

## Payment Policy

Hospital Admission, Discharge and Observation Services	
Original effect date:	Revision date:
07/08/2017	04/01/2024

### IMPORTANT INFORMATION

Blue Shield of California payment policy may follow industry standard recommendations from various sources such as the Centers for Medicare and Medicaid Services (CMS), the American Medical Association (AMA), Current Procedural Terminology (CPT) and/or other professional organizations and societies for individual provider scope of practice or other coding guidelines. The above referenced payment policy applies to all health care services billed on CMS 1500 forms and, when specified, to those billed on UB04 forms or their electronic equivalent. This payment policy is intended to serve as a general overview and does not address every aspect of the claims reimbursement methodology. This information is intended to serve only as a general reference regarding Blue Shield's payment policy and is not intended to address every facet of a reimbursement situation. Blue Shield of California may use sound discretion in interpreting and applying this policy to health care services provided in a particular case. Furthermore, the policy does not address all payment attributes related to reimbursement for health care services provided to a member. Other factors affecting reimbursement may supplement, modify or, in some cases, supersede this policy such as coding methodology, industry-standard reimbursement logic, regulatory/legislative requirements, benefit design, medical and drug policies. Coverage is subject to the terms, conditions and limitation of an individual member's programs benefits.

### Application

#### Inpatient Hospital

When the patient is admitted to the hospital as an inpatient in the course of an encounter in another site of service (e.g., hospital emergency department, observation status in a hospital, office, nursing facility) all evaluation and management services provided by that physician in conjunction with that admission are considered part of the initial hospital care when performed on the same date as the admission. The inpatient care level of service reported by the admitting physician should include the services related to the admission he/she provided in the other sites of service as well as in the inpatient setting.

#### Hospital Discharge

The hospital discharge day management codes are to be used to report the total duration of time spent by a physician for final hospital discharge of a patient. The codes include, as appropriate, final examination of the patient, discussion of the hospital stay, even if the time spent by the physician on that date is not continuous, instructions for continuing care

to all relevant caregivers, and preparation of discharge records, prescriptions, and referral forms.

## **Observation**

Hospital observation service codes are reported in cases where the patient is admitted and discharged on the same date of service by the supervising physician or other qualified health care professional. Observation status includes the supervision of the care plan for observation as well as the periodic reassessments. When a patient is admitted to the hospital from observation status on the same date, only the initial hospital care code should be reported. The initial hospital care code reported by the admitting physician or other qualified health care professional should include the services related to the observation status services he/she provided on the same date of inpatient admission.

## **Policy**

This policy is applied to claims with date of service on or after July 8, 2017.

### **Initial Hospital Inpatient or Observation Care**

Per AMA CPT coding guidelines, Initial hospital inpatient or observation care codes (99221-99223) are “per day” services, reported for the first encounter with the patient by the admitting physician when the patient has not received any professional services from the physician or other qualified healthcare professional (QHP) or another physician or QHP of the exact same specialty and subspecialty who belongs to the same group practice during the stay. For initial encounters by a physician other than the admitting physician, initial inpatient consultation codes or subsequent inpatient or observation care codes should be reported.

- Blue Shield of California will reimburse only one provider of the same specialty from the same group practice for Initial Hospital Inpatient or Observation Care (99221-99223) when billed for the same patient on the same day or within 1 day of each other.
- When multiple providers of the same specialty from the same group practice report initial hospital inpatient or observation care (99221-99223) for the same patient on the same day, only the first charge processed by Blue Shield of California will be eligible for reimbursement. Subsequent charges for the initial hospital care of the same patient on the same date of service or within 1 day of each other will be denied.
- Blue Shield of California will deny Subsequent Hospital Care services (99231-99233) when billed for the same patient by the same physician or physicians of the same specialty from the same group practice, the day after same day observation/discharge services (99234-99236).
- Blue Shield of California will deny same day observation/discharge service (99234-99236) when billed a day after an initial hospital admission code (99221- 99223) for the same patient by the same physician or physicians of the same specialty from the same group practice.

