

## Observation and Discharge Policy, Professional

### **IMPORTANT NOTE ABOUT THIS REIMBURSEMENT POLICY**

You are responsible for submission of accurate claims. This reimbursement policy is intended to ensure that you are reimbursed based on the code or codes that correctly describe the health care services provided. UnitedHealthcare Community Plan reimbursement policies use Current Procedural Terminology (CPT®\*), Centers for Medicare and Medicaid Services (CMS) or other coding guidelines. References to CPT or other sources are for definitional purposes only and do not imply any right to reimbursement.

This reimbursement policy applies to all health care services billed on CMS 1500 forms and, when specified, to those billed on UB04 forms. Coding methodology, industry-standard reimbursement logic, regulatory requirements, benefits design, and other factors are considered in developing reimbursement policy.

This information is intended to serve only as a general reference resource regarding UnitedHealthcare Community Plan's reimbursement policy for the services described and is not intended to address every aspect of a reimbursement situation. Accordingly, UnitedHealthcare Community Plan may use reasonable discretion in interpreting and applying this policy to health care services provided in a particular case. Further, the policy does not address all issues related to reimbursement for health care services provided to UnitedHealthcare Community Plan enrollees.

**Other factors affecting reimbursement supplement, modify or, in some cases, supersede this policy. These factors include, but are not limited to: federal &/or state regulatory requirements, the physician or other provider contracts, the enrollee's benefit coverage documents, and/or other reimbursement, medical or drug policies.**

Finally, this policy may not be implemented exactly the same way on the different electronic claims processing systems used by UnitedHealthcare Community Plan due to programming or other constraints; however, UnitedHealthcare Community Plan strives to minimize these variations.

UnitedHealthcare Community Plan may modify this reimbursement policy at any time by publishing a new version of the policy on this Website. However, the information presented in this policy is accurate and current as of the date of publication.

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### Application

**This reimbursement policy applies to UnitedHealthcare Community Plan Medicaid Product.**

This reimbursement policy applies to services reported using the 1500 Health Insurance Claim Form (a/k/a CMS-1500) or its electronic equivalent or its successor form. This policy applies to all products and all network and non-network physicians and other qualified health care professionals, including, but not limited to, non-network authorized and percent of charge contract physicians and other qualified health care professionals.

### Policy

#### Overview

Initial Hospital Inpatient or Observation Care CPT® codes 99221-99223 and Subsequent Hospital Inpatient or Observation Care CPT codes 99231-99233 are used to report evaluation and management (E/M) services provided to new or established patients designated as "observation status" in a hospital.

Hospital Inpatient or Observation Care Services (Including Admission and Discharge Services) CPT codes 99234-99236 are used to report hospital inpatient or observation care services provided to patients admitted and discharged on the same date of service.

Hospital Inpatient or Observation Discharge Day Management CPT Codes 99238 and 99239 are used to report all discharge day management services for the hospital inpatient or observation when discharge is on a date other than the initial date of admission.

**Duplicate or Repeat Services**

When duplicate or repeat Initial Hospital Inpatient or Observation Care, Subsequent Hospital Inpatient or Observation Care, Hospital Inpatient or Observation Care Services (including admission and discharge services), or Hospital Inpatient or Observation Discharge Services CPT codes are reported by the same or different Physician or Other Qualified Health Care Professional (QHP), only one Physician or QHP will be reimbursed.

For the purposes of this policy, duplicate or repeat services are defined as Initial or Subsequent Hospital Inpatient or Observation Care, Hospital Inpatient or Observation Care Services (including admission and discharge services), or Hospital Inpatient or Observation Discharge Services CPT codes submitted for the same patient, within the same stay, by any other Physician or QHP, other than the Admitting/Supervising Physician or Other QHP.

**Initial Hospital Inpatient or Observation Care**

Initial Hospital Inpatient or Observation Care Service CPT codes 99221-99223 describe the first hospital inpatient or observation status encounter of the patient with the Admitting/Supervising Physician or Other QHP. Hospital observation services include the supervision of the care plan for observation, as well as periodic reassessments.

The patient is not required to be physically located in a designated observation area, within a hospital. The designation of “observation status” refers to the initiation of observation care and not to a specific area of a facility. CPT and CMS guidelines indicate that initial observation services are reported only by the Admitting/Supervising Physician or Other QHP.

When a patient is admitted to “observation status”, during the course of another encounter from a different site of service, such as the physician’s office or the emergency department, all of the E/M services rendered are considered part of the initial observation care services, when they are performed on the same day; the level of the Initial Hospital Inpatient or Observation Care CPT code reported should incorporate the other services related to the hospital outpatient observation admission that were provided in any other site of service, as well as, those provided in the actual observation setting.

