

Report on Medicare Compliance Volume 31, Number 24. July 11, 2022 New CPT Guide, MPFS Rule Delete Observation Codes; Doctors Will Use Inpatient Codes

By Nina Youngstrom

CPT codes for hospital observation will vanish in about five months as they're absorbed into existing inpatient hospital codes, according to the evaluation and management (E/M) code and guideline changes for 2023 unveiled June 30 by the American Medical Association (AMA).^[1] Physicians who provide initial and subsequent observation services will instead report them with inpatient initial and subsequent codes. All payers use CPT codes for professional services, and Medicare in the 2023 proposed Medicare Physician Fee Schedule (MPFS) rule announced July 7 specifically said it would adopt the observation code changes for the most part.^[2] But there is a clash unfolding. While CPT allows any qualified health care professional to report an initial hospital service for their first encounter with the patient during the hospital stay, longstanding Medicare policy that would be extended by the MPFS rule only allows a physician to report an initial hospital service "if the physician sees a patient in the ED and decides to either place the patient in observation status or admit the patient as a hospital inpatient," according to the proposed MPFS.

The new E/M guidelines delete and revise a host of other E/M codes and guidelines. They affect billing for services in emergency departments (EDs), consultations, services provided in nursing facilities and skilled nursing facilities, and many other areas, said Richelle Marting, an attorney and certified coder in Olathe, Kansas.

"In my career, this is the most substantial revision to the E/M guidelines," she said. "There are many Medicare policies that will have to be revamped as a result." For their part, hospitals will have to revisit payment rates in managed care contracts, she said. "If providers have specifically negotiated higher rates for observation codes than inpatient hospital codes as part of the industry-wide movement to shift site of care to outpatient, major renegotiations will need to occur to rebalance contracted rates." And the revenue cycle team has to ensure electronic documentation, coding logic or edits tied to deleted codes are appropriately mapped to new codes. "There will be considerable technical and logistical resources needed to accommodate not only the updated codes, but the guidelines that go with them," Marting said.

What is most "game-changing" in the E/M guidelines is the deletion of CPT observation codes, Marting said. In 2023, the codes for initial observation care (99218, 99219 and 99220) will be gone. Physicians reporting initial visits with patients in observation will use the codes reserved for initial hospital inpatient care services (99221, 99222 and 99223). The same goes for subsequent observation care. Observation codes 99224, 99225 and 99226 have been deleted, and physicians will instead report 99231, 99232 and 99233 for subsequent services to patients in the hospital setting. CMS is on board for a lot of this. For example, it would "adopt the revised CPT codes" 99221 to 99223 and 99231 to 99236, the proposed MPFS rule states.

This document is only available to subscribers. Please log in or purchase access.

[Purchase Login](#)