Sentara Health Plans

Payment Policy: Observation Professional

Policy Number: 003837

Version Number:1

Form(s): 1500

Policy- Observation Professional

Payment Policy Disclaimer

Payment policies serve as a guide to assist with accurate claim submission. You are responsible for the submission of accurate claims information to Sentara Health Plans. You are required to use industry standard, compliant codes on all claim submissions. Services should be billed with Current Procedure Terminology (CPT) codes, Healthcare Common Procedure Coding System (HCPCS) codes, and/or Revenue codes with appropriate ICD-10 diagnosis. The codes shall denote the services and/or procedures performed. Subject to applicable law, if appropriate coding/billing guidelines or current payment policies are not followed, Sentara Health Plans may reject/deny the claim or recover and/or recoup claim payments.

The payment policies do not cover all issues related to reimbursement for services rendered to Sentara Health Plans enrollees. Further, legislative mandates, the physician or other provider contract documents, the enrollee's benefit coverage documents, and the Provider Manuals all may supplement or, in some cases, supersede these payment policies.

Sentara Health Plans payment policies may use Current Procedural Terminology (CPT), Centers for Medicare and Medicaid Services (CMS), American Medical Association (AMA), National Uniform Billing Committee (NUBC), or other coding guidelines to determine appropriate payment. The payment policies apply to all health care services billed on CMS 1500 forms and UB04 forms. Additionally, Sentara Health Plans payment policies apply to both participating and non-participating professionals and facilities, unless otherwise indicated. Coding methodology, industry-standard reimbursement logic, regulatory requirements, benefits design, and other factors are considered in developing payment policies.

Sentara Health Plans reserves the right to review and revise payment policies when necessary. The most current version of this payment policy will be published on the website. For clarity, payment policies apply to claims processed pursuant to Sentara Health Plans provider contracts.

Payment Policy: Observation Professional

Policy Number: 003837

Version Number:1

Form(s): 1500

Payment Policy-Observation Professional

Product Applicability		
Plan	***Product***	***Applicability***
Sentara Health Plans	Medicaid	X
	Medicare	X
	Commercial (Fully Insured and ASO)	X
Policy Number	003837	
Version Number	1	

Definitions

Observation Care-Evaluation and management services provided to patients designated as "observation status" in a hospital. This refers to the initiation of observation status, supervision of the care plan for observation services and performance of periodic reassessments.

Duplicate or Repeat Services-Initial Observation Care, Subsequent Observation Care, Observation Care Discharge Day Management, Observation or Inpatient Hospital Care (including admission and discharge), or Inpatient Hospital Discharge Day Management CPT codes submitted for the same patient, within the same stay, by any other Physician or Qualified Health Care Professional, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional.

Procedure Codes

99221-99223,99231-99233,99234-99236,99238-99239,99252-99255,99281-99288

Policy- Observation Professional

For Prior Authorization requirements- For Prior Authorization requirements, please refer to the Sentara Health Plans Prior Authorization (PAL) list for the most up to date information. https://www.SentaraHealthPlans.com

Initial or Subsequent Hospital Inpatient or Observation Care CPT codes 99221-99223 are used to report Initial hospital inpatient or observation care. CPT codes 99231-99233 are used to report Subsequent hospital inpatient or observation care.

Hospital observation services include the supervision of the care plan for observation, as well as periodic reassessments. The patient is not required to be physically located in a designated observation area, within a hospital. The designation of “observation status” refers to the initiation of observation care and not to a specific area of a facility. CPT and CMS guidelines indicate that initial observation services are reported only by the Admitting/Supervising Physician or Other Qualified Health Care Professional.

Sentara Health Plans

Payment Policy: Observation Professional

Policy Number: 003837

Version Number:1

Form(s): 1500

When a patient is admitted to “observation status”, during the course of another encounter from a different site of service, such as the physician's office or the emergency department, all of the E&M services rendered are considered part of the initial observation care services, when they are performed on the same day; the level of the Initial Observation Care CPT code reported should incorporate the other services related to the hospital observation admission that were provided in any other site of service, as well as, those provided in the actual observation setting.

In order to report Initial Observation Care CPT codes, the Admitting/Supervising Physician or Other Qualified Health Care Professional must include:

- Documentation within the patient’s medical record that the patient is designated as or admitted to observation status. The medical record should include the Admitting/Supervising Physician or Other Qualified Health Care Professional’s dated and timed orders that detail the observation services the patient is to receive.

- Documentation that the Admitting/Supervising Physician or Other Qualified Health Care Professional explicitly assessed patient risk to determine that the patient would benefit from observation care. This documentation must be in addition to any other documentation prepared, as a result of an emergency department or clinic/other site of service encounter.

- Nursing notes and progress notes that are timed, written and signed by the Admitting/Supervising Physician or Other Qualified Health Care Professional, during the time the patient received observation care. Sentara Health Plans follows the Centers for Medicare and Medicaid Services (CMS) Claims Processing Manual and will consider reimbursement for Initial Observation Care CPT codes when billed only by the Admitting/Supervising Physician or Other Qualified Health Care Professional who ordered the hospital observation care services and who was responsible for the patient, during his/her observation care stay.

