

Medicare Hospital Observation Status Physician Quick Reference Guide

Observation Services as defined by the Centers for Medicare & Medicaid Services

Those services furnished by a hospital on its premises, including the use of a bed and at least periodic monitoring by a hospital's nursing or other staff, which are reasonable and necessary to evaluate an outpatient's condition or determine the need for a possible inpatient admission.

The **purpose** of observation is to evaluate and treat a patient's medical condition to determine if there is a need for further treatment or a need for inpatient admission.

Documentation is critical. A physician's order must specify "admit to observation" and be signed and dated.

When a patient has been in observation status for 24 hours, documentation in the progress notes must include the

- **need to continue observation** status with plan for discharge within the next 12–24 hours
or
- **need to convert to inpatient**, documenting the medical necessity for admission
or
- **medical stability for discharge** and plan for follow-up as needed

Important Notes

- **Medical necessity for admission** must be met and documented at the time of conversion from observation to inpatient status.
- Physicians can **change admission status to inpatient prior to discharge only**.
- Conversions can also be made **from inpatient to observation status prior to discharge** if the physician determines that the inpatient admission is unnecessary or the original order was ambiguous and the physician clarifies that order. Any change in admission status must be supported by the contemporaneous medical record (physician notes and orders).

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Important Notes—continued

- **Continuous monitoring, such as telemetry, can be provided in an observation or inpatient status:** consider overall severity of illness and intensity of services in determining admission status rather than any single or specific intervention.
- **Hospitals can use specialty inpatient areas** (including CCU or ICU) to provide observation services (e.g., for telemetry). Level of care, not physical location of the bed, dictates admission status.
- **For Asthma, CHF, and Chest Pain only:** separate hospital reimbursement is available when patients with these medical conditions are observed and treated for more than 8 hours, up to a maximum of 48 hours. All other hospital observation services are reimbursed as packaged services.
- Justify medical necessity for patients who, on **rare** occasions, require more than 48 hours of observation services; review for appropriateness of an inpatient admission.
- **NOTE: Medicare requires some procedures to be done in the inpatient setting.** Consult with your UR Department for the “Medicare Inpatient Only List.”
- **Private insurance companies’** admission status rules may vary from those of Medicare.

Please contact your hospital's utilization review staff with questions regarding patient admission status and specific clinical requirements for billing asthma, CHF, and chest pain as observation.

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