

Observation

Origination Date: 09/2015

Last Review: 01/30/2025

Next Review: 01/2026

Description

An Observation Stay is an alternative to an inpatient admission that allows reasonable and necessary time to evaluate and render medically necessary services to a member whose diagnosis and treatment are not expected to exceed 24 hours but may extend further, and the need for an inpatient admission can be determined within this specific period. Oscar reimburses observation services performed in an Oscar-contracted facility only under specific circumstances.

Policy

Oscar will reimburse Observation services according to the criteria outlined in this policy.

Reimbursement Guidelines

According to CMS, reimbursement for the initial observation care codes and subsequent observation care code codes encompass the full scope of care provided by the physician who ordered the hospital observation services. The applicable code can only be reported once per day and only by the admitting/ordering provider.

Consistent with CMS and CPT® guidance, initial observation care codes and codes that include the initial observation care are only reimbursable on the first day of treatment and are not intended to be billed on subsequent days of the observation care. Likewise, subsequent observation care codes will be reimbursable on each additional day of the observation stay and only by the admitting/ordering provider. Other physicians or qualified healthcare professionals shall not report observation services (initial or subsequent) and are to bill the applicable outpatient service codes should they render any consultations, evaluations, or additional services during the member's observation stay.

Observation care discharge services are not separately reimbursable in any of the scenarios below:

- Another observation service (initial or subsequent) is submitted for the same date of service.
- Member is admitted to inpatient for the same date of service
- No evidence of members being in an observation stay within three days prior.

Emergency Department Services Preceding Observation Stay

- When emergency department services precede an observation stay, the emergency department services are incidental to the observation stay and therefore are not reimbursed separately.

Obstetrical Observation Stay

When an obstetrical patient is placed in observation status:

- The entire episode is considered an inpatient admission if delivery occurs prior to discharge.
- The episode is considered an observation stay if delivery does not occur and the member is sent home.
- Reimbursement includes diagnostic testing performed in conjunction with an obstetrical observation stay.

Observation services are reported using HCPCS code G0378 (Hospital observation service, per hour) or G0379 (Direct admission of patient for hospital observation care).

Observation services that are the result of direct admission to observation status should be reported as G0379 (Direct admission of patient for hospital observation care). This code should only be used when a patient is admitted directly to observation care after being seen by a physician in the community.

Additional units of G0378 (Hospital observation service, per hour) will be denied when billed greater than 48 units over a 3-day period.

G0379 will be denied when billed with 99291 (Critical care, evaluation and management) for the same date of service.

Oscar Does Not Reimburse:

Observation stay is not considered an appropriate designation for the following, and is therefore not reimbursed:

- Preparation for, or recovery from, diagnostic tests (e.g., fetal non-stress test, sleep studies)
- The routine recovery period following a surgical day care or an outpatient procedure
- Services routinely performed in the emergency department or outpatient department
- Observation care services submitted with routine pregnancy diagnoses
- Retaining a member for socioeconomic factors
- Custodial care

Billing and Coding

Applicable codes are for reference only and may not be all inclusive.

Code	Description
G0378	Hospital observation service, per hour
G0379	Direct admission of patient for hospital observation care
99221-99223	Observation Initial E&M Services
99231-99233	Observation Subsequent E&M Services

Revenue Code	Description
0762	Observation care

Related Policies

1. Evaluation and Management Services
2. Services Incidental to Admission

References

1. Healthcare Common Procedure Coding System
2. American Medical Association, Current Procedural Terminology (CPT®)
3. Centers for Disease Control and Prevention, International Classification of Diseases, 10th Revision
4. Medicare Managed Care Manual MCM Chapter 4 (cms.gov)

Publication History

Date	Action/Description
9/01/2015	Original Documentation

10/05/2015	Approval and inclusion in Oscar Provider Manual
5/05/2016	Update to Policy
8/07/2019	Update to Policy
1/30/2025	Annual Review; Relocated relevant Observation information from E&M Policy for clarification. Added Reimbursement Guidelines Section to include CMS related statements. Renamed from Observation Stays to Observation.