



Observation Care FAQ

This FAQ is intended to help you understand our new Observation Care policy. It is available in our HPP Policy Bulletin Library at www.hpplans.com/PolicyBulletins.

Q: Why is HPP publishing an Observation Care policy?

A: *This policy ensures that providers are aware of our observation care requirements, which are based on CMS Observation Care guidelines. It also clarifies that observation care will be subject to retrospective audits and potential payment adjustment based on audit findings.*

Q: Does the eight-hour observation care period start at the time the member arrives in the Emergency Room (ER) or when an Observation Care Admission is ordered by a provider?

A: *Hospital billing for observation care begins at the time documented in the patient's medical record, which coincides with the time observation care is ordered by a physician.*

*Example: A patient arrives in the ER at 3 p.m. The evaluation and testing of the patient is completed by 7 p.m., and the physician determines observation care is needed. An order for observation care is written at 7 p.m. As a result, **the eight-hour period starts at 7 p.m.***

Q: Does this apply to physician billing for observation care?

A: *This policy applies to facility billing only.*

Q: Are physician orders for observation service always required for payment?

A: *If the hospital originally sought an inpatient level of care authorization and was subsequently denied by the HPP Medical Management department, then the hospital could seek payment for observation care. In this scenario, an exception would be made for the lack of physician orders for observation care, and payment would be considered as long as clinical documentation was provided and all other requirements of the policy were met.*

Q: Do Medicare members have cost-sharing liability for observation care?

A: *Yes. Medicare members incur outpatient hospital cost sharing for observation care services.*

Q: When will this policy be effective?

A: *March 15, 2018.*

Q: Which lines-of-business is this policy applicable to?

A: *Health Partners Medicare, Health Partners (Medicaid) and KidzPartners (CHIP).*

Q: What regulations support this Observation Care policy?

A: *The policy is based on the CMS Observation Care guidelines available on their website.*

Q: How will this policy be implemented?

A: *As allowed by contract, HPP reserves the right to audit payments and adjust payments if the audit identifies incorrect reporting resulting in over or under payment. Observation care — regardless of the manner reported — will be subject to audit and potential payment adjustment.*

Q: How will a facility be notified of a pending payment adjustment?

A: *Facilities will be notified by HPP in a letter.*

Q: Do facilities have appeal rights?

A: *Yes. Facilities have appeal rights.*