UnitedHealthcare® Medicare Advantage
Reimbursement Policy
CMS 1500
UB04
Policy Number 2024R9027A

Observation and Discharge Policy, Professional and Facility

IMPORTANT NOTE ABOUT THIS REIMBURSEMENT POLICY

This policy is applicable to UnitedHealthcare Medicare Advantage Plans offered by UnitedHealthcare and its affiliates.

You are responsible for submission of accurate claims. This reimbursement policy is intended to ensure that you are reimbursed based on the code or codes that correctly describe the health care services provided. UnitedHealthcare Medicare Advantage reimbursement policies use Current Procedural Terminology (CPT®*), Centers for Medicare and Medicaid Services (CMS), or other coding guidelines. References to CPT or other sources are for definitional purposes only and do not imply any right to reimbursement.

This reimbursement policy applies to all health care services billed on UB04 forms (CMS 1450) and to those billed on CMS 1500 forms. Coding methodology, industry-standard reimbursement logic, regulatory requirements, benefits design, and other factors are considered in developing reimbursement policy.

This information is intended to serve only as a general resource regarding UnitedHealthcare's Medicare Advantage reimbursement policy for the services described and is not intended to address every aspect of a reimbursement situation. Accordingly, UnitedHealthcare Medicare Advantage may use reasonable discretion in interpreting and applying this policy to health care services provided in a particular case. Further, the policy does not address all issues related to reimbursement for health care services provided to UnitedHealthcare Medicare Advantage enrollees. Other factors affecting reimbursement may supplement, modify or, in some cases, supersede this policy. These factors may include, but are not limited to: legislative mandates, the facility or other provider contracts, the enrollee's benefit coverage documents**, and/or other reimbursement, medical or drug policies. Finally, this policy may not be implemented exactly the same way on the different electronic claims processing systems used by UnitedHealthcare Medicare Advantage due to programming or other constraints; however, UnitedHealthcare Medicare Advantage strives to minimize these variations.

UnitedHealthcare Medicare Advantage may modify this reimbursement policy at any time to comply with changes in CMS policy and other national standard coding guidelines by publishing a new version of the reimbursement policy on this website. However, the information presented in this reimbursement policy is accurate and current as of the date of publication. UnitedHealthcare Medicare Advantage encourages physicians and other health care professionals to keep current with any CMS policy changes and/or billing requirements by referring to the CMS or your local carrier website regularly. Facilities can sign up for regular distributions for policy or regulatory changes directly from CMS and/or your local carrier. UnitedHealthcare's Medicare Advantage reimbursement policies do not include notations regarding prior authorization requirements.

** For more information on a specific enrollee's benefit coverage, please call the customer service number on the back of the member ID card.

Application

This reimbursement policy applies to all Medicare Advantage products and for network provider services reported using the UB04 and CMS 1500 form or its electronic equivalent or its successor form.

Policy

Overview

Initial Hospital Inpatient or Observation Care CPT® codes 99221-99223 and Subsequent Hospital Inpatient or Observation Care CPT codes 99231-99233 are used to report evaluation and management (E/M) services provided to new or established patients designated as "observation status" in a hospital.

Hospital Inpatient or Observation Care Services (including admission and discharge) CPT codes 99234-99236 are used to report E/M services provided to patients admitted and discharged on the same date of service.

Hospital Inpatient or Observation Discharge Day Management CPT codes 99238-99239 are used to report discharge day management services or the hospital inpatient or Observation when discharge is on a date other than the initial date of admission.

HCPCS code G0378 and G0379 are used in Facility UB-04 billing for Hospital hourly observation services and direct referral for hospital observation care services.

Reimbursement Guidelines - Professional

Initial Hospital Inpatient or Observation Care CPT Codes 99221-99223

Initial Hospital Inpatient or Observation Care Service CPT codes 99221-99223 used to describe the first hospital inpatient or observation status encounter of the patient with the Admitting/Supervising Physician or Other QHP. Hospital observation services include the supervision of the care plan for observation, as well as periodic reassessments.

UnitedHealthcare Medicare Advantage follows the Centers for Medicare and Medicaid Services' (CMS) Claims Processing Manual which provides the instructions to “pay for initial observation care billed only by the Admitting/Supervising Physician or Other Qualified Health Care Professional, who ordered hospital outpatient observation services and was responsible for the patient during his/her observation care. A physician or other qualified health care professional, who does not have inpatient admitting privileges but who is authorized to furnish hospital outpatient observation services may bill these codes.

