AAPC

HEALTHCON

Outpatient Observation Services

Presented by:

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Definition

MCR Benefit Policy Manual, CMS 100-02, Chapter 6, 20.6

A. Outpatient Observation Services Defined

- Observation care is 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.

- Same language in MCR Claims Processing Manual, CMS Pub. 100-04, Chapter 4, §290.1.

Observation

- OPPS regulation (FR 11/30/01)
  - “OBS is an active treatment to determine if a patient’s condition is going to require that s/he be admitted as an inpatient; or patient condition resolves itself so that patient may be discharged.”

Observation

- Medicare HIM 10 Manual (Section 455)
  - “OBS services are those services furnished on a hospital premise including the use of a bed, periodic monitoring by nurses or other staff which are reasonable and necessary to evaluate an outpatient’s condition to determine the need for possible admission as an inpatient.”

Observation Rules

- In terms of Medicare benefits
  - Patient is regarded as an outpatient
  - Billing under Medicare requires Medicare Part B entitlement
  - Payment is based on extended assessment composite APCs or reasonable cost for Critical Access Hospitals (CAHs)

Definition

MCR Benefit Policy Manual, CMS 100-02, Chapter 6, 20.6

A. Outpatient Observation Services Defined

- Observation services are commonly ordered for patients
  - who present to the emergency department and
  - who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.

Definition

MCR Benefit Policy Manual, CMS 100-02, Chapter 6, 20.6

A. Outpatient Observation Services Defined

- Observation services are covered when provided by the order of a physician or another individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests.

Provider Documentation

- **Observation order** with date and time
  - "Admit to Observation"
  - Observation orders may not be back dated/timed
- Standard H&P
- Reason for observation/physician intent
  - Initial assessment/patient's risk
  - Treatment(s) initiated/planned
- Periodic assessments/progress notes
  - Major changes in condition and action taken
  - Status of unresolved problems
- Goal of care ordered, measurable point at which time goal was met
- **Discharge order**/summary with date and time

Observation Status Orders

Clear, Simple Orders
Signed and dated

- Appropriate
  - *Observation status*
  - Place patient in outpatient observation
  - Observation status due to dehydration

- Inappropriate
  - ~~Inpatient admission to observation~~
  - ~~Admit to observe~~
  - ~~Admit~~

Definition

MCR Benefit Policy Manual, CMS 100-02, Chapter 6, 20.6
A. Outpatient Observation Services Defined

- The decision whether to discharge a patient observation care or to admit the patient as an inpatient can be made in less than 48 hours.
  - usually in less than 24 hours
  - reasonable and necessary services spanning greater than 48 hours are rare and exceptional cases

Observation

- Begins with documented date/time of physician order
- Ends when all medical treatment has been completed, including follow-up care

- MCR requires a minimum of 8 medically necessary observation hours to qualify for payment
- If patient remains in observation status for 24 hrs., documentation must include:
  - The need to continue observation, or
  - The need to convert to an inpatient, or
  - Discharge plan and follow up as appropriate

Medicare Outpatient Observation Notice (MOON)

- Announcement made by MCR December, 2016

- Educates MCR beneficiaries on the effect of outpatient status, eliminating any surprises beneficiaries may experience
  - as it pertains to cost-sharing requirements (receiving large out-of-pocket costs for a hospital stay in which they received outpatient observation services but were not admitted as inpatients) and
  - skilled nursing facility (SNF) eligibility(learning that time spent under observation does not count toward their eligibility for SNF coverage)

- Published by CMS to implement the Notice of Observation Treatment and Implication for Care Eligibility Act (the NOTICE Act), enacted on August 6, 2015

Medicare Outpatient Observation Notice (MOON)

Beginning on March 8, 2017

- Hospitals and critical access hospitals must provide the MOON to Medicare beneficiaries receiving observation services as an outpatient for more than 24 hours.

- The MOON must be provided no later than 36 hours from the time the beneficiary begins receiving outpatient observation services (or, if sooner, upon release).

