September 2021 Observation Coding and Billing

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General Documentation Requirements

- Timed/dated order to place in observation status
- A short treatment plan regarding the goals of observation
- Clinically appropriate progress notes
  - Asthma different than chest pain
- A discharge summary reviewing the course in observation, findings, and plan

2021 Professional Observation CPT Codes

- Same day admit and discharge CPT Codes:
- **99234** – Low severity
  - Low-complexity MDM
- **99235** – Moderate severity
  - Moderate-complexity MDM
- **99236** – High severity
  - High-complexity MDM

CMS 8 Hour Rule

- Medicare requires 8 hours of Obs. on the same calendar date to bill 99234-99236
  - CPT does not define a time threshold
- If the Obs. stay spans 2 calendar days, no time constraints for CMS or CPT payers

2021 Professional Observation CPT Codes

- Admit and discharge more than one calendar day:
- Initial day CPT codes:
  - **99218** – Low severity
    - Low-complexity MDM
  - **99219** – Moderate severity
    - Moderate-complexity MDM
  - **99220** – High severity
    - High-complexity MDM

Professional Observation Discharge Code

- **Discharge day CPT Code:**
- **99217-** Discharge Day
- Includes final exam, discussion of observation stay, follow-up instructions, and documentation
- Used with codes from the initial observation day codes series (99218/99219/99220)

Coding Scenarios Observation Services

Observation Level of Care	Care All on the Same Day	Care Covers Two Calendar Days
Low	99234	99218 + 99217
Medium	99235	99219 + 99217
High	99236	99220 + 99217

Keys to Physician Documentation

- All but the lowest level Obs require very significant Hx and PE documentation
- Comprehensive Hx and PE:

  99219/99220 & 99235/99236

  - HPI: 4 elements
  - PFSHx: 3 areas* **(Requires Family Hx)**
  - ROS: 10 systems
  - PE: 8 organ systems

  Obs services typically require a family history

- Beware overuse of macros for ROS and PE

CMS PFSHx Observation Requirement

- CMS requires that comprehensive observation histories have 3 of 3 PFSH elements rather than the 2 of 3 requirement for ED E/M codes

Medicare 1995 DGs page 6

  - May utilize the nurse's notes but beware
    - Rarely document a Family Hx

"A review of all three history areas is required for services that by their nature include a comprehensive assessment or reassessment of the patient."

Current Documentation Requirements

Level	HPI	ROS	PFSHx	PE
99234	4	2	1	5
99235	4	10	**3**	8
99236	4	10	**3**	8

Documentation Guideline Evolution

CMS Documentation Guidelines

*"**For 2021**, for office/outpatient E/M visits (CPT codes 99201-99215), we proposed generally to adopt the new coding, prefatory language, and interpretive guidance framework that has been issued by the AMA/CPT because we believed it would accomplish greater burden reduction."*

Physician final rule page 868/2475

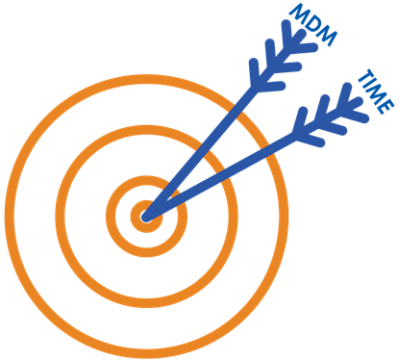
"Therefore, we are finalizing our proposal to adopt the MDM guidelines as revised by CPT to select office/outpatient E/M visit level beginning January 1, 2021."

Physician final rule page 868/2475

MDM or Time Determines 2021 Office Code Choice

2021 Office Visit Code Scoring

"The CPT code changes allow clinicians to choose the E/M visit level based on either medical decision making or time." **CMS Physician Final Rule Press Release**



Requires performance of history and exam only as medically appropriate.

Obs Timeline: Transition to Updated Guidelines?

NO APPLICATION FOR OBS … YET

"The proposed changes only apply to office codes: 99201 – 99215.

We may address sections of the E/M code set beyond the office/outpatient codes in future years."

