

Observation Payment Policy Update

Policy Update: POLOBSPAY06302026

Effective Date: June 30, 2026

Current State: Medicaid & Commercial policy guidance was combined under Policy #3836. Medicare specific policy guidance was maintained under Policy #4546

Future State: Medicaid & Commercial Plans Payment Policy #3836 has undergone annual review and update. Medicare Payment Policy #4546 will be retired.

Applicable Plan(s): Medicaid and, Commercial

Applicable Policy: Medicaid and Commercial Policy #3836.
Medicare Policy #4546

Business Owner: Cost of Care

This communication outlines important updates to observation payment policies across the Medicare, Medicaid, and Commercial lines of business. Providers are encouraged to review the details below to ensure compliance with current policy requirements.

Key Updates:

Medicare: Payment Policy **#4546- Observation Payment Policy (Facility)** will be retired effective June 30, 2026. Providers should refer to the Centers for Medicare & Medicaid Services (CMS) for all guidance related to observation services following retirement of this policy.

Medicaid & Commercial Plans: Payment Policy **#3836 Observation Payment Policy (Facility)** has undergone its annual review and update. Effective September 2, 2026, the policy has been restructured into two separate policies for greater clarity and alignment by line of business. Providers should carefully review the updated policies to understand the changes and ensure appropriate billing and documentation practices.