- The MOON must be accompanied by an oral explanation of the information in the form and must be signed by the beneficiary or the beneficiary's representative.
  - Failure to provide the MOON to applicable beneficiaries is considered a violation of the hospital's Medicare provider agreement and could result in termination of the hospital's Medicare provider agreement.

Medicare Outpatient Observation Notice (MOON)

What should hospitals do?

- Ensure understanding of the NOTICE Act requirements
- Implement applicable policies and procedures for MOON compliance prior to March 8, 2017
- A copy of the MOON is available at: https://www.cms.gov/Regulations-and-Guidance/Legislation/PaperworkReductionActof1995/PRA-Listing-Items/CMS-10611.html

Definition

MCR Benefit Policy Manual, CMS 100-02, Chapter 6, 20.6
A. Outpatient Observation Services Defined

- Effective for services furnished on or after January 1, 2003, hospitals may bill for patients directly referred for observation services.
  - A direct referral occurs when a physician in the community refers a patient to the hospital for outpatient observation, bypassing the clinic or emergency department (ED) visit.

Observation Is Not Appropriate

- A substitute for an inpatient admission
- Medical necessity is not met
  - Admit/discharge note w/out evidence of ongoing interaction and assessment
- Services that are part of another Part B service
  - Post-op monitoring during standard recovery period (i.e.: 4-6 hours)
- Medically stable patients who need diagnostic testing
  - Routine prep prior to or recovery following
- Standing orders for observation
  - orders written prior to outpatient surgery
  - routine post-op care
- Awaiting an inpatient bed (admit from ED)

Observation Is Not Appropriate

- Services requiring “active monitoring”
- Outpatient blood administration
- Provided concurrently w/ chemotherapy
- For lack of/or delay in transportation
- Awaiting transfer to another facility
- Custodial care
- Convenience of patient/family
  - Social admissions
- Convenience of provider and/or facility

Observation Status Considerations

- Chest pain
- CHF/Asthma
- Dehydration
- Abdominal-Gastrointestinal conditions
- Head or back injuries
- Headaches/ Migraines
- Seizures
- Complications post surgery
- Psychiatric crisis

Guidance ONLY (not all inclusive)

Example

- Rule out MI
  - In low risk chest pain, evaluation can be done within first 24 hours under observation status
  - Inpatient stay not necessary unless significant comorbidities exist or significant pathology is detected
  - Use of cardiac monitoring devices on otherwise stable patient does not signify critical care, regardless of physical location

Examples

- Asthma or COPD
  - Often respond to aggressive treatment in the ED/observation unit
  - Inpatient admission not medically necessary unless the attack is unusually severe, the patient failed to respond to initial treatment during observation, of prolonged inpatient stay is expected due to other comorbidities

Questions to Consider

- Can necessary care be rendered in ED and patient discharged?
- Will care be necessary for greater than 48 hours?
- Is medical status unclear?

- Requires observation status?
- Requires inpatient admission?

  Severity of Illness and Intensity of Treatment to be provided should justify the need for an acute level of care.

Acute Inpatient Admissions

- IOM 100-02, Chapter 1, Section 10
  - An **inpatient** is a person who has been admitted to a hospital for bed occupancy for purposes of receiving inpatient hospital services. Generally, a patient is considered an inpatient if formally admitted as inpatient with the expectation that he or she will *require hospital care that is expected to span at least two midnights* and occupy a bed even though it later develops that the patient can be discharged or transferred to another hospital and not actually use a hospital bed overnight.

  - https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c01.pdf

Acute Inpatient Admissions

- The physician or other practitioner responsible for a patient's care at the hospital is also responsible for deciding whether the patient should be admitted as an inpatient.

- Physicians should use *the expectation of the patient to require hospital care that spans at least two midnights* period as a benchmark, i.e., they should order admission for patients who *are expected to require a hospital stay that crosses two midnights and the medical record supports that reasonable expectation.*

- https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c01.pdf

Acute Inpatient Admissions

- The decision to admit a patient is a complex medical judgment which can be made only after the physician has considered a number of factors, including the patient's medical history and current medical needs, the types of facilities available to inpatients and to outpatients, the hospital's by-laws and admissions policies, and the relative appropriateness of treatment in each setting.

