

FACILITY REIMBURSEMENT POLICY

POLICY TITLE	Observation Stay/Services
POLICY NUMBER	FR-02.002

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[DEFINITIONS
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I. DESCRIPTION/BACKGROUND

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This policy addresses guidelines for the reimbursement methodology applied to reimbursement for Observation Services.

II. DEFINITIONS

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Observation Services or Observation - An assessment, short-term treatment, reassessment, and stabilization before decision to admit to Inpatient or discharge.

III. POLICY

Capital BlueCross may reimburse a medically necessary observation stay under the reimbursement guidelines set forth in this policy. An observation stay is an alternative to an inpatient admission that allows reasonable and necessary time to evaluate and render medically necessary services to a member whose diagnosis and treatment are not expected to exceed 24 hours but may extend in rare cases up to a 48-hour period.

Hospital observation services with less than 8-hours of treatment and/or evaluation are not eligible for reimbursement; instead, the applicable remaining services will be evaluated for reimbursement and priced at the facility’s contracted rates.

The patient’s medical record documentation for observation status must include a written order dated and timed by the physician or another individual authorized by state licensure law and facility staff bylaws to admit patients to facility. The specific problem and intended course of treatment/plan must be documented in the medical record.

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Observation time starts at the clock time documented in the patient's medical record, which should be consistent with the time that observation services are initiated in accordance with a physician's order for observation.

Observation ends at the time when all medically necessary services related to observation care are completed including follow-up after discharge orders are written. This observation end time is the time when all clinical or medical interventions have been completed, including the nursing follow-up care performed after the physician's observation discharge orders were written.

IV. EXCLUSIONS

N/A

[TOP](#)

V. VARIATIONS

[TOP](#)

The existence of this reimbursement policy does not mean that this service is a covered benefit under the member's contract. Benefit determinations should be based in all cases on the applicable contract language. This reimbursement policy is intended to serve as a guide; other factors may influence reimbursement and in some cases may supersede this policy. The Provider should consult their Capital Provider Agreement for further details of their contractual obligations.

This policy is applicable to all programs and products administered by Capital BlueCross unless otherwise indicated below.

Medicare Advantage PPO

Medicare Advantage HMO

VI. REFERENCES

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Specific information pertaining to observation services can be located by accessing the CMS Claims Processing Manual