Title:	Observation Reimbursement				
Department/Line of Business:	All SWHP & ICSW				
Approver(s):	VP Medical Delivery Systems, Director of Claims, Chief Medical Officer				
Location/Region/Division:	SWHP				
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LINE OF BUSINESS

This document applies to the following line(s) of business:
All SWHP
All ICSW

DEFINITIONS

When used in this document with initial capital letter(s), the following word(s)/phrase(s) have the meaning(s) set forth below unless a different meaning is required by context. Additional defined terms may be found in the BSWH P&P Definitions document.

Observation: 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.

Observation status: Is commonly assigned to patients who present to the emergency department and who then require a significant period of treatment or monitoring before a decision is made concerning their admission or discharge. Medicare Benefit Manual (Pub. 100-2) Chapter 6 §20.6 Outpatient Observation

POLICY

Scott & White Health Plan will reimburse observations as performed for our members as long as they meet the criteria set forth within this document.

PROCEDURE

Coverage

1. When an inpatient admission is changed to outpatient, consistent with Medicare billing guidelines, a provider may submit an outpatient claim for medically necessary services furnished during the stay only if all code 44 criteria are met (including any member notice requirements). For more detailed information, refer the following Medicare references:

    a. Medicare Managed Care Manual (100-16), Chapter 13, Section 150.2

    b. For additional information concerning Medicare Change in status from Inpatient to Outpatient access: Medicare Learning Network (MLN)Matters Number SE0622 and Medicare Learning Network (MLN) Number SE 1210

2. Billing for Services covered or not covered:

   a. "Payment for all reasonable and necessary observation services is packaged into the payments for other separately payable services provided to the patient in the same encounter. Observation services packaged through assignment of status indicator N are covered OPPS services. Since the payment for these services is included in the APC payment for other separately payable services on the claim, hospitals must not bill Medicare beneficiaries directly for the packaged services." Directly from the Medicare Benefit Manual (Pub. 100-2) Chapter 6 §20.6 Outpatient Observation Services.

   b. If the item or service does not meet the definitional requirements of any Medicare-covered benefit under Part B, then the item or service is not covered by Medicare and an Advanced Beneficiary Notice (ABN) is not required to shift the liability to the beneficiary. However, the provider may choose to provide voluntary notification for these items or services; e.g. outpatient observation services that are provided only for the convenience of the member or his/her family or physician. (e.g., following an uncomplicated treatment or a procedure, physician busy when patient is physically ready for discharge, patient awaiting placement in a long-term care facility).

   c. See the Medicare Claims Processing Manual Chapter 4 § 290.2.2-Reporting Hours of Observation;

   d. Services that are covered under Part A, such as a medically appropriate inpatient admission.

   e. "Hospitals should not report as observation care, services that are part of another Part B service, such as postoperative monitoring during a standard recovery period (e.g., 4-6 hours), which should be billed as recovery room services. Similarly, in the case of patients who undergo diagnostic testing in a hospital outpatient department, routine preparation services furnished prior to the testing and recovery afterwards are included in the payments for those diagnostic services." Directly from Medicare Benefit Policy Manual, Chapter 6 - Hospital Services Covered Under Part B.

   f. "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). Directly from Medicare Benefit Policy Manual, Chapter 6 - Hospital Services Covered Under Part B.

   g. "In only rare and exceptional cases do reasonable and necessary outpatient observation services span more than 48 hours. In the majority of cases, the decision whether to discharge a patient from the hospital following resolution of the reason for the observation care or to admit the patient as an inpatient can be made in less than 48 hours, usually in less than 24 hours." From See the Medicare Claims Processing Manual Chapter 4 § 290.1. For billing beyond 48 hours, the medical necessity of continued observation versus discharge or inpatient admission would need be supported by submitted documentation.

"General standing orders for observation services following outpatient surgery are not recognized."Medicare Benefit Policy Manual, Chapter 6 - Hospital Services Covered Under Part B

ATTACHMENTS

None.

RELATED DOCUMENTS

None.

REFERENCES

Medicare Benefit Manual (Pub. 100-2) Chapter 6 §20.6 Outpatient Observation Services available at https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c06.pdf

Medicare Claims Processing Manual Chapter 4 § 290, including 290.2.2-Reporting Hours of Observation; available at https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c04.pdf

Medicare Managed Care Manual (100-16), Chapter 13, Section 150.2 at https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/mc86c13.pdf.

Medicare Learning Network (MLN) Matters® Number SE0622 at https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/se0622.pdf

Medicare Learning Network (MLN) Matters® Number SE1210 at https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/SE1210.pdf

Also see the Quality Improvement Organization Manual (Pub. 100-10), Chapter 4, §4110, Admission/Discharge Review at https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/qio110c04.pdf (Accessed July 2, 2018)

National (NCDs) and Local Coverage Determinations (LCDs) and/or articles may exist and compliance with these policies is required where applicable. Search National and Local Coverage Documents for (1) Acute Care: Inpatient, Observation and Treatment Room Services, and (2) Outpatient Observation Bed/Room Services at https://www.cms.gov/medicare-coverage-database/overview-and-quick-search.aspx (Accessed July 2, 2018)