Commercial Reimbursement Policy

Subject: **Observation Services - Facility**	
Policy Number: **C-11005**	Policy Section: **Facilities**
Last Approval Date: **07/20/2022**	Effective Date: **07/20/2022**

Disclaimer

These policies serve as a guide to assist you in accurate claim submissions and to outline the basis for reimbursement if the service is covered by a member's Anthem benefit plan. The determination that a service, procedure, item, etc. is covered under a member's benefit plan is not a determination that you will be reimbursed. Services must meet authorization and medical necessity guidelines appropriate to the procedure and diagnosis as well as to the member's state of residence. You must follow proper billing and submission guidelines. You are required to use industry standard, compliant codes on all claim submissions. Services should be billed with Current Procedure Terminology (CPT) codes, Healthcare Common Procedure Coding System (HCPCS) codes and/or Revenue codes. The codes denote the services and/or procedures performed. The billed code(s) are required to be fully supported in the medical record and/or office notes. Our policies apply to both participating and nonparticipating professional and facilities as indicated.

If appropriate coding/billing guidelines or current reimbursement policies are not followed, Anthem may:

- Reject or deny the claim
- Recover and/or recoup claim payment
- Adjust the reimbursement to reflect the appropriate services and/or procedures performed

Anthem's reimbursement policies are developed based on nationally accepted industry standards and coding principles. These policies may be superseded by mandates in provider, State, Federal or Centers for Medicare and Medicaid Services (CMS) contracts and/or requirements. System logic or set up may prevent the loading of policies into the claims platforms in the same manner as described; however, Anthem strives to minimize these variations.

Policy

Anthem allows reimbursement for observation services when ordered by a physician or other individual authorized by state licensure law and facility staff bylaws to admit members to the hospital or order outpatient tests unless provider, state, federal, or contracts and/or requirements indicate otherwise.
The member's medical record documentation for observation services must include a written order that clearly states, "admit to observation". Additionally, such

documentation shall demonstrate that observation services are required by stating the specific problem, the treatment and/or frequency of the skilled service expected to be provided. The designated observation service status, in general, shall not exceed 24 hours.

Observation services may be considered eligible for reimbursement when rendered to members who meet one or more of the following criteria:

- Active care or further observation is needed following emergency room care to determine if the member is stabilized.
- The member has a complication from an outpatient surgical procedure that requires additional recovery time that exceeds the normal recovery time.
- The member care required is initially at or near the inpatient level.
- The member requires further diagnostic testing and/or observation to make a diagnosis and establish appropriate treatment protocol.
- The member requires short term medical intervention of facility staff which requires the direction of a physician.
- The member requires observation in order to determine if the member requires admission into the facility.

Reimbursement, if any, for observation services is specified in the Plan Compensation Schedule or Agreement with the applicable facility. This policy is not intended to modify the terms and conditions of the facility's agreement with the health plan. If the facility's agreement with the health plan does not provide for separate reimbursement for observation services, then this policy is not intended to and shall not be construed to allow the facility to separately bill for and seek reimbursement for observation services.

The following situations are examples of services that are considered by the health plan to be inappropriate use of observation services:

- Physician, member, and/or family convenience
- Routine preparation and recovery for diagnostic, therapeutic or surgical procedures
- Social issues
- Blood administration
- Cases routinely cared for in the Emergency Room or Outpatient Department
- Routine recovery and post-operative care after outpatient surgery
- Standing orders following outpatient surgery
- Observation following an uncomplicated treatment or procedure

Related Coding

Standard Correct Coding applies

Policy History

08/03/2022	Biennial review: minor language changes
04/22/2020	Biennial review: updated policy language and definitions
08/16/2019	Exemption Request approved: added definition, new template.
11/13/2012	Annual Review: Revised definition of Observation care; Added verbiage in policy body regarding required documentation
05/06/2011	Initial policy approval and effective date

References and Research Materials

This policy has been developed through consideration of the following:

- Centers for Medicare and Medicaid Services (CMS)

Definitions

Observation Services	Active, short-term medical and/or nursing services performed by an acute facility on that facility's premises that includes the use of a bed and monitoring by that acute facility's nursing or other staff and are required to observe a member's condition to determine if the patient requires an inpatient admission to the facility.
General Reimbursement Policy Definitions	

Related Policies and Materials

None

Use of Reimbursement Policy:
State and federal law, as well as contract language, including definitions and specific inclusions/exclusions, take precedence over Reimbursement Policy and must be considered first in determining eligibility for coverage. The member's contract benefits in effect on the date that services are rendered must be used. Reimbursement Policy is constantly evolving and we reserve the right to review and update these policies periodically.