

MEDICAID POLICY INFORMATION SHEET

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Initial

Public Comment

Final

Brief description of policy:

This bulletin updates MDHHS coverage of practitioner services related to hospital observation care to allow coverage of services provided beyond 24 hours.

Reason for policy (problem being addressed):

Professional observation services are currently covered for up to 24 hours of care. MDHHS currently covers facility/hospital observation care services beyond 24 hours. This discrepancy in coverage is causing confusion for hospitals and practitioners.

Budget implication:

budget neutral

will cost MDHHS \$ 822,665 gross, (\$209,359 general fund), and is not budgeted in current appropriation

will save MDHHS \$

Is this policy change mandated per federal requirements?

No.

Does policy have operational implications on other parts of MDHHS?

None anticipated.

Does policy have operational implications on other departments?

None anticipated.

Summary of input:

controversial

acceptable to most/all groups

limited public interest/comment

Supporting Documentation:

State Plan Amendment Required: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Public Notice Required: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If Yes, please provide status:	If yes, Submission Date:
<input type="checkbox"/> Approved <input type="checkbox"/> Pending <input type="checkbox"/> Denied	
Date: Approval Date:	

DRAFT FOR PUBLIC COMMENT Michigan Department of Health and Human Services		
	Project Number: 2259-Practitioner	Date: February 2, 2023

Comments Due: March 9, 2023
Proposed Effective Date: May 1, 2023
Direct Comments To: Lisa DiLernia, Policy Specialist
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<p>Policy Subject: Update to Coverage of Professional Hospital Outpatient Observation Care Services</p> <p>Affected Programs: Medicaid, Healthy Michigan Plan, Maternity Outpatient Medical Services (MOMS), Children’s Special Healthcare Services (CSHCS)</p> <p>Distribution: Hospitals, Practitioners</p> <p>Summary: This bulletin updates Michigan Department of Health and Human Services (MDHHS) coverage of practitioner services related to hospital observation care to allow for coverage and reimbursement of services provided beyond 24 hours.</p> <p>Purpose: The purpose of this bulletin is to align coverage of practitioner observation care services with outpatient hospital reimbursement which covers observation care services beyond 24 hours of care.</p> <p>Cost Implications: \$822,665 gross, \$209,359 general fund</p> <p>Potential Hearings & Appeal Issues: None anticipated.</p>
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State Plan Amendment Required: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If yes, date submitted:	Public Notice Required: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Submitted date:
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Tribal Notification: Yes No - **Date:**

THIS SECTION COMPLETED BY RECEIVER

<input type="checkbox"/> Approved	<input type="checkbox"/> No Comments
<input type="checkbox"/> Disapproved	<input type="checkbox"/> See Comments Below
	<input type="checkbox"/> See Comments in Text

Signature:	Phone Number
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Signature Printed:

Bureau/Administration <i>(please print)</i>	Date
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Proposed Policy Draft

Michigan Department of Health and Human Services
Behavioral & Physical Health and Aging Services Administration

Distribution: Hospitals, Practitioners

Issued: April 1, 2023 (Proposed)

Subject: Update to Coverage of Professional Hospital Outpatient Observation Care Services

Effective: May 1, 2023 (Proposed)

Programs Affected: Medicaid, Healthy Michigan Plan, Maternity Outpatient Medical Services (MOMS), Children's Special Health Care Services (CSHCS)

The purpose of this bulletin is to update coverage parameters for professional hospital outpatient observation care services. Effective for dates of service on and after May 1, 2023, the Michigan Department of Health and Human Services (MDHHS) will cover medically necessary professional hospital outpatient observation care services beyond 24 hours when provided in accordance with Medicaid policy.

Hospital Observation Care Services

Medicaid covers practitioner evaluation and management services related to hospital observation care. Observation care services are a well-defined set of specific, clinically-appropriate hospital outpatient services. Professional services include the ongoing short-term treatment, assessment, and reassessment necessary to determine whether a beneficiary will require further treatment as a hospital inpatient or if they are able to be discharged from the hospital. In most cases, the decision whether to discharge a beneficiary from the hospital or to admit the beneficiary as an inpatient can be made in less than 24-48 hours. In rare and exceptional cases, observation services may span more than 48 hours.

The medical record must include the following documentation:

- The order for observation care services by a Medicaid-enrolled healthcare provider;
- Progress and discharge notes completed by the rendering provider;
- The billing provider was present and personally performed the services; and
- The total length of time of the observation stay.

Reporting of Professional Outpatient Hospital Observation Care Services

Practitioners shall report only one observation care Current Procedural Terminology (CPT) code for an initial visit, a subsequent visit, or inpatient or observation care (including admission and discharge), as appropriate, once per calendar date. The selected code must reflect all of

the practitioner's services provided during the date of the service with the following considerations:

- If a beneficiary receives less than eight hours of observation services, the practitioner is to report only initial observation care (e.g., 99221 through 99223). Practitioners will not be reimbursed for, nor should they report CPT codes representing, same-day admission/discharge or observation care discharge day management services.
- If a beneficiary receives observation care services for a minimum of eight hours but less than 24 hours, the practitioner should report the same-day discharge code which includes both admission and discharge as part of a single service (e.g., 99234 through 99236).
- If a beneficiary begins observation services and is then discharged after more than 24 hours, the practitioner may report an observation care code (e.g., CPT codes 99221 through 99223) for the date of admission, and a hospital discharge day management service (e.g., CPT code 99238 or 99239) on the date of discharge.

Time or medical decision making (MDM) may be utilized in the selection of the level of observation care service. When using time for code selection, a continuous service that spans the transition of two calendar dates is a single service and is reported on one date, which is the date the encounter begins. If the service is continuous before and through midnight, all the time may be applied to the reported date of the service (i.e., the calendar date the encounter began).

Special Considerations

When a beneficiary is admitted to observation status in the course of an encounter in another site of service (e.g., hospital, emergency department, practitioner office, nursing facility), all services provided by the practitioner in conjunction with that admission are considered part of the initial hospital observation care when performed on the same calendar date as the admission.

Observation care services should not be reported for monitoring that is inclusive of, or included in payment for, a surgical, diagnostic, or therapeutic procedure. For outpatient surgical procedures, the global surgery rules apply. The surgeon is responsible for all post-operative care in the hospital and observation care is not covered separately.

Observation care services and inpatient hospital services for psychiatric reasons must be authorized by the Prepaid Inpatient Health Plan (PIHP)/Community Mental Health Services Program (CMHSP). The PIHP/CMHSP is responsible for coverage of authorized psychiatric observation care services.

Refer to the [MDHHS Medicaid Provider Manual](#) for information regarding program coverage of facility claims for outpatient hospital observation care services.