Disclaimer: Reasonable efforts have been made to provide accuracy in the content of this material. This guide is intended to be a reference source only and is CPT code specific based on CMS guidelines. The information contained herein is general in nature. Medical coding is part science, part art; even experts sometimes differ. Clinical and other circumstances may differ between cases and thereby effect coding. Neither the contributor of this information nor Huntsville Hospital warrant or guarantee the information contained herein on coding or compliance will be applicable or appropriate in any particular situation. For information tailored to your specific circumstances, consult a qualified professional.
“Observation care is a well-defined set of specific, clinically appropriate services, which include short term treatment, assessment and reassessment that are furnished while a decision is being made regarding whether patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital.”

-Medicare Claims Processing Manual Chapter 12
“In only rare and exceptional cases do reasonable and necessary outpatient observation services span more than 48 hours. In the majority of cases, the decision whether to discharge a patient from the hospital following resolution of the reason for the observation care or to admit the patient as an inpatient can be made in less than 48 hours, usually in less than 24 hours.”
Basic Documentation Requirements

The following information must be documented:

- Dated and timed physician’s order regarding the observation services the patient is to receive
- Progress notes prepared by the physician while the patient received observation services
- Documentation stating the amount of time the patient was in observation status
- Documentation identifying the billing physician was present and personally performed the services; and
- Documentation identifying the order for observation services, progress notes, and discharge notes were written by the billing physician.
Determining Physician Services Billing Codes

- Codes billed are based on:
  - Who ordered the observation of the patient
  - How long the patient was in observation
  - Whether the patient is discharged home or admitted
Who

- Who ordered the observation of the patient:
  - Observation codes are utilized **ONLY** by the physician who ordered the observation care
  - All **other** physicians who furnish additional evaluations or services while the patient is in observation must bill the appropriate outpatient services:
    - 99201-99205 if the patient meets the new patient criteria, not seen by the physician or anyone in the same practice within the last three years OR
    - 99212-99215 if the patient meets the established patient criteria
    - If the patient is seen by the other physician for a second visit, the code is selected from 99212-99215.
  - Example: Cardiologist places patient in observation on January 26\(^{th}\) and asks a Pulmonologist to see the patient. The Pulmonologist has never seen the patient before and bill from 99201-99205 on January 26\(^{th}\). The Pulmonologist returns to see the patient on January 27\(^{th}\) to see if prescribed treatment is effective. He will bill from 99212-99215 for the second visit on the following day.
There are two separate sets of observation codes

- 99218-99220 are used for **initial observation services** and are used when the patient is either going to be in the observation care for **less than eight hours on the same calendar day** OR when the patient will be admitted to observation on one calendar day (no hours distinction) and discharged on a separate calendar day. If the patient is discharged on the next calendar date, the observation discharge code 99217 may be billed.

- 99234-99236 are used to report **observation or inpatient hospital services provided to patient admitted and discharged on the same date of service**. These codes include the discharge service reimbursement so you do not use the 99217 discharge code with 99234-99236
Admitted or Discharged Home

• Admission:
  ○ If the ordering physician who ordered observation services also admits the patient to Inpatient Status **before the end of the day/date on which the observation services began**, the physician must bill the initial hospital visit code for the services provided on that date.
  ○ Example: Patient placed in observation at 8 A.M. on January 26th. The physician returns to evaluate the patient at 1 P.M. and decides to admit to Inpatient Status based on the patient’s problems. For this date of service, the physician will bill initial inpatient visit, codes 99221-99223 only.
Admitted or Discharged Home

- Admission:
  - If the patient is admitted to Inpatient Status from observation care subsequent (separate day) to the date of initiation of observation services, the physician must bill an initial hospital visit for the services provided on that date. The physician may not bill the observation discharge code, 99217 or an outpatient visit for the care provided on that date.
  - Example: Patient placed in observation at 10 P.M. on January 26th. The physician returns to evaluate the patient at 8 A.M. on January 27th and decides to admit to Inpatient Status based on the patient’s problems. For January 26th, the physician would bill an initial observation care from codes 99218-99220 and for January 27th the physician would bill an initial hospital code, 99221-99223.
Admitted or Discharged Home

- Discharged:
  - When a patient receives 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.

