

# OBSERVATION CARE EVALUATION AND MANAGEMENT CODES POLICY

**Policy Number:** ADMINISTRATIVE 232.12 TO

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**Related Policy**

- [Global Days](#)

## INSTRUCTIONS FOR USE

The services described in Oxford policies are subject to the terms, conditions and limitations of the member's contract or certificate. Unless otherwise stated, Oxford policies do not apply to Medicare Advantage members. Oxford reserves the right, in its sole discretion, to modify policies as necessary without prior written notice unless otherwise required by Oxford's administrative procedures or applicable state law. The term Oxford includes Oxford Health Plans, LLC and all of its subsidiaries as appropriate for these policies.

Certain policies may not be applicable to Self-Funded members and certain insured products. Refer to the member specific benefit plan document or Certificate of Coverage to determine whether coverage is provided or if there are any exclusions or benefit limitations applicable to any of these policies. If there is a difference between any policy and the member specific benefit plan document or Certificate of Coverage, the member specific benefit plan document or Certificate of Coverage will govern.

UnitedHealthcare may also use tools developed by third parties, such as the MCG™ Care Guidelines, to assist us in administering health benefits. The MCG™ Care Guidelines are intended to be used in connection with the independent professional medical judgment of a qualified health care provider and do not constitute the practice of medicine or medical advice.

## APPLICABLE LINES OF BUSINESS/PRODUCTS

This policy applies to Oxford Commercial plan membership.

## APPLICATION

This 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 does not apply to claims billed on the UB-04 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.

## 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 service (including admission and discharge) CPT codes 99234-99236 are used to report E/M services provided to patients admitted and discharged on the same date of service.

For the purpose of this policy, the Same Specialty Physician or Other Qualified Health Care Professional is defined as a physician and/or health care professional of the same group and same specialty reporting the same Federal Tax Identification number.

## REIMBURSEMENT GUIDELINES

### **Initial Observation Care**

The physician supervising the care of the patient designated as "observation status" is the only physician who can report an initial Observation Care CPT code (99218-99220). It is not necessary that the patient be located in an observation area designated by the hospital, although in order to report the Observation Care codes the physician must:

- Indicate in the patient's medical record that the patient is designated or admitted as observation status;
- Clearly document the reason for the patient to be admitted to observation status; and
- Initiate the observations status, assess, establish and supervise the care plan for observation and perform periodic reassessments.

The CPT codebook states that "When "observation status" is initiated in the course of an encounter in another site of service (e.g., hospital emergency department, office, nursing facility) all evaluation and management services provided by the supervising physician or other qualified health care professional in conjunction with initiating "observation status" are considered part of the initial Observation Care when performed on the same date. The Observation Care level of service reported by the supervising physician should include the services related to initiating "observation status" provided in the other sites of services as well as in the observation setting."

Oxford follows the Centers for Medicare and Medicaid Services' (CMS) Claims Processing Manual which provides the instructions, "for a physician to bill the initial Observation Care codes [99218-99220], there must be a medical observation record for the patient which contains dated and timed physician's admitting orders regarding the care the patient is to receive while in observation, nursing notes, and progress notes prepared by the physician while the patient was in observation status. This record must be in addition to any record prepared as a result of an emergency department or outpatient clinic encounter."

Consistent with CMS guidelines, Oxford requires that an Initial Observation Care CPT code (99218-99220) should be reported for a patient admitted to Observation Care for less than 8 hours on the same calendar date.

### **Subsequent Observation Care**

In the instance that a patient is held in observation status for more than two calendar dates, the supervising physician should utilize a subsequent Observation Care CPT code (99224-99226). Physicians other than the supervising physician providing care to a patient designated as "observation status" should report subsequent Observation Care.

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 conditions, and response to management) since the last assessment."

### **Observation Care Discharge Services**

Per CPT, Observation Care discharge day management CPT code 99217 "includes final examination of the patient, discussion of the hospital stay, instructions for continuing care and preparation of discharge records."

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

Oxford follows CMS guidelines that physicians should not report an Observation Care discharge Service when the Observation Care is a minimum of 8 hours and less than 24 hours and the patient is discharged on the same calendar date.

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

Physicians who admit a patient to Observation Care for a minimum of 8 hours, but less than 24 hours and subsequently discharge on the same calendar date shall report an Observation or Inpatient Care Service (Including Admission and Discharge Services) CPT code (99234-99236).

In accordance with CMS' Claims Processing Manual, when reporting an Observation Care admission and discharge service CPT code (99234-99236) 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 status involves 8 hours but less than 24 hours;
- Documentation identifying the billing physician was present and personally performed the services; and
- Documentation identifying that the admission and discharge notes were written by the billing physician.

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

Observation Care codes are not separately reimbursable services when performed within the assigned global period as these codes are included in the global package.

