



Reimbursement Policy for Observation

Purpose

This policy is intended to ensure correct provider reimbursement and serves only as a general resource regarding Molina Healthcare's reimbursement policy for the services described in this policy. It is not intended to address every aspect of a reimbursement situation, nor is it intended to impact care decisions. This policy was developed using nationally accepted industry standards and coding principles. In the event of a conflict, federal and state guidelines, as applicable, as well as the member's benefit plan document supersede the information in this policy. Additionally, to the extent there are any conflicts between this policy and the provider contract language, the provider contract language will prevail. Coverage may be mandated by applicable legal requirements of a State, the Federal government or the Centers for Medicare and Medicaid Services (CMS). References included were accurate at the time of policy approval. If there is a state exception, please refer to the state exception table listed below.

Policy Overview

Molina Healthcare follows the observation guidelines outlined in the Current Procedural Terminology (CPT) Manual. Observation care is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment, that are furnished while a decision is being made regarding whether a patient will require further treatment as a hospital inpatient or if the patient is able to be discharged from the hospital. Observation services are commonly ordered for a patient who presents to the Emergency Department (ED) and who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.

Professional Providers

All related Evaluation and Management (E/M) services provided on the same date of service (DOS) by the performing provider are considered integral to the observation care E/M code. Providers billing for unrelated E/M services provided on the same DOS by the same performing provider must append modifier 25 when the service is separately distinct and unrelated to the observation care.

Similarly, all related E/M services, including observation care, provided on the same DOS by the same performing provider are considered integral to an Inpatient E/M admission code. Practitioners providing observation care may report a valid observation E/M CPT code for the professional service(s) on a CMS-1500 Claim Form when the patient is not subsequently admitted as an inpatient on the DOS.

Institutional Providers

Hospital observation codes should be reported whether the observation service is separately payable or packaged. The Healthcare Common Procedure Coding System (HCPCS) observation codes must be used when billing on the UB-04 Claim Form. Hospital observation must be reported with the HCPCS codes G0378 (Hospital Observation Services, Per Hour) and G0379 (Direct Admission of Patient for Hospital Observation Services). Hospitals should not report the CPT codes for physician observation when reporting hospital observation services on the UB-04 Claim Form.

Observation services may not be billed on the same claim as pre-labor monitoring services on revenue code 072x (excluding 0723). When both the 0762 and 072x revenue codes (excluding 0723) are billed on the same claim the claim will be rejected to the provider.

HCPCS code G0378 must be billed with revenue code 0762 and the units equal the number of hours the individual is in an observation status. Providers will not be allowed to bill more than one line of 0762 on the UB-04 Claim Form. HCPCS code G0379 is used when an individual is referred directly to observation care after



being seen by a practitioner in the community and without an associated Emergency Room (ER) visit, hospital outpatient clinic visit, or critical care service on the same DOS as the initiation of observation care. G0379 may be reported with only one unit and must be billed in conjunction with G0378.

If a patient has two distinct observation stays on the same or overlapping days, separate claims may be submitted for each stay. However, if documentation supports that an early discharge resulted in the second stay, the charges for the Observation Care may be combined onto one claim.

Time

Observation time starts at the time documented in the nurse's notes as to when the patient entered an observation status. Observation time ends at the time documented in the Physician or Other Qualified Healthcare Professional (QHP) discharge orders. This time should coincide with the end of the patient's treatment in observation.

Direct referrals observation time begins after the patient arrives at the facility and it is documented in the medical record that observation time has started. Hospitals should round to the nearest hour when reporting observation care; however, the total time should exclude any "carved out" time that carry an inherent time component for the service being billed (e.g., emergency room services, infusion services, services rendered billed exclusively by time, surgical, diagnostic, therapeutic services, etc.).

Observation Greater than 48 Hours

Per CMS, "Observation services generally do not exceed 24 hours. It should be very rare that observation services should exceed 48 hours; usually they will be less than 24 hours in duration." Molina Healthcare will reimburse for observation up to 72 hours, however, any claim that is submitted with observation hours greater than 48 hours will require medical records to be submitted with the claim.

Reimbursement

Reimbursement will be the lesser of charges or the fee schedule rate. The uniform payment rate will be based on the number of hours the patient is in an observation status. Separate rates have been established for 0-5 hours, 6-36 hours, 37-72 hours and > 72 hours. When observation care is present on a surgical claim, the observation room charges will continue to be included in the surgical roll-up methodology. Other services rendered in conjunction to Observation Care need to be billed separately.

