

# Observation Stay

## Policy

Harvard Pilgrim reimburses observation services performed in a Harvard Pilgrim contracted facility, subject to applicable referral and notification requirements.

## Policy Definition

*Observation Stay* is an alternative to an inpatient admission that allows reasonable and necessary time to evaluate and render medically necessary services to a member whose diagnosis and treatment are not expected to exceed 24 hours but may extend to 48 hours, but no longer than 48 hours without a discharge or admission. There will be no reimbursement for observation services in excess of 48 hours.

## Prerequisite(s)

Applicable Harvard Pilgrim referral, notification and authorization policies and procedures apply. (Refer to *Referral, Notification and Authorization* for more information.)

### HMO/POS/PPO

- Notification is required when an observation stay converts to an inpatient admission. (Refer to *Emergency/Urgent Admission Notification and Elective Admission Notification* for specific requirements.)
- Notification is not required for obstetrical observation that converts to an inpatient admission.

### Open Access HMO and POS

For *Open Access HMO* and *Open Access POS* products, no referral is required to see a contracted specialist.

## Harvard Pilgrim Reimburses<sup>1</sup>

Observation stay is considered appropriate for, but not limited to:

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|------------------|---------------|---------------------|------------------------|---------------------------------------------|
| • Abdominal pain | • Chest pain  | • Drug overdose     | • Pneumonia            | • Syncope                                   |
| • Asthma         | • Croup       | • False labor       | • Renal colic/calculus | • Upper limb closed fracture or dislocation |
| • Back pain      | • Concussion  | • Gastroenteritis   | • Seizure              |                                             |
| • Bronchitis     | • Dehydration | • Migraine headache | • Sepsis               |                                             |

### HMO/POS/PPO

#### Emergency Department Services Preceding Observation Stay

When emergency department services precede an observation stay, the emergency department services are incidental to the observation stay and therefore are not reimbursed.

#### Inpatient Admission Following Observation Stay

- Case rate and DRG-based reimbursement includes all related observation services that occur within three days of the date of admission.
- Percent-of-charge based reimbursement includes any observation stay that converts to an inpatient admission before midnight of the same day. The observation bed charge on the same day as the inpatient admission is not separately reimbursed.
- Percent-of-charge based reimbursement does not include an observation stay that converts to an inpatient admission after midnight of the observation day. The observation bed charge prior to the date of admission is separately reimbursed.

For example, on September 1st a member is outpatient observation status. On September 2, the member is admitted to inpatient care at 10 am. The observation care ceases to be counted as observation time at 11:59 pm on September 1. The hours spent between 12 midnight and 9:59 am will not be reimbursed as observation time, this is included in the inpatient reimbursement. A separate payment will be made for services prior to midnight.

Harvard Pilgrim will determine the observation hours prior to the day of admission by subtracting the admission hour submitted from the total submitted observation hours. The payment calculation is based on an even distribution of the charges per hour. Harvard Pilgrim will allow the number of hours provided prior to midnight and calculate reim-

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bursement based on the provider's contractual agreement.

- Per-diem based reimbursement includes any observation stay provided within one day of inpatient admission.

#### **SDC/Outpatient Procedure Related to Observation Stay**

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- Observation services related to a surgical day care (SDC) or other outpatient procedure are considered part of the routine recovery period for the procedure and *no separate observation reimbursement* will be made.
- Routine recovery is not expected to exceed 24 hours.

#### **Obstetrical Observation Stay**

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When an obstetrical patient is placed in observation status:

- The entire episode is considered an inpatient admission if delivery occurs prior to discharge.
- The episode is considered an observation stay if delivery does not occur and the member is sent home.
- Reimbursement includes diagnostic testing performed in conjunction with an obstetrical observation stay.
- Reimbursement will not be made for observation care services submitted with routine pregnancy diagnoses.

#### **Responsibilities**

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##### *Physician*

- The chart order must indicate the physician's intent regarding the member disposition—either to place the member in observation status or to admit the member to inpatient service (The physician's chart documentation must support the designation to observation services.)
  - The chart order must identify the date and time of the member's admission or placement into observation status.
  - The attending physician is responsible for evaluating the member at least once each 24-hour interval.

##### *Hospital*

- The hospital must notify Harvard Pilgrim *within two business days* when a member who was placed in observation status converts to inpatient status.
- The hospital must provide Harvard Pilgrim with a daily census for those members placed in/or discharged from observation status during the previous 24 hours.

#### **Harvard Pilgrim Does Not Reimburse**

Observation stay is *not* considered an appropriate designation for the following, and is therefore not reimbursed:

- Preparation for, or recovery from, diagnostic tests (e.g., fetal non-stress test, sleep studies)
- The routine recovery period following a surgical day care or an outpatient procedure
- Services routinely performed in the emergency department or outpatient department
- Observation care services submitted with routine pregnancy diagnoses
- Retaining a member for socioeconomic factors
- Custodial care

#### **Member Cost-Sharing**

Services subject to applicable member out-of-pocket cost (e.g., co-payment, coinsurance, deductible).

#### **Provider Billing Guidelines and Documentation**

##### **General Billing**

- Report inpatient services with appropriate revenue and HCPCS codes
- Report the number of observation hours in Field Locator 46 of the UB-04 form or in SV204 and SV205 of loop 2400 of the 837I, version 5010

##### **Observation Following ER**

Bill observation services that are a result of an emergency department visit on the same UB-04 form or 837I, version 5010.

