

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 1466</b>	<b>Date: February 22, 2008</b>
	<b>Change Request 5791</b>

**SUBJECT: Payment for Hospital Observation Services (Codes 99217 - 99220) and Observation or Inpatient Care Services (Including Admission and Discharge Services - Codes 99234 - 99236)**

**I. SUMMARY OF CHANGES:** This transmittal updates Chapter 12, §30.6.8 with policy finalized in the Physician Fee Schedule, dated November 1, 2000. When a patient is admitted to observation status for less than 8 hours on the same calendar date, the physician shall report a code from CPT code range 99218 - 99220. Observation Care Discharge (code 99217) shall not be reported. When a patient is admitted for observation care and discharged on a different calendar date, the physician shall report a code from CPT range 99218 - 99220 and CPT code 99217 for Observation Care Discharge Service. When a patient is admitted to observation status for a minimum of 8 hours, but less than 24 hours, and discharged on the same calendar date, the physician shall report a code from CPT code range 99234 - 99236 and no additional discharge code. Specific documentation requirements shall be met.

**New / Revised Material**

**Effective Date: April 1, 2008**

**Implementation Date: April 7, 2008**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

<b>R/N/D</b>	<b>Chapter / Section / Subsection / Title</b>
R	12/Table of Contents
R	12/30/30.6.8/Payment for Hospital Observation Services (Codes 99217 - 99220) and Observation or Inpatient Care Services (Including Admission and Discharge Services - Codes 99234 - 99236)

**III. FUNDING:**

**SECTION A: For Fiscal Intermediaries and Carriers:**

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

**SECTION B: For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to

be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

#### **IV. ATTACHMENTS:**

**Business Requirements**

**Manual Instruction**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment - Business Requirements

Pub. 100-04	Transmittal: 1466	Date: February 22, 2008	Change Request: 5791
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**SUBJECT: Payment for Hospital Observation Services (Codes 99217 – 99220) and Observation or Inpatient Care Services (Including Admission and Discharge Services - Codes 99234 – 99236)**

**Effective Date:** April 1, 2008

**Implementation Date:** April 7, 2008

## I. GENERAL INFORMATION

**A. Background:** This transmittal updates Chapter 12, §30.6.8, with physician payment policy for observation care services as finalized in the Physician Fee Schedule Final Rule, dated November 1, 2000, Vol.65, No. 212, pp. 65408 and 65409.

**B. Policy:** When a patient is admitted to observation status for less than 8 hours on the same calendar date, the physician shall report Initial Observation Care using a code from CPT code range 99218 – 99220. The Observation Care Discharge Service, CPT code 99217, shall not be reported for this scenario. When a patient is admitted for observation care and discharged on a different calendar date, the physician shall report an Initial Observation Care using a code from CPT code range 99218 – 99220 and CPT code 99217 for the Observation Care Discharge Service. When a patient is admitted to observation status for a minimum of 8 hours but less than 24 hours and discharged on the same calendar date, the physician shall report the Observation or Inpatient Care Services (Including Admission and Discharge Services) using a code from CPT code range 99234 – 99236, and no additional discharge service. Physician documentation shall meet the evaluation and management (E/M) documentation requirements for history, examination and medical decision making. In addition, the physician shall document he/she was physically present and that he/she personally performed the observation care services. The physician shall personally document the admission and discharge notes and include the number of hours the patient remained in observation care status. In rare circumstances when a patient is held in observation status for more than 2 calendar days, the physician shall bill a visit from CPT code range 99211 – 99215 (Office or Other Outpatient Visit) furnished before the discharge date.

## II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				OTHER	
					F I S S	M C S	V M S	C W F				
5791.1	Contractor shall instruct physicians and qualified NPPs to report Initial Observation Care using a code from CPT code range 99218 – 99220 when the observation care is less than 8 hours on the same date.	X				X						
5791.1.1	Contractor shall instruct physicians and qualified NPPs not to report an Observation Care Discharge	X				X						

