

Outpatient Observation Stays

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1.0 CPT¹ PROCEDURE CODES

99217, 99218 - 99220

2.0 HCPCS PROCEDURE CODES

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

3.0 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.

4.0 POLICY

4.1 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.

4.2 For observation stays before May 1, 2009 (implementation of OPPS) and thereafter for observation stays in non-OPPS facilities, the following provisions apply:

4.2.1 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.

4.2.2 Cost-sharing of outpatient observation services is covered following care provided in an emergency setting.

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Chapter 2, Section 2.3

Outpatient Observation Stays

4.2.3 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.

4.2.4 Cost-sharing of outpatient mental health observation is covered.

4.2.5 Up to 48 hours of outpatient observation services may be cost-shared. Observation hours exceeding 48 shall be denied.

4.2.6 Time spent in a recovery room following surgery should not be included in the 23 hour limit.

4.2.7 The time of admission to an observation bed is counted as the first hour of observation and is rounded to the nearest hour. The **total** number of hours of observation should be indicated **on one line** in the units field on the Centers for Medicare and Medicaid Services (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.

4.2.8 Outpatient observation services are billed using the revenue code 0762 with the description listed as Observation Services. This code includes room and board services.

4.2.9 Up to 48 hours is considered one stay and will cost-share/co-pay one time per claim.

4.3 For observation stays on or after May 1, 2009 (implementation of OPSS), the following provisions apply:

4.3.1 Outpatient observation stays are separately payable when certain conditions are met for maternity patients. **Reference** the TRICARE Reimbursement Manual (TRM), [Chapter 13, Section 2, paragraph 3.10](#) for those specific conditions that must be met in order to receive separate payment under the hospital Outpatient Prospective Payment System (OPSS) **for maternity observation stays**.

4.3.2 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.

4.4 A separate authorization for outpatient observation is not required.

4.5 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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