- https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c01.pdf

Acute Inpatient Admissions

Factors to be considered for admission include such things as:

- The severity of the signs and symptoms exhibited by the patient;
- The medical predictability of something adverse happening to the patient;
- The need for diagnostic studies that appropriately are outpatient services (i.e., their performance does not ordinarily require the patient to remain at the hospital for 24 hours or more) to assist in assessing whether the patient should be admitted; and
- The availability of diagnostic procedures at the time when and at the location where the patient presents.

  https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c01.pdf

- Review of case management criteria (Milliman, Interqual, etc.)

Observation to Inpatient Conversion

- A physician may change an observation order to acute inpatient admission at anytime during the patient's stay; while patient is still in house
  - The date the admission order is written is the first day of inpatient care
    - Part A benefits
    - CMS-R-193 (Patient's Rights)
  - An inpatient order can not be back dated/timed

Inpatient to Observation

- A physician's order for observation may be written which then changes the overall patient status from inpatient to outpatient observation
  - Admission criteria for coverage is not met under specific circumstances
  - We call this the "Condition Code 44" scenario

- CMS allows for change if
  - Patient is still a patient of the hospital (prior to discharge)
  - Physician concurs with decision (UR committee)
  - Concurrence documented in medical record
  - Hospital has not submitted a claim to MCR

Condition Code (CC) 44 Reporting

- The CMS policy for changing a patient status and use of the CC 44 requires a Utilization Review (UR) committee determination with physician concurrence
  - 42 CFR 482.30
    - Usually two UR physician members are needed to make medical necessity decisions related to covered admissions
    - One physician member of the UR committee may make the determination for the committee that the inpatient admission is not medically necessary if the attending concurs or fails to present views when afforded the opportunity
    - The physician member of the UR committee must be a different person than the attending physician who is responsible for the care of the patient
    - Patient must be notified in writing of his/her patient status change

Use of CC 44

- Post-UR determination while patient is still receiving care
  - The medical record must be thoroughly be documented with the change along with notes indicating why the change is being made
  - Orders cannot be expunged or deleted; must be retained in their original form
- UB claim is generated for outpatient services (TOB 13x or 85x) and a CC 44 is reported

Billing Observation/CC 44

- CMS instructs that retroactive orders, or the inference of such order, are not permitted
  - Observation clock time begins at the time the observation services are initiated in accordance with written orders
    - This occurrence marks the first hour of observation from a billing perspective
      - Revenue code 0762, HCPCs code G0378
    - All hours prior to this written order may be reported to Medicare through UB04 billing (not payment)
      - Uncoded revenue code 0762 with units and charges

Billing Observation

- Billing for Hours of Observation

  - As stated, Observation time begins at the clock time documented in the patient's medical record, which coincides with the time that observation care is initiated in accordance with a physician's order
  - Hospitals should round to the nearest hour
  - Each hour of care must meet medical necessity for coverage with active physician involvement
  - Covered Observation time ends when all medically necessary services related to observation care are completed
  - Physician discharge order written

Observation Services

- In situations where a procedure or medical service interrupts observation services
- Observation services should not be billed concurrently with diagnostic or therapeutic services for which active monitoring is part of the procedure (i.e.: colonoscopy, chemotherapy)
- Hospitals may determine the most appropriate way to account for this time
  - Record for each period of observation the beginning and ending times though out the hospital outpatient encounter
    - Add the length of time for the periods of observation services together to reach the total number of units reported on the claim for the hourly observation services
    - HCPCs code G0378 (hospital observation service, per hour)
  - Develop policies to describe
    - Services that will require carve-out hours to be carved out (active monitoring)
    - List of drugs that require “active monitoring”
    - Time to carve out for services (actual vs. average)

Billing Observation

- Hospitals should not report services that are part of another Part B service as observation care
  - For example:
    - Postoperative monitoring during a standard recovery period (e.g., 4-6 hours), which should be billed as recovery room services
    - Routine preparation services furnished prior to diagnostic testing and recovery afterwards are included in the payments for those diagnostic services
    - Observation services should not be billed concurrently with diagnostic or therapeutic services for which active monitoring is a part of the procedure (e.g., colonoscopy, chemotherapy).