It is not necessary that the patient be located in an observation area designated by the hospital, although in order to report the Observation Care codes per CMS guidelines observation services must include:

- Medical Observation Record for the patient that contain dated and timed physician’s orders regarding the observation services the patient is to receive, nursing notes, and progress notes prepared by the physician while the patient received observation services. This record must be in addition to any record prepared as a result of an emergency department or outpatient clinic encounter.

- When a patient is admitted to “observation status” during the course of another encounter such as a physician office or the emergency department, E/M services rendered are considered part of the initial observation care services, when performed on the same day. Per CMS in addition to meeting the documentation requirements for history, examination and medical decision making, documentation in the medical records shall include:

    - Documentation stating the stay for observation care or inpatient hospital care involves 8 hours, but less than 24 hours.

    - Documentation identifying the billing physician was present and personally performed the services; and

- Documentation identifying the, admission and discharge notes were written by the Admitting/Supervising Physician or Other QHP.

UnitedHealthcare Medicare Advantage follows CMS guidelines concerning initial observation care for less than 8 hours. CPT codes 99221-99223 shall be reported *only* by the Attending/Admitting Physician or Other Qualified Health Care Professional. for a patient admitted to “observation status” for less than 8 hours on a calendar date.

Subsequent Hospital Inpatient or Observation Care CPT Codes 99231-99233

Similar to Initial Hospital Inpatient or Observation Care CPT codes, payment for Subsequent Hospital Inpatient or Observation Care CPT codes includes all of the care rendered by only the Admitting/Supervising Physician or Other QHP 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 QHP should utilize Subsequent Hospital Inpatient or Observation Care CPT codes 99231-99233.

According to the CPT codebook, “All levels of subsequent observation care include reviewing the medical record and reviewing the results of diagnostic studies and changes in the patient’s status (i.e., changes in history, physical condition, and response to management) since the last assessment.”

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

Observation Care Discharge Services

Observation Care discharge services include all E/M services on the date of discharge from observation services and should only be reported if the discharge from observation status is on a date other than the date of initial Observation Care.

UnitedHealthcare Medicare Advantage follows CMS guidelines that physicians should not report an Observation Care discharge service when the Observation Care is a minimum of 8 hours and less than 24 hours and the patient is discharged on the same calendar date.

Admission to Inpatient Following Observation Care

Per CMS guidelines, if the Admitting/Supervising Physician or Other Qualified Health Care Professional who ordered the initial hospital outpatient services also admits the patient before the end of the date on which the patient began outpatient observation, only the initial hospital visit for the evaluation and management services are reimbursable. The Admitting/Supervising Physician or Other Qualified Health Care Professional may not bill an initial or subsequent observation care code for services on the date that the patient is admitted as inpatient.

If the patient is admitted after the initial day of observation the Admitting/Supervising Physician or Other Qualified Health Care Professional must bill an initial hospital visit for the services provided on that date. The Admitting/Supervising Physician or Other Qualified Health Care Professional may not bill the hospital observation discharge management code or an outpatient office visit for care provided while the patient receives hospital outpatient observation services on the date of admission to inpatient status.

Hospital Inpatient or Observation Care Admission and Discharge Services on Same Date 99234-99236

Admitting/Supervising Physician or Other Qualified Health Care Professional who admit a patient to Observation Care for a minimum of 8 hours, but less than 24 hours and subsequently discharge on the same calendar date shall report an a Hospital Inpatient or Observation or Inpatient Care Service (Including Admission and Discharge Services) CPT code (99234-99236).

In accordance with CMS' Claims Processing Manual, when reporting an Observation or Inpatient Hospital Care admission and discharge service CPT code (99234-99236) 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 status involves 8 hours but less than 24 hours.
- Documentation identifying Admitting/Supervising Physician or Other QHP was present and personally performed the services; and
- Documentation identifying that the admission and discharge notes were written by Admitting/Supervising Physician or Other QHP.
- physician.

Observation Care Services During a Surgical Period

Hospital Inpatient or Observation Care codes are not separately reimbursable services when performed within the assigned global period as these codes are included in the global package.

Per CMS Observation is included with global surgical codes and not separately reimbursable unless:
- Appropriate use of modifiers 24, 25 and 57 are utilized and
- The surgeon meets all the criteria for the hospital Inpatient or observation code

Refer to the UnitedHealthcare Medicare Advantage "Global Days" Reimbursement Policy for guidelines on reporting services, during a global period.

Hospital Inpatient or Observation Discharge Day Management Services

In accordance with CMS Claims Processing Manual, Hospital Inpatient or Observation Discharge Day Management Service Hospital Discharge Day Management Services, CPT code 99238 or 99239 is a face-to-face evaluation and management (E/M) service between the Admitting/Supervising Physician or Other Qualified Health Care Professional and the patient. The E/M discharge day management visit shall be reported for the date of the actual visit by the physician or qualified nonphysician practitioner 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.

