



*** OBSERVATION BED SERVICES - FREEDOMBLUE***

April 1, 2007

MSFB-HOSP-2007-002

TO: (1) CHIEF FINANCIAL OFFICER
(2) DIRECTOR/MANAGER OF PATIENT ACCOUNTS
(3) BILLING OFFICE STAFF
(4) ADMISSIONS/REGISTRATION STAFF

FROM: MSBCBS OFFICE OF PROVIDER CONTRACTING AND REIMBURSEMENT

SUBJECT: BILLING INSTRUCTIONS FOR OBSERVATION BED SERVICES

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THIS BULLETIN APPLIES TO THE FOLLOWING PRODUCTS:

- Traditional/Indemnity PPO/POS FEP
 WWSBP HHIC FreedomBlue

PURPOSE

This bulletin announces the appropriate guidelines providers should use when billing observation bed services. FreedomBlue would like to ask all providers to make a conscience effort to communicate to members when they are in an observation bed their admission status to prevent member confusion after the fact.

BACKGROUND/OVERVIEW

Observation bed services are those services furnished by a hospital on its premise including use of a bed and periodic monitoring by nurse or other staff, which are responsible and necessary to evaluate a patient's condition on an outpatient basis, to determine the need for a possible admission to the hospital as an inpatient. Such services are covered only when provided by physician order (or order of another individual authorized by state law and hospital bylaws to admit patients or order outpatient tests). Typically, observation bed services do not exceed 48 hours. Such services should not be used for the convenience of the hospital, physician, patient or family, or while awaiting placement in another facility.

IMPACT/ACTION

REIMBURSEMENT AND BILLING

I. Observation Bed Stay Not Followed by an Inpatient Admission

- Reimbursement: FreedomBlue will reimburse for up to 48 hours of medically necessary observation bed services where the patient is subsequently discharged and not admitted as an inpatient. In these circumstances, payment will be at the applicable outpatient rate agreed upon in the hospital contract (or at FreedomBlue's out-of-network payment level for non-network hospitals). Charges for observation bed services beyond 48 hours are not reimbursable, or billable to the member, and the member is held harmless.
- Billing Instructions: Please follow the special instructions below when billing for observation bed services not followed by an inpatient admission. All other standard billing requirements remain applicable. Claims must be submitted on the Uniform Billing claim form.
- Reimbursement: Effective 1/1/07, under the Outpatient Prospective Payment System (OPPS), FreedomBlue will reimburse for up to 48 hours of medically necessary observation bed services. Reimbursement will be based on the APC requirements in the MSBCBS FreedomBlue OPPS Hospital Outpatient Billing & Reimbursement Guide
- Billing Instructions (OPPS): Please follow the special instructions in the FreedomBlue OPPS Hospital Outpatient Billing & Reimbursement Guide. Claims must be submitted on the Uniform Billing claim form.
- Critical Access Hospitals are excluded from OPPS reimbursement.

Locator Number	Locator Name	Instructions
	Type of Bill	131
	Statement Covers Period	The beginning and ending dates of service for entire period reflected on claim.
	Admission Hour	The hour during which the patient was admitted for inpatient or outpatient care.
	Revenue Code	762
	Revenue Code for Ancillary Services	Continue to report any ancillary services per the individual revenue code (i.e. 250, 270, 300, 320).
	Service Units	The number of units (hours) in the observation bed (revenue code 762) must be reported in this field. Observation units are equal to whole hours.
	Non-Covered Charges	Indicates total non-covered charges (revenue code 762), exceeding 48 hours

II. Observation Bed Stay Where Patient Subsequently Admitted as an Inpatient

- Reimbursement: When a patient in an observation bed is subsequently admitted as an inpatient, separate reimbursement (i.e. in addition to payment for the inpatient stay) will depend upon the inpatient reimbursement methodology reflected in the hospital's contract with Mountain State.
 - For contracts using a Percent of Charge inpatient payment methodology, FreedomBlue will reimburse for up to 48 hours of medically necessary observation bed services in addition to payment for the inpatient stay. Payment will be at the applicable inpatient Percent of Charge rate established in the hospital contract (or at the out of network payment level for non-network hospitals). Charges for observation bed services beyond 48 hours will not be reimbursed or billable to the member.
 - For Diagnosis-Related Groups (DRG) and Per Diem contracts, no additional payment for observation bed services will be made because the inpatient payment rate has been established to encompass all hospital services required during the patient's stay.
- Preauthorization: All FreedomBlue health benefit plan contracts require preauthorization of inpatient admission. This includes inpatient admissions that are preceded by an observation bed stay.
 - If preauthorization is denied for an entire inpatient stay, and there are observation bed charges on the same claim, then these charges will be denied also. The hospital may elect to appeal the preauthorization denial. If the denial is overturned and the inpatient stay is approved, then the observation bed charges will be reimbursed in accordance with Section II under the Impact/Action section of this bulletin.
 - If the denial of the inpatient stay is upheld, then the provider may elect to file a separate outpatient claim for the observation charges. Reimbursement will be made in accordance with Section I under the Impact/Action section of this bulletin.

Locator Number	Locator Name	Instructions
	Type of Bill	111
	Statement Covers Period	The beginning and ending dates of service for entire period reflected on claim.
	Admission Hour	The hour during which the patient was admitted for inpatient or outpatient care.
	Revenue Code	762
	Revenue Code for Ancillary Services	Continue to report any ancillary services per the individual revenue code (i.e. 250, 270, 300, 320).
	Service Units	The number of units (hours) in the observation bed (revenue code 762) must be reported in this field. Observation units are equal to whole hours.
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PROCEDURE CODES

G0378 and G0379 under OPPS Reimbursement

G0378 – Hospital observation service, per hour

G0379- Direct admission of patient for hospital observation care

Providers are encouraged to review the most current version of MSBCBS's *UB Manual* to verify that they are using the most up-to-date codes when billing. Providers should also review the billing modifications listed in this bulletin and utilize them in all applicable situations.

ASSISTANCE

This Bulletin

Questions regarding this bulletin may be directed to the Office of Provider Relations, at **1-800-798-7768**, or your External Provider Relations Representative.

Inquiries about Eligibility, Benefits, Claim Status or Authorizations

For inquiries about eligibility, benefits, claim status or authorizations, MSBCBS encourages providers to use the electronic resources available to them – NaviNet and the applicable HIPAA transactions – prior to placing a telephone call to the appropriate Customer Service Department.

Bulletin Updates

Bulletin updates may be accessed via the News & Bulletins section of the Provider Drop down Box on the Mountain State Blue Cross Blue Shield website at www.msbcbs.com.