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	Service (CPT code 99217) when the observation care is less than 8 hours on the same calendar date.										
5791.2	Contractor shall instruct physicians and qualified NPPs to report Initial Observation Care using a code from CPT code range 99218 – 99220 and an Observation Care Discharge Service (CPT code 99217) when the patient is admitted for observation care and discharged on a different calendar date.	X			X						
5791.3	Contractor shall instruct physicians and qualified NPPs to report Observation or Inpatient Care Service (Including Admission and Discharge Service) using a code from CPT code range 99234 – 99236 when the patient is admitted for observation care for a minimum of 8 hours, but less than 24 hours and discharged on the same calendar date.	X			X						
5791.3.1	Contractor shall instruct physicians and qualified NPPs not to report Observation Care Discharge Service (CPT code 99217) when the observation care is a minimum of 8 hours and the patient is discharge less than 24 hours on the same calendar date.	X			X						
5791.4	Contractor shall instruct physicians and qualified NPPs to report Office or Other Outpatient Visit using a code from CPT code range 99211 – 99215 for a visit before the discharge date when a patient is held in observation care status for more than 2 calendar dates.	X			X						
5791.5	Contractor shall instruct physicians and qualified NPPs the documentation in the medical record shall satisfy the evaluation and management guidelines for admission to and discharge from observation care or inpatient hospital care.	X			X						
5791.5.1	Contractor shall instruct physicians and qualified NPPs the documentation requirements for history, examination and medical decision making shall be met.	X			X						
5791.5.2	Contractor shall instruct physicians and qualified NPPs to document his/her physical presence.	X			X						
5791.5.3	Contractor shall instruct physicians and qualified NPPs to document his/her personal provision of observation care.	X			X						
5791.5.4	Contractor shall instruct physicians and qualified	X			X						

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	NPPs to document the number of hours the patient remained in the observation care status.										
5791.5.5	Contractor shall instruct physicians and qualified NPPs they shall personally document the admission and discharge notes.	X			X						

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
5791.6	<p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p>	X			X						

### IV. SUPPORTING INFORMATION

**A. For any recommendations and supporting information associated with listed requirements, use the box below:**

*Use "Should" to denote a recommendation.*

X-Ref Requirement Number	Recommendations or other supporting information:

**B. For all other recommendations and supporting information, use this space:**

Physician Fee Schedule Final Regulation November 1, 2000, Vol.65, No. 212, pp. 65408 - 65409

**V. CONTACTS**

**Pre-Implementation Contact(s):** Kit Scally (Cathleen Scally@cms.hhs.gov)

**Post-Implementation Contact(s):** Appropriate Regional Office Staff

**VI. FUNDING**

**Section A: For *Fiscal Intermediaries (FIs) and Carriers*, use the following statement:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

**Section B: For *Medicare Administrative Contractors (MACs)*, use the following statement:**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

# Medicare Claims Processing Manual

## Chapter 12 - Physicians/Nonphysician Practitioners

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*(Rev.1466, 02-22-08)*

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30.6.8 – Payment for Hospital Observation Services (Codes 99217 – 99220) *and Observation or Inpatient Care Services (Including Admission and Discharge Services – Codes 99234-99236)*

**30.6.8 - Payment for Hospital Observation Services (Codes 99217 – 99220) and Observation or Inpatient Care Services (Including Admission and Discharge Services – (Codes 99234 – 99236))**

*(Rev.1466, Issued: 02-22-08, Effective: 04-01-08, Implementation: 04-07-08)*

**A. Who May Bill Initial Observation Care**

*Contractors* pay for initial observation care billed by only the physician who admitted the patient to hospital observation and was responsible for the patient during his/her stay in observation. A physician who does not have inpatient admitting privileges but who is authorized to admit a patient to observation status may bill these codes.

For a physician to bill the initial observation care codes, there must be a medical observation record for the patient which contains dated and timed physician's admitting orders regarding the care the patient is to receive while in observation, nursing notes, and progress notes prepared by the physician while the patient was in observation status. This record must be in addition to any record prepared as a result of an emergency department or outpatient clinic encounter.

Payment for an initial observation care code is for all the care rendered by the admitting physician on the date the patient was admitted to observation. All other physicians who see the patient while he or she is in observation must bill the office and other outpatient service codes or outpatient consultation codes as appropriate when they provide services to the patient.

For example, if an internist admits a patient to observation and asks an allergist for a consultation on the patient's condition, only the internist may bill the initial observation care code. The allergist must bill using the outpatient consultation code that best represents the services he or she provided. The allergist cannot bill an inpatient consultation since the patient was not a hospital inpatient.

