

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 [Emergent/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 Reimburses¹

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

- | | | | | |
|------------------|---------------|---------------------|------------------------|---------------------------------------------|
| • 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 1 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 reimbursement 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

- 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

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

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 are subject to member out-of-pocket cost share (e.g., copayment, 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.

Observation Following ER

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

Observation Following SDC

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

Inpatient Following Observation

- Bill observation services that convert to an inpatient admission on the same UB-04 form or 837I.
- UB-04 form: Enter the inpatient admission date in Form Locator 6 (statement covers period) as the beginning (from) date.
- 837I: 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.
- Include the observation date within the statement covers period date range.
- 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: 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.
- 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; 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.

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, 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, 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, as the diagnostic services.

OI (Observation while Inpatient) Denial Review Request

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

Related Policies

Payment Policies

- Emergency Care

- Inpatient Acute Medical Admissions
- Obstetrical/Maternity Care
- Outpatient Surgery
- Services Incidental to Admission

Referral, Notification & Authorization

- Elective Admission Notification
- Emergent/Urgent Admission Notification
- Notification

Billing & Reimbursement

- Claims Submission Guidelines

PUBLICATION HISTORY

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|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 |
| 08/01/21 | annual review; updated billing guidelines for inpatient following observation and OI denial review instructions; administrative edits |

¹This 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.