Payment for Observation

- OPPS
  - Composite APCs provide a single payment for observation combined with a comprehensive diagnostic and/or treatment service
  - CMS makes a single payment for combined services as a whole, rather than paying for each code (APC) individually

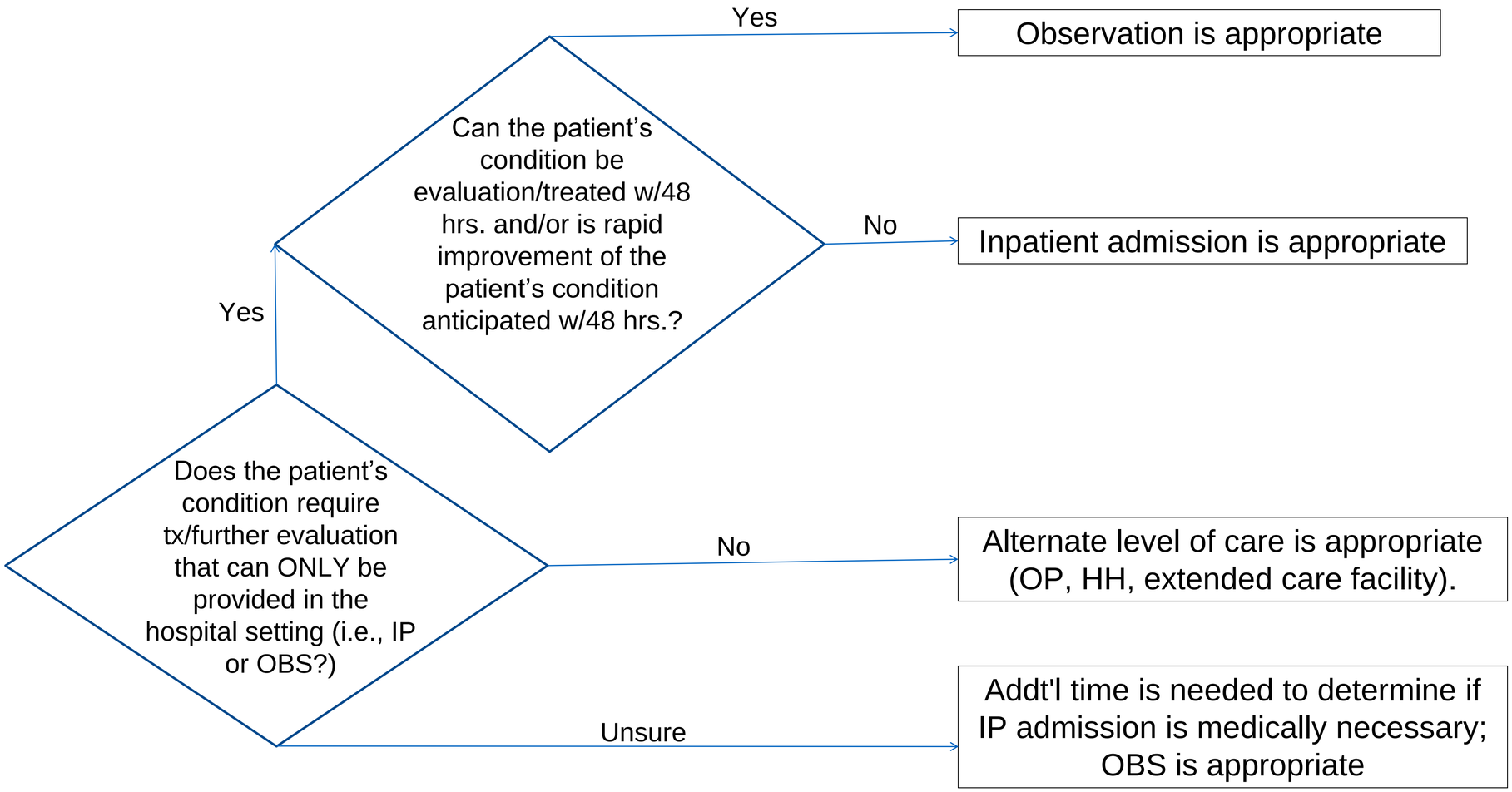
Payment for Observation

- Critical Access Hospital (CAH)
  - CAHs are paid 101% of reasonable cost for all covered outpatient services
    - Observation services included

Alternative Billing for Non-covered Inpatient Care

- Inpatient admissions found not to be covered at post-patient discharges or Medicare requirements for Observation CC 44 not met
  - Hospital may bill for certain ancillary services via the use of bill type 12x
    - Part B billing for inpatient services
    - Used when payment cannot be made under Part A
      - Refer to IOM 100-02, Chapter 6, Section 10
        - Diagnostics, therapies, prosthetics and orthotics

Observation or Inpatient Admission?



Observation – Professional Services

- Hospital Observation Services
  - Patient is designated or admitted to observation status in the hospital
  - No CPT® guideline on length of observation stay

- Observation Care Discharge Services
  - If discharge is on date other than date admitted to observation

- Subsequent Observation Care
  - Patient is seen on a date other than the date of admit or discharge to observation

Hospital Observation Services

- **99234-99236**

- **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:

HOSPITAL OBSERVATION										
	Adm/Disch Same Day *(3 of 3)*			Initial *(3 of 3)*			Subsequent *(2 of 3)*			Observation Discharge
Hx	D / C	C	C	D / C	C	C	PF	EPF	D	
Ex	D / C	C	C	D / C	C	C	PF	EPF	D	
MDM	SF / L	M	H	SF / L	M	H	SF / L	M	H	
	99234-40	99235-50	99236-55	99218-30	99219-50	99220-70	99224-15	99225-25	99226-35	99217

Observation Services

- **EXAMPLE:** An established patient presents to her physician's office on Monday. During the evaluation of the patient, the physician decides to send the patient over to the hospital to be admitted to observation care for further treatment and monitoring.

