a specific area of a facility. CPT and CMS guidelines indicate that initial observation services are reported only by the Admitting/Supervising Physician or Other Qualified Health Care Professional.

When a patient is admitted to "observation status", during the course of another encounter from a different site of service, such as the physician's office or the emergency department, all of the E/M services rendered are considered part of the initial observation care services, when they are performed on the same day; the level of the Initial Observation Care CPT code reported should incorporate the other services related to the hospital outpatient observation admission that were provided in any other site of service, as well as, those provided in the actual observation setting.

In order to report Initial Observation Care CPT codes, the Admitting/Supervising Physician or Other Qualified Health Care Professional must include:

- Documentation within the patient's medical record that the patient is designated as or admitted to observation status. The medical record should include the Admitting/Supervising Physician or Other Qualified Health Care Professional's dated and timed orders that detail the observation services the patient is to receive.
- Documentation that the Admitting/Supervising Physician or Other Qualified Health Care Professional explicitly assessed patient risk to determine that the patient would benefit from observation care. This documentation must be in addition to any other documentation prepared, as a result of an emergency department or outpatient clinic/other site of service encounter.
- Nursing notes and progress notes that are timed, written and signed by the Admitting/Supervising Physician or Other Qualified Health Care Professional, during the time the patient received observation care.

UnitedHealthcare Community Plan follows the Centers for Medicare and Medicaid Services (CMS) Claims Processing Manual and will consider reimbursement for Initial Observation Care CPT codes when billed only by the Admitting/Supervising Physician or Other Qualified Health Care Professional who ordered the hospital outpatient observation care services and who was responsible for the patient, during his/her observation care stay.

A Physician or Other Qualified Health Care Professional who does not have inpatient admitting privileges, but is authorized to furnish hospital outpatient observation services, may bill Initial Observation Care CPT Codes.

Consistent with CMS guidelines, UnitedHealthcare Community Plan requires that an Initial Observation Care CPT code 99218-99220 be reported for a patient admitted to "observation status" for less than 8 hours on a calendar date.

### **Subsequent Observation Care**

Similar to Initial Observation Care CPT codes, payment for Subsequent Observation Care CPT codes includes all of the care rendered by only the Admitting/Supervising Physician or Other Qualified Health Care Professional on the day(s) other than the initial or discharge date. In the instance that a patient is held in observation status for more than two calendar dates, the Admitting/Supervising Physician or Other Qualified Health Care Professional should utilize Subsequent Observation Care CPT codes 99224 - 99226.

According to the CPT codebook, "All levels of subsequent observation care include reviewing the medical record and reviewing the results of diagnostic studies and changes in the patient's status (i.e., changes in history, physical condition, and response to management) since the last assessment."

All other Physicians or Other Qualified Health Care Professionals, who furnish consultations or additional evaluations or services, while the patient is receiving outpatient hospital observation services, must bill the appropriate outpatient service codes.

#### **Observation Care Discharge Day Management Services**

Per CPT, Observation Care Discharge Day Management Services, CPT code 99217, includes final examination of the patient, discussion of the hospital stay, instructions for continuing care to all relevant caregivers and preparation of discharge records, prescriptions and referral forms, performed by the Admitting/Supervising Physician or other Qualified Health Care Professional.

Observation care discharge services include all E/M services provided on the date of discharge from observation status and should only be reported if the discharge from observation status is on a date other than the date of the initial observation care.

#### **Observation Care Admission and Discharge Services on the Same Date**

Admitting/Supervising Physicians or Other Qualified Health Care Professionals, who admit a patient to observation status for a minimum of 8 hours, but less than 24 hours with discharge from observation status on the same calendar date, should report an Observation or Inpatient Care Service (including admission and discharge); CPT codes 99234-99236, as appropriate.

