

TITLE:	OBSERVATION SERVICES
DEPARTMENT:	PAYMENT POLICY
ORIGINAL EFF. DATE:	09/28/2026
REVISION DATE:	N/A

1. PURPOSE

This Payment Policy outlines clear and consistent reimbursement guidelines to ensure compliant, transparent, and timely payment for medically necessary, cost-effective care.

2. SCOPE

This policy applies to the reimbursement of covered services for all members and providers. Curative will allow reimbursement for services according to the criteria outlined in this policy, unless modified or superseded by contractual language.

3. DEFINITIONS

The following terms are defined as follows regarding this policy.

- 3.1. **Observation** The status of a patient receiving short term treatment while a decision is being made regarding whether the patient will require further treatment as a hospital inpatient or if they are able to be discharged from the hospital
- 3.2. **Revenue Codes** Categorized institutional services (e.g. room, lab, pharmacy)

4. POLICY

Disclaimer: These Payment Policies serve as a comprehensive guide for all providers, assisting in submitting accurate claims and outlining the essential framework for reimbursement. The determination that a service, procedure, or item is covered under a Curative member’s benefit plan does not constitute a guarantee of payment. Services must meet medical necessity and authorization guidelines appropriate to the procedure and diagnosis and, where mandated, the members state of residence. Services rendered must be within the legal scope of practice for the specific type of provider and align with the professional credentials and training in the state where the care is furnished.

To ensure proper processing, providers are required to adhere to industry-standard, compliant codes and follow proper coding, billing, and submission guidelines. To ensure accurate reimbursement and proper claims adjudication, all services provided to the same member, by the same provider, and on the same date of service must be reported on a single claim. Current Procedure Terminology (CPT®) codes, Healthcare Common Procedure Coding System (HCPCS) codes, and/or relevant revenue codes must be used for billing. Codes submitted must be fully supported by corresponding documentation in the medical record. Unless noted otherwise within a policy, these payment policies apply to both participating and non-participating providers and facilities.

Curative reserves the right to take corrective action, which may include the rejection or denial of the claim, or the recovery and/or recoupment of any previous claim payment if proper coding, billing guidelines, or these established payment policies are not followed. Providers may refer to the Provider Manual for guidance on addressing such actions, including the formal claim reconsideration, appeals, and dispute resolution processes.

These policies may be superseded by mandates within provider contracts, state or federal laws, or requirements issued by the Centers for Medicare & Medicaid Services (CMS). Curative retains the right to revise these policies as deemed necessary and will publish the most current version on the Curative website.

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Reimbursement Guidelines

This policy establishes the facility reimbursement criteria for outpatient observation services. It applies to both participating and non-participating facilities billing on a UB-04 claim form or its electronic equivalent. To ensure accurate claims processing and prevent delays, facilities must adhere to the following integrated standard billing edits and guidelines.

Observation services are reported for patients receiving short term treatment while a decision is being made regarding whether the patient will require further treatment as a hospital inpatient or if they are able to be discharged from the hospital. This care is reported as code G0378, Observation per hour, in one hour increments, rounded to the nearest whole hour.

Services are only eligible for reimbursement with code G0378 if the total duration meets or exceeds 8 hours up to a maximum of 48 hours. Less than 8 hours are included in other services the patient receives during that timeframe.

Observation code G0378 must be reported on a bill type 13X, 78X or 85X and under Revenue Code 0762 on a single claim line using the date the initial care began as the "from" date in box 6 of the institutional claim form even if the service spans different dates. Multiple lines or date spans will result in a claim rejection. G0378 will not be reimbursed if an IOCE status indicator J1 or status T code is reported on the same date of service.

In order to qualify as observation, G0378 must be billed in conjunction with one of the following qualifying services provided on the same date of service or the day prior:

- An Emergency Department visit (99281–99285 or G0380–G0384)
- A Hospital Outpatient Clinic visit (G0463)
- Critical Care services (99291)
- A Direct Referral for observation care (G0379)

If a patient does not receive one of the above services and is referred directly to observation by a practitioner, code G0379 must be reported along with the G0378. G0379 must be reported with only 1 unit as it is not an hourly code. G0379 will not be reimbursed if an IOCE status indicator T or V is reported on the same date of service.

If a patient's condition warrants conversion from observation to inpatient status, all observation services should be reported on the subsequent inpatient claim, bill type 111, without modifying the inpatient "from" date.

Coding Matrix

Revenue Code	HCPCS/CPT Code	Description	Claim Form / Bill Type Requirement
0762	G0378	Hospital observation service, per hour	UB-04; TOB 13X, 78X, 085X. Must be a single line with total hours.
0762	G0379	Direct admission of patient for hospital observation care	UB-04; TOB 131. Must be billed with 1 unit and G0378.
0762	99281-99285, 99291, G0380-G0384, G0463.	Emergency Visits, Critical Care or Hospital Clinic Visit	Required to qualify for G0378 Observation reimbursement.

The following uses are considered inappropriate and are excluded from observation care reimbursement:

- **Active Monitoring Procedures:** Services provided concurrently with diagnostic or therapeutic procedures where monitoring is already inherent to the protocol (e.g., colonoscopies, chemotherapy administration).
- **Administrative/Social Stays:** Extensions due to social issues, delayed placement, or a lack of patient transportation.
- **Convenience:** Services rendered solely for the convenience of the physician, member, or the member's family.
- **Isolated Blood Administration:** Observation status does not apply if an outpatient is treated solely for the administration of blood products without receiving other skilled medical treatment.
- **Routine Preparation & Post-Op Recovery:** Routine preparation or recovery associated with diagnostic, therapeutic, or ambulatory surgical procedures. This includes standing or general post-operative orders, which must be billed as recovery room services.
- **Status Indicator Exclusions:** HCPCS code G0378 will be denied when reported alongside procedures assigned a status indicator of J1 or T under the CMS IOCE.

Curative reserves the right to request and audit comprehensive medical records to verify compliance with this policy. Failure to document a timed physician order, continuous progress/nursing notes, or specific diagnostic and clinical justifications will result in claim rejections, payment denials, or post-payment recoupment. All submissions must align strictly with industry-standard coding sets and National Correct Coding Initiative (NCCI) edits.

5. REFERENCE DOCUMENTS AND MATERIALS

- 5.1 Centers for Medicare and Medicaid Services, Healthcare Common Procedure Coding System, (HCPCS) Release and Code Sets
- 5.2 Center for Medicare and Medicaid Services (CMS) Medicare Claims Processing Manual 100-04, Hospital Outpatient Prospective Payment System (OPPS and IOCE)
- 5.3 Center for Medicare and Medicaid Services (CMS), CMS Manual System and other CMS publications and services

6. COLLABORATING DEPARTMENTS

- 6.1. Claims
- 6.2. Compliance
- 6.3. Medical Management
- 6.4. Network
- 6.5. System Configuration

7. POLICY & PROCEDURE CONTROL

This Policy will be reviewed at least annually and as necessary.

REVISION HISTORY			
Date	Author	Version	Comments
09-28-2026	CJ Wisecarver	001	Initial Version