



TRICARE  
MANAGEMENT ACTIVITY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
HEALTH AFFAIRS

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**MB&RB**

**CHANGE 119  
6010.54-M  
MARCH 11, 2010**

**PUBLICATIONS SYSTEM CHANGE TRANSMITTAL  
FOR  
TRICARE POLICY MANUAL (TPM), AUGUST 2002**

The TRICARE Management Activity has authorized the following addition(s)/revision(s).

**CHANGE TITLE: OUTPATIENT PROSPECTIVE PAYMENT SYSTEM (OPPS) TECHNICAL  
CHANGES, FEBRUARY 2010**

**CONREQ: 14925**

**PAGE CHANGE(S): See page 2.**

**SUMMARY OF CHANGE(S): This changes contains OPPS changes to include Active Duty Service Member (ADSM) inpatient procedures performed on an outpatient basis, changes to the observation stay policy, and the addition of new modifiers.**

**EFFECTIVE DATE: May 1, 2009, unless otherwise indicated.**

**IMPLEMENTATION DATE: Upon direction of the Contracting Officer.**

**This change is made in conjunction with Aug 2002 TOM, Change No. 94, Aug 2002 TRM, Change No. 110, and Aug 2002 TSM, Change No. 79.**

  
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**ATTACHMENT(S): 2 PAGE(S)  
DISTRIBUTION: 6010.54-M**

**CHANGE 119**  
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**REMOVE PAGE(S)**

**CHAPTER 2**

Section 3.3, pages 1 through 3

**INSERT PAGE(S)**

Section 3.3, pages 1 and 2

## OUTPATIENT OBSERVATION STAYS

ISSUE DATE: July 8, 1998

AUTHORITY: [32 CFR 199.4\(c\)\(2\)\(iv\)](#)

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### I. CPT<sup>1</sup> PROCEDURE CODES

99217, 99218 - 99220

### II. HCPCS CODES

Upon implementation of the Outpatient Prospective Payment System (OPPS): G0378, G0379

### III. DESCRIPTION

Outpatient observation stays are those services furnished by a hospital on a hospital's premises, including the use of a bed and periodic monitoring by a hospital's nursing or other staff, which are reasonable and necessary to evaluate an outpatient's condition or determine the need for a possible admission to the hospital as an inpatient. Such services are provided when ordered by a physician or another individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests.

### IV. POLICY

A. A person is considered a hospital inpatient if formally admitted as an inpatient with the expectation that he or she will remain at least overnight. When a hospital places a patient under observation, but has not formally admitted him or her as an inpatient, the patient initially is treated as an outpatient to determine the need for further treatment or for inpatient admission.

B. For observation stays before May 1, 2009 (implementation of OPPS), the following provisions apply:

1. Cost-sharing of observation services, subsequent to ambulatory surgery reimbursement under the prospective ambulatory group payment, is covered if determined that placement on observation is medically necessary.

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CHAPTER 2, SECTION 3.3

OUTPATIENT OBSERVATION STAYS

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2. Cost-sharing of outpatient observation services is covered following care provided in an emergency setting.
3. Cost-sharing at the observation level or outpatient level should be considered for inpatient denials when the services rendered are medically necessary, but provided at an inappropriate level of care.
4. Cost-sharing of outpatient mental health observation is covered.
5. Up to 48 hours of outpatient observation services may be **cost-shared**. Observation **hours exceeding 48** shall be denied.
6. Time spent in a recovery room following surgery should not be included in the 23 hour limit.
7. The time of admission to an observation bed is counted as the first hour of observation and is rounded to the nearest hour. The number of hours of observation should be indicated in the units field on the CMS 1450 UB-04 claim form. If the patient has more than 23 hours of observation show all hours of services provided in the units field.
8. Outpatient observation services are billed using the revenue code 0762 with the description listed as Observation Services. This code includes room and board services.

C. For observation stays on or after May 1, 2009 (implementation of OPSS), the following provisions apply:

1. Outpatient observation stays are separately payable when certain conditions are met for maternity patients (refer to the TRICARE Reimbursement Manual (TRM), [Chapter 13, Section 2, paragraph III.H.](#) for those specific conditions that must be met in order to receive separate payment under the hospital OPSS).
2. All other observation stays will be packaged under the primary procedure for payment. Hospitals are to report these observation charges under revenue code 0762 - "Observation Room", and HCPCS code G0378. The above packaging requirement is specific for observation stays reimbursed under the OPSS.
3. For OPSS exempt hospitals, **up to 48 hours of outpatient observation services may be cost-shared. Observation hours exceeding 48 shall be denied.**

D. A separate authorization for outpatient observation is not required.

E. Prime enrollees who receive emergency care as an outpatient observation stay must report their admission within 72 hours to the contractor.

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