

## Observation Services 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 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 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 facility 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. CPT Copyright American Medical Association. All rights reserved. CPT® is a registered trademark of the American Medical Association.

### Application

**This reimbursement policy applies to UnitedHealthcare Community Plan Medicaid products.**

This reimbursement policy applies to services reported using the UB-04 form or its electronic equivalent or its successor form. This policy applies to all products and all network and non-network facilities including, but not limited to, non-network authorized and percent of charge contract facilities.

### Policy

#### Overview

Observation care is defined as 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 status is commonly assigned to patients who present to the emergency department and who then require treatment or monitoring before a decision is made concerning their admission or discharge.

Observation stay is an alternative to an inpatient admission that allows reasonable and necessary time to evaluate and render medically necessary services to a member whose diagnosis and treatment are not expected to exceed 24 hours but may extend to 48 hours, but no longer than 48 hours without a discharge or admission. There will be no reimbursement for observation services in excess of 48 hours.

#### Reimbursement Guidelines

Observation services are reported using HCPCS code G0378 Report units of hours spent in observation (rounded to the nearest hour).

Observation Service Billing Requirements:

- Observation services are outpatient services

- Facility billing outpatient claims under a 13X or 85X (Type of bill).
- Report revenue code 0762 and HCPCS code G0378

State specific observation maximum hourly limits are based on state regulations and guidelines. Limits beyond the state hourly maximums will be denied.

State	Maximum HOURLY Limit
Hawaii	48
Kansas	48
Maryland	24
Mississippi	23
Missouri	24
New Jersey	48
North Carolina	30
Texas	48

Facilities who are reimbursed based on a Prospective Payment System (PPS) methodology are exempt from this policy

### State Exceptions

**Medicaid facility claims paid under Ambulatory Patient Groups, or APG payment methodology are exempt from this policy**

<b>Arizona</b>	Exempt from policy
<b>California</b>	Exempt from policy
<b>Florida</b>	Exempt from policy
<b>Indiana</b>	Indiana Medicaid does not require a CPT/HCPC for revenue code 0762 and does not cover HCPC G0378. Revenue Code 0762 should be reported alone with the units of hours spent in observation (rounded to the nearest hour).
<b>Maryland</b>	Per state regulations, if hospitals bill more than 24 hours under Revenue Code 0762, the entire claim will deny
<b>Massachusetts</b>	Exempt from policy
<b>Michigan</b>	Exempt from policy
<b>Mississippi</b>	Per MSCAN, the first 7 units are payable at zero, reimbursement is only made for units 8-23
<b>Missouri</b>	Per State Regulations, effective 7/1/2020, observation is covered from 24 up to 72 hours only when administering and monitoring Zolresso (HCPCs code C9055).
<b>Nebraska</b>	Exempt from policy
<b>New York</b>	Exempt from policy
<b>North Carolina</b>	Per state regulations, observation is covered for the first 30 hours. Beyond 30 hours if the patient is not admitted to an inpatient status, the patient must be discharged.
<b>Ohio</b>	Exempt from policy
<b>Pennsylvania</b>	Exempt from policy
<b>Rhode Island</b>	Exempt from policy

<b>Tennessee</b>	Exempt from policy
<b>Texas</b>	Texas Medicaid does not require a CPT/HCPC for revenue code 0762 and does not cover HCPC G0378. Revenue Code 0762 should be reported alone with the units of hours spent in observation (rounded to the nearest hour)
<b>Virginia</b>	Exempt from policy
<b>Washington</b>	Exempt from policy
<b>Wisconsin</b>	Exempt from policy

<b>Definitions</b>	
<b>Enhanced Ambulatory Patient Grouping System (EAPG)</b>	Classification system to calculate pricing for outpatient hospital claims
<b>Ambulatory Payment Classification (APC)</b>	Payment method for facility outpatient services
<b>Prospective Payment System (PPS)</b>	(PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount

<b>Questions and Answers</b>	
<b>1</b>	<p><b>Q:</b> Does this policy apply to both inpatient and outpatient claims?</p> <p><b>A:</b> This policy applies to outpatient claims only</p>
<b>2</b>	<p><b>Q:</b> Why are observation care codes 99217-99218 not addressed in this policy?</p> <p><b>A:</b> These CPT codes are not to be reported for facility services. These codes are to be billed for physician services on a 1500 claim form.</p>

<b>Resources</b>
<p>Individual state Medicaid regulations, manuals &amp; fee schedules</p> <p>American Medical Association, <i>Current Procedural Terminology ( CPT® ) Professional Edition</i> and associated publications and services</p> <p>Centers for Medicare and Medicaid Services, CMS Manual System and 8 other CMS publications and services</p> <p>Centers for Medicare and Medicaid Services, Healthcare Common Procedure Coding System, HCPCS Release and Code Sets</p>

<b>History</b>	
<b>7/1/2021</b>	<p>Policy Version Change</p> <p>State Exceptions Section: Added exception for Indiana</p> <p>History Section: Entire prior to 7/1/2019 archived</p>
<b>6/2/2021</b>	<p>Policy Version Change</p> <p>Attachments Section: Removed State Specific Observation Maximum Hourly Limits</p> <p>Policy Section Change: Reimbursement Guidelines grid added</p>

<b>4/1/2021</b>	Policy Version Change State Exception Section: Added exception for North Carolina
<b>2/1/2021</b>	Annual Anniversary Date and Version Change History Section: Entries prior to 1/1/19 archived
<b>8/6/2020</b>	State Exception: Added exception for Nebraska Attachments section: Removed Nebraska
<b>6/28/2020</b>	Policy Version Change State Exception Section: Added state reimbursement verbiage for Missouri
<b>3/17/2020</b>	Attachments section: Removed reference to Louisiana in excel file Updated policy version from 2020F7016C to 2020F7016D History section: Removed all files and references to Louisiana contained in the body of the policy, information has been moved to the "Louisiana Only" policy
<b>3/5/2020</b>	State Exception Section: Added state reimbursement verbiage for Mississippi (MSCAN)
<b>2/7/2020</b>	Annual Anniversary Date and Version Change
<b>1/10/2020</b>	State Exception: Removed exception for Mississippi Attachment Section: Added max units for Mississippi
<b>10/10/2019</b>	State Exception: Added exception for Maryland Attachment Section: Added max units for North Carolina
<b>5/1/2018</b>	Policy implemented by UnitedHealthcare Community Plan

[Back to Top](#)