- A Physician or Other Qualified Health Care Professional who does not have inpatient admitting privileges, but is authorized to furnish hospital observation services, may bill Initial Observation Care CPT Codes.
  Consistent with CMS guidelines, Sentara Health Plans requires that an Initial Observation Care CPT code 99221-99223 be reported for a patient admitted to “observation status” for less than eight (8) hours on a calendar date.

Observation or Inpatient Hospital Care (including admission and discharge) CPT codes 99234-99236 are used to report observation or initial hospital services for a patient that is admitted and discharged on the same date of service.

Hospital Inpatient or Observation Discharge Day Management CPT Codes 99238 and 99239 are used to report all discharge day management services for the hospital inpatient when discharge is on a date other than the initial date of admission. These codes are also used to report all services provided to a patient discharged from hospital "observation status" if the discharge is on a date other than the initial date of "observation status".

Per CPT, the Hospital Discharge Day Management CPT codes 99238 and 99239 are to be used to report the total duration of time spent by the Admitting/Supervising Physician or Other Qualified Health Care Professional for final hospital discharge of a patient. The codes include the final examination of the patient, discussion of the hospital stay, even if the time spent by the Admitting/Supervising Physician or other Qualified Health Care Professional on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions, and referral forms.

In accordance with the CMS Claims Processing Manual, Hospital Discharge Day Management CPT codes 99238 and 99239 are face-to-face evaluation and management (E/M) services between the Admitting/Supervising Physician or Other Qualified Health Care Professional and the patient. The hospital discharge day management service should be reported for the date of the actual visit by the Admitting/Supervising Physician or Other Qualified Health Care Professional, even if the patient is discharged from the facility on a different calendar date. Only one hospital discharge day management service is payable per patient, per hospital stay.

For Services Performed by Other Providers on the Date of Discharge

Physicians or Other Qualified Health Care Professionals, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional who have been managing concurrent health care problems should use Subsequent Hospital Care CPT codes 99231 – 99233 for their final visit

ER Evaluation and Management CPT codes 99281-99288- If the same physician or physician in the same vendor group, bills an emergency code on the same day as an observation code the emergency code will be denied as the observation E & M overrides the Emergency Department E & M code.

Duplicate and Repeat services
When duplicate or repeat Initial Observation Care, Subsequent Observation Care, Observation Care Discharge Day Management, Observation or Inpatient Hospital

Care (including admission and discharge), or Inpatient Hospital Discharge Day Management CPT codes are reported by the same or different Physician or Other Qualified Health Care Professional, only one Physician or Other Qualified Health Care Professional will be reimbursed.

For the purposes of this policy, duplicate or repeat services are defined as Initial or Subsequent Observation Care, Observation Care Discharge Day Management, Observation or Inpatient Hospital Care (including admission and discharge), or Inpatient Hospital Discharge Day Management CPT codes submitted for the same patient, within the same stay, by any other Physician or Qualified Health Care Professional, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional

Subsequent Observation Care
Similar to Initial Observation Care CPT codes, payment for Subsequent Observation Care CPT codes includes all of the care rendered by only the Admitting/Supervising Physician or Other Qualified Health Care Professional on the day(s) other than the initial or discharge date. In the instance that a patient is held in observation status for more than two calendar dates, the Admitting/Supervising Physician or Other Qualified Health Care Professional should utilize Subsequent Observation Care CPT codes 99231-99233.

All other Physicians or Other Qualified Health Care Professionals, who furnish consultations or additional evaluations or services, while the patient is receiving hospital observation services, must bill the appropriate service codes.

Observation Care Admission and Discharge Services on the Same Date
Admitting/Supervising Physicians or Other Qualified Health Care Professionals, who admit a patient to observation status for a minimum of 8 hours, but less than 24 hours with discharge from observation status on the same calendar date, should report an Observation or Inpatient Hospital Care (including admission and discharge); CPT codes 99234- 99236, as appropriate.

In accordance with the CMS Claims Processing Manual, when reporting an Observation or Inpatient Hospital Care (including admission and discharge) CPT code, the medical record must include:

- Documentation meeting the E/M requirements for history, examination and medical decision making.
- Documentation stating the stay for hospital treatment or observation care services involved 8 hours, but less than 24 hours.
- Documentation identifying the Admitting/Supervising Physician or Other Qualified Health Care Professional was present and personally performed the services; and

• Documentation identifying that the admission and discharge notes were written by the Admitting/Supervising Physician or Other Qualified Health Care Professional.

Observation or Inpatient Hospital Care (including admission and discharge) includes the final examination of the patient and discussion of the hospital stay, even if the time spent by the Admitting/Supervising Physician or other Qualified Health Care Professional on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions, and referral forms.

Observation Care Services During a 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.

Physicians Other than Emergency Medicine-Physicians that are not an Emergency Room doctor can admit a member to Observation. They can either meet them in the ER and admit from the ER or they can directly admit a member to Observation Status and bypass the Emergency Room

Policy History

Review Date	Summary of Revisions	Revision Effective Date	Approved By
10/24/2024	Annual Review	10/24/2024	Payment Policy
05/12/2025	Annual Review	05/12/2025	Payment Policy

Resources

American Medical Association (AMA)
Centers for Medicare and Medicaid Services (CMS)
Department of Medical Services Assistance (DMAS)