Observation Guidelines

Rev. 08/22/2017

Who may bill initial observation care? Initial observation care can only be billed by the physician who admitted the patient to the hospital observation and was responsible for the patient during his/her stay in observation. When multiple physicians are involved in the observation care of a patient on the same day, their division will make the ruling on which one of these physicians gets credit for these services.

The physician must satisfy the documentation requirements for both admission to and discharge from inpatient or observation care to bill observation codes. The length of time of observation care or treatment status must also be documented.

The observation care services are not intended to be used to report postoperative recovery if the procedure is considered part of the surgical "package."

The following codes are used to report services provided to patients designated/admitted as "observation status" in a hospital. It is not necessary that the patient be located in an observation area designated by the hospital.

I. **Initial Observation Care (New or Established Patient): 99218, 99219 and 99220**

- If a patient is admitted to initial observation care and **discharged on a different calendar date**, 99218, 99219 or 99220 can be used for the **first calendar day.**
- Time thresholds have been added to 99218, 99219 and 99220.
  - 99218 - Physicians typically spend 30 minutes at the bedside and on the patient's hospital floor or unit.
  - 99219 – Physicians typically spend 50 minutes at the bedside and on the patient's hospital floor or unit.
  - 99220 – Physicians typically spend 70 minutes at the bedside and on the patient's hospital floor or unit.
- *If a patient is admitted to observation in the evening (day 1), by the resident, and the attending performs a face-to-face encounter the next date and discharges the patient on that date then in this circumstance you need to know what service was performed by the attending physician. If the documentation clearly supports an initial observation assessment was performed **and** discharge services were also performed, codes 99234-99236 may be appropriate. However, if a limited assessment and readiness for discharge is performed only the discharge code 99217 would be billed.*
- If a patient is admitted and discharged from observation care on the **same calendar date** and their stay is **less than 8 hours**, the admitting physician can bill an initial observation service (99218-99220) depending on supporting documentation for the admit.
- The admitting physician may **not bill** an initial observation care code for services **on the same date** that he/she admits the patient to **inpatient** status.
- Initial observation care codes include the work value for the admission of a patient. The discharge units are not included.
- The initial observation care level of service should include all related Evaluation/Management services by provider of the same specialty when the initiation of observation care provided in other sites of service such as the emergency room.
- These codes are billed with the location outpatient hospital.
- In the circumstance of a patient held in observation status for **more than two calendar dates**, a physician can bill subsequent services furnished before the date of discharge using the subsequent observation care codes 99224-99226. The physician **may not use** the subsequent hospital care codes (99231-99233) since the patient is not an inpatient of the hospital.
- Time thresholds have been added to 99224, 99225 and 99226.
  - 99224 – Physicians typically spend 15 minutes at the bedside and on the patient's hospital floor or unit.
  - 99225 – Physicians typically spend 25 minutes at the bedside and on the patient's hospital floor or unit.
  - 99226 – Physicians typically spend 35 minutes at the bedside and on the patient's hospital floor or unit.
- If the Emergency Department physician admits the patient to observation in the evening (day 1) and bills 99218-99220 for this service, the attending physician **may not bill** for these same codes on the following day (day 2). In this

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situation, the attending physician **may bill using 99224-99226 or 99217** (see 99217 guidelines below) depending on supporting documentation.

- The Admitting/Attending Physician:
    - Initiates observation care inclusive of a separate observation medical record
    - Supervises the plan of care
    - Writes, dates, times and signs admitting orders
    - Performs periodic reassessments and documents the findings in the progress notes
    - Documents the **length of time** in observation care

II. Observation Care Discharge: 99217

- This code is to report all services provided to a patient on discharge from observation status if the discharge date is different than the billed admission date of the observation service.
- If a patient is admitted to observation in the evening (day 1), but is not actually examined by the attending physician until the following day (day 2) and the patient is **seen on only a single occasion** or if the patient is **seen on separate occasions that are less than 8 hours apart**, use 99217 if the documentation supports only an observation care discharge service.
- The same admitting physician may **not bill** the hospital observation discharge code **99217** or an outpatient office visit for the care provided in observation **on the date of admission** to inpatient status.
- Observation Care Discharge, **99217,** includes:
    - Final examination of the patient
    - Discussion of the hospital stay
    - Instructions for continuing care
    - Preparation of discharge record

For the following codes, a physician must satisfy the documentation requirements for both admission to and discharge from inpatient or observation care. The length of time of care or treatment status must also be documented.