CMS Physician Rule page 332/1473

2023 likely transition year for Obs codes to potentially use MDM and time

2021 Typical Times for Observation

CPT Code	Typical Times	CPT Code	Typical Times
99234	40 minutes	99218	30 minutes
99235	50 minutes	99219	50 minutes
99236	55 minutes	99220	70 minutes

See Appendix for detail

2021 Obs Medical Decision Making

CPT Code	Medical Decision Making Complexity
99218	Straight Forward/Low
99219	Moderate
99220	High
99224	Straight Forward/Low
99225	Moderate
99226	High
99234	Straight Forward/Low
99235	Moderate
99236	High

Clinical Examples

Straight Forward/Low:
Vomiting

Moderate:
Moderate Asthma

High:
Chest Pain

Future Obs Medical Decision Making

Appropriately document your MDM- Office codes already transitioned

Documentation Tips for The Future

- Review of external notes (ED or EMS)
- Independent historian (parent, guardian, spouse)
- Independent interpretation of test
  - EKG, X-ray, CT
  - Especially if not billing
- Testing considered if not performed (CT Scan)
- Treatment considered if not performed (Antibiotics)

2023 A Huge Year for Observation Documentation Coding and Reimbursement

- 2023 possible the Obs code may be scored by MDM and time requirements
- 2023 Obs code set may be restructured
- 99234-99236 likely to continue
- Multi day Obs stay (99217-99220) likely blended with the inpatient hospital codes
  - Requires new code descriptors
  - Requires RVU revaluation by the RUC
    - Initial day could get a lift
    - Subsequent days currently similar
    - Discharge could get a lift

2023

Observation Can't Be Provided Via Telemedicine

COVID Observation Telemedicine Changes

- CMS expanded eligible telehealth services to include ED and Observation during COVID
- Expires the day the Public Health Emergency ends
- "We are adding the following codes to the existing list of telehealth services.

  CPT codes 99281-99285, 99217-99220, 99224-99226, 99234-99236." **CMS-1744- IFC page 19/221**

Telemedicine Observation After the Public Health Emergency Ends

- Subsequent Obs (99224-99226) & Obs Discharge (99217)
  - Granted CMS category 3 telehealth status
  - 2021 Final Rule- will remain on the list of CMS approved telehealth services until the end of the year in which the PHE ends

"We are finalizing the creation of a third temporary category of Medicare telehealth services. Describes services that will remain on the list through the calendar year in which the PHE ends."

2021 Physician Final Rule

2022 July release Proposed Rule would continue Category 3 until 12.31.2023

99234-99236: Not Approved for Telemedicine Beyond the End of the PHE

"We noted that we believe that the potential acuity of the patient described by these codes would require an in-person physical exam in order to fulfill the requirements of the service. We expressed concerns that, without an in-person physical examination, the need for the physician or health care provider to fully understand the health status of the person with whom they are establishing a clinical relationship would be compromised."

2021 Physician Final Rule page 137/2165

99218-99220: Not Approved for Telemedicine Beyond The End of the PHE

"These codes describe visits that are furnished to patients who are ill enough to require hospital evaluation and care. We noted that we believe that the codes describe an evaluation for these potentially high acuity patients that is comprehensive and includes an in-person physical examination."

2021 Physician Final Rule page 137/2165

COVID Teaching Physician Oversight via Telehealth

Teaching physicians may meet the supervisory requirements using telehealth during the PHE

"The requirement for the presence of a teaching physician can be met, through direct supervision by interactive telecommunications technology…the teaching physician must provide supervision either with physical presence or be present through interactive telecommunications technology during the key portion of the service."

March 30th CMS IFR page *103/221*

The Future of Teaching Physician Telemedicine

- Rural settings: TP oversight via telemedicine now permanent

*"We are finalizing a **permanent policy** to permit teaching physicians to meet the requirements to bill for their services involving residents through virtual presence…but only for services furnished in residency training sites that are located outside of an OMB-defined metropolitan statistical area (MSA)."*

2021 Physician Final Rule page 309

- Non-rural settings:

"We are not permanently finalizing our teaching physician virtual presence policies; however, they will remain in place for the duration of the PHE to provide flexibility for communities that may experience resurgences in COVID-19 infections."

