



## REIMBURSEMENT POLICY

### Observation Care Services

Active

**Policy Number:** Evaluation and Management - 004  
**Policy Title:** Observation Care Services  
**Section:** Evaluation and Management  
**Effective Date:** 05/19/15

**Product:**                     Commercial     FEP     Medicare Advantage     Platinum Blue

#### Description

This policy addresses coding and reimbursement for observation care services submitted on a professional electronic claim format (837P).

#### Definitions

**Observation Care:** As defined by the Centers for Medicare and Medicaid Services (CMS), 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 patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital. 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.

#### Policy Statement

The HCPCS/CPT codes for observation services are defined as initial (99218-99220), subsequent (99224-99226), admit and discharge same day (99234-99236) and discharge observation (99217).

Correct reporting of observation depends on the number of hours a patient spends in observation care.

Patient time in observation	Date of discharge	Report
Less than eight (8) hours	Same calendar date	99218-99220 NOTE: do not report separate code for discharge (99217)
Minimum of eight (8) hours, but less than 24 hours and discharged	Same calendar date	99234-99236 NOTE: do not report separate code for discharge (99217)
Admitted for observation care and then is discharged on the next calendar date	Calendar date two	Initial day: 99218- 99220 Discharge day: 99217

Remains in observation for three days	Calendar date three	Initial day: 99218-99220 Subsequent day: 99224-99226 Discharge day: 99217
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Observation codes are only to be billed by the physician ordering/supervising observation services. All other physicians who provide consultations or additional evaluations or services while the patient is receiving observation services must bill the appropriate non-observation, outpatient service code(s).

**Initial Observation Care**

Payment for initial observation care (99218-99220) is for all the care rendered by the ordering/supervising physician on the date observation services began.

**Subsequent Observation Care**

Payment for subsequent observation care (99224--99226) is for all the care provided by the ordering/supervising physician on the days other than the initial or discharge date.

**Observation Care Discharge Services**

Observation care discharge day management (99217) includes all services provided to a patient on discharge from observation status and is only to be reported when discharge occurs on a date other than the initial date of observation status. Code 99217 should not be reported when a patient is admitted and discharged from observation on the same calendar date, or when a patient is admitted to inpatient status on the same calendar date.

**Admission to Inpatient Status Following Observation Care**

If the ordering/supervising physician admits the patient to inpatient status from observation, only the initial hospital visit evaluation and management code (99221-99223) should be reported on that date. Reimbursement for the initial hospital visit includes all services provided to the patient on the date of admission by that physician regardless of the site of service. Charges for initial, subsequent or discharge observation services on the date of admission to inpatient status will not be separately reimbursed. Refer to *Evaluation and Management - 003 Hospital and Skilled Nursing Facility Care Reimbursement Policy*.

**Observation Care Services During the Global Period**

Observation care codes are not separately reimbursable during the global period of a procedure or service unless the criteria for use of CPT modifiers 24, 25 or 57 is met. Observation care services during a global period are included in the global surgical package. Refer to *Surgery/Intervention Procedure - 007 Global Surgical Package Reimbursement Policy*.

**Documentation Submission**

When billing observation care codes, there must be supporting medical record documentation, including timed and dated physician orders for observation services, nursing notes and physician progress notes. Documentation of observation services must be in addition to emergency department or outpatient clinic records. If a denial is appealed, this documentation must be submitted with the appeal.

## Coverage

Eligible services will be subject to the subscriber benefits, Blue Cross fee schedule amount and any coding edits.

### The following applies to all claim submissions.

All coding and reimbursement is subject to all terms of the Provider Service Agreement and subject to changes, updates, or other requirements of coding rules and guidelines. All codes are subject to federal HIPAA rules, and in the case of medical code sets (HCPCS, CPT, ICD), only codes valid for the date of service may be submitted or accepted. Reimbursement for all Health Services is subject to current Blue Cross Medical Policy criteria, policies found in the Provider Policy and Procedure Manual sections, Reimbursement Policies and all other provisions of the Provider Service Agreement (Agreement).

In the event that any new codes are developed during the course of Provider's Agreement, such new codes will be paid according to the standard or applicable Blue Cross fee schedule until such time as a new agreement is reached and supersedes the Provider's current Agreement.

All payment for codes based on Relative Value Units (RVU) will include a site of service differential and will be calculated using the appropriate facility or non-facility components, based on the site of service identified, as submitted by Provider.

## Coding

The following codes are included below for informational purposes only and are subject to change without notice. Inclusion or exclusion of a code does not constitute or imply subscriber coverage or provider reimbursement.

<b>CPT/HCPCS Modifier:</b>	24	25	57				
<b>ICD-10 Diagnosis:</b>	N/A						
<b>ICD-10 Procedure:</b>	N/A						
<b>CPT/HCPCS:</b>	99217	99218	99219	99220	99221	99222	99223
	99224	99225	99226	99234	99235	99236	
<b>Revenue Codes:</b>	N/A						

## Cross Reference

<b>Cross Reference:</b>	Evaluation and Management – 003 Hospital and Skilled Nursing Facility Care
	Facility 007 – Hospital Observation Care Services
	Surgery/Interventional Procedure – 007 Global Surgical Package

## Resources

Current Procedural Terminology CPT®
Medicare Claims Processing Manual, Chapter 12 – Physicians/Nonphysician Practitioners, 30.6.8

### Policy History

05/19/2015	Initial Committee Approval Date
06/09/2016	Annual Policy Review
08/02/2017	Annual Policy Review
04/06/2020	Annual Policy Review
05/27/2021	Annual Policy Review
07/26/2022	Annual Policy Review: Added information regarding initial, subsequent and discharge observation services, admission to inpatient status following observation care, observation care services during the global period, documentation requirements; Created a separate facility policy, Facility – 007 Hospital Care Services.

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