Billing & Reimbursement Requirements for Observation Services
Furnished on or After January 1, 2008

Please note: This policy is effective for dates of service of January 1, 2008 and forward.

Effective January 1, 2008, EqualityCare has changed its observation room policy to be consistent with Medicare’s new Calendar Year 2008 billing requirements.

Under EqualityCare’s Outpatient Prospective Payment System (OPPS), observation services are either (1) packaged into an Ambulatory Payment Classification (APC) or (2) paid separately under an APC. Observation room services must be billed using type of bill 13X (general or children’s hospital) or 85X (critical access hospitals). EqualityCare will reimburse hospitals for separately payable observation services for any admitting and principal diagnosis.

As stated above, EqualityCare will reimburse hospitals for observation services, regardless of the admitting and principal diagnosis. Previous policies regarding diagnosis coding for observation room services no longer apply.

I. Observation Room Revenue Category

1. Observation room services should be billed using revenue code 762 and a Current Procedural Terminology (CPT)/Healthcare Common Procedure Coding System (HCPCS) procedure code. Laboratory, radiology, or other diagnostic services should be reported under revenue codes 30X, 31X, 32X, etc., as appropriate.

2. All charges and units of service must be reported.

3. The observation room revenue code requires services that 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.

II. Procedure Code Billing for Observation Room Services

Effective January 1, 2006, procedure codes 99217-99220 and 99234-99236 are no longer recognized by OPPS and are not needed to report observation room services. In addition, procedure codes G0244, G0263 and G0264 were discontinued as of January 1, 2006.

Hospitals must use G0378 (hospital observation service, per hour) to report any observation services, specifically:

1. Hospitals should bill procedure code G0378 when observation services are provided to any patient in observation status, regardless of the patient’s condition or type of admission.

2. Observation service units for G0378 are to be reported as the number of hours that the outpatient is in observation status.
3. If a period of observation spans more than one calendar day, all of the hours for the entire period of observation must be included on a single line and the date of service for that line is the date the patient is admitted to observation.

Hospitals should also bill G0379 (direct admission of patient for hospital observation care) if the patient was directly admitted for hospital observation care, specifically:

1. A direct admission occurs when a physician in the community refers a patient to the hospital for observation, bypassing the clinic or emergency department.

2. Hospitals should bill procedure code G0379 when observation services are the result of a direct admission to observation status without an associated emergency department visit, clinic visit, or critical care service on the day of initiation of observation services.

3. Direct admission service units for G0379 are to be reported as 1 regardless of the number of hours a patient is observed.

III. Separate Payment for Observation Services that Do Not Involve a Direct Admission

To receive a payment through composite APC 8002 (level I extended assessment & management composite), a claim must show:

1. 8 or more units for procedure code G0378 (hourly observation) billed either on the same date of service or the date of service after the outpatient visit; and

   Note: Observation room services billed with a qualifying obstetric diagnosis code (listed in Appendix A) will qualify for payment under composite APC 8002 when the number of units reported with procedure code G0378 (hourly observation) equals or exceeds 1 hour.

2. That no services with a status indicator of “T” (significant procedure subject to multiple procedure discounting) were provided on the same date of service or one day earlier than procedure code G0378.

3. One of the following procedure codes on the same date of service or the day before the observation date of service:
   - 99205 – Office/outpatient visit, new
   - 99215 – Office/outpatient visit, est

   Please see Section IV of this policy for payment through the composite APC 8002 based on a direct admission.

To receive a payment through composite APC 8003 (level II extended assessment & management composite), a claim must show:

1. 8 or more units for procedure code G0378 (hourly observation) billed either on the same date of service or the date of service after the high level emergency department visit or critical care service; and
Observation Services
Effective January 1, 2008 for Dates of service on or after January 1, 2008

Note: Observation room services billed with a qualifying obstetric diagnosis code (listed in Appendix A) will qualify for payment under composite APC 8003 when the number of units reported with procedure code G0378 (hourly observation) equals or exceeds 1 hour.

2. That no services with a status indicator of “T” (significant procedure subject to multiple procedure discounting) were provided on the same date of service or one day earlier than procedure code G0378.

3. One of the following procedure codes on the same date of service or the day before the observation date of service:
   - 99284 – Emergency department visit (Level 4)
   - 99285 – Emergency department visit (Level 5)
   - 99291 – Critical care, first hour

For observation services billed with the procedure codes listed above (99205, 99215, 99284, 99285, 99291), but not meeting one or more of the other criteria, the observation room services will be packaged into one of the below APCs, which corresponds to the APCs for the emergency department visit, critical care service or outpatient visit reported on the claim:
   - 0607 – Level 4 Hospital Clinic Visits
   - 0608 – Level 5 Hospital Clinic Visits
   - 0615 – Level 4 Emergency Visits
   - 0616 – Level 5 Emergency Visits
   - 0617 – Critical Care

IV. Payment for a Direct Admission to Observation (G0379)

Depending on how the service is billed, payment for direct admission to the observation room will either be: (1) paid separately under APC 0604 or composite APC 8002, or (2) packaged into an APC.