III. Observation Care or Inpatient Care Services: 99234, 99235, 99236

- Time Thresholds have been added
    - 99234 – Physicians typically spend 40 minutes at the bedside and on the patient's hospital floor or unit.
    - 99235 – Physicians typically spend 50 minutes at the bedside and on the patient's hospital floor or unit.
    - 99236 – Physicians typically spend 55 minutes at the bedside and on the patient's hospital floor or unit.
- If a patient is admitted and discharged from observation or inpatient care and their stay is a minimum of **8 hours or more** on the **same calendar date**, bill the observation or inpatient care service codes (99234-99236).
- Observation or inpatient care service codes (99234-99236) include the work value **for both the admission and discharge** of a patient. No discharge code can be reported with these codes.
- *If a patient is admitted to observation in the evening (day 1), by the resident, and the attending performs a face-to-face encounter the next date and discharges the patient on that date then in this circumstance you need to know what service was performed by the attending physician. If the documentation clearly supports an initial observation assessment was performed **and** discharge services were also performed, codes 99234-99236 may be appropriate. However, if a limited assessment and readiness for discharge is performed only the discharge code 99217 would be billed.*
- The observation or inpatient care services should include the services related to the initiation of observation care provided in other sites of service such as the emergency room.
- These codes can be billed with **place of service** outpatient hospital or inpatient hospital.
- The Admitting/Attending Physician:
    - Initiates observation care inclusive of a separate observation medical record
    - Supervises the plan of care
    - Writes, dates, times and signs admitting orders
    - Performs periodic reassessment(s) and documents the findings in the progress notes
    - Documents the **length of time** of stay

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Clarification of Observation Coding Scenarios

- From a CPT coding perspective if a patient is treated in the emergency department at 10:00 PM, and is transferred to the observation unit after midnight on the next calendar day (12:01 AM), and discharged from observation status that afternoon, you may report the appropriate level emergency department E/M (99281-99285) for the first date visit. You may report the observation/admission and discharge code for day two (99234-99236) *if the documentation clearly supports an initial observation assessment was performed* ***and*** *discharge services were also performed*. Documentation must support billing each service.

Additionally, if a patient is admitted to observation and then admitted to inpatient status on a different day, the initial OBS codes (99218-99220) and the hospital admission codes (99221-99223) may be billed on the days the services were provided. Again each service must have the supporting documentation.

For facility billing Medicare requires that the admit date be the date that the patient becomes an inpatient. The hospital will follow the 72 hour rule (rolling all services provided prior to admission into the inpatient bill).

Inpatient versus Outpatient Status Update:

Fee Coordination and Audit received this clarification from Michaelene Wolff, University Hospital, Utilization Management, regarding Inpatient versus Outpatient status. University Hospital is using this guideline from CMS about patient status.

Question: "Can a UR nurse/Case Manager point out the discrepancy to the physician and ask for a revised order"?
CMS Answer: "The record can be changed if the patient has not been discharged and is still a patient in the hospital. That is the only time an order can be revised by the physician".

Question: "Could this be done within 24-48 hours of admission (or after discharge) and prior to billing"?
CMS Answer: "The patient status can be changed from Inpatient to Observation/Outpatient prior to discharge only and cannot be changed if the patient has been discharged even if this was identified within 24-48 hours". "The key is that the patient must be a patient in the facility before the records can be revised".

References:
HCFA Manuals-Carriers Manual-CAR3 15504
Program Memorandum Carriers-Transmittal B-00-65-November 21, 2000
CMS Pub 100-04 Medicare Claims Processing Transmittal #2282- August 2011
Medicare Part B Issue 159
Medicare Part B Issue 224
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CPT Assistant-Volume 10, Issue 1, January, 2000
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CPT Assistant August 2009 and August 2011
E-Mail-Observation Status-Lisa Donahue 6/11/01
E-Mail –Inpatient vs. Outpatient-Michaelene Wolff-UH Utilization Management 5-3-02
Medicare Part B, Clarification from Noridian Administrative Services for Initial Observation Care for Patients Seen the Next Day 11/06
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