HOSPITAL ▲ PAYMENT ▲ MONITORING ▲ PROGRAM

HPMP

MEDICARE OBSERVATION TIP SHEET: PHYSICIAN GUIDELINES

Utilization of the Observation Setting—"What Physicians Need to Know"

- The correct use of the observation setting is the best way to avoid medically unnecessary admissions.
- The decision to place a patient in observation or inpatient setting is the responsibility of the treating physician.
- The observation setting should be utilized when:
  - the physician is unsure about the patient's need for inpatient admission and requires time for short term treatment, assessment, and reassessment in order to make that decision.
  - the physician anticipates that the patient's condition can be evaluated/treated within 24 hours and/or rapid improvement of the patient's condition can be anticipated within 24 hours.
- The medical necessity of all observation placements must be documented in the medical record.
- Physicians should not routinely default to the observation setting. The admission setting should be determined for each patient based on the patient's particular condition and needs.
- A clearly written physician order is required for an admission to the observation setting. The order should state the status that is being ordered (e.g., "Place in observation"). The order must be written prior to the initiation of the observation services. The order must be signed, dated, and timed. A written order of "admit," or "admit to the floor," is interpreted as an order for inpatient care.
- If it is determined that an observation patient is in need of inpatient care, the patient's status can be changed to inpatient at any time. This change requires a physician's order, which should be written at the time the decision is made. The hospital cannot bill for an inpatient admission without a physician order. The inpatient admit date is the date that the inpatient admission order is written, and the medical necessity for the inpatient admission should be documented on that date.
- A physician <u>cannot</u> write an order to go back and retrospectively change observation to inpatient services.
- A Medicare patient's status can be changed from inpatient to observation provided all of the following conditions are met:
  - the change must be made prior to discharge while the patient is still in the hospital so that the patient can be fully informed.
  - the hospital has not submitted a claim to Medicare for the inpatient services.
  - the physician concurs with the utilization review committee's decision, and this concurrence is documented in the patient's medical record.
- In the majority of cases, the decision whether to discharge a patient from the hospital following resolution of the reason for the observation care or to admit the patient as an inpatient can be made in less than 48 hours, usually in less than 24 hrs. (Medicare Claims Processing Manual, Chpt. 4, Part B Hospital, 290.1)
- Once a patient has been in the observation setting for 24 hours, the physician must:
  - document the need for continued observation, or
  - convert the patient to inpatient status and document the medical necessity of the inpatient admission, or
  - discharge the patient.
- Separate payment may be made for observation services provided that the patient remains in observation for 8 hours or more. The medical record must include progress notes that are timed, written, and signed by the physician and documentation that the physician explicitly assessed patient risk to determine that the beneficiary would benefit from observation care. (Medicare Claims Processing Manual, Chapter 4, Part B Hospital, 290.4.3)