To receive a separate payment for a direct admission to observation, a claim must show:

1. Both procedure codes G0378 (hourly observation) and G0379 (direct admission to observation) with the same date of service; and

2. That no services with a status indicator of “T” (significant procedure subject to multiple procedure discounting) or “V” (clinic or emergency department visit) or procedure codes triggering APC 0617 (critical care) were provided on the same date of service or one day earlier than procedure code G0378.

To receive payment under APC 0604, the number of hours/units of service recorded for procedure code G0378 must
be less than 8. To receive payment under composite APC 8002, the number of hours/units of service recorded for procedure code G0378 must be greater than or equal to 8.

Note: Observation room services billed with a qualifying obstetric diagnosis code (listed in Appendix A) and a direct admission will qualify for payment under composite APC 8002 when the number of units reported with procedure code G0378 (hourly observation) equals or exceeds 1 hour.

If a claim for direct admission does not meet the above conditions, then payment for the direct admission will be packaged into payments for other separately payable services in the same encounter.

V. Packaged Payment for Observation

Observation room services that do not meet the billing requirements listed previously are always packaged into a separately payable procedure in the same encounter.
### Appendix A – Qualifying Admitting or Principal Obstetric Diagnoses

<p>| | | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>630</strong></td>
<td><strong>631</strong></td>
<td><strong>640.00, 640.03, 640.80, 640.83, 640.90, 640.93</strong></td>
<td><strong>641.03, 641.13, 641.23, 641.30, 641.33, 641.83, 641.93</strong></td>
<td><strong>642.03, 642.13, 642.23, 642.33, 642.43, 642.50, 642.53, 642.60, 642.63, 642.70, 642.73, 642.93</strong></td>
<td><strong>643.00, 643.03, 643.10, 643.13, 643.20, 643.23, 643.80, 643.83, 643.90, 643.93</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>644.00, 644.03, 644.10, 644.13, 644.20</strong></td>
<td><strong>645.13, 645.23</strong></td>
<td><strong>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</strong></td>
<td><strong>647.03, 647.13, 647.23, 647.33, 647.43, 647.53, 647.63, 647.83, 647.93</strong></td>
<td><strong>648.03, 648.13, 648.23, 648.33, 648.43, 648.53, 648.63, 648.73, 648.83, 648.93</strong></td>
<td><strong>651.03, 651.13, 651.23, 651.33, 651.43, 651.53, 651.63, 651.83, 651.93</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>652.03, 652.13, 652.23, 652.33, 652.43, 652.53, 652.63, 652.73, 652.83, 652.93</strong></td>
<td><strong>653.03, 653.13, 653.23, 653.33, 653.43, 653.53, 653.63, 653.73, 653.83, 653.93</strong></td>
<td><strong>654.03, 654.13, 654.23, 654.33, 654.43, 654.53, 654.63, 654.73, 654.83, 654.93</strong></td>
<td><strong>655.03, 655.13, 655.23, 655.33, 655.43, 655.53, 655.63, 655.73, 655.83, 655.93</strong></td>
<td><strong>656.03, 656.13, 656.23, 656.33, 656.43, 656.53, 656.63, 656.73, 656.83, 656.93</strong></td>
<td><strong>657.03</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>658.03, 658.13, 658.23, 658.33, 658.43, 658.83, 658.93</strong></td>
<td><strong>659.03, 659.13, 659.23, 659.33, 659.43, 659.53, 659.63, 659.73, 659.83, 659.93</strong></td>
<td><strong>660.03, 660.13, 660.23, 660.33, 660.43, 660.53, 660.63, 660.73, 660.83, 660.93</strong></td>
<td><strong>661.03, 661.13, 661.23, 661.33, 661.43, 661.93</strong></td>
<td><strong>662.03, 662.13, 662.23, 662.33</strong></td>
<td><strong>663.03, 663.13, 663.23, 663.33, 663.43, 663.53, 663.63, 663.83, 663.93</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>665.03, 665.83, 665.93</strong></td>
<td><strong>668.03, 668.13, 668.23, 668.83, 668.93</strong></td>
<td><strong>669.03, 669.13, 669.23, 669.43, 669.83, 669.93</strong></td>
<td><strong>671.03, 671.13, 671.23, 671.33, 671.53, 671.83, 671.93</strong></td>
<td><strong>673.03, 673.13, 673.23, 673.33, 673.83</strong></td>
<td><strong>674.03</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>675.03, 675.13, 675.23, 675.83, 675.93</strong></td>
<td><strong>676.03, 676.13, 676.23, 676.33, 676.43, 676.53, 676.63, 676.83, 676.93</strong></td>
<td><strong>792.3</strong></td>
<td><strong>796.5</strong></td>
<td><strong>V28.0, V28.1, V28.2</strong></td>
<td><strong>V61.6</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>