##### **Observation Following SDC**

Bill observation services that are a result of an outpatient surgical procedure (SDC) on the same UB-04 form or 837I, version 5010.

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### Inpatient Following Observation

- Bill observation services that convert to an inpatient admission on the same UB-04 form or 837I, version 5010 as the inpatient admission.
- UB-04 form: Enter the inpatient admission date in Form Locator 6 (statement covers period) as the beginning (from) date.
- 837I, version 5010: Report the date qualifier 434 Statement, in DTP01. Report RD8=Range of dates expressed format CCYYMMDD-CCYYMMDD in DTP02. Report from and through dates of the statement in the indicated format in DTP03.

Do not include the observation date within the statement covers period date range; this will cause the claim to reject as billed incorrectly because the number of admission days will not equal the number of days indicated by the statement covers period.

- UB-04 form: Enter the date on which the patient was admitted for inpatient services or other state of care in Field Locator 12.
- 837I, version 5010: Report date qualifier 436 admission in DTP01, format qualifier in DTP02 and the admission date and hour in DTP03 of loop 2300 of the 837I, version 5010.
- Enter the time at which the patient was admitted for inpatient services or other start of care in Field Locator 13 of the UB-04 form or see above admission date and hour for the 837I, version 5010; hours are entered in two-digit military time (e.g., use 14 for 2:00 p.m.).

### Per Diem Facilities

Bill observation services that convert to an inpatient admission after midnight of the observation day with the date of the observation service in Field Locator 45 and the number of hours in Field Locator 46 of the UB-04 form or report date qualifier 472 service date in DTP01, format qualifier in DTP02 and the service date in DTP03 and the hours in SV405 and SV406 in loop 2400 of the 837I, version 5010.

### Observation with Ancillary Services

Bill outpatient ancillary services received during an observation stay using appropriate revenue codes and HCPCS codes on the same UB-04 form or 837I, version 5010 as the observation services.

### Observation with Radiological Procedures

Bill observation services used in conjunction with radiological procedures (i.e., CAT scan, MRI, ultrasound) on the same UB-04 form or 837I, version 5010 as the radiological procedure.

### Observation with Diagnostic Procedures

Bill observation services used in conjunction with diagnostic procedures on the same UB-04 form or 837I, version 5010 as the diagnostic services.

### OI (Observation while Inpatient) Denial Review Request

#### Prior to November 01, 2018

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- Submit OI denial reviews with a completed *Request for Claim Review Form*.
- Submit as an outpatient claim and include only the observation room charges. All other outpatient charges that are submitted on the claim with the observation date of service will be denied.

#### After November 01, 2018

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- Request for claim reviews can be submitted by completing a *Request for Claim Review Form* and selecting Contract Term(s)

### Related Policies

- Claims Submission Procedures
- Elective Admission Notification
- Emergency Care Payment Policy
- Emergent/Urgent Admission Notification
- Inpatient Acute Medical Admissions Payment Policy
- Notification Policy
- Obstetrical/Maternity Care Payment Policy
- Outpatient Surgery Payment Policy
- Services Incidental to Admission Policy

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**PAYMENT POLICIES**  
**Observation Stay (cont.)**

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**PUBLICATION HISTORY**

09/01/00	original documentation
06/01/01	for observation stay that converts to inpatient admission, authorization requirement changed to notification; reimbursement methodology before/after midnight changed for per diem, 50/50, DRG/per diem
04/01/03	annual review; changed notification for observation status that converts to inpatient admission from one- to two-day period
01/01/05	OI denial appeal request (OBS bed denied with inpatient bill)
08/01/06	annual review; clarified billing guidelines for inpatient following observation and OI denial review
07/31/07	annual review; no changes
07/31/08	annual review; minor edits for clarity
06/15/09	annual review; "Emergency Care" added to related policies
05/15/10	annual review; no changes
04/15/11	annual review; minor edits for clarity
01/01/12	removed First Seniority Freedom information from header
06/15/12	annual review; no changes
07/15/13	annual review; no changes
06/15/14	added <i>Connecticut Open Access HMO</i> referral information to Prerequisites
07/15/14	annual review; administrative edits
07/15/15	annual review; no changes
07/15/16	annual review; no changes
07/15/17	annual review; updated EDI information for clarification
01/01/18	updated Open Access Product referral information under Prerequisites
07/02/18	annual review; administrative edits
11/01/18	updated Inpatient Admission Following Observation Stay for percent of charge providers; updated Provider Billing Guidelines; administrative edits

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<sup>1</sup>This policy applies to the products of Harvard Pilgrim Health Care and its affiliates—Harvard Pilgrim Health Care of Connecticut, Harvard Pilgrim Health Care of New England, and HPHC Insurance Company—for services performed by contracted providers. Payment is based on member benefits and eligibility, medical necessity review, where applicable, and provider contractual agreement. Payment for covered services rendered by contracted providers will be reimbursed at the lesser of charges or the contracted rate. (Does not apply to inpatient per diem, DRG, or case rates.) HPHC reserves the right to amend a payment policy at its discretion. CPT and HCPCS codes are updated annually. Always use the most recent CPT and HCPCS coding guidelines.