Outpatient Facility Coding Alert

Patient Status: 3 Steps Show You When Facility's Overnight Patient Qualifies for Outpatient Coding

Not every outpatient passes through the freestanding or ASC facility.

A patient staying overnight in the hospital can still be considered an "outpatient," but the charge capture differs considerably from an inpatient. Factors such as using the same beds as inpatients can make coding and billing quite challenging for a patient undergoing observation care. Read on for three steps to consider before submitting codes such as G0379 (Direct admission of patient for hospital observation care) for a patient.

Step 1: Meet the Top 2 Conditions

For Medicare patients, observation service falls under Part B coverage, while for inpatients it is a Part A coverage. Not many hospitals follow Medicare rules concerning patients to be admitted under "outpatient observation care," according to **Susan Howe**, senior healthcare consultant at Panacea Healthcare Solutions.

The physician can order outpatient observation care only if there is a post procedure complication which requires further care beyond the routine 4-6 hours of monitoring. An outpatient is upgraded to observation status when two conditions are met:

- When ordered by a physician; and
- Chart review indicates the observation criteria are met.

Step 2: Watch 5 Areas of Documentation

Focusing on several portions of the provider's documentation can clear confusion regarding coding and billing for observation services. Keep the following areas in mind:

Date and time of the physician's order: The physician should settle on the most appropriate order based on the patient's condition. If the patient does not qualify for an observation service, he remains either 'outpatient' or 'outpatient in bed'. Therefore, it is imperative to have clear orders documented from the physician with the correct date and precise timing. Order options include outpatient, outpatient in a bed, observation, or inpatient.

Documentation: The provider's documentation should note all the care given to the patient during the span of observation. Your coding and subsequent billing are done based on the progress note that's written, timed, and signed by the physician. "It's a misinterpretation that the physician would not have much documentation during the observation period," says **Deborah K. Hale, CCS, CCDS**, president and CEO of Administrative Consultant Service, LLC, in Shawnee, Ok.

Medical necessity: The underlying clinical condition of a patient helps determine whether an inpatient admission is required or if outpatient observation care would be enough. Medical necessity criteria based on the clinical condition play an important role in this decision making. There are several sets of criteria; the hospital needs to choose from them. For example, the need for post-surgical acute dialysis would likely warrant an inpatient admission.

Total time: Generally, the decision whether a patient will be admitted as an inpatient or discharged following observation care will be decided within 24 to 48 hours. Only in rare cases would observation services stretch beyond 48 hours. That means a careful and accurate calculation of the time spent in DOU (Definitive Observation Unit) or observation status is mandatory to conform to the hours allowed for observation services. In addition it should also ensure the requirement to extend the observation status beyond 24 hours.

Treatment pathway: The pathway leading to observation service from Emergency Department (ED) or direct admission (referral) defines the code selection and APC (Ambulatory Payment Classification). A "direct admission (referral)" occurs when a physician refers a patient to the hospital for observation, bypassing the emergency department (ED).

Step 3: Review to Prevent Unwanted Refusals

Be careful to ensure that the observation orders are authorized by the hospital or clinic's medical staff and that the number of hours is within the allowable limits. Remember two things when calculating the time:

- Fractions of an hour should be rounded down to the nearest hour.
- Services requiring 'active monitoring' should be carved out of observation time.

Medicare note: When coding observation services for Medicare beneficiaries, remember that a patient will be billed as an inpatient if the referral to observation service happens on the same day followed by admission as an inpatient. Also remember that a patient will be billed with both initial observation codes and hospital admission codes if referral to observation services and inpatient status happens on different or subsequent days.

Bottom line: Observation services are patient specific, not a part of standard procedure for a diagnosis or service. Keeping the above mentioned requirements in mind will help you avoid unwanted refusals.