

# LA.CLI.036 Observation Policy

Effective Date:	January 1, 2023	Accountable	<a href="#">LA Medicaid Utilization Management</a>
		Dept.:	<a href="#">Medicaid Clinical Delivery Experience</a>
			<del>10585-</del>
Last	<a href="#">October 1, 2024</a> <del><a href="#">October 1, 2023</a></del>		
Reviewed Date:			

## Summary of Changes:

No changes; reviewed due to an annual review

[10/11/24: Annual Review, updated references to most recent edition](#)

## Scope:®

This policy applies to all Humana Healthy Horizons® in Louisiana (Plan) associates who administer, review, or communicate covered physical and behavioral health benefits and services to eligible enrolled members.

## Procedures:

### Observation:

The Plan will reimburse up to 48 hours of medically necessary care for a member to be in an observational status. This time frame is for the physician to observe the member and to determine the need for further treatment, admission to an inpatient status, or for discharge.

Observation and ancillary services do not require notification, precertification, or authorization and will be covered up to 48 hours. Hospitals should bill the entire outpatient encounter, including emergency department, observation, and any associated services, on the same claim with the appropriate revenue codes, and all covered services will be processed and paid separately.

Any observation services over 48 hours requires authorization. For observation services beyond 48 hours that are not authorized, the Plan will only deny the non-covered hours. If a member is anticipated to be in observation status beyond 48 hours, the hospital must notify the Plan as soon as reasonably possible for potential authorization of an extension of hours.

The Plan and provider shall work together to coordinate the provision of additional medical services prior to discharge of the member as needed.

### Observation-to-Inpatient Procedure:

Length of stay alone will not be the determining factor in a denial of inpatient stay/downgrading to observation stay. Members should not be automatically converted to inpatient status at the end of the 48 hours. Admission of a member will not be denied solely on the basis of the length of time the member actually spends in the hospital.

All hospital facility charges on hospital day one are included in the inpatient stay and billed accordingly inclusive of emergency department/observation facility charges. (Note: Professional charges continue to be billed separately).

All observation status conversions to an inpatient hospital admission require notification to the Plan within one (1) business day of the order to admit a member. Providers can notify the Plan and obtain authorization by contacting the Plan Utilization Management department online, via email, fax, or phone.

The Plan will not include any observation hours in the inpatient admission notification period.

The Plan will notify the provider rendering the service, whether a health care professional or facility or both, verbally or as expeditiously as the member's health condition requires but within no more than one (1) business day of making the initial determination. The Plan will subsequently provide verbal and written-notification (i.e., via fax) to the provider within two (2) business days of making the decision to approve or deny an authorization request.

#### Observation Charges:

Providers must bill for observation services in compliance with this policy. Observation services must be billed using revenue code 762 and the appropriate HCPCS codes G0378 and G0379.

The Plan will not reimburse providers for outpatient surgical procedures provided on the same day as observation services.

#### Definitions:

Business Day – traditional workdays, including Monday, Tuesday, Wednesday, Thursday, and Friday. State holidays are excluded. Traditional work hours are 8 a.m. – 5 p.m., unless the context clearly indicates otherwise.

Observation Time – the period beginning at the time the order is written to place a member in observation status or the time a member presents to the hospital with an order for observation and ending with discharge of the member or an order for inpatient admission.

Observation Care – a well-defined set of specific, clinically appropriate services furnished while determining whether a member will require formal inpatient admission or be discharged from the hospital. ~~Observation is for a minimum of one hour and up to 48 hours.~~ The member must be in the care of a physician during the period of observation, as documented in the medical record by an observation order, discharge, and other appropriate progress notes that are timed, written, and signed by the physician.

#### References:

Attachment A, Louisiana Medicaid Model Contract

2.12.8 Other Service Authorization Requirements -LDH Model Contract, ~~pp. 174-2.12.8.3 The Contractor shall utilize a common hospital observation policy that is developed and maintained collectively by the MCOs with approval by LDH in writing. Any revisions shall be reviewed and approved by LDH in writing at least thirty (30) Calendar Days prior to implementation.~~ -LDH Model Contract, ~~pp. 174~~

Louisiana Medicaid Managed Care Organization (MCO) Model Contract: Attachment A, Part 2,

Section 2.12.8 Other Service Authorization Requirements

Louisiana Medicaid Managed Care Organization (MCO) Manual: Part 4, Services [Updated August 15, 2024, accessed October 11, 2024](#). Louisiana Department of Health Informational Bulletin: 18-7 (May 17, 2018)

Version Control:

8/22/22: Policy creation-Approved by LDH for Readiness

5/15/23: Approved by LA UM Committee

9/11/23: Changed to new template for Annual Review Due by 5.15.24. Kwise, MCD Clinical Delivery Experience

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**Non-Compliance:**

Failure to comply with any part of Humana's policies, procedures, and guidelines may result in disciplinary actions up to and including termination of employment, services, or relationship with Humana. In addition, state and/or federal agencies may take action in accordance with applicable laws, rules, and regulations.

Any unlawful act involving Humana systems or information may result in Humana turning over all evidence of unlawful activity to appropriate authorities. Information on handling sanctions related to noncompliance with this policy may be found in the Expectations for Performance, and Critical Offenses policies, both of which may be found in the Associate Support Center via Humana's secure intranet on Hi! (Workday & Apps/Associate Support Center).