Observation and Discharge Policy, Professional

IMPORTANT NOTE ABOUT THIS REIMBURSEMENT POLICY

You are responsible for submission of accurate claims. This reimbursement policy is intended to ensure that you are reimbursed based on the procedure code or codes that correctly describe the health care services provided to individuals whose behavioral health benefits are administered by Optum, including but not limited to UnitedHealthcare members. This reimbursement policy is also applicable to behavioral health benefit plans administered by OptumHealth Behavioral Solutions of California.

Our behavioral health reimbursement policies may use Current Procedural Terminology (CPT®), Centers for Medicare and Medicaid Services (CMS) or other procedure coding guidelines. References to CPT or other sources are for definitional purposes only and do not imply any right to reimbursement. This reimbursement policy applies to all health care services billed on CMS 1500 forms and, when specified, to services billed on the UB-04 claim form and to electronic claim submissions (i.e., 837p and 837i) and for claims submitted online through provider portals. Coding methodology, industry-standard reimbursement logic, regulatory requirements, benefits design and other factors are considered in developing reimbursement policy.*

This information is intended to serve only as a general reference resource regarding our reimbursement policy for the services described and is not intended to address every aspect of a reimbursement situation. Accordingly, Optum may use reasonable discretion in interpreting and applying this policy to behavioral health care services provided in a particular case. ***Further, the policy does not address all issues related to reimbursement for behavioral health care services provided to members. Other factors affecting reimbursement may supplement, modify or, in some cases, supersede this policy. These factors may include, but are not limited to: member's benefit coverage, provider contracts and/or legislative mandate****s. Finally, this policy may not be implemented exactly the same way on the different electronic claim processing systems used by Optum due to programming or other constraints; however, Optum strives to minimize these variations.*

Optum may modify this reimbursement policy at any time by publishing a new version of the policy on this website. However, the information presented in this policy is accurate and current as of the date of publication.

**CPT® is a registered trademark of the American Medical Association*

Applicable

This reimbursement policy applies to services reported using the 1500 Health Insurance Claim Form (a/k/a CMS-1500) or its electronic equivalent for claims submitted online through provider portals. This policy does not apply to claims billed on a UB-04 form. This policy applies to all Commercial, Medicare, Individual Exchange benefit plan products and all network and non-network physicians and Other Qualified Health Care Professionals (QHPs), including, but not limited to, non-network authorized and percent of charge contract physicians and Other QHPs.

Policy

Overview

Observation Care is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment and reassessment furnished while a decision is being made regarding whether patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital. Observation services are commonly ordered for patients who present to the emergency department and who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.

This policy addresses the use of Initial Hospital Inpatient or Observation Care CPT® codes (99221 – 99223), Subsequent Hospital Inpatient or Observation Care CPT codes (99231 – 99233), Hospital Inpatient or Observation Care Services (Including Admission and Discharge Services) CPT codes (99234 – 99236) and Hospital Inpatient or Observation Discharge Day Management CPT codes (99238 – 99239) provided to new or established patients designated as "inpatient" or "observation" status in a hospital.

Reimbursement Guidelines

Initial Hospital Inpatient or Observation Care (99221-99223)

Initial Hospital Inpatient or Observation Care Service CPT codes (99221-99223) are used for the first hospital inpatient or observation encounter with the patient. A Physician or Other Qualified Healthcare Provider (QHP) who does not have inpatient admitting privileges, but who is authorized to furnish hospital outpatient observation services may bill these codes.

A Physician or QHP should only bill one of these codes per calendar date, reflecting all services provided that day.
If a patient is admitted and discharged on the same day within 8 hours, these codes are applicable. If a patient is admitted from another location such as the physician's office, emergency department or nursing facility, all of the E/M services provided by the practitioner in conjunction with that admission are considered part of the Initial Hospital Inpatient or Observation Care Services, when they are performed on the same date as the admission. The level of the Initial Hospital Inpatient or Observation Care CPT code reported should incorporate the other services related to the admission that were provided in any other site of service, as well as those provided in the actual inpatient or observation setting.

The patient is not required to be physically located in a designated observation area, within a hospital. The designation of "observation status" refers to the initiation of Observation Care and not to a specific area of a facility.

The Principal Physician of Record, a.k.a. Admitting/Supervising Physician or Other Qualified Healthcare Professional (QHP) should append modifier "AI" to the initial care code to distinguish their role. This modifier will identify the physician or QHP who oversees the patient's care from all other physicians or QHPs who may be furnishing specialty care.

