



# MARYLAND Department of Health

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary

## MARYLAND MEDICAL ASSISTANCE PROGRAM Hospital Transmittal No. 266 August 23, 2019

TO: Hospitals  
Managed Care Organizations  
Beacon Health Options

FROM: Jill Spector, Director *Jill Spector*  
Medical Benefits Management

RE: Updated Billing Guidance on Hospital Observation Stays REVISED

**NOTE: Please ensure that appropriate staff members in your organization are informed of the contents of this transmittal.**

---

### Observation Policy

The purpose of this transmittal is to clarify guidance on hospital observation stays. As indicated in Hospital Transmittal No. 249 dated May 11, 2017, the Maryland Department of Health (the Department) will reimburse hospitals for up to 24 hours in an outpatient setting in accordance with 42 CFR 440.2(a) which includes observation stays.

Earlier this year, the Department identified an error with observation stay payments when non-covered charges are associated with observation charges on the UB04 claim form. The Department has resolved this issue and claims are paying correctly.

Effective April 30, 2019, the Department is deducting non-covered charges reported in Form Locator (FL) 48 from the total charges reported in FL 47 for all revenue codes listed on the UB04 claims form. This includes observation charges reported using revenue code 0762.

If your facility created a workaround to report charges exceeding the 24 hour limitation for observation stays, please discontinue this process immediately. Failure to do so will result in an incorrect payment to your facility. Hospitals should continue to report non-covered charges associated with the revenue code 0762 in FL 48 on the UB04. The Department will deduct charges associated with this revenue code from the total charges reported in FL 47.

### Billing Instructions

- Hospitals must bill observation stays on an outpatient UB04 using Bill Type 131 in FL 4.  
\*If the observation stay results in an inpatient admission, the hospital may include the observation stay on the inpatient UB04 claim.

2. Hospitals must bill hours spent in an observation setting using revenue code 0762 in FL 46 (Service Units) and FL 47 (Total Charges).  
\*Please note that the total charges reported in FL 47 should reflect the total charges for date(s) of service indicated on the claim.
3. If the patient remains in observation for more than 24 hours, the hospital should identify hours in excess of 24 as non-covered charges in FL 48.
4. If the patient continues to be in observation for additional dates of service, then subsequent claim forms submitted should identify hours in excess of the first 24 hours as non-covered charges.
5. If hospitals bill more than 24 hours under Revenue Code 0762 on a single outpatient UB04, the Department will deny the entire claim. The hospital can resubmit the claim with 24 units or less in FL 46 for revenue code 0762.
6. The Department will not reimburse hospitals for ancillary services that are billed on a UB04, provided in excess of the first 24 hours in observation status. Hospitals should identify these ancillary services on the UB04 as non-covered charges.
7. Hospitals should continue to bill professional services on a CMS-1500. Professional claims are not affected by this transmittal.

The Department will not offer appeal rights to providers when outpatient claims deny for observation services that exceed 24 hours.

### Examples of Observation Billing

#### *Outpatient Claims:*

*Jane Smith enters the Emergency Department at 2 PM on 7/10/19 and is put in an observation bed for monitoring. She is discharged home on 7/11/19 at 10 PM. The dates of service are 7/10/19 to 7/11/19. One (1) unit of service equals \$100.*

Claim #	Date/Hours in Observation (Revenue Code - 0762)	Units of Service (FL 46)	Total Charges (FL 47)	Non-Covered Charges (FL 48)	# of Units Reimbursed	Reimbursement Amount at 92.3% of Charges
1	7/10/19 – 10hrs	10	\$1,000	—	10	\$923

Claim #	Date/Hours in Observation (Revenue Code - 0762)	Units of Service (FL 46)	Total Charges (FL 47)	Non-Covered Charges (FL 48)	# of Units Reimbursed	Reimbursement Amount at 92.3% of Charges
2	7/11/19 – 22hrs	22	\$2,200	\$800	14	\$1,292.20

***Inpatient Claims:***

*Jane Smith enters the Emergency Department at 2 PM on 7/10/19 and is put in an observation bed for monitoring. She is admitted for inpatient treatment on 7/12/19 at 12 PM. The dates of service are 7/10/19 to 7/13/19. One (1) unit of service equals \$100.*

<b>Claim #</b>	<b>Date/Hours in Observation (Revenue Code - 0762)</b>	<b>Units of Service (FL 46)</b>	<b>Total Charges (FL 47)</b>	<b>Non-Covered Charges (FL 48)</b>	<b># of Units Reimbursed</b>	<b>Reimbursement Amount at 92.3% of Charges</b>
1	7/10/19 – 10hrs	46	\$4,600	\$2,200	24	\$2,215.20
	7/11/19 – 24hrs					
	7/12/19 – 12hrs					

**Reconciliation of Paid Claims**

The Department will identify incorrect payments made for observation stays from December 27, 2017 to April 30, 2019 and will send further guidance to hospitals regarding the process for reconciling incorrectly paid claims. The Office of the Inspector General will continue to conduct post-payment reviews and will recoup any overpayments made for observation stays that are in excess of 24 hours.

For questions regarding the billing of observation stays through Maryland’s Managed Care Organizations, please see the attached list for contact information. If you have any questions regarding this transmittal, please contact Denise James, Division Chief for Hospital Services at (410) 767-1939 or [denise.james@maryland.gov](mailto:denise.james@maryland.gov).

## MCO Contacts for Billing Observation Stays

### **Aetna Better Health of Maryland**

Vicky Randolph-Terrell, Manager, Member Services

Email: [Randolph-TerrellV@aetna.com](mailto:Randolph-TerrellV@aetna.com)

Office #: (959) -230-3712

Cell #: (240)-581-3145

### **Amerigroup Community Care**

Kathy Harmon, Director of Health Plan Clinical Operations

Phone: (410) 981-4069

Email: [kathy.harmon@amerigroup.com](mailto:kathy.harmon@amerigroup.com)

### **Jai Medical Systems**

Tammy Kistler, RN

Email: [tammy@jaimedical.com](mailto:tammy@jaimedical.com)

### **Kaiser Permanente**

Doug Ingalls, Manager, Medicaid Operations

Phone: (301) 816-6148 or Email: [douglas.ingalls@kp.org](mailto:douglas.ingalls@kp.org)

### **Maryland Physicians Care**

Karen Welsh, Manager of Appeals

Phone: (443) 713-4793 or Email: [Karen.A.welsh@marylandphysicianscare.com](mailto:Karen.A.welsh@marylandphysicianscare.com)

### **MedStar Family Choice**

Elizabeth Johnson, Manager of Claims

Email: [Elizabeth.A.Johnson@medstar.net](mailto:Elizabeth.A.Johnson@medstar.net)

### **Priority Partners**

Karen Rider, Assistant Director of Provider Relations

Phone: (410) 424-4850 or Email: [KRider@jhhc.com](mailto:KRider@jhhc.com)

### **University of Maryland Health Partners**

Chris Scardapane

Phone: (443) 450-1415 or Email: [cscardapane@ummshealthplans.com](mailto:cscardapane@ummshealthplans.com)

### **United Healthcare**

Scharmaine Robinson, Network Management Team

Phone: 443-896-9094 or Email: [scharmaine.robinson@uhc.com](mailto:scharmaine.robinson@uhc.com)