Per CPT, the Hospital Inpatient or Observation Discharge Day Management CPT codes 99238 and 99239 are to be used to report the total duration of time on the date of the encounter spent by the Admitting/Supervising Physician or Other QHP for final hospital or observation 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 QHP on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions and referral forms.

Only the Admitting/Supervising Physician or Other Qualified Health Care Professional of record reports the Hospital Inpatient or Observation discharge day management service. Physicians or qualified nonphysician practitioners, other than the attending physician, who have been managing concurrent health care problems not primarily managed by the Admitting/Supervising Physician or Other QHP physician, and who are not acting on behalf of the Admitting/Supervising physician, shall use Subsequent Hospital Care (CPT code range 99231 - 99233) for their final visit.

Reimbursement Guidelines - Facility G0378 and G0379

UnitedHealthcare Medicare Advantage follows CMS guidelines for Outpatient Observation services reported using HCPCS code G0378 and G0379.

G0378: Report units of hours spent in observation (rounded to the nearest hour).

Observation Service Billing Requirements:
- Observation services are outpatient services
  - Observation begin time should be documented in the patient's medical record
  - Observation Services should not be billed concurrently with diagnostic or therapeutic services that are part of a procedure (e.g. colonoscopy or chemotherapy)
- If the period of observation spans more than one calendar day, all of the hours for the entire period of observation must be include on a *single* line and the date of service for that line is the date the observation care began and reported with the appropriate 076x revenue code.

G0379:

Per CMS, Hospitals should report G0379 when observation services are the result of a direct referral for observation care without an associated emergency room visit, hospital outpatient clinic visit, critical care service, or hospital outpatient surgical procedure on the day when observation services begin. Facilities should *only* report HCPCS G0379 when a patient is referred directly for observation care after being seen by a Physician or Other Qualifying Health Care Provider in the community.

Definitions	
Admitting/Supervising Physician or Other Qualified Health Care Professional	The Physician or Other Qualified Health Care Professional who ordered the hospital Inpatient or outpatient observation care services and who was responsible for the patient, during his/her observation care stay
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 and performance of periodic reassessments.
Physician or Other Qualified Health Care Professional	Per the CPT book, a Physician or Other Qualified Health Care Professional is an individual who is qualified by education, training, licensure/regulation (when applicable), and facility privileging (when applicable) who performs a professional service within his/her scope of practice and independently reports that professional service.
Same Specialty Physician or other Qualified Health Care Professional	Physicians and/or other qualified health care professionals of the same group and same specialty reporting the same Federal Tax Identification number.

Questions and Answers	
1	**Q:** 99238-99239 99221-99223 be reported on the same date of service? **A:** No. CPT codes 99234 - 99236 should be reported for patients who are admitted to and discharged from observation status on the same calendar date for a minimum of 8 hours but less than 24. An initial Hospital Inpatient or Observation Care code (99221 - 99223) should be reported for patients admitted and discharged from observation status for less than 8 hours on the same calendar date. CPT codes 99238-99239 are used to report discharge day management services or the hospital inpatient or Observation when discharge is on a date other than the initial date of admission.
2	**Q:** Does the patient need to be in an observation unit in order to report the Hospital Inpatient or Observation Care codes? **A:** It is not necessary that the patient be located in an observation area designated by the hospital as long as the medical record indicates that the patient was admitted as observation status and the reason for Observation Care is documented.
3	**Q:** Why are Observation Codes G0378 and G0379 not addressed in the Professional part of this policy? **A:** These HCPCS codes are not to be reported for physician services. These codes are to be billed by facilities on a UB-04 claim form

Resources

www.cms.gov

Medicare Benefit Policy Manual - Chapter 06 - Hospital Services Covered Under Part: Section 20.6

Medicare Claims Processing Manual - Chapter 04 - Part B Hospital (Including Inpatient Hospital Part B and OPPS): Section 290

Medicare Claims Processing Manual - Chapter 12 - Physicians/Nonphysician Practitioners: Sections 30.6.8, 30.6.9

Observation Fact Sheet

The Medicare Learning Network (MLN) - MLN Matters: MM6470, MM5791

History	
2/1/2024	Policy Version Change Application Section: Updated
6/1/2023	Policy Version Change Policy Verbiage Updated Definitions section Updated Question and Answers section Updated History Section: Entries prior to 6/1/2021 archived
2/1/2022	Policy Version Change Application Section: Updated Resources Section: Updated History Section: Entries prior to 1/1/2020 archived
12/17/2014	New Policy