HAP CareSource™

# REIMBURSEMENT POLICY STATEMENT
# Michigan Medicaid

| Policy Name & Number | Date Effective |
|---|---|
| Neonatal Intensive Care Unit (NICU) Level of Care-MI MCD-PY-1466 | 06/01/2025 |
| **Policy Type** | |
| **REIMBURSEMENT** | |

Reimbursement Policies are intended to provide a general reference regarding billing, coding and documentation guidelines. Coding methodology, regulatory requirements, industry-standard claims editing logic, benefits design, and other factors are considered in developing Reimbursement Policies.

In addition to this policy, reimbursement of services is subject to member benefits and eligibility on the date of service, medical necessity, adherence to plan policies and procedures, claims editing logic, provider contractual agreements, and applicable referral, authorization, notification, and utilization management guidelines. Medically necessary services include, but are not limited to, those health care services or supplies that are proper and necessary for the diagnosis or treatment of disease, illness, or injury and without which the patient can be expected to suffer prolonged, increased, or new morbidity, impairment of function, dysfunction of a body organ or part, or significant pain and discomfort. These services meet the standards of good medical practice in the local area, are the lowest cost alternative, and are not provided mainly for the convenience of the member or provider. Medically necessary services also include those services defined in any federal or state coverage mandate, Evidence of Coverage or Certificate of Coverage documents, Medical Policy Statements, Provider Manuals, Member Handbooks, and/or other plan policies and procedures.

This policy does not ensure an authorization or reimbursement of services. Please refer to the plan contract (often referred to as the Evidence of Coverage or Certificate of Coverage) for the service(s) referenced herein. Except as otherwise required by law, if there is a conflict between the Administrative Policy Statement and the plan contract, then the plan contract will be the controlling document used to make the determination. We may use reasonable discretion in interpreting and applying this policy to services provided in a particular case and we may modify this Policy at any time.

According to the rules of Mental Health Parity Addiction Equity Act (MHPAEA), coverage for the diagnosis and treatment of a behavioral health disorder will not be subject to any limitations that are less favorable than the limitations that apply to medical conditions as covered under this policy.

## Table of Contents


A. Subject ..... 2
B. Background ..... 2
C. Definitions ..... 2
D. Policy ..... 3
E. Conditions of Coverage ..... 6
F. Related Policies/Rules ..... 6
G. Review/Revision History ..... 6
H. References ..... 6

A. Subject

**Neonatal Intensive Care Unit (NICU) Level of Care**

B. Background

This policy aligns with guidance from the American Academy of Pediatrics (AAP) and the American College of Obstetricians and Gynecologists (ACOG) regarding NICU levels of care. This policy provides guidelines for determining the medically appropriate level of care for reimbursement based on available documentation. NICU admissions are reviewed to ensure that services are of an appropriate duration and level of care to promote optimal health outcomes in the most efficient manner. Clinical documentation of an ongoing NICU hospitalization will be reviewed concurrently to substantiate level of care with continued authorization based on the documentation submitted. Reimbursement for the NICU stay will be based on the authorized level of care and determined by the concurrent review process.

The American Academy of Pediatrics (AAP) and the American College of Obstetricians and Gynecologists (ACOG) have defined and specified the capabilities for each of 4 facility levels of care (ie, a specific unit located in the hospital). These facilities range from a Level I Newborn Observation Unit to a Level IV Regional Neonatal Intensive Care Unit. Facilities offering neonatal intensive care must meet healthcare standards through federal/state licensing or certification.

The Neonatal Intensive Care Unit (NICU) is a critical care area in a facility for newborn babies who need specialized care. The NICU designation requires a combination of advanced technology and a NICU team of licensed professionals.

NICU levels of care are based on the complexity of care that a newborn with specified diagnoses and symptoms requires. All four levels of care are represented by a unique revenue code. Any inpatient revenue codes not billed as levels 2-4 will be recognized as a level 1.

- Level I=0171
- Level II=0172
- Level III=0173
- Level IV=0174

While most infants admitted to the NICU are premature, others are born at term but suffer from medical conditions, such as infections or birth defects. A newborn also could be admitted to the NICU for associated maternal risk factors or complicated deliveries. Although the list of criteria used to determine the NICU levels of care in this policy is not all inclusive, it does provide an overview of the guidelines that are used.

C. Definitions

- **Intensity of Care (IOC)** – The complexity of care that a newborn with specified diagnoses and symptoms requires.

- **Newborn Care Services** – Services performed from birth to 4 weeks.
- **Neonatal Intensive Care Services (NICU)** – Critical care services for a newborn.
- **Well Baby Care Services** - A basic level of care to neonates who are low risk.

D. Policy

I. Per federal mandate, newborn members are covered at an inpatient facility for a 2-day stay for vaginal deliveries and a 4-day stay for cesarean sections. These stays will be covered without clinical review (notification may be required) if they are submitted a “normal newborn” DRG.