***B. Physician Billing for Observation Care Following Admission to Observation***

*When a patient is admitted for observation care for less than 8 hours on the same calendar date, the Initial Observation Care, from CPT code range 99218 – 99220, shall be reported by the physician. The Observation Care Discharge Service, CPT code 99217, shall not be reported for this scenario.*

*When a patient is admitted for observation care and then discharged on a different calendar date, the physician shall report Initial Observation Care, from CPT code range 99218 – 99220 and CPT observation care discharge CPT code 99217.*

*When a patient has been admitted for observation care for a minimum of 8 hours, but less than 24 hours and discharged on the same calendar date, Observation or Inpatient Care Services (Including Admission and Discharge Services) from CPT code range 99234 – 99236, shall be reported. The observation discharge, CPT code 99217, cannot also be reported for this scenario.*

***C. Documentation Requirements for Billing Observation or Inpatient Care Services (Including Admission and Discharge Services (Codes 99234 – 99236))***



*The physician shall satisfy the E/M documentation guidelines for admission to and discharge from observation care or inpatient hospital care. In addition to meeting the documentation requirements for history, examination, and medical decision making documentation in the medical record 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 billing physician.*

In the rare circumstance when a patient is held in observation status for more than 2 calendar dates, the physician *shall* bill *a visit* furnished before the *discharge date* using the outpatient/office visit codes. The physician may not use the subsequent hospital care codes since the patient is not an inpatient of the hospital.

#### ***D.* Admission to Inpatient Status from Observation**

If the same physician who admitted a patient to observation status also admits the patient to inpatient status from observation before the end of the date on which the patient was admitted to observation, pay only an initial hospital visit for the evaluation and management services provided on that date. Medicare payment for the initial hospital visit includes all services provided to the patient on the date of admission by that physician, regardless of the site of service. The physician may not bill an initial observation care code for services on the date that he or she admits the patient to inpatient status. If the patient is admitted to inpatient status from observation subsequent to the date of admission to observation, the physician must bill an initial hospital visit for the services provided on that date. The physician may not bill the hospital observation discharge management code (code 99217) or an outpatient/office visit for the care provided in observation on the date of admission to inpatient status.

#### ***E.* Hospital Observation During Global Surgical Period**

The global surgical fee includes payment for hospital observation (codes 99217, 99218, 99219, and 99220, 99234, 99235, 99236) services unless the criteria for use of CPT modifiers “-24,” “-25,” or “-57” are met. *Contractors* must pay for these services in addition to the global surgical fee only if both of the following requirements are met:

- The hospital observation service meets the criteria needed to justify billing it with CPT modifiers “-24,” “-25,” or “-57” (decision for major surgery); and
- The hospital observation service furnished by the surgeon meets all of the criteria for the hospital observation code billed.

Examples of the decision for surgery during a hospital observation period are:

- A patient is admitted by an emergency department physician to an observation unit for observation of a head injury. A neurosurgeon is called in to do a

consultation on the need for surgery while the patient is in the observation unit and decides that the patient requires surgery. The surgeon would bill an outpatient consultation with the “-57” modifier to indicate that the decision for surgery was made during the consultation. The surgeon must bill an outpatient consultation because the patient in an observation unit is not an inpatient of the hospital. Only the physician who admitted the patient to hospital observation may bill for initial observation care.

- A patient is admitted by a neurosurgeon to a hospital observation unit for observation of a head injury. During the observation period, the surgeon makes the decision for surgery. The surgeon would bill the appropriate level of hospital observation code with the “-57” modifier to indicate that the decision for surgery was made while the surgeon was providing hospital observation care.

Examples of hospital observation services during the postoperative period of a surgery are:

- A patient at the 80th day following a TURP is admitted to observation with abdominal pain from a kidney stone by the surgeon who performed the procedure. The surgeon decides that the patient does not require surgery. The surgeon would bill the observation code with CPT modifier “-24” and documentation to support that the observation services are unrelated to the surgery.
- A patient at the 80th day following a TURP is admitted to observation with abdominal pain by the surgeon who performed the procedure. While the patient is in hospital observation, the surgeon decides that the patient requires kidney surgery. The surgeon would bill the observation code with HCPCS modifier “-57” to indicate that the decision for surgery was made while the patient was in hospital observation. The subsequent surgical procedure would be reported with modifier “-79.”
- A patient at the 20th day following a resection of the colon is admitted to observation for abdominal pain by the surgeon who performed the surgery. The surgeon determines that the patient requires no further colon surgery and discharges the patient. The surgeon may not bill for the observation services furnished during the global period because they were related to the previous surgery.

An example of a billable hospital observation service on the same day as a procedure is a patient is admitted to the hospital observation unit for observation of a head injury by a physician who repaired a laceration of the scalp in the emergency department. The physician would bill the observation code with a CPT modifier 25 and the procedure code.