



November 2005

ATTENTION PROVIDERS

Provider Bulletin
05-005

Billing & Reimbursement Requirements for Observation Services

Effective October 1, 2005, under Outpatient Prospective Payment System (OPPS), hospitals are required to bill for observation services in one of two ways: 1) as packaged services, or 2) as a separately payable APC when certain conditions are met. EqualityCare will reimburse hospitals for separately payable observation services for patients having diagnoses of chest pain, asthma, congestive heart failure, or obstetric complication when billed under type of bill code 13X (general or children's hospital) or 85X (critical access hospitals.)

Observation Units

1. Observation service units are to be reported as the number of hours that the outpatient is in observation status.
2. A separately payable APC observation service may be billed for a minimum of 8 hours for patients having diagnoses of chest pain, asthma or congestive heart failure.
3. A separately payable APC observation service may be billed for a minimum of 1 hour for patients having diagnoses of obstetric complications.
4. Observation services less than 8 hours should be billed as packaged under revenue code 762.
5. If a period spans more than one calendar day, all the hours for the entire period of observation must be included on a single line. The date of service for that line is the date the patient is admitted to observation.

Observation Room Revenue Category

1. Observation room services should be billed using revenue code 762. Laboratory, radiology or other diagnostic services should be reported under revenue codes 30X, 31X, 32X, etc., as appropriate.



2. A separately payable APC observation service requires a CPT/HCPCS code.
3. All charges and units of service must be reported regardless of the presence of CPT/HCPCS codes.
4. The observation room revenue code requires services are provided as a result of a physician's order or other individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or order outpatient tests. The reason for observation must be stated in the order for observation. This order must be in the patient file. Records will be periodically reviewed.

Direct Admissions

Hospitals may bill for patients who are “direct admissions” to observation. A “direct admission” occurs when a physician in the community refers a patient to the hospital for observation, bypassing the clinic or emergency department. Direct admission for observation services are billed using one of the following CPT/HCPCS codes:

1. G0263—Direct admission of patient with diagnosis of congestive heart failure, chest pain or asthma for observation services that meet all criteria for G0244.
 - a. Must be billed with revenue code 762.
 - b. Must be billed with G0244.
 - c. One unit of service must be reported.
 - d. G0263 is treated as a packaged service and will not generate a payment under OPPS; however, the code is recognized as taking the place of a visit or critical care code in meeting the observation criteria for patients directly admitted to observation.
2. G0264—Initial nursing assessment of patient directly admitted to observation with diagnosis *other than* congestive heart failure, chest pain or asthma OR patient directly admitted to observation with diagnoses of congestive heart failure, chest pain or asthma when the observation stay *does not qualify* for G0244.
 - a. Must be billed with revenue code 762.
 - b. May not be billed with G0244.
 - c. One unit of service must be reported.
 - d. This code provides a way to recognize and pay for the initial nursing assessment and any packaged observation services attributable to patients that are directly admitted to observation but whose observation services do not meet the criteria necessary to qualify for a separate observation payment.

Hospital Billing Requirements for Packaged Observation Services (for diagnosis other than congestive heart failure, chest pain, asthma or obstetric complication)

1. Observation services are billed under revenue code 762.
2. CPT/HCPCS codes are not required when reporting observation room charges; however, if they are reported, the appropriate CPT/HCPCS codes are 99217-99220 and 99234-99236 (packaged observation services.)
3. Bill code G0264:
 - a. When an outpatient is directly admitted to observation with diagnosis *other than* congestive heart failure, chest pain, or asthma; or
 - b. When an outpatient is directly admitted to observation *with* diagnosis of congestive heart failure, chest pain or asthma when the observation *does not* meet the criteria for G0244.