In order to report Initial Hospital Inpatient or Observation Care CPT codes, the Admitting/Supervising Physician or Other QHP must include:

- Documentation within the patient’s medical record that the patient is designated as or admitted to observation status. The medical record should include the Admitting/Supervising Physician or Other QHP’s dated and timed orders that detail the observation services the patient is to receive.
- Documentation that the Admitting/Supervising Physician or Other QHP explicitly assessed patient risk to determine that the patient would benefit from observation care. This documentation must be in addition to any other documentation prepared, as a result of an emergency department or outpatient clinic/other site of service encounter.
- Nursing notes and progress notes that are timed, written and signed by the Admitting/Supervising Physician or Other QHP, during the time the patient received observation care.

UnitedHealthcare Community Plan follows the Centers for Medicare and Medicaid Services (CMS) Claims Processing Manual and will consider reimbursement for Initial Hospital Inpatient or Observation Care CPT codes when billed only by the Admitting/Supervising Physician or Other QHP who ordered the hospital outpatient observation care services and who was responsible for the patient, during his/her observation care stay.

A Physician or Other QHP who does not have inpatient admitting privileges, but is authorized to furnish hospital outpatient observation services, may bill Initial Hospital Inpatient or Observation Care CPT Codes.

Consistent with CMS guidelines, UnitedHealthcare Community Plan requires that an Initial Hospital Inpatient or Observation Care CPT code 99221-99223 be reported for a patient admitted to “observation status” for less than 8 hours on a calendar date.

**Subsequent Hospital Inpatient or Observation Care**

Similar to Initial Hospital Inpatient or Observation Care CPT codes, payment for Subsequent Hospital Inpatient or Observation Care CPT codes includes all of the care rendered by only the Admitting/Supervising Physician or Other QHP on the day(s) other than the initial or discharge date. In the instance that a patient is held in observation status for more than two calendar dates, the Admitting/Supervising Physician or Other QHP should utilize Subsequent Hospital Inpatient or Observation Care CPT codes 99231-99233.

According to the CPT codebook, "All levels of subsequent observation care include reviewing the medical record and reviewing the results of diagnostic studies and changes in the patient's status (i.e., changes in history, physical condition, and response to management) since the last assessment."

All other Physicians or Other QHPs, who furnish consultations or additional evaluations or services, while the patient is receiving outpatient hospital observation services, must bill the appropriate outpatient service codes.

**Hospital Inpatient or Observation Care Admission and Discharge Services on the Same Date**

Admitting/Supervising Physicians or Other QHPs, who admit a patient to observation status for a minimum of 8 hours, but less than 24 hours with discharge from observation status on the same calendar date, should report a Hospital Inpatient or Observation Care Service (including admission and discharge); CPT codes 99234-99236, as appropriate.

In accordance with the CMS Claims Processing Manual, when reporting an Observation or Inpatient Hospital Care (including admission and discharge) CPT code, the medical record must include:

- Documentation meeting the E/M requirements for history, examination and medical decision making.
- Documentation stating the stay for hospital treatment or observation care services involved 8 hours, but less than 24 hours.
- Documentation identifying the Admitting/Supervising Physician or Other QHP was present and personally performed the services; and
- Documentation identifying that the admission and discharge notes were written by the Admitting/Supervising Physician or Other QHP.

Hospital Inpatient or Observation Care (including admission and discharge), includes the final examination of the patient and discussion of the hospital stay, even if the time spent by the Admitting/Supervising Physician or other QHP on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions, and referral forms.

**Hospital Inpatient or Observation Care Services During a Global Period**

Hospital Inpatient or Observation Care codes are not separately reimbursable services when performed within the assigned global period of a procedure or service. Hospital Inpatient or Observation care services, during a global period, are included in the global package.

Refer to the UnitedHealthcare Community Plan "Global Days" Reimbursement policy for guidelines on reporting services during a global period.

**UnitedHealthcare Community Plan Hospital Inpatient or Observation Care and Discharge Services Policy List**

99221	99222	99223	99231	99232	99233
99234	99235	99236	99238	99239	

**Hospital Inpatient or Observation Discharge Day Management Services**

Per CPT, the Hospital Inpatient or Observation Discharge Day Management CPT codes 99238 and 99239 are to be used to report the total duration of time on the date of the encounter spent by the Admitting/Supervising Physician or Other QHP for final hospital or observation discharge of a patient. The codes include the final examination of the patient, discussion of the hospital stay, even if the time spent by the Admitting/Supervising Physician or other QHP on that date is not continuous, instructions for continuing care to all relevant caregivers, and preparation of discharge records, prescriptions and referral forms.

