

Commercial Reimbursement Policy

Subject: **Observation Services - Facility**

Policy Number: **C-11005**

Policy Section: **Facilities**

Last Approval Date: **12/10/2025**

Effective Date: **04/01/2026**

Policy

The health plan allows reimbursement for outpatient observation services when ordered by a physician or other individual authorized by state licensure law and facility staff bylaws to admit members to the hospital or order outpatient tests unless provider, state, federal, or contracts and/or requirements indicate otherwise.

The member's medical record documentation for observation services must include a written order that clearly states, "admit to observation". Additionally, such documentation shall demonstrate that observation services are required by stating the specific problem, the treatment and/or frequency of the skilled service expected to be provided. The designated observation service status must be at least 8 hours and no more than 48 hours.

The health plan requires the following to be eligible for reimbursement:

- Revenue code 0762 must be billed with type of bill 013X, 078X, or 085X
- Revenue code 0762 must be billed with HCPCS G0378 along with 99281-99285, G0380-G0384, G0463, 99291, or G0379 on the claim with more than 8 hours and less than 48 hours.
- Must bill all observation services on one claim line with no date span and the total number of hours spent in observation.
- HCPCS G0379 cannot be billed with CPT 99281-99285, G0380-G0384, G0463, or 99291 on the same claim.

Observation services may be considered eligible for reimbursement when rendered to members who meet one or more of the following criteria:

- Active care or further observation is needed following emergency room care to determine if the member is stabilized.
- The member has a complication from an outpatient surgical procedure that requires additional recovery time that exceeds the normal recovery time.
- The member care required is initially at or near the inpatient level.
- The member requires further diagnostic testing and/or observation to make a diagnosis and establish appropriate treatment protocol.
- The member requires short-term medical intervention of facility staff which requires the direction of a physician.

- The member requires observation to determine if the member requires admission into the facility.

The health plan considers the following to be inappropriate use of observation services:

- Physician, member, and/or family convenience
- Routine preparation and recovery for diagnostic, therapeutic or surgical procedures
- Social issues
- Blood administration
- Cases routinely cared for in the Emergency Room or Outpatient Department
- Routine recovery and post-operative care after outpatient surgery
- Standing orders following outpatient surgery
- Observation following an uncomplicated treatment or procedure

Related Coding

Code	Definition	Description
G0378	Hospital observation service, per hour	Required for observation services
G0379	Direct admission of patient for hospital observation care	For observation service must be billed with G0378 and revenue code 0762
G0380	Level 1 hospital emergency department visit provided in a type B emergency department	For observation services must be billed with G0378
G0381	Level 2 hospital emergency department visit provided in a type B emergency department	For observation services must be billed with G0378
G0382	Level 3 hospital emergency department visit provided in a type B emergency department	For observation services must be billed with G0378
G0383	Level 4 hospital emergency department visit provided in a type B emergency department	For observation services must be billed with G0378
G0384	Level 5 hospital emergency department visit provided in a type B emergency department	For observation services must be billed with G0378
G0463	Hospital outpatient clinic visit for assessment and management of a patient	For observation services must be billed with G0378
99281	Emergency department visit for the evaluation and management of a patient that may not require the presence of a physician or other qualified health care professional	For observation services must be billed with G0378
99282	Emergency department visit for the evaluation and management of a patient, which requires a medically appropriate history and/or examination and straightforward medical decision making	For observation services must be billed with G0378
99283	Emergency department visit for the evaluation and management of a patient,	For observation services must be billed with G0378

	which requires a medically appropriate history and/or examination and low level of medical decision making	
99284	Emergency department visit for the evaluation and management of a patient, which requires a medically appropriate history and/or examination and moderate level of medical decision making	For observation services must be billed with G0378
99285	Emergency department visit for the evaluation and management of a patient, which requires a medically appropriate history and/or examination and high level of medical decision making	For observation services must be billed with G0378
99291	Critical care, evaluation and management of the critically ill or critically injured patient; first 30-74 minutes	For observation services must be billed with G0378

Definitions

Observation Services	A well-defined set of clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment, that are provided while a decision is being made whether a patient will require further treatment in a hospital inpatient setting or if they are able to be discharged from the hospital.
Type of Bill 013X	Hospital Outpatient
Type of Bill 078X	Licensed Freestanding Emergency Medical Facility
Type of Bill 085X	Critical Access Hospital
General Reimbursement Policy Definitions	

Related Policies and Materials

None

References and Research Materials

<p>This policy has been developed through consideration of the following:</p> <ul style="list-style-type: none"> • CMS • Optum EncoderPro 2025
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Policy History

12/10/2025	Initial approval 12/10/2025 and effective 04/01/2026
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Disclaimer

These reimbursement policies serve as a guide to assist you in accurate claims submissions and to outline the basis for reimbursement if the service is covered by a member's benefit plan.

The determination that a service, procedure, or item is covered under a member's benefit plan is not a determination that you will be reimbursed. Services must also meet authorization and medical necessity guidelines appropriate to the procedure and diagnosis, as well as to the member's state of residence.

Ensure that you use proper billing and submission guidelines, including industry-standard, compliant codes on all claim submissions. Services should be billed with Current Procedure Terminology (CPT) codes, Healthcare Common Procedure Coding System (HCPCS) codes and/or revenue codes. These codes denote the services and/or procedures performed and when billed, must be fully supported in the medical record and/or office notes. Unless otherwise noted within the policy, our reimbursement policies apply to both participating and non-participating professional providers and facilities.

If appropriate coding/billing guidelines or current reimbursement policies are not followed, we may:

- Reject or deny the claim.
- Recover and/or recoup claim payment.

These reimbursement policies may be superseded by mandates in provider, state, federal, or Centers for Medicare & Medicaid Services (CMS) contracts and/or requirements. We strive to minimize delays in policy implementation. If there is a delay, we reserve the right to recoup and/or recover claims payment to the effective date, in accordance with the policy. We reserve the right to review and revise these policies when necessary. When there is an update, we will publish the most current policy to the website.

Use of Reimbursement Policy

This policy is subject to federal and state laws, to the extent applicable, as well as the terms, conditions, and limitations of a member's benefits on the date of service. Reimbursement Policy is constantly evolving, and we reserve the right to review and update these policies periodically.

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