Observation and Condition Code 44

Source: Centers for Medicare & Medicaid Services (CMS) Internet-Only Manual Publication 100-02, *Medicare Benefit Policy Manual*, Chapter 6, Section 20.6 and Internet-Only Manual Publication 100-4, *Medicare Claims Processing Manual*, Chapter 1 Section 50.3

Key Points

- Outpatient services
- Short term
- Ongoing treatment, assessment, and reassessment
- Decision-making time for proper status

When To Use Observation

- Patient requires further testing to determine need for admission (or possible discharge)
- Patient has adverse reaction or complication from a procedure and requires additional length of stay/monitoring and need for admission unknown
- Patient stable; yet cause of presenting signs/symptoms unknown and further short-term treatment/testing required ("rule-out" scenarios)

When NOT To Use Observation

- Routine postoperative or post-procedure care
- When active monitoring is an inherent part of the service (chemotherapy, blood transfusions, endoscopic procedures, etc.)
- If the patient is acutely unstable and requires inpatient level of service
- While waiting for an available inpatient, skilled nursing facility, or other type of bed or transfer
- When patient is stable but availability of outpatient tests/procedures may not be for several days (weekend/holiday/scheduling issues)
- Family convenience/lack of social support
- Lack of ride or discharge destination

These instances do not meet the medical necessity criteria for observation, or observation is already a part of the other services rendered.

In all cases, medical necessity is the definitive guideline and if medical necessity requirements are not met per the documentation; observation services will be denied.

Condition Code 44 (CC-44)

For use on outpatient claims only, when the physician ordered inpatient services, but upon internal utilization review performed before the claim was originally submitted, the hospital determined that the services did not meet its inpatient criteria. CC-44 requires physician concurrence with the UR committee decision. One physician member of the UR committee may make the determination for the committee that the inpatient admission is not medically necessary. This physician member of the

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UR committee must be a different person from the concurring physician, who is the physician responsible for the care of the patient.

Key Points

- Inpatient ordered; outpatient appropriate
- Determination made by PHYSICIAN member of the facility's Utilization Review (UR) Committee
- Must have attending/managing physician concurrence (physician responsible for the care of the patient)

CC-44 is NOT for when the attending/managing physician makes the determination and changes the inpatient order to outpatient

When to use CC-44- All conditions below MUST be met

- Determination made PRIOR to discharge or release of the patient
- No inpatient claim submitted
- A physician concurs with the UR committee's decision
- Physician concurrence of the UR committee's determination is documented in the medical record

How to use CC-44: (CC-44 is a data monitoring code; it does not affect payment)

- Enter CC-44 into one of Form Locators 24-30 fields
- Or- ANSI X12N 837 I in Loop 2300, HI segment, with qualifier BG
- Submit entire claim as an outpatient (13X or 85X) claim
- No observation services may be billed prior to an order for observation (order cannot be retro-active)
- May include charges on the outpatient claim for the costs of all hospital resources utilized in the care of the patient during the entire encounter on an un-coded line with revenue code 0762

If criteria for CC-44 not met BUT hospital deems inpatient care not medically necessary

- Submit "no-pay" inpatient claim
- Submit covered "Part B Only" services on a 12X bill
- Educate physicians and clinicians involved
- Beneficiary co-pay/deductible based on **outpatient** services

Key Factors to Remember

- **Impact on level of care and patient status on beneficiary and their benefits!**
- Beneficiary rights and notices required
- Status determination must be made by a PHYSICIAN
- CC-44 indicates status changed to outpatient NOT to observation
- Observation orders cannot be retroactive and must be documented to bill for observation services

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