In accordance with the CMS Claims Processing Manual, when reporting an Observation or Inpatient Care (including admission and discharge) CPT code, the medical record must include:

- Documentation meeting the E/M requirements for history, examination and medical decision making.
- Documentation stating the stay for hospital treatment or observation care services involved 8 hours, but less than 24 hours.
- Documentation identifying the Admitting/Supervising Physician or Other Qualified Health Care Professional was present and personally performed the services; and
- Documentation identifying that the admission and discharge notes were written by the Admitting/Supervising Physician or Other Qualified Health Care Professional.

Observation or Inpatient Hospital Care (including admission and discharge), includes the final examination of the patient and discussion of the hospital stay, even if the time spent by the Admitting/Supervising Physician or other Qualified Health Care Professional on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions and referral forms.

#### **Observation Care Services During a Global Period**

Observation Care codes are not separately reimbursable services when performed within the assigned global period of a procedure or service. Observation care services, during a global period, are included in the global package.

Refer to the UnitedHealthcare Community Plan "Global Days" Reimbursement policy for guidelines on reporting services during a global period.

**UnitedHealthcare Community Plan Observation and Discharge Services Policy List**

99217	99218	99219	99220	99224	99225	99226	99234	99235	99236
99238	99239								

**Inpatient Hospital Discharge Day Management Services**

Per CPT, the Hospital Discharge Day Management CPT codes 99238 and 99239 are to be used to report the total duration of time spent by the Admitting/Supervising Physician or Other Qualified Health Care Professional for final hospital discharge of a patient. The codes include the final examination of the patient, discussion of the hospital stay, even if the time spent by the Admitting/Supervising Physician or other Qualified Health Care Professional on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions and referral forms.

In accordance with the CMS Claims Processing Manual, Hospital Discharge Day Management CPT codes 99238 and 99239 are face-to-face evaluation and management (E/M) services between the Admitting/Supervising Physician or Other Qualified Health Care Professional and the patient. The hospital discharge day management service should be reported for the date of the actual visit by the Admitting/Supervising Physician or Other Qualified Health Care Professional, even if the patient is discharged from the facility on a different calendar date. Only one hospital discharge day management service is payable per patient, per hospital stay.

Only the Admitting/Supervising Physician or Other Qualified Health Care Professional of record reports the discharge day management service. Physicians or Other Qualified Health Care Professionals, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional who have been managing concurrent health care problems, not primarily managed by the Admitting/Supervising Physician or Other Qualified Health Care Professional, who are not acting on behalf of the Admitting/Supervising Physician or Other Qualified Health Care Professional, should use Subsequent Hospital Care CPT codes 99231 – 99233 for their final visit.

**State Exceptions**

<b>California</b>	Per State Regulations, effective for dates of service on or after February 1, 2011, Medi-Cal will no longer reimburse Evaluation and Management (E&M) codes billed as "observation status." When providers write an order to "admit to observation status," Medi-Cal will consider it to be the same as "admit to inpatient status."
<b>Louisiana</b>	Louisiana is exempt from this policy.
<b>Michigan</b>	Michigan is exempt from Inpatient Hospital Discharge Day Management Services section

**Definitions**

<b>Duplicate or Repeat Services</b>	Duplicate or repeat services are defined as Initial Observation Care, Subsequent Observation Care, Observation Care Discharge Day Management, Observation or Inpatient Hospital Care (including admission and discharge), or Inpatient Hospital Discharge Day Management CPT codes submitted for the same patient, within the same stay, by any other Physician or Qualified Health Care Professional, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional.
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<b>Admitting/Supervising Physician or Other Qualified Health Care Professional</b>	The Physician or Other Qualified Health Care Professional who ordered the hospital outpatient observation care services and who was responsible for the patient, during his/her observation care stay
<b>Observation Care</b>	Evaluation and management services provided to patients designated as "observation status" in a hospital. This refers to the initiation of observation status, supervision of the care plan for observation and performance of periodic reassessments.
<b>Physician or Other Qualified Health Care Professional</b>	A "Physician or Other Qualified Health Care Professional" is an individual who is qualified by education, training, licensure/regulation (when applicable), and facility privileging (when applicable) who performs a professional service within his/her scope of practice and independently reports that professional service.