  - Example: Patient is placed in observation at 8 A.M. on January 26th and discharged home at 1 P.M. on the 26th. Bill only one code from the 99218-99220 codes.
Discharged:

- When a patient receives observation care for a **minimum of 8 hours, but less than 24 hours**, and is discharged on the **same calendar date/day**, 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.

- Example: Patient is placed in observation January 26th at 8 A.M. The patient is discharged from observation on January 26th at 6 P.M. The physician will bill only one code from the codes 99234-99236.
• Discharged:
  ○ When a patient is admitted for observation care and then is 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.
  ○ Example: Patient placed in observation on January 26th at 8 A.M. Patient is discharged home on January 27th at 9 A.M. On the 26th the physician will bill from the codes 99218-99220 and on the 27th bill for the observation discharge with CPT code 99217
Admitted or Discharged Home

• Admitted or Discharged:
  ○ In the rare circumstance when a patient receives observation services 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.
  ○ Example: Patient placed in observation on January 26th at 8 A.M. Patient still in observation and seen by physician on January 27th. Patient discharged home on January 28th at 8 A.M. On the 26th the physician bills from codes 99218-99220, on January 27th, bills from outpatient codes 99212-99215 and on January 28th bills discharge 99217.
Observation During Global Surgery Period

- Global surgical fees concept still apply to observation care:
  - 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.
Modifier Definitions

- **-24 Unrelated Evaluation and Management Service by the Same Physician During a Postoperative Period:** The physician may need to indicate that an evaluation and management service was performed during a postoperative period for a reason(s) unrelated to the original procedure. This circumstance may be reported by adding modifier 24 to the appropriate level of E/M service.

- **-25 Significant, Separately Identifiable Evaluation and Management Service by the Same Physician on the Same Day of the Procedure or Other Service:** It may be necessary to indicate that on the day a procedure or service identified by a CPT code was performed, the patient's condition required a significant, separately identifiable E/M service above and beyond the other service provided or beyond the usual preoperative and postoperative care associated with the procedure that was performed. A significant, separately identifiable E/M service is defined or substantiated by documentation that satisfies the relevant criteria for the respective E/M service to be reported. The E/M service may be prompted by the symptom or condition for which the procedure and/or service was provided. As such, different diagnoses are not required for reporting of the E/M services on the same date. This circumstance may be reported by adding modifier 25 to the appropriate level of E/M service.

- **-57 Decision for Surgery:** An evaluation and management service that resulted in the initial decision to perform the surgery may be identified by adding modifier 57 to the appropriate level of E/M service.
Examples of the decision for surgery during a hospital observation period are (modifier -57):

- An emergency department physician orders hospital outpatient observation services for a patient with a head injury. A neurosurgeon is called in to evaluate the need for surgery while the patient is receiving observation services and decides that the patient requires surgery. The surgeon would bill a new or established office or other outpatient visit code as appropriate with the “-57” modifier to indicate that the decision for surgery was made during the evaluation. The surgeon must bill the office or other outpatient visit code because the patient receiving hospital outpatient observation services is not an inpatient of the hospital. Only the physician who ordered hospital outpatient observation services may bill for initial observation care.

- A neurosurgeon orders hospital outpatient observation services for a patient with 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.
Observation During Global Surgery Period

- Examples of hospital observation services during the postoperative period of a surgery are:
  - A surgeon orders hospital outpatient observation services for a patient with abdominal pain from a kidney stone on the 80th day following a TURP (performed by that surgeon). 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 surgeon orders hospital outpatient observation services for a patient with abdominal pain on the 80th day following a TURP (performed by that surgeon). While the patient is receiving hospital outpatient observation services, 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 receiving hospital outpatient observation services. The subsequent surgical procedure would be reported with modifier “-79.”
  - A surgeon orders hospital outpatient observation services for a patient with abdominal pain on the 20th day following a resection of the colon (performed by that surgeon). 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 when a physician repairs a laceration of the scalp in the emergency department for a patient with a head injury and then subsequently orders hospital outpatient observation services for that patient. The physician would bill the observation code with a CPT modifier -25 and the procedure code. The head injury is a separate issue from the laceration.