Other than reimbursement to the Principal Physician of Record, Optum consider reimbursement for additional Initial Hospital Inpatient or Observation Care codes when billed for the same date of service, for the same patient by:

- Physicians or QHPs from different group practices or
- Physicians or QHPs from the same group practice with different primary specialties (for QHPs Optum may, at times, identify same specialty by related taxonomy codes).

Subsequent Hospital Inpatient or Observation Care (99231-99233)

Subsequent Hospital Inpatient or Observation Care CPT codes (99231 – 99233) are used when the patient has received professional services from the Physician or QHP. A Physician or QHP shall bill only one of the Subsequent Hospital Inpatient or Observation Care codes for a subsequent visit, once per calendar date. The code selected should reflect all of the Physician or QHPs services provided for the date of service.

Optum will consider reimbursement for additional Subsequent Hospital Inpatient or Observation Care CPT codes (99231 - 99233) when billed for the same date of service, for the same patient by:

- Physicians or QHPs from different group practices or
- Physicians or QHPs from the same group practice with different primary specialties (for QHPs Optum may, at times, identify same specialty by related taxonomy codes).

Hospital Inpatient or Observation Care Admission and Discharge Services on the Same Date (99234-99236)

If a patient is admitted and discharged on the same day after receiving a minimum of eight hours of Hospital Inpatient or Observation Care, CPT 99234 – 99236 may be reported. These codes require an admission and discharge service by the same provider, who must be the Principal Physician of Record. These services are only billed by the Principal Physician of Record who performed both the initial and discharge services.

In addition to meeting the E/M documentation guidelines for admission to and discharge from Inpatient or Observation Care, the medical record must include:

- The patient's stay lasted between 8 to 24 hours.

- The Principal Physician of Record was present and personally performed the services; and

The Principal Physician of Record who wrote both the admission and discharge notes.

Hospital Inpatient or Observation Discharge Day Management Services (99238 – 99239)

CPT codes 99238 and 99239 are used for documenting the total time a Physician or Other QHP spends on the discharge of a patient from Hospital Inpatient or Observation Care. The codes include, final examination of the patient, discussion of the hospital stay, instructions for continuing care to all relevant caregivers and preparation of discharge records, prescriptions and referral forms. These codes cover all services on the discharge date, regardless of whether the time spent was continuous.

According to the CMS Claims Processing Manual, these codes represent face-to-face evaluation and management (E/M) services between the Principal Physician of Record and the patient. The Hospital Inpatient or Observation Discharge Day Management Service should be reported for the date of the actual visit, even if the patient is discharged from the facility on a different calendar date. Only one Hospital Inpatient or Observation Discharge Day Management Service is payable per patient for each hospital stay.

Other Physicians or QHPs who are not the Principal Physician of Record should use codes 99231 – 99233 for their final visit, if they managed other health issues during the patient stay.

Definitions	
Principal Physician of Record	The Admitting/Supervising Physician or Other Qualified Health Care Professional who ordered the Hospital Inpatient or Observation Care Services and who was responsible for the patient, during his/her Hospital Inpatient or Observation Care stay.
Observation Care	Evaluation and management services provided to patients designated as "observation status" in a hospital. This refers to the initiation of observation status, supervision of the care plan for observation services and performance of periodic reassessments.
Physician or Other Qualified Health Care Professional	A “Physician or Other Qualified Health Care Professional” is an individual who is qualified by education, training, licensure/regulation (when applicable), and facility privileging (when applicable) who performs a professional service within his/her scope of practice and independently reports that professional service.

Questions and Answers	
1	**Q:** Does the patient need to be in an observation unit in order to report the Hospital Inpatient or Observation Care codes? **A:** It is not necessary that the patient be located in an observation area, designated by the hospital, as long as the medical record indicates that the patient was admitted to “observation status” and the reason for the admission to “observation status” is documented in the patient’s medical record.
2	**Q:** What code should be reported for services provided by the Principal Physician of Record, a.k.a. Admitting/Supervising Physician or Other Qualified Health Care Professional for a patient who continues to be in observation status for a second calendar date and has not been discharged? **A:** Subsequent Hospital Inpatient or Observation Care CPT codes (99231-99233) should be reported in the instance a patient is held in observation status for more than 2 calendar dates.

Resources
American Medical Association, *Current Procedural Terminology (*CPT®) and associated publications and services Centers for Medicare and Medicaid Services, CMS Manual System and other CMS publications and services

History / Updates	
April, 2026	New Policy Implemented