

Keystone Mercy Health Plan Observation Billing Guidelines

This is to clarify Keystone Mercy billing policies with respect to observation stays.

Keystone 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 stay but the plan authorizes outpatient observation, such medical necessity determinations may be appealed using standard appeals procedures. 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. This claim denial may also be appealed using standard appeals procedures.

However, if a hospital decides on further consideration that the request should be changed from inpatient to outpatient observation, the hospital may resubmit the claim as outpatient observation 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.

Thank you for participating in the Keystone Mercy 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 Account Executive.