## **Hospital Inpatient or Observation Discharge Services**

Per AMA CPT coding guidelines, the Hospital Inpatient or Observation Discharge codes (99238-99239) are to be used to report the total duration of time spent by a physician or other qualified healthcare professional for final hospital or observation discharge of a patient, even if the time spent by the physician or other qualified health care professional on that date is not continuous. The codes include, as appropriate, final examination of the patient, discussion of the hospital stay, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions and referral forms.

These codes are to be utilized to report all services provided to a patient on the date of discharge, if other than the initial date of inpatient or observation status. For a patient admitted and discharged from hospital inpatient or observation status on the same date, report with codes 99234-99236 as appropriate.

- Blue Shield of California will reimburse only one provider for Hospital Inpatient or Observation Discharge Services (99238-99239) when billed for the same patient on the same day or within 1 day of each other.
- When multiple providers report Hospital Inpatient or Observation Discharge services (99238-99239) for the same patient on the same day, only the first charge processed by Blue Shield will be eligible for reimbursement. Subsequent charges for Hospital Inpatient or Observation Discharge services of the same patient on the same date of service will be denied.
- Blue Shield of California will deny claim lines submitted for Hospital Inpatient or Observation Discharge Services (99238-99239) for the same patient by the same physician or physicians of the same specialty from the same group practice, when billed the day after a same day observation/discharge service (99234-99236).

## **Place of Service editing**

Please refer to the Procedure to Place of service payment policy for additional editing that may occur on some of the procedures listed in this policy. For example, CPT code 99221 (Initial hospital inpatient or observation care, E&M) would not be appropriate for reporting in an office or home POS because its code description identifies hospital inpatient.

## **Rationale**

### **Admission and Discharge Services**

The AMA guideline directs any provider who is not the admitting physician, but who may be seeing the patient on the day of admission to use either a subsequent hospital admission code, or a consultation code.

The AMA guideline directs the provider to describe the final steps involved in the discharge of a patient from the hospital on a date that differs from the date of admission.

## Observation Services

Blue Shield of California follows the Centers for Medicare and Medicaid Services' (CMS) Claims Processing Manual which provides the instructions, "for a physician to bill Observation Care codes [99221-99223, 99231-99239], there must be a medical observation record for the patient which contains dated and timed physician's admitting orders regarding the care the patient is to receive while in observation, nursing notes, and progress notes prepared by the physician while the patient was in observation status."

This record must be in addition to any record prepared as a result of an emergency department or outpatient clinic encounter.

### Reimbursement Guideline

Blue Shield of California will reference national or regional industry standards, such as Centers for Medicare & Medicaid Services' (CMS) National Correct Coding Initiative (NCCI) and MUE (Medically Unlikely Edits) rules, and American Medical Association's (AMA) CPT guidelines, as coding standards and as guidance for payment policy. In claims payment scenarios where CMS and/or CPT reference is lacking or insufficient, the Payment Policy Committee (PPC) may develop customized payment policies that are based on other accepted or analogous industry payment standards and or expert input.

Resources
<ul style="list-style-type: none"> <li>• <b>American Medical Association</b>  <a href="https://www.ama-assn.org/">https://www.ama-assn.org/</a></li> <li>• <b>Centers for Medicare &amp; Medicaid Services</b>  <a href="https://www.cms.gov/">https://www.cms.gov/</a></li> </ul>

## Policy History

This section provides a chronological history of the activities, updates and changes that have occurred with this Payment Policy.

Effective Date	Action	Reason
07/08/2017	New Policy Adaption	Payment Policy Committee
08/03/2018	Maintenance	Payment Policy Committee
01/01/2023	Updated Hospital Inpatient & Observation sections with 2023 coding changes	Quarterly Maintenance
04/01/2024	Updated Hospital Inpatient & Observation sections to align with CMS guidance	Quarterly Maintenance

The materials provided to you are guidelines used by this plan to authorize, modify, or deny care for persons with similar illness or conditions. Specific care and treatment may vary depending on individual need and the benefits covered under an enrollee's contract.

These Policies are subject to change as new information becomes available.