2021 Physician Final Rule page 310

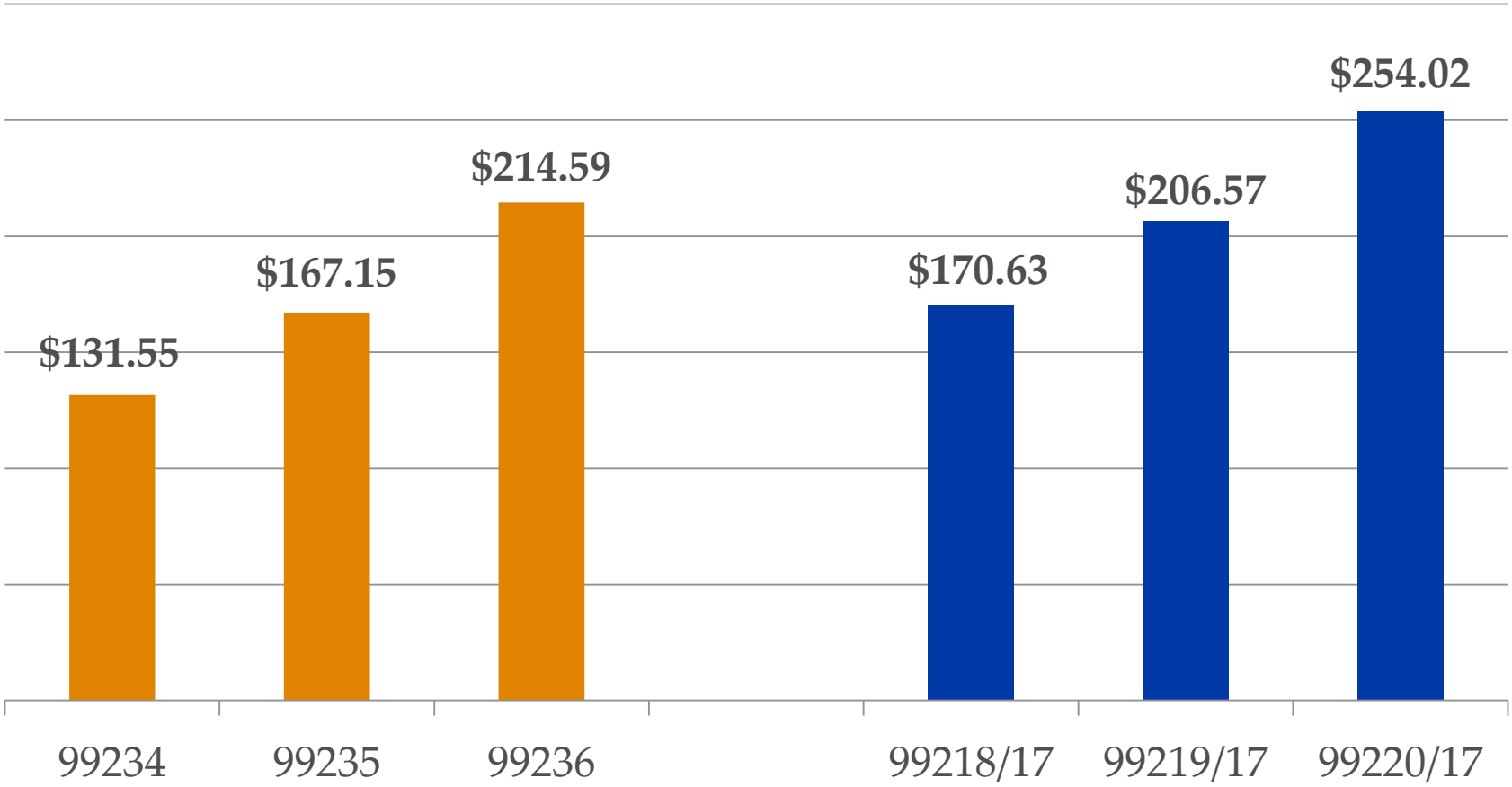
Observation RVUs and Reimbursement

2021 RVU Values for Observation Services

Same Day Obs	Total RVU	Over Midnight Obs	Total RVU	ED E/M Service	Total RVU
99234	3.77	99217	2.07	99284	3.55
99235	4.79	99218	2.82	99285	5.18
99236	6.15	99219	3.85		
		99220	5.21		

