# Clover

Clover Health Outpatient Observation Reimbursement Policy

Policy # RP-014

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| **Policy Title** | Outpatient Observation Reimbursement Policy |
| **Policy Department** | Payment Strategy Operations |
| **Effective Date** | 6/30/2022 |
| **Revision Date(s)** | 3/1/2022 |
| **Next Review Date** | |

**Disclaimer:**

Clover Health applies CMS criteria and guidelines, National Coverage Determinations (NCD), Local Coverage Determinations (LCD), Clover Policies, and MCG for determining medical necessity. Clover Policies are intended to provide a standard guideline but are not used to preempt providers' judgment in rendering services. Providers are expected to provide care based on best practices and use their medical judgment for appropriate care.

## Description:

Clover Health has developed this policy to outline coverage requirements and reimbursement for outpatient observation services. Clover Health applies CMS criteria and guidelines, National Coverage Determinations (NCD), and Local Coverage Determinations (LCD).

## Definitions:

- **Outpatient Observation**
  - Observation services are hospital outpatient services given to determine if a patient needs to be admitted as an inpatient or can be discharged.

**Policy:**

Outpatient hospital observation services must meet the Medicare criteria and be considered reasonable and necessary. Observation must be ordered by a physician or another individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or order outpatient tests.

Reporting Hours of Observation

Observation begins at the time documented in the patient's medical record, which coincides with the time that observation care is initiated in accordance with a physician's order. Hospitals should round to the nearest hour; for example:

- a patient who began receiving observation services at 3:03 p.m. according to the nurses' notes and was discharged to home at 9:45 p.m.
- when observation care and other outpatient services were completed, should have a "7" placed in the units field of the reported observation HCPCS code to represent 7 hours.

General standing orders for observation services following all outpatient surgery are **NOT** recognized. Hospitals should **NOT** report as observation care, services that are part of another Part B service, such as postoperative monitoring during a standard recovery period (e.g., 4-6 hours), which should be billed as recovery room services. Similarly, in the case of patients who undergo diagnostic testing in a hospital outpatient department, routine preparation services furnished prior to the testing and recovery afterward are included in the payments for those diagnostic services. Observation services should **NOT** be billed concurrently with diagnostic or therapeutic services for which active monitoring is a part of the procedure (e.g., colonoscopy, chemotherapy). In situations where such a procedure interrupts observation services, hospitals may determine the most appropriate way to account for this time. For example,

- A hospital may record for each period of observation services the beginning and ending times during the hospital outpatient encounter and add the length of time for the periods of observation services together to reach the total number of units reported on the claim for the hourly observation services HCPCS code G0378 (Hospital observation service, per hour).
- A hospital may also deduct the average length of time of the interrupting procedure, from the total duration of time that the patient receives observation services.
- Observation time ends when all medically necessary services related to observation care are completed.
- Observation time may include medically necessary services and follow-up care

provided after the time that the physician writes the discharge order, but before the patient is discharged.
- Reported observation time would not include the time patients remain in the hospital after treatment is finished for reasons such as waiting for transportation home.

Coverage of outpatient observation services is limited to 72 hours. All observation services over 72 hours will be denied.

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| **Claim Codes (if applicable)** | Revenue Codes<br>● 0760 - Specialty Services - General Classification<br>● 0762 - Specialty Services - Observation Hours<br><br>Procedure Codes<br>● G0378 - Hospital observation service, per hour<br>● G0379 - Direct referral hospital observation |

| References |
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| Medicare Claims Processing Manual, Chapter 4, Section 290 |
| Medicare Benefit Policy Manual, Chapter 6, Section 20.6 |