Refer to the Oxford policy titled [Global Days](#) for guidelines on reporting services during a global period.

### **DEFINITIONS**

**Observation Care:** 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.

**Same Specialty Physician or other Qualified Health Care Professional:** Physicians and/or other qualified health care professionals of the same group and same specialty reporting the same Federal Tax Identification number.

### **APPLICABLE CODES**

The following list(s) of procedure and/or diagnosis codes is provided for reference purposes only and may not be all inclusive. Listing of a code in this policy does not imply that the service described by the code is a covered or non-covered health service. Benefit coverage for health services is determined by the member specific benefit plan document and applicable laws that may require coverage for a specific service. The inclusion of a code does not imply any right to reimbursement or guarantee claim payment. Other Policies may apply.

CPT Code	Description
99217	Observation care discharge day management (This code is to be utilized to report all services provided to a patient on discharge from outpatient hospital "observation status" if the discharge is on other than the initial date of "observation status." To report services to a patient designated as "observation status" or "inpatient status" and discharged on the same date, use the codes for Observation or Inpatient Care Services [including Admission and Discharge Services, 99234-99236 as appropriate.]
99218	Initial observation care, per day, for the evaluation and management of a patient which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive examination; and Medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to outpatient hospital "observation status" are of low severity. Typically, 30 minutes are spent at the bedside and on the patient's hospital floor or unit.
99219	Initial observation care, per day, for the evaluation and management of a patient, which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to outpatient hospital "observation status" are of moderate severity. Typically, 50 minutes are spent at the bedside and on the patient's hospital floor or unit.
99220	Initial observation care, per day, for the evaluation and management of a patient, which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision making of high complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to "observation status" are of high severity. Typically 70 minutes are spent at the bedside and on the patient's hospital floor or unit.

CPT Code	Description
99224	Subsequent observation care, per day, for the evaluation and management of a patient, which requires at least 2 of these 3 key components: Problem focused interval history; Problem focused examination; Medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the patient is stable, recovering, or improving. Typically 15 minutes are spent at the bedside and on the patient's hospital floor or unit.
99225	Subsequent observation care, per day, for the evaluation and management of a patient, which requires at least 2 of these 3 key components: An expanded problem focused interval history; An expanded problem focused examination; Medical decision making of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the patient is responding inadequately to therapy or has developed a minor complication. Typically 25 minutes are spent at the bedside and on the patient's hospital floor or unit.
99226	Subsequent observation care, per day, for the evaluation and management of a patient, which requires at least 2 of these 3 key components: A detailed interval history; A detailed examination; Medical decision making of high complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the patient is unstable or has developed a significant complication or a significant new problem. Typically 35 minutes are spent at the bedside and on the patient's hospital floor or unit.
99234	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive examination; and Medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually the presenting problem(s) requiring admission are of low severity. Typically, 40 minutes are spent at the bedside and on the patient's hospital floor or unit.
99235	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually the presenting problem(s) requiring admission are of moderate severity. Typically, 50 minutes are spent at the bedside and on the patient's hospital floor or unit.
99236	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision making of high complexity. Counseling and/or coordination of care with other physicians, other qualified healthcare professionals or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually the presenting problem(s) requiring admission are of high severity. Typically, 55 minutes are spent at the bedside and on the patient's hospital floor or unit.

*CPT® is a registered trademark of the American Medical Association*

## QUESTIONS AND ANSWERS

1	Q:	Can Observation Care codes 99217 and codes 99218-99220 be reported on the same date of service?
	A:	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.
2	Q:	Does the patient need to be in an observation unit in order to report the Observation Care codes?
	A:	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.
3	Q:	What code should be reported for a patient who continues to be in observation status for a second date and has not been discharged?
	A:	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.
4	Q:	Why are Observation Codes G0378 and G0379 not addressed in this policy?
	A:	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.

## REFERENCES

The foregoing Oxford policy has been adapted from an existing UnitedHealthcare national policy that was researched, developed and approved by UnitedHealthcare Reimbursement Policy Oversight Committee. [2018R0115A]

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.

## POLICY HISTORY/REVISION INFORMATION

Date	Action/Description
04/01/2018	<ul style="list-style-type: none"> <li>• Updated policy application guidelines; added language to clarify:                             <ul style="list-style-type: none"> <li>○ This policy applies to:                                     <ul style="list-style-type: none"> <li>▪ Services reported using the 1500 Health Insurance Claim Form (a/k/a CMS-1500) or its electronic equivalent or its successor form</li> <li>▪ All products</li> </ul> </li> <li>○ This policy does not apply to claims billed on the UB-04 form</li> </ul> </li> <li>• Archived previous policy version ADMINISTRATIVE 232.11 T0</li> </ul>