

OUTPATIENT OBSERVATION STAYS

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AUTHORITY: [32 CFR 199.4\(c\)\(2\)\(iv\)](#)

I. CPT¹ PROCEDURE CODES

99217, 99218 - 99220, 99234 - 99236

II. HCPCS CODES

Upon implementation of the Outpatient Prospective Payment System (OPPS): G0378, G0379

III. DESCRIPTION

Outpatient observation stays are those services furnished by a hospital on a hospital's premises, including the use of a bed and periodic monitoring by a hospital's nursing or other staff, which are reasonable and necessary to evaluate an outpatient's condition or determine the need for a possible admission to the hospital as an inpatient. Such services are provided when ordered by a physician or another individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests.

IV. POLICY

A. A person is considered a hospital inpatient if formally admitted as an inpatient with the expectation that he or she will remain at least overnight. When a hospital places a patient under observation, but has not formally admitted him or her as an inpatient, the patient initially is treated as an outpatient to determine the need for further treatment or for inpatient admission.

B. For observation stays prior to **implementation of OPSS**, the following provisions apply:

1. Cost-sharing of observation services, subsequent to ambulatory surgery reimbursement under the prospective ambulatory group payment, is covered if determined that placement on observation is medically necessary.

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2. Cost-sharing of outpatient observation services is covered following care provided in an emergency setting.
3. Cost-sharing at the observation level or outpatient level should be considered for inpatient denials when the services rendered are medically necessary, but provided at an inappropriate level of care.
4. Cost-sharing of outpatient mental health observation is covered.
5. Outpatient observation stays generally should not exceed 23 hours.
6. Up to 48 hours of outpatient observation services may be authorized by the Contractor when medical necessity has been clearly demonstrated. **If an observation stay is for more than 48 hours, the claim shall be processed as inpatient.**
7. Time spent in a recovery room following surgery should not be included in the 23 hour limit.
8. The time of admission to an observation bed is counted as the first hour of observation and is rounded to the nearest hour. The number of hours of observation should be indicated in the units field on the CMS 1450 UB-04 claim form. If the patient has more than 23 hours of observation show all hours of services provided in the units field.
9. Outpatient observation services are billed using the revenue code 0762 with the description listed as Observation Services. This code includes room and board services.

C. For observation stays on or after the implementation of OPSS, the following provisions apply:

1. Outpatient observation stays are separately payable when certain conditions are met for patients having diagnosis of chest pain, asthma, congestive heart failure or maternity (refer to the TRICARE Reimbursement Manual (TRM), [Chapter 13, Section 2, paragraph III.H](#) for those specific conditions that must be met in order to receive separate payment under the hospital Outpatient Prospective Payment System (OPSS)). The above conditions will only apply to observation stays reimbursed under the OPSS.
2. All other observation stays will be packaged under the primary procedure for payment. Hospitals are to report these observation charges under revenue code 0762 - "Observation Room", and HCPCS code G0378. The above packaging requirement is specific for observation stays reimbursed under the OPSS.
3. Outpatient observation stays generally should not exceed 24 hours.
4. For OPSS exempt hospitals, up to 48 hours of outpatient observation services may be authorized by the contractor when medical necessity has been clearly demonstrated. If an observation stay is for more than 48 hours, the claim shall be processed as inpatient.

D. A separate authorization for outpatient observation is not required.

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E. Prime enrollees who receive emergency care as an outpatient observation stay must report their admission within 72 hours to the contractor.

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