In accordance with the CMS Claims Processing Manual, Hospital Inpatient or Observation Discharge Day Management CPT codes 99238 and 99239 are face-to-face evaluation and management (E/M) services between the Admitting/Supervising Physician or Other QHP and the patient. The Hospital Inpatient or Observation Discharge Day Management service should be reported for the date of the actual visit by the Admitting/Supervising Physician or Other QHP, even if the patient is discharged from the facility on a different calendar date. Only one Hospital Inpatient or Observation Discharge Day Management service is payable per patient, per hospital stay.

Only the Admitting/Supervising Physician or Other QHP of record reports the Hospital Inpatient or Observation Discharge Day Management service. Physicians or Other QHPs, other than the Admitting/Supervising Physician or Other QHP who have been managing concurrent health care problems, not primarily managed by the Admitting/Supervising Physician or Other QHP, who are not acting on behalf of the Admitting/Supervising Physician or Other QHP, should use Subsequent Hospital Inpatient or Observation Care CPT codes 99231-99233 for their final visit.

**State Exceptions**

<b>Indiana</b>	Per state regulations, Outpatient Observation period can last not more than 3 days or 72 hours.
<b>Michigan</b>	Michigan is exempt from Inpatient Hospital Discharge Day Management Services section.
<b>Minnesota</b>	Per state regulations, observation is covered for the first 48 hours.
<b>North Carolina</b>	Per state regulations, observation is covered for the first 30 hours. Beyond 30 hours if the patient is not admitted to an inpatient status, the patient must be discharged.
<b>Washington DC</b>	Per state regulations, codes 99238 and 99239 are not covered.

**Definitions**

<b>Duplicate or Repeat Services</b>	Duplicate or repeat services are defined as Initial Hospital Inpatient or Observation Care, Subsequent Hospital Inpatient or Observation Care, Hospital Inpatient or Observation Care Services (including admission and discharge services), or Hospital Inpatient or Observation Discharge Services CPT codes submitted for the same patient, within the same stay, by any other Physician or Qualified Health Care Professional, other than the Admitting/Supervising Physician or Other Qualified Health Care Professional.
<b>Admitting/Supervising Physician or Other Qualified Health Care Professional</b>	The Physician or Other Qualified Health Care Professional who ordered the Hospital Inpatient or Observation Care services and who was responsible for the patient, during his/her observation care stay
<b>Observation Care</b>	Evaluation and management services provided to patients designated as "observation status" in a hospital. This refers to the initiation of observation status, supervision of the care plan for observation and performance of periodic reassessments.

<b>Physician or Other Qualified Health Care Professional</b>	A “Physician or Other Qualified Health Care Professional” is an individual who is qualified by education, training, licensure/regulation (when applicable), and facility privileging (when applicable) who performs a professional service within his/her scope of practice and independently reports that professional service.
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**Questions and Answers**

1	<p><b>Q:</b> Does the patient need to be in an observation unit in order to report the Hospital Inpatient or Observation Care codes?</p> <p><b>A:</b> It is not necessary that the patient be located in an observation area designated by the hospital as long as the medical record indicates that the patient was admitted as observation status and the reason for Observation Care is documented.</p>
2	<p><b>Q:</b> What code should be reported for a patient who continues to be in observation status for a second date and has not been discharged?</p> <p><b>A:</b> A subsequent Hospital Inpatient or Observation Care CPT code (99231-99233) should be reported in the instance a patient is held in observation status for more than 2 calendar dates.</p>
3	<p><b>Q:</b> Why are Hospital Observation Codes G0378 and G0379 not addressed in this policy?</p> <p><b>A:</b> These HCPCS codes are not to be reported for physician services. These codes are to be billed by facilities on a UB-04 claim form.</p>

**Resources**

Individual state Medicaid contracts, regulations, manuals & fee schedules

American Medical Association, *Current Procedural Terminology (CPT®)* and associated publications and services

Centers for Medicare and Medicaid Services, CMS Manual System and other CMS publications and services

Centers for Medicare and Medicaid Services – February 13, 2019 Observation Services Fact Sheet

**History**

<b>2/9/2026</b>	Policy Version and Date Change
<b>9/25/2025</b>	Policy Version and Date Change History Section: Entries prior to 9/25/2023 archived
<b>1/12/2024</b>	Policy Date and Version Change State Exception Section: Indiana added to State Exceptions Section. Louisiana removed from State Exceptions Section
<b>7/1/2010</b>	Policy implemented by UnitedHealthcare Community & State