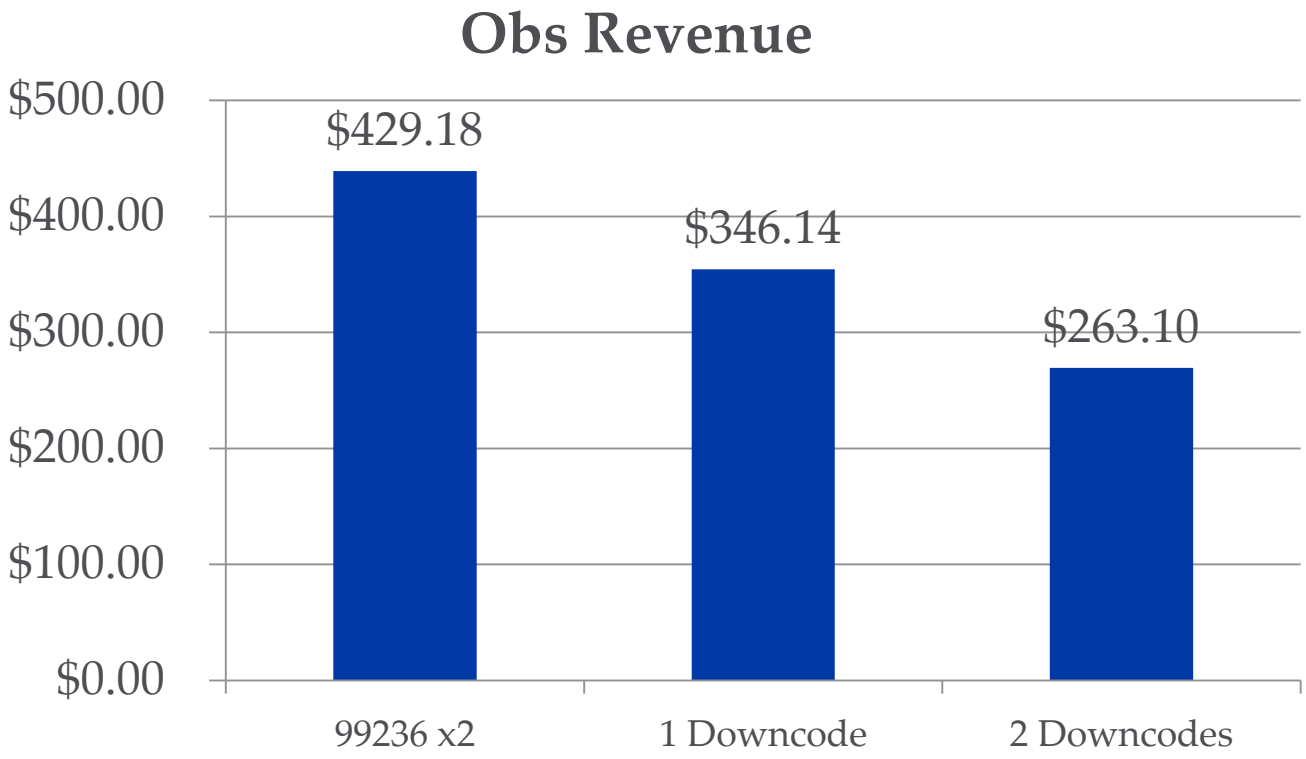
99220 + 99217 = 7.28 RVUs Total

Documentation & Coding
2021 Increases with Each E/M Level



2021 Cost Of Hx and PE Downcodes

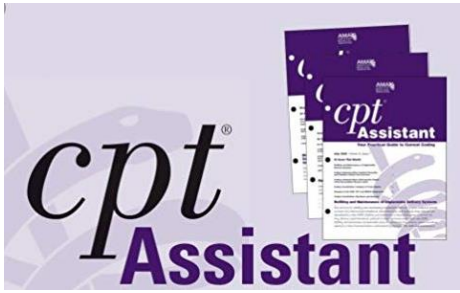
- 2 downcodes: 99236 → 99234
  - Loose 4.76 RVUs.
  - $166.10
  - 39% ↓



CPT Assistant: Observation and Mental Health

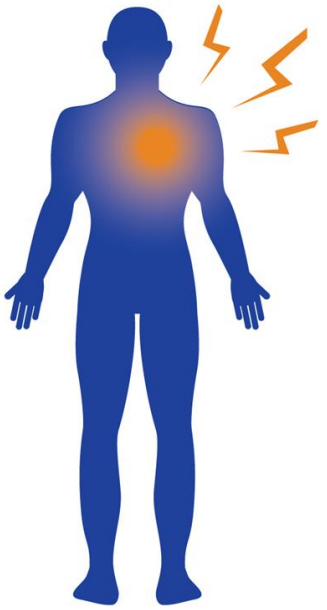
- Historically no clear direction re-coding multi-day mental health "borders" or "psych holds"
- CPT Behavioral Health Vignette:
  - Agitated patient requires psychiatric admission
  - No beds and has a 3-day ED stay
- Asked CPT how to report a 3-day "psych hold"

  Official Answer
  - Obs day 1: 99218-99220
  - Middle days: 99224-99226
  - Final day: 99217
- 5-day stay 5.18 RVUs ➡ 16.16 RVUs



Obs Coding Methodology

- Most ED run observation units see higher acuity patients
- Chest pain or clinically equivalent complexity is very common
- ED observation E/M distribution influenced by pre-selected complexity



