



Subject: AmeriHealth Mercy Health Plan Observation Billing Guidelines

Dear AmeriHealth Mercy Health Plan Provider/Facility Billing Department:

This is to clarify AmeriHealth Mercy billing policies with respect to observation level-of-care stays. AmeriHealth Mercy considers observation to be an outpatient service. When a hospital requests and receives authorization for an observation stay, and bills for observation as an outpatient service, claims will be paid without delay.

When a hospital requests authorization for an inpatient level-of-care stay but the plan authorizes outpatient observation, AmeriHealth Mercy will enter this medical necessity determination into our authorization system. If a hospital agrees that the request should be changed from inpatient to outpatient observation, the hospital may submit the claim as outpatient observation. Use type of bill 13x on the UB92 and the claim will be processed using standard claims payment procedures.

*Please note that the Center for Medicare and Medicaid Services (CMS) has issued Publication 100-04 Claims Processing, effective April 1, 2004, that permits a hospital to bill an outpatient service, such as observation, even if the physician ordered an inpatient service.

If the plan has authorized outpatient observation and the hospital submits a claim for the service as an inpatient service, the claim will be denied.

When a hospital requests authorization for an inpatient stay but the plan authorizes outpatient observation, the medical necessity determination may be appealed using standard appeals procedures. This claim denial may also be appealed using standard appeals procedures.

Thank you for participating in the AmeriHealth Mercy's Provider Network and for your continued commitment to our members. If you have any questions regarding this letter, our Provider Services Department is available 24 hours a day/seven days a week at (800) 521-6007, or you may contact your Provider Contracting Representative.