

Part B Insider (Multispecialty) Coding Alert

OBSERVATION CODING: When Billing Observation, Observe These Rules

Documentation can mean \$90 extra for observation

Billing observation coding can be confusing, especially in a busy Emergency Department where physicians are coming and going. But knowing the rules can make life much easier.

Observation is only covered when a physician or other authorized personnel orders it, Universal City, TX-based physician **Robert Kottman** told the **American College of Emergency Physicians** at its May, 2004 meeting in San Francisco. The provider ordering the observation must be authorized to admit patients to the hospital or order tests. Observation service shouldn't last beyond one day, he added.

You can't bill for observation when the admission or discharge is pre-determined, noted Kottman. Observation should be used to determine the need for admission. So patients who are already admitted and waiting for a bed won't be covered. Neither will ED patients who require a prolonged treatment before they go home, such as blood transfusions for chemotherapy patients or moderately dehydrated patients receiving IV fluids.

Any evaluation and management services that a supervising physician provides on the same day of service as observation care are considered part of the initial observation care -- regardless of where they happened, Kottman clarified. And all E/M services in the ED are part of the "package" of services included in observation care.

Nor can a physician game the system by providing E/M services in the ED and determining the need for observation, then passing the patient off to a second physician, who bills separately for observation. All physicians in the same group or same specialty will be considered to be a single physician for the purposes of observation coding, Kottman insisted.

Documentation for observation care must include the time of admission and discharge, the physician's progress notes (timed, written and signed), the time the nurse signs off on the physician's discharge orders, and the diagnosis and/or symptoms that led to observation care. Also, Medicare requires a copy of the "risk stratification care," and the form should have room for all discharge instructions, such as medications, follow-ups with primary care doctor, consultations, and instructions for follow-up communication about complications or new problems.

According to ACEP, a physician will usually receive \$139.54 for a low level observation claim (99218 plus discharge code 99217), \$185.99 for medium-level observation claim (99219 plus 99217) and \$232.46 for high-level observation (99220 plus 99217). The payment levels are similar for same-day observation codes 99234-99236.