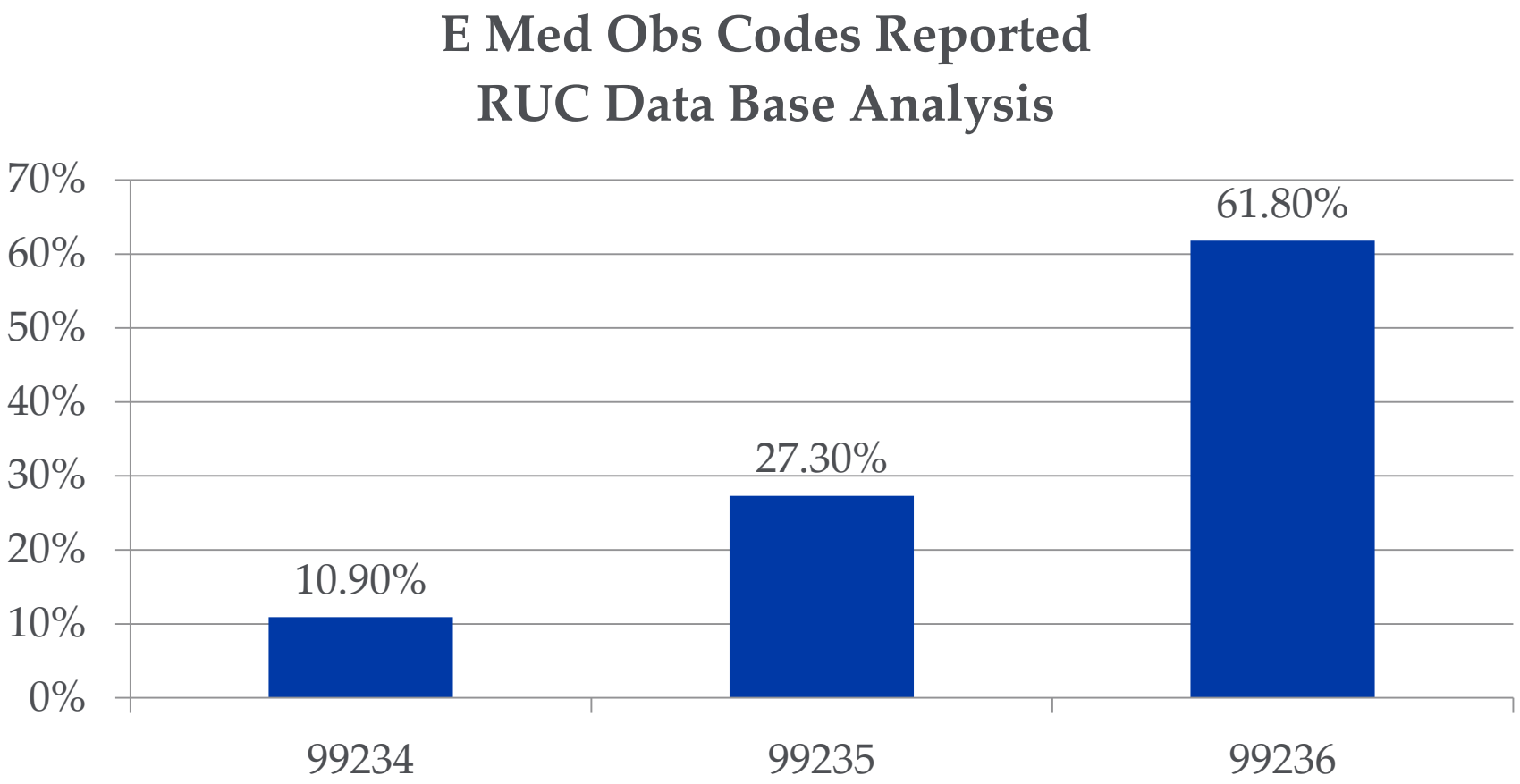
Clinical Benchmarks of Patient Complexity

- No AMA CPT Appendix C Obs code vignettes

CMS RUC Database Vignettes

- **99234**: 19 y.o. pregnant patient (9 weeks gestation) presents to the ED with **vomiting** X 2 days. The patient is admitted for observation and discharged later on the same day.
- **99235**: 48 y.o. presents with an **asthma exacerbation** in moderate distress.
- **99236**: 52 y.o. patient comes to the ED with **chest pain**.

E Med Obs E/M Distribution



Patients Pay More When in Observation

OIG Report and the 2-Midnight Rule

- CMS and members of Congress concerns:
  - Beneficiaries spending long periods of time in observation without being admitted as inpatients
  - Observation is an outpatient status
  - Concerned beneficiaries may pay more as outpatients than if they were admitted as inpatients
    - If not inpatient then responsible for SNF charges
      - In OIG report, 11% of observation was > 3 days
    - 80/20 co-insurance under part B
    - Self-administered (P.O.) medications not covered

2021 Patient Financial Considerations

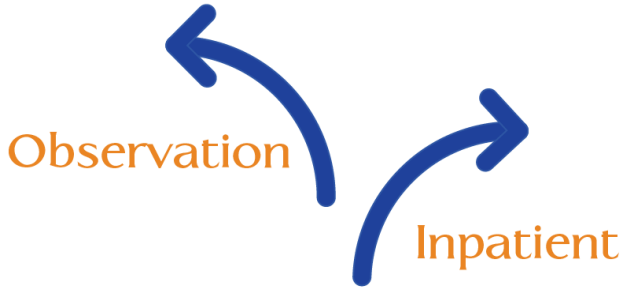
- SNF
  - Observation stay…no qualifying SNF Medicare coverage
    - Patient may be entirely responsible - $5,000
    - Typical stay starts at roughly $250 per day
  - Qualifying inpatient stay spanning 3 nights
    - No patient SNF cost sharing for first 20 days
    - After 20 days co-payment is $170.50 per day
- 20% co-pays add up for longer complex observation stays
  - Inpatient expense: Part A inpatient
  - 2021 deductible $1,484
- Self-administered meds- "uncovered service" - gross hospital charges are in play (average bill $528)

