

---

# CMS Manual System

## Pub. 100-20 One-Time Notification

---

Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)

Transmittal 120

Date: OCTOBER 22, 2004

---

CHANGE REQUEST 3311

**SUBJECT: Override of Common Working File (CWF) Edit for Observation Services Exceeding 48 Hours**

**I. SUMMARY OF CHANGES:** This notification provides instructions for CWF to allow override capabilities for CWF on Observation claims exceeding 48 hours, which are deemed medically necessary.

**NEW/REVISED MATERIAL - EFFECTIVE DATE\*: April 1, 2005**  
**IMPLEMENTATION DATE: April 4, 2005**

*Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)**  
**(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)**

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
N/A	

**III. FUNDING:** Medicare contractors shall implement these instructions within their current operating budgets.

**IV. ATTACHMENTS:**

	Business Requirements
	Manual Instruction
	Confidential Requirements
X	One-Time Notification
	Recurring Update Notification

\*Unless otherwise specified, the effective date is the date of service.

# Attachment – One-Time Notification

Pub. 100-20	Transmittal: 120	Date: October 22, 2004	Change Request 3311
-------------	------------------	------------------------	---------------------

**SUBJECT: Override of Common Working File (CWF) Edit for Observation Services Exceeding 48 Hours**

## I. GENERAL INFORMATION

**A. Background:** CWF edit 51#L currently does not allow claims that show units of service for observation (revenue code 0762) greater than 48 hours to be processed to payment. Fiscal intermediaries (FIs) suspend the claim and ask for complete medical documentation for review of the medical necessity of all observation services billed. If the additional hours are not found to be reasonable and necessary, all hours beyond 48 are denied and shown as non-covered services on the claim. Unfortunately, if hours are found to be reasonable and necessary, the claims cannot be processed to payment due to the CWF edit. This notification provides instructions for the CWF edit to be overridden to allow payment of these claims effective April 1, 2005.

**B. Policy:** Medicare does not pay for observation where services are over 48 hours unless these services are deemed reasonable and necessary. For details on this policy, please see §70.4 of Pub. 100-02, Medicare Benefit Policy Manual.

**C. Provider Education:** A Medlearn Matters provider education article related to this instruction will be available at <http://www.cms.hhs.gov/medlearn/matters> shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.

## II. BUSINESS REQUIREMENTS

*"Shall" denotes a mandatory requirement*

*"Should" denotes an optional requirement*

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		F I	R H I	C A R R I E R	D M E R C	Shared System Maintainers				Other
F I S S	M C S					V M S	C W F			
3311.1	CWF shall allow override capabilities of CWF Edit 51#L on all hospital outpatient claims submitted with units of service for observation greater than 48 hours and which are found to be reasonable and necessary.								X	
3311.2	FIs shall apply the CWF override to claims, which meet the criteria listed in requirement 3311.1.	X				X				
3311.3	FIs shall remind providers to give the beneficiary an ABN, per the Medicare Claims Processing Manual, Chapter 30, Financial Liability Protections, §40.3.1, if they plan to charge the beneficiary for observation services beyond 48-hours.	X								
3311.4	Intermediaries shall inform affected providers by posting this document on their Web site within 2 weeks.	X								

## III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

### A. Other Instructions:

X-Ref Requirement #	Instructions
	CR3320, CR2949

### B. Design Considerations:

X-Ref Requirement #	Recommendation for Medicare System Requirements

### C. Interfaces: CWF

**D. Contractor Financial Reporting /Workload Impact: N/A**

**E. Dependencies: N/A**

**F. Testing Considerations: N/A**

**IV. SCHEDULE, CONTACTS, AND FUNDING**

<p><b>Effective Date*:</b> April 1, 2005</p> <p><b>Implementation Date:</b> April 4, 2005</p> <p><b>Pre-Implementation Contact(s):</b> Antoinette Johnson 410-786-9326 ajohnson2@cms.hhs.gov</p> <p><b>Post-Implementation Contact(s):</b> Contact the appropriate Regional office</p>	<p><b>Medicare Contractors shall implement these instructions within their current operating budgets.</b></p>
--	---

**\*Unless otherwise specified, the effective date is the date of service.**