- Since it is later in the day, the physician does not see the patient in the observation setting until the next morning (Tuesday) but calls in orders and keeps in touch with the nursing staff. On Tuesday, the physician performs an initial observation care service on the patient in the observation setting and then determines that the patient has improved significantly enough to be discharged.

Observation Services

- **EXAMPLE Continued**

- **Correct Coding (Professional)**
  - **99212-99215 DOS: Monday**
  - **99234-99236 DOS: Tuesday**

  - This is because from the reporting physician's perspective, observation care was initiated and discharge services were performed on the same date. The instructions in the descriptor of 99217 relate to the professional services performed, not the date used by the facility.
    - Observation Care Scenarios
    - CPT Assistant, **September 2010** Page: 4, 5 Category: Coding Brief

Hospital Observation Services

- **99221-99223**
- **Initial hospital care,** per day, for the evaluation and management of a patient which requires these 3 key components:

HOSPITAL INPATIENT						
	Initial *(3 of 3)*			Subsequent *(2 of 3)*		
Hx	D / C	C	C	PF	EPF	D
Ex	D / C	C	C	PF	EPF	D
MDM	SF / L	M	H	SF / L	M	H
	99221-30	99222-50	99223-70	99231-15	99232-25	99233-35

- Patients admitted to hospital on date of observation admission
- If patient admitted to hospital the day after observation admission, both observation admission code and initial hospital admit code can be reported

Hospital Observation Services

- CPT 99217-99226
- Can be performed anywhere in the facility on patients designated/admitted as “observation status”
- Reported only by physician who admits and is responsible for patient while in observation
- Other physicians seeing patients while in observation report services with outpatient E/M (99201-99215, 99241-99245)

Hospital Observation Services

- **99217 Observation care discharge** day management
  - This code is to be utilized to report all services provided to a patient on discharge from "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.])
  - Includes final examination of the patient, discussion of the hospital stay, instructions for continuing care, and preparation of discharge records.