Impact of Patient Selection

Patient Selection for Observation Services

Selecting correct patients is key to the operational success of an observation unit

- Select patients with diagnoses that have that have associated clinical protocols
- Expedite throughput
- Achieve decreased length of stay
- Reach a successful clinical endpoint
- Prolonged stays drag down RVU efficiency



The Spectrum of Complexity

Easier

- Chest pain
- Abdominal pain
- Headache
- Cellulitis
- Pyelonephritis
- Asthma
- Dehydration
- Renal colic
- Hypoglycemia
- Allergic reaction
- Pharyngitis

Harder

- Closed head injury
- Vertigo
- Hematuria
- Pancreatitis
- SOB
- CHF/COPD
- Back pain
  - Non ambulatory
- Extremes of age
- Chronic Pain

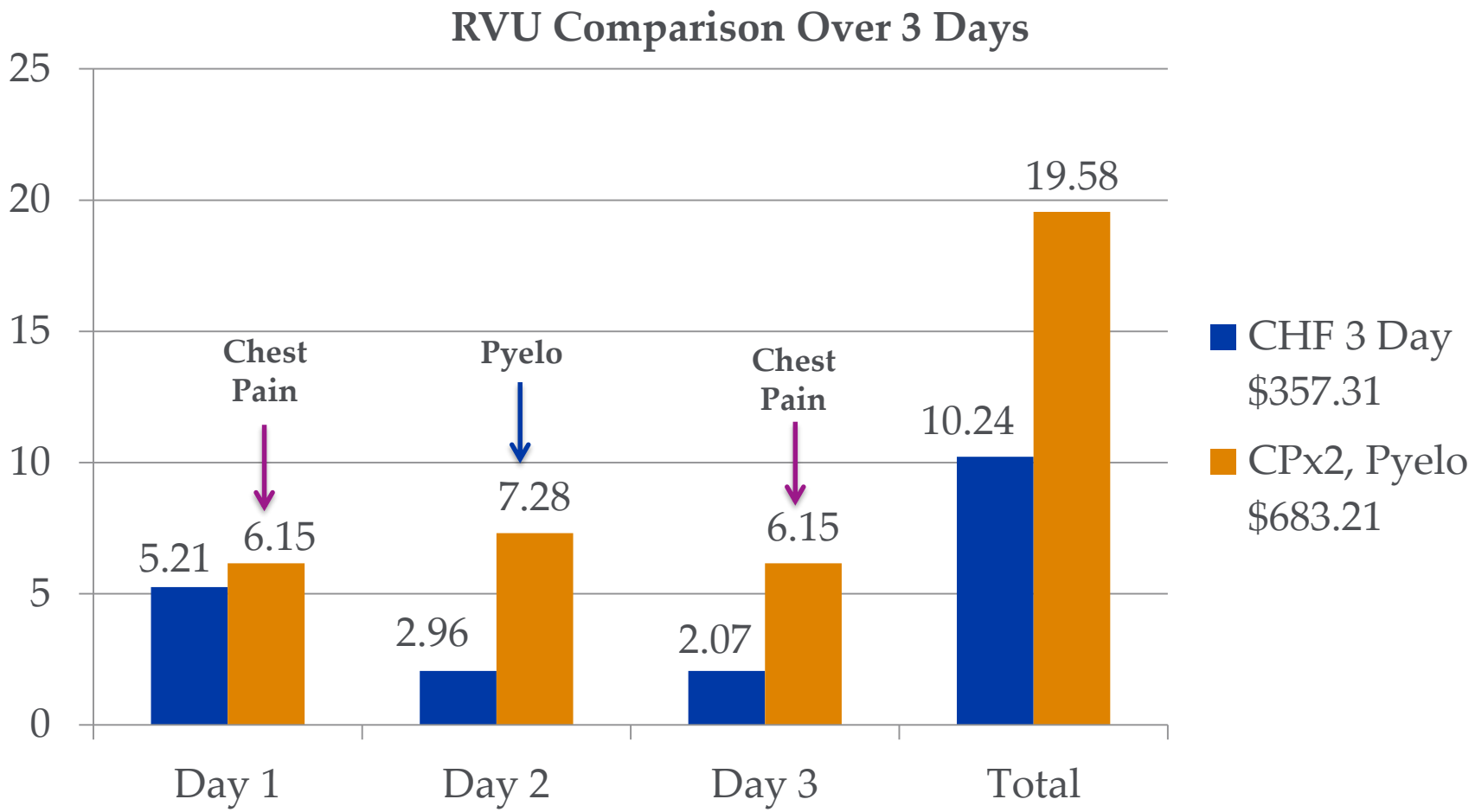
Long Patient Stays Generate More RVUs for My CDU

