Department: Utilization Management	**Policy and Procedure No:** TBD	
Policy and Procedure Title: Observation Level of Care		
Process Cycle: Annually	**Responsible Departments:** Clinical	
Approved By: Nicole Thibodeaux, BSN RN	**Issue Date:** 1/1/2023	**Revised:**

CONTRACT REFERENCES

Attachment A, Louisiana Medicaid Model Contract
2.12.8 Other Service Authorization Requirements
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.

ACROYNMS & 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.

PURPOSE:

This policy applies to all Humana Healthy Horizons™ in Louisiana (Plan) associates who review outpatient hospital service authorization requests for Medicaid members enrolled with the Plan and outlines how outpatient services to eligible Medicaid members are provided on an outpatient basis in a hospital setting. Hospital providers are to ensure that the services provided to Medicaid members, enrolled in the Plan, are medically necessary, appropriate and within the scope of current evidence-based medical practice and Medicaid guidelines.

POLICY AND PROCEDURE:

Policy:

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Approved By: Nicole Thibodeaux, BSN RN	**Issue Date:** 1/1/2023	**Revised:**

The Plan will cover and make available medically necessary observation level of care services in compliance with the Common Observation Policy developed by Louisiana Department of Health and the MCOs participating in Louisiana Managed Care program.

Procedure:

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.

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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 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.

ADDITIONAL RESOURCES:

- 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
- Louisiana Department of Health Informational Bulletin: 18-7 (May 17, 2018)

VERSION CONTROL

Version. Review. Approval History				
Department:	**Purpose of Review**	**Reviewed** and **Approved By:**	**Date:**	**Additional Comments:**
CLI	Initial Policy Development			
Regulatory Compliance	Compliance Review	Amy Brandon	10/27/2022	

DISCLAIMER:

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Humana follows all federal and state laws and regulations. Where more than one state is impacted by an issue, to allow for consistency, Humana will follow the most stringent requirement.

This document is intended as a guideline. Situations may arise in which professional judgment may necessitate actions that differ from the guideline. Circumstances that justify the variation from the guideline should be noted and submitted to the appropriate business area for review and documentation. This (policy/procedure) is subject to change or termination by Humana at any time. Humana has full and final discretionary authority for its interpretation and application. This (policy/procedure) supersedes all other policies, requirements, procedures or information conflicting with it. If viewing a printed version of this document, please refer to the electronic copy maintained by CMU to ensure no modifications have been made.

NON-COMPLIANCE:

Failing 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 non-compliance 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 of Hi! (Workday & Apps/Associate Support Center).