



Billing and Reimbursement Policy: Evaluation and Management Services- Observation

Key coding and reimbursement points include:

- Only the physician who admits the patient to observation status can report the initial observation Evaluation and Management (E/M) code.
- The Initial Observation Care for New and Established Patient codes 99218-99220 are used to denote that the attending physician admitting the patient to observation status has done the following:
 - Accessed and established a care plan
 - Supervised the care plan
 - And performed periodic reassessments
 - Dated and timed admitting orders along with progress notes and nursing notes
- If the patient is admitted to observation from the office or another department of the hospital, any services that were provided in addition to the observation stay services are considered to be a part of the initial observation care when performed on the same date of service by the same provider.
- If the patient is admitted on the same date as the initial observation stay date, the physician can only bill for the initial hospital visit.
- When the patient is changed from observation to inpatient status on the same date of service, the physician cannot bill for a discharge management code, 99217 or an outpatient visit for the care in the observation unit.
- Any physician, other than the admitting physician to observation status, should use the appropriate outpatient/office or consultation codes to bill for services to the patient while on observation status.
- If the patient is admitted and discharged from observation status on the same date, the appropriate coding section include codes 99234-99236, Observation or Inpatient Care Services (Including Admission and Discharge Services).
- There are some additional guidelines not included in the CPT® book for these codes:
 - The billing physician must be present and personally providing the services



- The admitting and discharge notes must be written by the billing physician
- If the patient is discharged on the second day, the discharge day services are coded with the observation care discharge code. No observation discharge code is allowed if the patient is admitted to observation status for less than 8 hours.
- In those instances where the patient is initially admitted to observation status, stays day 2 and is discharged on day 3, the second day services are billed using the subsequent office/outpatient visit codes. The hospital inpatient codes are not applicable as the patient is not an inpatient.
- If the patient requires observation care during the postoperative period, the global surgical fee includes payment for observation care related to the surgical procedure.
- Post surgical visits not related to surgery will be considered for separate payment.
- Modifier 24 should be used to indicate a visit outside of the global package.
- Modifiers 25 or 57 may be used to indicate a separately identifiable service.
- Notes may be requested.
- This policy applies to place of service 11, 20,21, 22 , 23 and 24.

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