2021 RVU Modelling: LOS and Bed Use

- CHF 3 day stay
  - Htn, Creat. 2.4 & BS 492
- Tuesday placed in CDU
- Wednesday slow diuresis
  - BS, K+ abnormal, ⇧ BP
- Home late Thursday

- Alternative bed use
- Day 1: Chest pain patient
  - 15 hour LOS
- Day 2: Pyelo
  - Stays overnight
  - Dc'd in the AM
- Day 3: Chest pain
  - 15 hour LOS

2021 Length of Stay RVU Comparison



Observation Facility Reimbursement

Observation Can Only Take Place In A Specialized Unit

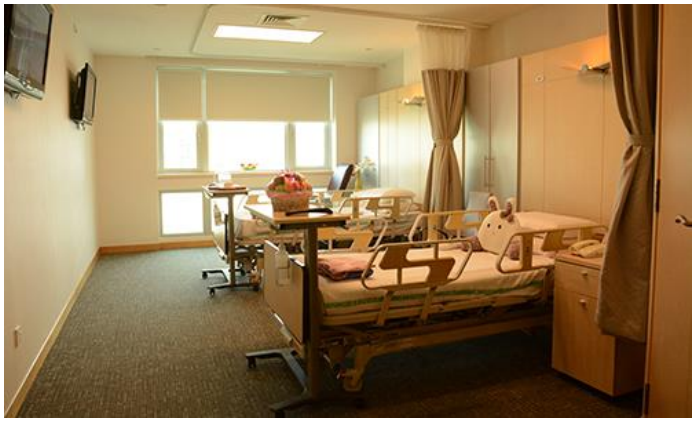
Where Can Observation Take Place? Technically It's a Status Not a Place

In an ED Bed

Separate Portion of the ED

Formal Obs Unit

Hospital Room



2021 Facility Charge Considerations

- Facility observation is a composite APC
- Requires a qualifying visit and 8 hours of facility time
  - 2015 limited ED visit types qualified
- 2021 Observation all visits potentially qualify
  - 99281-99285 (Type A) or G0381- G0385 (Type B)
  - 99291
  - G0463 (hospital outpatient clinic visit)
  - G0379-(direct referral for observation)

2021 Observation Facility Requirements

- Qualifying Visit 9928x, 99291, outpatient clinic G0463
- 8 hours reported as units of G0378
  - In the units field
- There must be a physician order for observation
- No T status procedure

2021 Observation Remains as a Comprehensive APC

- CMS has continued to expand the concept of outpatient packaging
  - Comprehensive APCs