Hospital Observation Services

- **99218-99220**

- **<u>Initial observation care</u>,** per day, for the evaluation and management of a patient which requires these <u>3</u> key components:

HOSPITAL OBSERVATION										
	Adm/Disch Same Day *(3 of 3)*			Initial *(3 of 3)*			Subsequent *(2 of 3)*			Observation Discharge
Hx	D / C	C	C	D / C	C	C	PF	EPF	D	
Ex	D / C	C	C	D / C	C	C	PF	EPF	D	
MDM	SF / L	M	H	SF / L	M	H	SF / L	M	H	
	99234-40	99235-50	99236-55	99218-30	99219-50	99220-70	99224-15	99225-25	99226-35	99217

Hospital Observation Services

- **99224-99226**

- **<u>Subsequent observation care</u>,** per day, for the evaluation and management of a patient, which requires at least <u>2 of these 3</u> key components:

HOSPITAL OBSERVATION										
	Adm/Disch Same Day *(3 of 3)*			Initial *(3 of 3)*			Subsequent *(2 of 3)*			Observation Discharge
Hx	D / C	C	C	D / C	C	C	PF	EPF	D	
Ex	D / C	C	C	D / C	C	C	PF	EPF	D	
MDM	SF / L	M	H	SF / L	M	H	SF / L	M	H	
	99234-40	99235-50	99236-55	99218-30	99219-50	99220-70	99224-15	99225-25	99226-35	99217

Observation Services

- **EXAMPLE:** An established patient presents to her physician's office on Monday. During the evaluation of the patient, the physician decides to send the patient over to the hospital to be admitted to observation care for further treatment and monitoring.
    - Since it is later in the day, the physician does not see the patient in the observation setting until the next morning (Tuesday) but calls in orders and keeps in touch with the nursing staff.
- On Tuesday, the physician performs an E/M service on the patient in the observation setting and determines that the patient is not improving enough to be discharged.
- The physician returns on Wednesday morning and determines that the patient has improved enough to be discharged.

Observation Services

- **EXAMPLE Continued**

- **Correct Coding (Professional)**
  - **99212-99215 DOS: Monday**
  - **99218-99220 DOS: Tuesday**
  - **99217 DOS: Wednesday**

  - In this case observation initiation and discharge services were performed on different days.
    - Observation Care Scenarios
    - CPT Assistant, **September 2010** Page: 4, 5 Category: Coding Brief

MCR Benefit Policy Manual, CMS 100-02, Chapter 6, 20.6
B. Coverage of Outpatient Observation Services

- All hospital observation services, regardless of the duration of the observation care, that are medically reasonable and necessary are covered by Medicare.
- Observation services are reported using HCPCS code G0378.
- 01/01/2008, G0378 is assigned SI N, payment is always packaged.
  - Billing and payment information prior to CY2008, see Pub. 100-04, MCR Claims Processing Manual, Chapter 4, 290.3-2904.4
- In most circumstances, observation services are supportive and ancillary to the other separately payable services provided to a patient.
- 01/01/2016, certain circumstances when observation care is billed in conjunction with a clinic visit, Type A ED visit (level 1-5), Type B ED visit (level 1-5), critical care services, or direct referral for observation services an integral part of a patient's extended encounter of care, comprehensive payment may be made for all services on the claim including, the entire extended care encounter when certain criteria are met.

Observation Services

G0378 Hospital observation service, per hour

- Use when observation services are ordered and provided to any patient regardless of the patient's condition
- Units of service should equal the number of hours the patient receives observation services

Observation Services

G0378 Hospital observation service, per hour

- Payment is for hospital outpatient only
- Not payable under the physician fee schedule
- Status Indicator N
  - **Packaged** Items and Services Packaged into APC Rates Paid under OPPS; payment is packaged into payment for other services. Therefore, there is no separate APC payment.

