

**Subject:** Outpatient Observation Services

**Revision Date:** 12/25

## DESCRIPTION

Observation care is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment before a decision can be made regarding whether a covered person will require further treatment as hospital inpatient or if they are able to be discharged from the hospital. Observation services are commonly ordered for covered persons who present to the emergency department and who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.

Observation services are covered only when provided by the order of 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.

Hospitals may bill for covered persons who are directly referred to the hospital for outpatient observation services. A direct referral occurs when a physician in the community refers a covered person to the hospital for outpatient observation, bypassing the clinic or emergency department (ED) visit.

## APPLICABILITY

This policy applies to all OSU Health Plan (OSUHP) benefit plans.

## DEFINITIONS

Inpatient admission is when you are formally checked into a hospital and stay overnight (or longer) to receive medical care.

Observation services you are staying at the hospital for a short time so doctors can monitor your condition and decide if you need to be admitted as an inpatient, or if you can safely go home.

Outpatient services are medical treatments or procedures you get without staying overnight in a hospital.

Room and board refers to the basic services a hospital provides when you stay overnight or longer.

Routine diagnostic services are basic medical tests used to check your health or help diagnose a condition.

## **POLICY**

When a physician orders observation care for a covered person, the level of care is that of an outpatient. The purpose of observation is to determine the need for further treatment or for inpatient admission. Thus, a covered person receiving observation services may improve and be released or be admitted as an inpatient.

Outpatient observation services are covered for up to 48 hours and may include:

- a) Use of a bed within a hospital for the purpose of observing the member's condition
- b) Periodic monitoring by the hospital's staff to evaluate an outpatient's condition and/or determine the need for a possible admission to the hospital as an inpatient.

Outpatient observation services should not be used for routine diagnostic services and outpatient surgery/procedures.

If the physician or healthcare professional is uncertain if an inpatient admission is appropriate, then the physician or healthcare professional should consider admitting the covered person for

observation. For coverage to be appropriate for an inpatient admission, the covered person must demonstrate signs and/or symptoms severe enough to warrant the need for medical care and must receive services of such intensity that they can be furnished safely and effectively only on an inpatient basis.

In the majority of cases, the decision whether to discharge a covered person from the hospital following resolution of the reason for the observation care or to admit the covered person as an inpatient can be made in less than 48 hours, usually in less than 24 hours.

## **PROCEDURE**

When a claim is received, the third-party administrator (TPA) will allow up to 48 hours of observation without prior authorization. After 48 hours of observation, the TPA will deny as provider liability.

If a request for an inpatient level of care does not meet admission criteria, OSU Health Plan will issue a denial for the inpatient days in the care management system. If the provider agrees that the covered person was appropriate for observation care, the claim can be submitted as observation without an updated authorization. OSU Health Plan will not approve observation days on an inpatient referral in the care management system as the 278-file transfer to the TPA cannot differentiate between observation days and inpatient days.

## **PRIOR AUTHORIZATION**

Prior authorization is not required for up to 48 hours of observation care.

## **EXCLUSIONS**

The following outpatient observation services are not covered as the services are not medically reasonable or necessary:

- Services that are not reasonable and necessary for the diagnosis or treatment of the member.

- Outpatient observation services that are provided only for the convenience of the covered person or his/her family or physician. (e.g., following an uncomplicated treatment or a procedure, physicians are busy when patient is physically ready for discharge, patient awaiting placement in a long-term care facility).
- Services that are covered under a medically appropriate inpatient admission, or services that are part of another 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 afterwards are included in the payment for those diagnostic services. Observation should not be billed concurrently with therapeutic services such as chemotherapy.

- Standing orders for observation following outpatient surgery.
- Hospital charges for observation which exceed 48 hours.

OSUHP does not cover inpatient room and board on the day of discharge. Therefore, one day of inpatient room and board if the covered person is admitted and discharged to a lower level of care on the same day.

## CODES

Codes covered when the above criteria have been met:

HCPC Code	Description
G0378	Hospital observation service, per hour
G0379	Direct admission of patient for hospital observation care

## REFERENCES

Medicare Benefit Manual (Pub. 100-2) Chapter 6 §20.6 Outpatient Observation Services available at <http://www.cms.hhs.gov/manuals/Downloads/bp102c06.pdf>

The Ohio State University Human Resources. (2024). Faculty and Staff Health Plan Specific Plan  
Details Document. <https://hr.osu.edu/wp-content/uploads/medical-spd.pdf>