

PROVIDER BULLETIN
#04-2016

TO: Participating hospitals

FROM: Daniel Brown
Director, Provider Reimbursement

DATE: February 11, 2016

SUBJECT: Observation services when billed with outpatient services

Independence is sending this bulletin to reinforce our reimbursement policy for observation services when billed in combination with other outpatient services, as specified in your participating Hospital Agreement (Agreement).

In accordance with your Agreement, the Observation Fee Schedule includes all implants, biologicals, equipment, supplies, drugs, and ancillary services provided to the beneficiary during the visit or procedure, including the professional components of laboratory and radiology.

When billed with outpatient surgical and/or emergency services, observation services are reimbursed as follows:

- **Observation services billed with outpatient surgery.** Outpatient surgical services are reimbursed according to the Agreement; observation services are not separately reimbursed.
- **Observation services billed with an ER visit.** Emergency room/department (ER) visits and observation services are both reimbursed according to the Agreement.
- **Observation services billed with an ER visit and outpatient surgery.** Outpatient surgical services and the ER visit are both reimbursed according to the Agreement; however, observation services are not separately reimbursed.

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We encourage you to share this information with appropriate members of your staff.

The following table shows examples of how our reimbursement policy will pay when certain revenue codes are combined with Healthcare Common Procedure Coding System (HCPCS) and/or Current Procedural Terminology (CPT®) codes.

	Revenue code	HCPCS code	Reimbursement policy
Example 1	0490	67105	Reimbursed according to contracted rate
	0762	99234	No separate reimbursement
Example 2	0450	99281	Reimbursed according to contracted rate
	0762	99234	Reimbursed according to contracted rate
Example 3	0450	99281	Reimbursed according to contracted rate
	0490	67105	Reimbursed according to contracted rate
	0762	99234	No separate reimbursement

As previously noted, the Observation Fee Schedule is inclusive of all ancillary services and therefore observation services are not separately reimbursed.

Observation services must be billed with revenue code 0762, plus the appropriate number of units the patient spent in observation (one unit per hour). Reimbursement for observation services shall not exceed the contracted observation maximum.

In the past you may have been inadvertently paid for services that should not have been separately reimbursed. Please note that we will be enforcing our reimbursement policy for observation services as set forth in your Agreement and as clarified in this bulletin. For more information regarding observation services, please refer to our Medical Policy Portal at www.ibx.com/medpolicy.

If you have any questions or would like to discuss the content of this bulletin, please contact your Network Coordinator.