Observation Services

- **EXAMPLE:** Patient is admitted to observation at 2 pm on Friday (February 1, XXXX) and is discharged from observation to home care at 6 pm on Saturday (February 2, XXXX)
  - Equals 28 Hours
    - 10 hours of observation on Friday and
    - 18 hours of observation on Saturday

- **Correct Coding**
  - **G0378 28 Units (1 unit = 1 hour) DOS: 01/01/XXXX**

- Observation admission on one date w/ discharge on another date
  - When the patient is admitted to observation on one date and discharged on another date, report all units of HCPCS code *G0378,* on a single line with the date of service on which the patient is admitted to observation
    - Coding Clinic for HCPCS – First Quarter 2007 Page 10
    - Additional information, CMS Internet only Claims Processing Manual 100-4 Chapter 4 section 290.2

Observation Services

- **Patient with services requiring active monitoring**

- **EXAMPLE:** Patient is admitted to observation at 2 pm on Friday (February 1, XXXX) and is discharged from observation to home care at 6 pm on Saturday (February 2, XXXX)
  - Equals 28 Hours
    - 10 hours of observation on Friday and
    - 18 hours of observation on Saturday
- Colonoscopy at 8:00-10:00am Saturday (February 2, XXXX)

- **Correct Coding**
  - **G0378 26 Units DOS: 01/01/XXXX**
    (1 unit = 1 hour; 28 minus 2 hours active monitoring)

Observation Services

G0379 Direct admission of patient for hospital observation care

- Payment is for hospital outpatient only
- Not payable under the physician fee schedule
- Status Indicator J2
  - **Hospital Part B Services That May Be Paid Through a Comprehensive APC** Paid under OPPS; Addendum B displays APC assignments when services are separately payable.

Observation Services

G0379 Direct admission of patient for hospital observation care

- Use when observation services are the result of a direct referral for observation care without an associated ED visit, hospital outpatient clinic visit, critical care services, or hospital outpatient surgical procedure (SI “T” procedure) on the day of initiation of observation services

- Hospitals should only use when a patient is referred directly for observation care after being seen by a physician in the community

Observation Services

AHA Coding Clinic for HCPCS
Observation reporting after outpatient surgery
Coding Clinic for HCPCS – First Quarter 2007 Page 7

- **Question:** Is it appropriate to report HCPCS code G0379 when a patient is admitted for observation, which is medically necessary, after undergoing a procedure in the hospital's outpatient surgery department?

- **ANSWER:**
- The placement of the patient in observation after services are provided in the hospital (e.g. surgery, emergency department visit, or outpatient clinic visit), is not considered a direct admission to observation.
  - Therefore, it would be inappropriate to report HCPCS code *G0379, Direct admission of patient for hospital observation care*, for a patient being admitted to observation following outpatient surgery.

Observation Services

AHA Coding Clinic for HCPCS
Observation direct admission
Coding Clinic for HCPCS – First Quarter 2005 Page 9

- Claims for direct admission to observation where the patient is seen by a physician in the community and is then directly admitted into a hospital for outpatient observation care that is not separately payable are paid a rate equal to that of a low-level clinic visit (APC 0600).
- In order to receive separate payment for a direct admission into observation, the claim must show both HCPCS codes G0378 (hourly observation) and G0379 (direct admit to observation) with the same date of service.
- No services with a status indicator of "T" or "V" or critical care (APC 0620) may be provided on the same day of service as HCPCS code G0379.
- Facilities are encouraged to view future CMS transmittals for instructions on how to appropriately report both HCPCS codes G0378 and G0379.

Observation

Frequent Findings

- Conflicting orders
- Date/time not documented
  - Initial order and discharge
- Documentation does not support medical necessity – especially continued services
- Provider signatures

THANK YOU

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