

Related Change Request (CR) #: 3311

Medlearn Matters Number: MM3311

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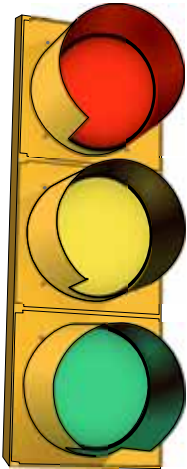
Implementation Date: April 4, 2005

## *Override of Medicare System Edit for Observation Services Exceeding 48 Hours*

### Provider Types Affected

Hospitals

### Provider Action Needed



#### **STOP – Impact to You**

Medicare system edits do not allow claims to be paid for observation services greater than 48 hours.

#### **CAUTION – What You Need to Know**

When the hours are found to be reasonable and necessary, Fiscal Intermediaries (FIs) will be able to override the Medicare system edits on affected hospital outpatient claims submitted with units of services for observation greater than 48 hours.

#### **GO – What You Need to Do**

You must give the beneficiary an Advance Beneficiary Notice (ABN) per the Medicare Claims Processing Manual, Chapter 30, Financial Liability Protections, 40.3.1, if you submit claims for observation services greater than 48 hours.

### Background

Currently, Medicare edits do not allow claims greater than 48 hours that are submitted showing the units of service for observation (Revenue Code 0762) for processing. The FI suspends the claim and will request complete medical documentation to review the medical necessity of all observation services billed.

If additional hours are not found to be reasonable and necessary, all hours beyond 48 hours are denied and shown as a non-covered service on the claim. However, if the hours are found to be reasonable and necessary the claims can not be processed at this time for payment due to the Medicare system edit. Changes will be made by Medicare to allow the edit to be overridden to allow payment of these claims as of April 1, 2005.

#### Disclaimer

The information contained in this article was current at the time of its development. We encourage users of this article to review statutes, regulations and other interpretive materials for the most current information.

### Additional Information

For details on policy see Section 70.4 of the Medicare Benefit Policy Manual.

If you have any questions regarding this issue, please contact your FI at their toll-free number, which may be found at:

<http://www.cms.hhs.gov/medlearn/tollnums.asp>