

# Internal Medicine Coding Alert

## Medicare Revises Observation/ Inpatient Hospital Care Payment

Effective Jan. 1, 2001, Medicare will revise its payment policy for observation and inpatient hospital care services when the patient is admitted and then discharged more than eight hours later on the same day. Although this policy revision appears to increase the reimbursement to internists for short-term stays, many local carriers already have a more generous payment policy in place.

An internist may admit a patient to observation or inpatient hospital care services for less than a day for a variety of reasons, according to **Jim Stephenson**, president of North Central Medical Management, a multispecialty medical management company in Elyria, Ohio. A patient with pneumonia could be admitted for a short time to observation or the hospital for the administration of an intravenous infusion and antibiotics, he explains.

### New National Policy for Observation Care Codes

As published in the Nov. 1, 2000, Federal Register, the revised national Medicare policy for observation care services is as follows:

When a patient is admitted for observation care for **more than eight hours** and is then discharged on the same day, 99234-99236 (observation or inpatient hospital care) should be reported.

When a patient is admitted for observation care for **less than eight hours** and is then discharged on the same day, 99218-99220 (initial observation care) should be used to report the admission, and no discharge code should be reported.

When a patient is **admitted for observation care and discharged on a different date**, 99218-99220 (initial observation care) should be used to report the admission, and 99217 (observation care discharge) should be used to report the discharge.

### New Policy for One-day Inpatient Hospital Stays

Also included in the Nov. 1, 2000, Federal Register is the revised national Medicare policy for inpatient hospital care services as follows:

When a patient is admitted for inpatient hospital care for **more than eight hours** is then discharged on the same day, 99234-99236 have an admit and discharge component (observation or inpatient hospital care) and should be reported.

When a patient is admitted for inpatient hospital care for **less than eight hours** and is then discharged on the same day, 99221-99223 (initial hospital care) should be used to report the admission, and no discharge code should be reported.

When a patient is **admitted for inpatient hospital care and discharged on a different date**, 99221-99223 (initial hospital care) should be used to report the admission, and 99238-99239 (hospital discharge day management) should be used to report the discharge.

### Reimbursement Higher for 99234-99236

As stated in sections 15504.b and 15505.1(c) of the Medicare Carriers Manual, the previous policy allowed the reporting of only an admission code for observation/ inpatient hospital stays when the patient was admitted and discharged on the

same day. Under the new policy, however, observation or inpatient hospital stays when the patient is admitted and then discharged more than eight hours later on the same day are billable with 99234-99236. Because these observation or inpatient hospital care codes include both an admission and a discharge in their descriptions, they have higher relative value units (RVUs) than the initial observation or hospital care codes.

With the new Medicare policy, for example, an internist may admit a patient for observation, take a comprehensive patient history, perform a comprehensive examination and do medical decision-making of moderate complexity. The patient is discharged more than eight hours later, but on the same day. The internist may then report 99235, which has a 2001 transitioned facility RVU of 4.74. Under the old policy, only 99219, which has a 2001 transitioned facility RVU of 3.06, could have been reported.

### **Medicare Policy at Odds With CPT**

What will cause some coding confusion is that, despite the policy's revision, it is still at odds with CPT coding instructions, which state that 99234-99236 should be used to report observation or inpatient hospital care services provided to patients admitted and discharged on the same date of service.

CPT doesn't differentiate by time, doesn't require the stay to be eight hours or more to bill codes 99234-99236, says **Catherine A. Brink, CMM, CPC**, president of Healthcare Resource Management Inc., a physician practice management consulting firm in Spring Lake, N.J. If the stay goes into the next calendar day, then CPT says to report both an admission and a discharge.

### **Local Carrier Policies for 99234-99236**

Many local Medicare carriers follow the CPT coding instructions and allow internists to report 99234-99236 when a patient is admitted and discharged on the same day, regardless of the amount of time spent in observation or inpatient hospital care. The local medical review policy (LMRP) of Empire Medicare Services of New Jersey states, Codes 99234-99236 should be reported when observation care is provided to patients admitted and discharged on the same date of service.

Nationwide Medicare Services, the carrier for Ohio and West Virginia, has a similar policy to Empire's, except that it extends its LMRP to include the inpatient and outpatient setting. The Nationwide policy states, 99234-99236 are acceptable when the patient is admitted and discharged from either an inpatient or outpatient setting on the same date, which is the same as the CPT instructions.

Because the carriers have final discretion regarding their payment policies, it is unclear whether the local payers will revise their policies to be in line with the new national ruling or maintain their LMRPs as now stated.

### **Document Time Spent**

The new national ruling also requires internists to document the length of time spent in observation care or inpatient hospital status to report codes 99234-99236. In addition, the internist must meet the existing requirements for documenting the patient's medical history, the results of the physical examination, and the level of medical decision-making that occurred during the admissions process.