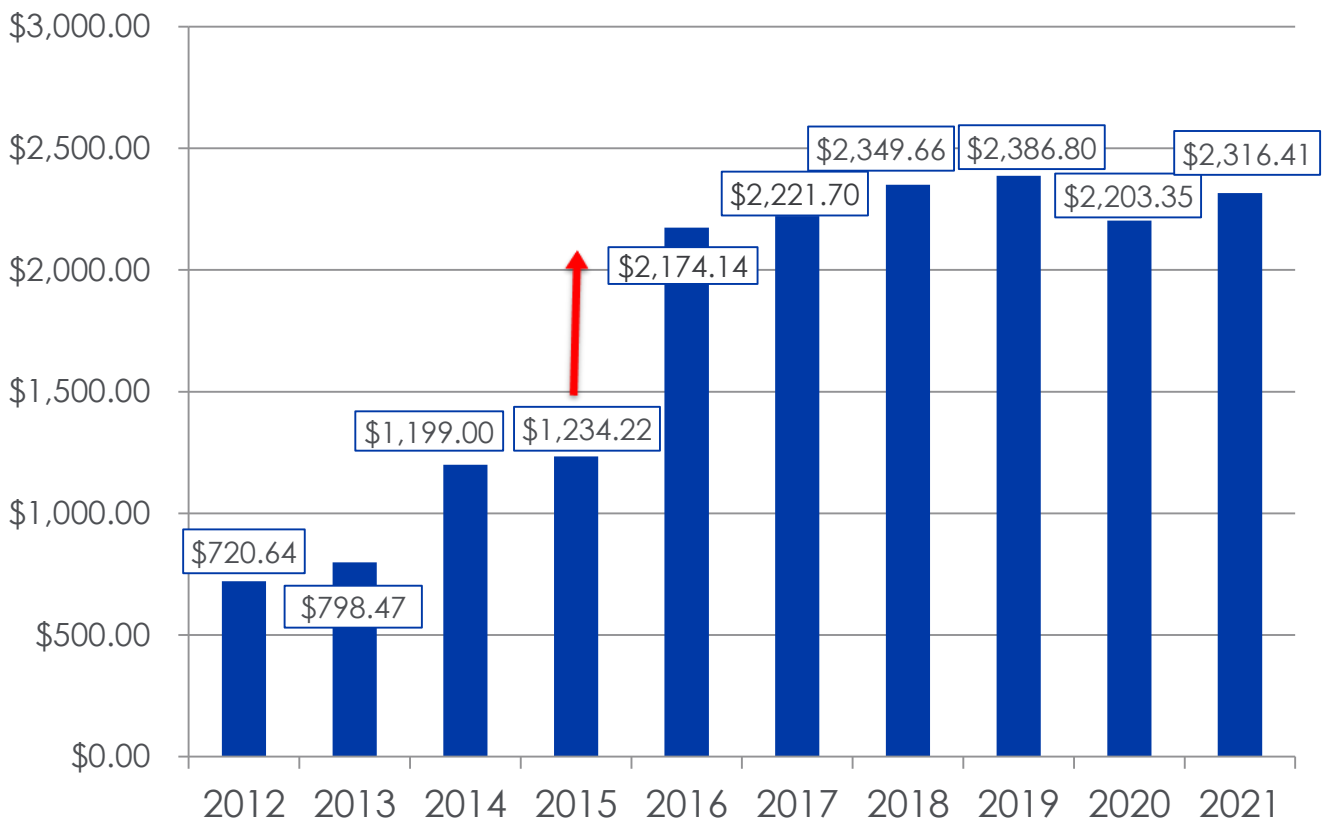
> *"A C-APC is defined as a classification for the provision of a primary service and all adjunctive services provided to support the delivery of the primary service. We established C-APCs as a category broadly for OPPS payment and implemented 25 C-APCs beginning in CY 2015"*
>
> **2016 OPPS 124/1221**

- Observation C- APC 8011 continues for 2021

What's Included in the Observation Comprehensive APC?

- Everything! (Most: Labs, CT, US, procedures, IVF, Meds)
- Except (S.I. F, G, H, L and U)
  - The following services are excluded from comprehensive APC packaging
    - Some brachytherapy services (status indicator U)
    - Corneal tissue
    - Ambulance services
    - Mammography

2021 Observation Facility Payment



Year	CMS Payment
2012	$720.64
2013	$798.47
2014	$1,199.00
2015	$1,234.22
2016	$2,174.14
2017	$2,221.70
2018	$2,349.66
2019	$2,386.80
2020	$2,203.35
2021	$2316.41

Conclusions

- Observation services are an expanding determinant of our financial success
- 2023 will potentially be a big year: documentation guidelines, code changes, and RVUs
- Focused patient selection, throughput and protocols optimize the economics
- Packaging of services will lead to resource use pressure and efficiency pressure!
- The ED throughput culture is ideally suited to maximize observation financial success

Contact Information

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Educational Appendix

What Is Included in Professional Obs. Time?

- CPT defines time as "unit/floor time" - time in the observation area as well as time at the patient's bedside.
- Consider all applicable time spent related to the patient
- Bedside time with patient
  - Documenting and/or reviewing patient chart
  - Examination
  - Entering additional notes
  - History from family, other medical providers, patient
  - Directing and formulating care plan

Patient Responsibility: Inpatient and Outpatient Financial Construct

- Obs is an outpatient service covered under Medicare part B
- Concerned beneficiaries may pay more as outpatients than if they were admitted as inpatients
  - 80/20 co-insurance under part B
- Medicare Part A covers inpatient care, but with a substantial deductible
  - Recurs more than once a year
  - 2018 inpatient expense: deductible $1,340

Patient 20% Co Pay

Being an outpatient may affect what you pay in a hospital:

- When you're a hospital outpatient, your observation stay is covered under Medicare Part B.
- For Part B services, you generally pay: A copayment for each outpatient hospital service you get. Part B copayments may vary by type of service.
- 20% of the Medicare-approved amount for most doctor services, after the Part B deductible

SNF Not Covered

- If you need skilled nursing facility (SNF) care after you leave the hospital, Medicare Part A will only cover SNF care if you've had a 3-day minimum, medically necessary, inpatient hospital stay for a related illness or injury.
- An inpatient hospital stay begins the day the hospital admits you as an inpatient based on a doctor's order and doesn't include the day you're discharged

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