
Program Memorandum Intermediaries

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal A-02-075

Date AUGUST 7, 2002

CHANGE REQUEST 2289

SUBJECT: Admitting Diagnosis for Observation Services for the Outpatient Prospective Payment System (OPPS)

Background

Because of recent changes in payment for observation services under the OPPS, all diagnosis fields on an outpatient claim must be available to the OPPS Outpatient Code Editor (OCE). The OCE uses the various diagnosis fields to determine whether observation services meet the requirements for separate OPPS payment. Currently, all diagnosis fields are passed by the Shared Systems Maintainers (SSMs) to the OCE, with the exception of the admitting diagnosis field. Correct coding requires that, in some cases, the admitting diagnosis field be used to report the diagnosis upon which separate payment for observation services depends.

Because the admitting diagnosis is not now being passed to the OCE, claims for observation services currently are returned to the provider as not meeting the criteria for separate observation payment if the qualifying diagnosis for observation is entered only in the admitting diagnosis field. In PM A-02-026, Section XI, Payment for Observation Services, we stated that the admitting diagnosis would not be taken into account to determine that a patient has a qualifying diagnosis for payment of observation services.

New Requirement

This Program Memorandum (PM) requires SSMs to make changes to their systems to pass the admitting diagnosis field (form locator number 76 or the electronic equivalent) on the Uniform Bill (UB-92) to the OCE. Although the effective date of this instruction is April 1, 2002, it will not be implemented by SSMs until January 1, 2003. The shared system must pass the admitting diagnosis to the OCE effective for claims received on or after January 1, 2003, with dates of service on or after April 1, 2002.

You should notify your hospitals that the admitting diagnosis will be taken into account when determining separate observation payment for services furnished on or after April 1, 2002, when the bill is submitted or resubmitted, or when an adjustment bill is submitted to you after January 1, 2003.

Provider Notification

Post a notice on your Web site regarding this information and include it in your next regularly scheduled bulletin. If you have electronic boards or listserv, which are used to communicate with your provider community, post this message to your providers using that facility.

The *effective date* for this PM is for services provided on or after April 1, 2002.

The *implementation date* for this PM is January 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after July 1, 2003.

If you have any questions, contact your regional office.