Enhanced Ambulatory Patient Groups (EAPG)

Claims priced under EAPG, when observation care is present on a surgical claim, reimbursement will be packaged with a significant procedure EAPG. Separate payment will be allowed for observation care with a medical visit EAPG.

Outpatient Observation vs Inpatient DRG Payment Methodology

Any outpatient claims billing observation greater than 24 hours, may be audited by Molina Healthcare to determine if it is more cost effective to pay the inpatient DRG rate for those claims. Molina Healthcare will reimburse the facility the lesser of the outpatient payment or the inpatient DRG rate.

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.

Coding & Billing Guidelines

The below guidelines outline the correct billing for professional and facility claims based on the individual scenario and claim forms used.

| Scenario | CMS-1500 Claim Form | UB-04 Claim Form |
|---|---|--|
| <p>Observation Care & Inpatient Admission on same DOS with inpatient discharge</p> | <p>Admission & Discharge (A&D)</p> <ul style="list-style-type: none"> • Report Initial Observation/Inpatient (Including A&D) E/M (99234-99236) <p>Place of Service</p> <ul style="list-style-type: none"> • 19 or 22 <p>Note: Performing provider may not separately report any E/M codes for evaluations related to the inpatient admission</p> | <p>Type of Bill</p> <ul style="list-style-type: none"> • Inpatient 111 <p>Revenue Code</p> <ul style="list-style-type: none"> • 0762 |
| <p>Observation Care & Inpatient Admission on same DOS with inpatient admission spanning more than one DOS</p> | <p>Date of Admission</p> <ul style="list-style-type: none"> • Report Initial Hospital E/M (99221-99223) <p>Subsequent Hospital Care</p> <ul style="list-style-type: none"> • Report Each Subsequent Day Hospital E/M (99231-99233) <p>Discharge Date</p> <ul style="list-style-type: none"> • Report Discharge Hospital E/M (99238-99239) <p>Place of Service</p> <ul style="list-style-type: none"> • 21 <p>Note: Performing provider may not separately report any E/M codes for evaluations related to the inpatient admission</p> | <p>Type of Bill</p> <ul style="list-style-type: none"> • Inpatient 111 <p>Revenue Code</p> <ul style="list-style-type: none"> • 0762 |

| | | |
|--|--|---|
| <p>Observation E/M not resulting in an inpatient admission</p> | <p>One DOS</p> <ul style="list-style-type: none"> Report Initial Observation/Inpatient E/M (99234-99236) <p>Spanning Two DOS</p> <ul style="list-style-type: none"> Report Prolonged Inpatient/Observation E/M (99418) <p>Spanning Multiple DOS</p> <ul style="list-style-type: none"> Report Prolonged Inpatient/Observation E/M (99418) Report Each Subsequent Day Observation E/M (99231-99233) <p>Place of Service</p> <ul style="list-style-type: none"> 19 or 22 <p>Note: Performing provider may not separately report any E/M codes for evaluations related to the Observation Care</p> | <p>Observation Care Per Hour Type of Bill</p> <ul style="list-style-type: none"> Outpatient 131 <p>Revenue Code</p> <ul style="list-style-type: none"> 0762 <p>HCPCS Code</p> <ul style="list-style-type: none"> G0378 <p>Note: Units must list total hours patient was in observation care status</p> <p>Direct Observation Care from Community Setting Type of Bill</p> <ul style="list-style-type: none"> Outpatient 131 <p>Revenue Code</p> <ul style="list-style-type: none"> 0760, 0761 or 0769 <p>HCPCS Codes</p> <ul style="list-style-type: none"> G0379 & G0378 <p>Note: G0379 must be reported with one unit and be billed on same date as G0378</p> |
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Limitations & Exclusions

While reimbursement is considered, payment determination is subject to, but not limited to:

- Group or Individual benefit
- Provider Participation Agreement
- Routine claim editing logic, including but not limited to incidental or mutually exclusive logic, and medical necessity
- Mandated or legislative required criteria will always supersede.

In instances where the provider is participating, based on member benefits, co-payment, coinsurance, and/or deductible shall apply.

Documentation History

| Type | Date | Action |
|----------------|------------|------------|
| Effective Date | 01/01/2023 | New Policy |
| Revised Date | | |

State Exceptions

| State | Exception |
|-------|--|
| NV | Providers maybe excluded from some elements of this reimbursement policy per state guidelines. |

References

- Current Procedural Terminology (CPT) Manual
- Healthcare Common Procedure Coding System (HCPCS) Manual
- <https://www.cms.gov/medicare-coverage-database/view/article.aspx?articleId=52985#:~:text=Observation%20services%20generally%20do%20not,outpatient%20surgery%20are%20not%20recognized>