II. For any newborn diagnoses/revenue codes/procedures that may be associated with care/treatment outside of routine newborn care (any revenue code 0172, 0173, 0174), authorization is required regardless of the length of stay and is subject to medical necessity review. The provider must be able to provide documentation establishing the criteria are met for the level of care, revenue code, and/or DRG submitted on the claim.

III. When a newborn requires a NICU admission or a higher IOC service, an authorization is required.

IV. If a complication develops with the mother or baby that necessitates additional hospital days, NICU admission, or non-well-baby service, an authorization should be submitted along with clinical information to support the stay.

V. If the newborn is admitted to the NICU during an initial transition period, defined as 4 hours or less, then discharged back to newborn nursery or pediatric level of care, NICU level of care will not be assigned regardless of interventions completed during transitional time.

VI. Clinical review will determine appropriate IOC utilizing MCG standards. HAP CareSource will adjust IOC reimbursement if clinical documentation does not support the IOC billed.

VII. Inpatient admissions may be reviewed to ensure that all services are of an appropriate duration and level of care to promote optimal health outcomes. Clinical documentation of an ongoing neonatal hospitalization will be reviewed concurrently to substantiate the level of care and length of stay. A continued authorization will be based on the documentation submitted and alignment with MCG Neonatal Facility Levels of Care and Neonatal Intensity of Care Criteria as well as HAP CareSource policy.

VIII. In order to avoid reimbursement delay or adjustments, providers are encouraged to reference MCG guidelines as well as the clarifications and specific details below.

| NICU Level | Revenue Code Description | MCG NICU Intensity of Care |
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| **Level 1** | **0171: Newborn Level I** | Intensity of Care Criteria 1 – Routine Care (LOC-010) |

Neonatal care may be indicated for the physiologically stable infant (eg, no apnea, bradycardia, or unstable temperature) requiring care consisting of **1 or more** of the following:

- Routine newborn care
- Evaluation and care of neonates with conditions that require inpatient services available at Level I
- Continued inpatient care during convalescence from condition(s) treated in Level II, Ill, or IV while awaiting resolution of specific issues (eg, sustained weight gain, poor PO feeding), or establishment of safe discharge destination and plan
- Uncomplicated jaundice treated only with phototherapy and requiring infrequent bilirubin checks
- Absence of parenteral medications
- Evaluation and management of glucose levels without IV fluids, diagnostic work-up/surveillance, on an otherwise stable neonate where no therapy is initiated

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| **Level 2** | **0172: Newborn Level II** | Intensity of Care Criteria 2 - Continuing Care (LOC-011) |

Neonatal care may be indicated for **1 or more** of the following:

- Use of oxygen via hood (≤ 40%), nasal cannula oxygen, (≤ 2L/min), with other co-morbidities stable
- Administration of intravenous (IV) medications
- IV Therapy; peripheral or PICC
  - IV fluids inclusive of hyperalimentation (< 50% of total nutrition)
  - IV heparin lock medications
  - IV medications in a physiologically/clinically stable infant
  - IV treatment of hypoglycemia at a rate ≤ 5 mg/kg/min or hypoglycemia that is responsive to 1 IV dextrose bolus (2 ml/kg or 200mg/kg)
- Weaning from nasogastric (NG) or naso-jejunal (NJ) tube feedings while attempting to increase oral intake
- Apnea, bradycardia, or desaturation, but with episodes requiring stimulation, or only self-limited episodes OR
  - apnea “countdown” OR
  - events requiring caffeine
- Services for neonatal abstinence syndrome (NAS) requiring medication (weaning) when the Finnegan score is ≤ 8 or Eat Sleep Console (ESC) scores are improving
- Monitoring of jaundice during phototherapy requiring frequent lab draws due to high-risk etiology
- Temperature control system, eg, incubator, radiant warmer, in otherwise stable infant
- Evaluation for sepsis NOT toxic appearing but on antibiotics
- Clinically stable infections completing course of IV medications
- Continued inpatient care during convalescence from condition(s) treated in Level Ill care
- Withdrawal of Life support; end of life care; palliative care

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| **Level 3** | **0173: Newborn Level III** | Intensity of Care Criteria 3 - Intermediate Care (LOC-012) |

Includes Level 2 requirements **and 1 or more** of the following:

- Respiratory support using one of the following:
  - HFNC with > 2 L/minute of blended oxygen, continuous positive airway pressure (CPAP), Nasal intermittent positive pressure ventilation (NIPPV)
  - conventional ventilation (via endotracheal tube, nasotracheal tube or tracheostomy tube)
  - high-frequency ventilation long-term (> one week)
- Presence of chest tubes
- Umbilical arterial catheter (UAC) for blood draws
- Active apnea/bradycardic episodes requiring Positive pressure ventilation (PPV)
- Suspected or proven sepsis during acute phase or with toxic appearance
- Persistent hypoglycemia requiring > 5 mg/kg/min or hypoglycemia not responsive to 1 IV dextrose bolus (200 mg/kg or 2 ml/kg of D10W)
- Total parenteral nutrition or IV fluids to supplement inadequate oral intake (NG or PO) > 50% total nutrition
- NAS requiring initiation/escalation of medication or inability to wean
- Hyperbilirubinemia with evidence of hemolysis requiring IV immunoglobulin (IVIG) or blood transfusion
- Acute encephalopathy that is moderate to severe and under active investigation or has been investigated and does not meet criteria for therapeutic hypothermia
- Surgical conditions requiring general anesthesia up to 2 days post-op, if indicated
- Surgical/Therapies for retinopathy of prematurity (ROP)
- Seizure activity requiring initiation, supplementation, or changing of seizure medications
- Transfusion of blood products in absence of severe acute etiology or manifestations (eg, transfusion needed for anemia of prematurity, iatrogenic anemia)
- Hypotension requiring IV fluid bolus

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| **Level 4** | **0174: Newborn Level IV** | Intensity of Care Criteria 4 - Intensive Care (LOC-013) |

Includes Level 3 requirements and **1 or more** of the following:

- Perioperative care following surgical repair of severe neonatal conditions, for example:
  - bowel resection for necrotizing enterocolitis (NEC)
  - tracheoesophageal fistula or esophageal atresia repair
  - cardiac surgery excluding PDA ligation
  - myelomeningocele closure (up to 48 hours post-op)
  - organ transplant
- Medically necessary inhaled nitric oxide (iNO)
- Extracorporeal membrane oxygenation (ECMO)
- High frequency oscillatory or jet ventilation (initial week)
- Therapeutic cooling
- Exchange transfusion (day of procedure)

- Uncontrolled active seizures despite medications
- Ongoing cardiovascular support (inotropes, chronotropes, antiarrhythmics)
- Severe hemodynamic instability requiring ongoing intravenous fluid/medication support
  - dialysis
  - IV sedation that includes paralysis
  - prostaglandin infusion
- Cardiopulmonary resuscitation (CPR) in the last 24 hours (not inclusive of delivery room resuscitation)
- Transfusion of blood products in setting of severe acute etiology or manifestation (eg, hemolytic anemia, disseminated intravascular coagulation, hemorrhage)

## E. Conditions of Coverage

I. Reimbursement is independent of the location of care and corresponds to the medical treatment provided and level of service the neonate requires. To ensure accurate reimbursement, submitted claims will be reviewed to align with authorized levels of care and/or clinically validate diagnoses, procedures and other claim information that impact payment. Based on review, the following may occur:
- Down-code revenue codes to authorized levels of care.
- Issue a base DRG payment.
- Adjust claim diagnoses/procedures that are not substantiated in the medical information provided and apply DRG regrouping.
- Request for complete medical records and/or itemized statements to support the services on the claim may be made.

II. In the event of any conflict between this policy and any written agreement between the provider and HAP CareSource, that written agreement will be the governing document.

## F. Related Policies/Rules

NA

## G. Review/Revision History

| | DATE | ACTION |
|---|---|---|
| **Date Issued** | 09/27/2023 | New policy. Approved at Committee. |
| **Date Revised** | 03/13/2024<br>03/12/2025 | Updated references. Approved at Committee.<br>Annual review – references updated. Approved at Committee. |
| **Date Effective** | 06/01/2025 | |
| **Date Archived** | | |

## H. References

1. About preterm labor and birth. National Institutes of Health. Reviewed May 9, 2023. Accessed January 30, 2025. www.nichd.nih.gov

The REIMBURSEMENT Policy Statement detailed above has received due consideration as defined in the REIMBURSEMENT Policy Statement Policy and is approved.

2. Admission to NICU. *Specification Manual for Joint Commission National Quality Measures*. The Joint Commission; 2024. Version 2024B1. Accessed January 30, 2025. www.manual.jointcommission.org
3. Intensity of Care Criteria 1 - Routine Care: LOC-010 (ISC GRG). MCG Health. 28th ed. Accessed January 30, 2025. www.careweb.careguidelines.com
4. Intensity of Care Criteria 2 - Continuing Care: LOC-011 (ISC GRG). MCG Health. 28th ed. Accessed January 30, 2025. www.careweb.careguidelines.com
5. Intensity of Care Criteria 3 - Intermediate Care: LOC-012 (ISC GRG). MCG Health. 28th ed. Accessed January 30, 2025. www.careweb.careguidelines.com
6. Intensity of Care Criteria 4 - Intensive Care: LOC-013 (ISC GRG). MCG Health. 28th ed. Accessed January 30, 2025. www.careweb.careguidelines.com
7. Stark AR, Pursley DM, Papile L, et al. Standards for levels of neonatal care: II, III, and IV. *Pediatr*. 2023;151(6):e2023061957. doi:10.1542/peds.2023-061957