

## OBSERVATION, FACILITY

File Name: observation\_MA

Origination: 6/2022

Last Review: 12/2022

Next Review: 12/2023

## Description

Observation services are defined as the use of a bed and periodic monitoring and/or short-term treatment by a hospital's nursing or other staff. These services are used to evaluate a patient's condition to determine the need for possible inpatient admission. Observation care provides a method of evaluation and treatment as an alternative to inpatient hospitalization.

The services may be considered eligible for reimbursement only when provided under a physician's order or under the order of another person who is authorized by state statute and the hospitals by laws to admit patients and order outpatient testing.

The observation services must be patient-specific and not part of a standard operating procedure or facility protocol for a given diagnosis or service.

## Policy

**Blue Cross Blue Shield North Carolina (Blue Cross NC) will reimburse observation services according to the criteria outlined in this policy.**

## Reimbursement Guidelines

Observation services are reported using HCPCS code G0378 (Hospital observation service, per hour) or G0379 (Direct admission of patient for hospital observation care). G0378 hourly observation is always packaged with an assigned status indicator N. The payment for these services is included in the APC payment for other services separately payable on the claim. Hospitals should not bill Medicare beneficiaries directly for the packaged services.

Observation services that are the result of direct admission to observation status should be reported as G0379 (Direct admission of patient for hospital observation care). This code should only be used when a patient is admitted directly to observation care after being seen by a physician in the community.

Additional units of G0378 (Hospital observation service, per hour) will be denied when billed greater than 48 units over a 3-day period.

G0379 will be denied when billed with 99291 (Critical care, evaluation and management) for the same date of service.

## Rationale

Blue Cross NC follows the Centers for Medicare and Medicaid Services (CMS) claims processing manual for reimbursement of hospital observation care.

## Billing and Coding

Applicable codes are for reference only and may not be all inclusive. For further information on reimbursement guidelines, please see Administrative Policies on the Blue Cross NC web site at [www.bcbsnc.com](http://www.bcbsnc.com). They are listed in the Category Search on the Medical Policy search page.

## Related policy

### [Bundling Guidelines](#)

## References

### [CMS Medicare Benefit Policy Manual, Chapter 6](#)

Centers for Disease Control and Prevention, International Classification of Diseases, 10<sup>th</sup> Revision

## History

6/1/2022	New policy developed. Medical Director approved. <b>Notification on 3/31/2022 for effective date 6/1/2022.</b> (eel)
12/31/2022	Routine Policy Review. Minor revisions only. (cjw)

## Application

These reimbursement requirements apply to all Blue Medicare HMO, Blue Medicare PPO, Blue Medicare Rx members, and members of any third-party Medicare plans supported by Blue Cross NC through administrative or operational services.

This policy relates only to the services or supplies described herein. Please refer to the Member's Evidence of Coverage (EOC) for availability of benefits. Member's benefits may vary according to benefit design; therefore member benefit language should be reviewed before applying the terms of this policy.

## Legal

Reimbursement policy is not an authorization, certification, explanation of benefits or a contract. Benefits and eligibility are determined before medical guidelines and payment guidelines are applied. Benefits are determined by the group contract and subscriber certificate that is in effect at the time services are rendered. This document is solely provided for informational purposes only and is based on research of current medical literature and review of common medical practices in the treatment and diagnosis of disease. Medical practices and knowledge are constantly changing and Blue Cross NC reserves the right to review and revise its medical and reimbursement policies periodically.

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