### Questions and Answers

<b>1</b>	<p><b>Q:</b> Can Observation Care code 99217 and codes 99218-99220 be reported on the same date of service?</p> <p><b>A:</b> No. CPT codes 99234 - 99236 should be reported for patients who are admitted to and discharged from observation status on the same calendar date for a minimum of 8 hours but less than 24. An initial Observation Care code (99218 - 99220) should be reported for patients admitted and discharged from observation status for less than 8 hours on the same calendar date. CPT code 99217 can only be reported for a patient discharged on a different calendar date.</p>
<b>2</b>	<p><b>Q:</b> Does the patient need to be in an observation unit in order to report the Observation Care codes?</p> <p><b>A:</b> It is not necessary that the patient be located in an observation area designated by the hospital as long as the medical record indicates that the patient was admitted as observation status and the reason for Observation Care is documented.</p>
<b>3</b>	<p><b>Q:</b> What code should be reported for a patient who continues to be in observation status for a second date and has not been discharged?</p> <p><b>A:</b> A subsequent Observation Care CPT code (99224-99226) should be reported in the instance a patient is held in observation status for more than 2 calendar dates. When observation discharge services are provided to the patient, report CPT code 99217 on that calendar date. For example, report CPT 99218-99220 for a patient designated as observation on Day 1, report CPT 99224-99226 on Day 2 and finally report CPT 99217 when the patient receives discharge services on Day 3.</p>
<b>4</b>	<p><b>Q:</b> Why are Observation Codes G0378 and G0379 not addressed in this policy?</p> <p><b>A:</b> These HCPCS codes are not to be reported for physician services. These codes are to be billed by facilities on a UB-04 claim form.</p>

### Resources

Individual state Medicaid contracts, regulations, manuals & fee schedules  
 American Medical Association, *Current Procedural Terminology (CPT®)* and associated publications and services  
 Centers for Medicare and Medicaid Services, CMS Manual System and other CMS publications and services  
 Centers for Medicare and Medicaid Services – February 13, 2019 Observation Services Fact Sheet

### History

<b>7/14/2021</b>	Policy Version Change State Exceptions Section: Added exception for Louisiana
<b>6/7/2021</b>	Policy Version Change

	Attachments Section: Removed attachment(s) and converted to table(s)
2/1/2021	Policy Version Change Attachments Section: List reformatted History Section: Entries prior to 1/1/2019 archived
4/9/2020	Policy Version Change Definitions Section updated
2/1/2020	Annual Anniversary Date and Version Change Policy Change: Overview updated, Reimbursement Guidelines Banner Removed, Duplicate or Repeat Services added, Initial Observation Care updated, Subsequent Observation Care updated, Observation Care Discharge Services changed to Observation Care Discharge Day Management Services, Observation Care Admission and Discharge Services on the Same Date updated, Observation Care Services During a Surgical Period changed to Observation Care Services During a Global Period, Inpatient Hospital Discharge Day Management Services updated Definitions Section updated Codes Section removed Attachments Section Added Resources Section updated History Section: Entries prior to 1/1/2018 archived
9/1/2019	Policy Version Change Policy Title: Policy name change to Observation and Discharge Policy, Professional Policy Reimbursement Guidelines Section updated to add <b>Inpatient Hospital Discharge Day Management Services</b> State Exception Section: Added exception for Michigan Codes Section Updated
2/1/2019	Annual Anniversary Date and Version Change Added 'Professional' to the policy title; removed reference to Community and State and Medicare and Retirement in the Application section, Initial Observation Care Policy verbiage updated
1/1/2019	Annual Policy Version Change History Section: Entries prior to 1/1/2017 archived
7/1/2010	Policy implemented by UnitedHealthcare Community & State