Hospital Billing Requirements for Separate Payment under APC 339 for Observation Services with Diagnosis of Congestive Heart Failure, Chest Pain or Asthma

1. Observation services are billed under revenue code 762, with the appropriate CPT/HCPCS code (99217-99220 and 99234-99236.)
2. Hospital may bill for separate payment under APC 339 using CPT/HCPCS code G0244.
 - a. G0244—Observation care provided by a facility to a patient with congestive heart failure, chest pain or asthma, minimum eight hours.
 - b. Must be billed with revenue code 762.
3. Each observation must be paired with a unique emergency department visit (APC 0610-0612), or clinic visit (APC 0600-0602) or critical care visit (APC 620) or with code G0263 (direct admission.)
 - a. Emergency department visit *or* clinic visit *or* critical care visit is required the day before or the day of observation.
 - b. Direct admission is required on the day of observation.
 - c. If the E/M visit is the same day as G0244, it must be billed with modifier 25.
4. Both G0244 *AND* an emergency department visit *or* a clinic visit *or* a critical care visit *or* G0263 must be billed in addition to the observation services (99217-99220 and 99234-99236.)
5. Both the associated E/M code and observation are paid separately if the observation criteria are met. If the criteria are not met, the observation services are packaged.

6. The required diagnosis must be reported as the admitting or principal diagnosis:

Congestive Heart Failure	Chest Pain	Asthma
391.8	411.0, 411.1, 411.81, 411.89	493.01, 493.02, 493.11, 493.12, 493.21, 493.22, 493.91, 493.92
398.91	413.0, 413.1, 413.9	
402.01, 402.11, 402.91	786.05, 786.50, 786.51, 786.52, 786.59	
404.01, 404.03, 404.11, 404.13, 404.91, 404.93		
428.02, 428.1, 428.20, 428.21, 428.22, 428.23, 428.30, 428.31, 428.32, 428.33, 428.40, 428.41, 428.42, 428.43, 428.9		

Hospital Billing Requirements for Separate Payment under APC 339 for Observation Services With Diagnosis of Obstetric Complications

1. Observation services are billed under revenue code 762, with the appropriate CPT/HCPCS code (99217-99220 and 99234-99236.)
2. The observation must be paired with a unique emergency department visit (APC 0610-0612) or clinic visit (APC 0600-0602) or critical care visit (APC 620) or with code G0264 (direct admission.)
 - a. Emergency department visit *or* clinic visit *or* critical care visit is required the day before or the day of observation.
 - b. Direct admission is required on the day of observation.
3. Both the associated E/M code and the observation are paid separately if the observation criteria are met. If the criteria are not met, the observation services are packaged.



4. The required diagnosis must be reported as the admitting or principal diagnosis:

630	631	640.00, 640.03, 640.80, 640.83, 640.90, 640.93	641.03, 641.13, 641.23, 641.30, 641.33, 641.83, 641.93	642.03, 642.13, 642.23, 642.33, 642.43, 642.50 642.53, 642.60, 642.63, 642.70, 642.73, 642.93
643.00, 643.03, 643.10, 643.13, 643.20, 643.23, 643.80, 643.83, 643.90, 643.93	644.00, 644.03, 644.10, 644.13, 644.20	645.13, 645.23	646.03, 646.10, 646.13, 646.20, 646.23, 646.33, 646.43, 646.53, 646.60, 646.63, 646.70, 646.73, 646.80, 646.83, 646.93	647.03, 647.13, 647.23, 647.33, 647.43, 647.53, 647.63, 647.83, 647.93
648.03, 648.13, 648.23, 648.33, 648.43, 648.53, 648.63, 648.73, 648.83, 648.93	651.03, 651.13, 651.23, 651.33, 651.43, 651.53, 651.63, 651.83, 651.93	652.03, 652.13, 652.23, 652.33, 652.43, 652.53, 652.63, 652.73, 652.83, 652.93	653.03, 653.13, 653.23, 653.33, 653.43, 653.53, 653.63, 653.73, 653.83, 653.93	654.03, 654.13, 654.23, 654.33, 654.43, 654.53, 654.63, 654.73, 654.83, 654.93
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675.03, 675.13, 675.23, 675.83, 675.93	676.03, 676.13, 676.23, 676.33, 676.43, 676.53, 676.63, 676.83, 676.93	792.3	796.5	V28.0, V28.1, V28.2
V61.6				

If you have additional questions regarding billing or covered services,
please contact the ACS Provider Relations Unit at
(307) 772-8401 or toll free at (800) 251-1268.
Call center hours are Monday through Friday from 9am-5pm.



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Public Health Insurance Program



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