



PAYMENT POLICY		
Observation Services		
Original Date Approved	Effective Date	Revision Date
3/2/2018	7/1/2025	2/5/2025
Applies to Products:		
☒ Senior Care Options MA ☒ One Care MA		

PAYMENT POLICY STATEMENT:

Commonwealth Care Alliance, Inc. (CCA) has established a payment policy that outlines covered observation services rendered in a general acute hospital for all products.

DEFINITIONS:

Observation: A short-term period of monitoring a patient's condition without providing treatment unless their symptoms change or appear.

Hospital: An institution in which sick or injured individuals are given medical or surgical treatment.

Type of Bill (TOB): A 3-digit numeric code located on an institutional/facility claim that describes the type of facility, type of care, and episode of care (frequency) for the services rendered.

Revenue Codes: A 4-digit number that is used on facility claims to tell where the patient was when they received treatment, or what type of item a patient may have received.

Current Procedural Terminology (CPT): A numerical or alphanumeric five-digit code used to classify medical services and procedures to help report information more accurately and efficiently.

Healthcare Common Procedure Coding System (HCPCS): (Also known as HCPCS Level II) An alphanumeric code starting with an alphabetical letter followed by 4 numeric digits; it is used to identify medical related products, supplies, and services not included in the CPT codes for billing purposes.

CMS-1450: (also known as UB-04) Claim form used for institutional (facility) services.

CMS-1500: (also known as HCFA) Claim form used for professional services.

AUTHORIZATION REQUIREMENTS (If applicable):



Authorization is not required for observation services. However, if a procedure is performed during an observation stay that requires an authorization, the facility or provider must seek authorization approval for that procedure.

REIMBURSEMENT GUIDELINES:

CCA reimburses covered, medically necessary observation services per CCA's facility contractual agreements. CCA follows state and federal guidelines and will reimburse observation services up to 48 hours. In exceptional cases, coverage for observation services can be extended up to 72 hours if deemed medically necessary. Observation care services between 49 and 72 hours will be reviewed prior to denial to ensure observation criteria is met.

Observation services are only covered when services meet the following criteria:

- Observation care is ordered by a physician or another individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests.
- Patient receives a directed referral by a physician for outpatient observation services that bypasses a clinic or emergency department visit.
- It is considered reasonable and necessary to evaluate the patient for a condition or to determine a need for admission.

Observation services begin at the clock time documented in the patient's medical record and should coincide with the time the observation services are initiated. Observation time ends when all medically necessary observation care services are completed (patient is discharged or admitted for inpatient services) and should not include the time the patient remains in the hospital after treatment is finished.

Observation services should be billed as follows:

Facility Providers Billing Observation

- Submit as outpatient claim using appropriate type of bill (TOB) on a UB-04 claim form unless the patient is admitted for inpatient services.
 - If patient is admitted, observation services should be included on the inpatient claim and reimbursement will be included in the inpatient compensation.
- Bill services on a single claim line and round to the nearest hour.
- Use revenue code 0760 or 0762 to report observation services along with HCPCS codes:
 - G0378 for hospital observation services per hour. The number of units should equal or exceed 8 hours.
 - G0379 for direct admission for hospital observation care without associated emergency room, clinic visit, critical care service, or outpatient surgical procedure.



- Include all outpatient facility services related to the observation stay on the same claim form.
- Observation services should not be billed concurrently with diagnostic or therapeutic services.

Professional Providers Billing Observation

- Only the treating provider can bill for the observation care services. All other providers rendering consultations or additional evaluations or services while the patient is receiving hospital outpatient observation services must bill using the appropriate outpatient service codes.
- Only one initial inpatient or observation care code can be billed per calendar day, which includes initial visit, subsequent visit, or inpatient or observation care visit.
- Claim should be billed using the appropriate outpatient facility place of service (POS) of 19 (Off Campus-Outpatient Hospital) or 22 (On Campus-Outpatient Hospital).
- Provider should use the following codes:
 - **99221 – 99223**: To report observation care that are less than 8 hours on the same day or patient discharged on a different date.
 - **99238 or 99239**: To report observation care where patient is discharged on a different date. These codes should not be used for observation care less than 8 hours.
 - **99234 – 99236**: These codes include admission and discharge services and should be used to report observation care for 8 or more hours but less than 24 hours with discharge on the same calendar date.
 - **G0316**: To report prolonged observation care visits where total time for the highest visit is exceeded by 15 or more minutes on medically necessary services.

Observation services are considered non-covered when:

- Services that are not reasonable and necessary for the diagnosis and treatment of the patient but are provided for the convenience of the patient, his or her family, or a physician.
- Services are considered covered under other services, such as:
 - Post-operative monitoring during a standard recovery period that should be characterized as recovery-room services.
 - Routine preparation or recovery services associated with diagnostic testing or outpatient surgery.
 - Observation services provided concurrently with therapeutic services.
- Standing orders for observation following outpatient surgery.

RELATED SERVICE POLICIES:

Preadmission Services



AUDIT and DISCLAIMER:

As every claim is unique, the use of this policy is neither a guarantee of payment nor a final prediction of how specific claim(s) will be adjudicated. Claims payment is subject to member eligibility and benefits on the date of service, coordination of benefits, referral/authorization, and utilization management guidelines when applicable and adherence to plan policies and procedures and claims editing logic. CCA has the right to conduct audits on any provider and/or facility to ensure accuracy and compliance with the guidelines stated in this payment policy. If such an audit determines that a provider/facility did not comply with this payment policy, CCA has the right to expect the provider/facility to refund all payments related to non-compliance. CCA reserves the right to amend a payment policy at its discretion. CPT and HCPCS codes are updated as applicable; please adhere to the most recent CPT and HCPCS coding guidelines.

REFERENCES:

CMS Medicare Benefit Policy Manual Chapter 6 - Hospital Services Covered Under Part B
<https://www.cms.gov/regulations-and-guidance/guidance/manuals/downloads/bp102c06.pdf>

CMS Medicare Claims Processing Manual Chapter 4 - Part B Hospital
<https://www.cms.gov/regulations-and-guidance/guidance/manuals/downloads/clm104c04.pdf>

CMS Medicare Claims Processing Manual Chapter 12 - Physicians/Nonphysician Practitioners
<https://www.cms.gov/regulations-and-guidance/guidance/manuals/downloads/clm104c12.pdf>

CMS MLN Booklet: Evaluation and Management Services Guide
<https://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnproducts/downloads/eval-mgmt-serv-guide-icn006764.pdf>

MassHealth 130 CMR 410.000 Acute Outpatient Hospital Manual
<https://www.mass.gov/doc/acute-outpatient-hospital/download>

POLICY TIMELINE DETAILS:

1. Drafted March 2018
2. Review and Revision of Formatting February 2020
3. Add MAPD to scope, verbiage updates
4. Revision: February 2025, updated template, added definitions, updated requirements, updated codes