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By Nina Youngstrom

An aspirin for the headaches caused by Medicare charges for medically unnecessary observation hours may come in the form of a code for noncovered services. Instead of reporting HCPCS code G0378 for medically unnecessary observation services, with or without the advance beneficiary notice (ABN) modifier, or writing off the hours, a CMS official said that hospitals may use HCPCS code A9270. This pathway has taken on greater urgency because hospitals are faced with more custodial care patients at a time when guidance from a Medicare administrative contractor (MAC) and the National Uniform Billing Committee (NUBC) manual are making it virtually impossible to report medically unnecessary observation services with G0378 and bill patients for them, experts say.

According to a communication from a CMS official to Valerie Rinkle, president of Valorize Consulting, “Chapter 1 of 100-04, section 60.4.2 addresses outpatient billing procedures and liability situations. The hospitals may need to bill medically unnecessary hours on a line with A9270 with the GY modifier.” Hospitals would use A9270 with revenue code 760, which is for outpatient specialty services, rather than revenue code 762, “which is defined by NUBC as specifically for use with observation services,” Rinkle said.

The information from the CMS official, whom she preferred not to identify, is very helpful because hospitals are in a bind with patients who are safe for discharge from observation but unwilling to leave the hospital for various reasons (e.g., no family member is available to help them), said Ronald Hirsch, M.D., vice president of R1 RCM.

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