

Observation Notice and Status

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Objectives

- Participants will be able to understand a local hospital protocol on Medicare Observation Status, inpatient versus observation status
- Participants will be able to understand how a local hospital notifies patient and the procedure for this notice.



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Admission Status

- Inpatient
 - Physician determines the patient will require at least two midnights
 - Patient has a medical condition qualifying inpatient status
- Observation
 - Patient does not have a qualifying inpatient diagnosis
 - Testing



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CMS Required Letters

Medicare Important Message (IMM)

- Given on admission to all Medicare and Managed Medicare inpatient admissions
- Given 48 hours of discharge
- Notifies patient of their right to appeal the discharge

Medicare Outpatient Observation (MOON)

- Given with 24-36 hours of an observation admission for Medicare and Managed Medicare Admissions
- Given after inpatient admission deemed observation (Condition Code 44)
- No appeal rights



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Medical Necessity Criteria

- Utilization RN Review Team
 - Screen patients for medical necessity and clinical appropriateness
 - Evidenced based applications used to assess admission criteria:
 - InterQual
 - MCG



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Hospital Process

- Presents to emergency department
- Testing
- Diagnosis
- Physician determines status of inpatient vs. observation
- Utilization Management RN reviews for medical necessity and severity of illness



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Hospital Process

- If patient meets inpatient from initial review the case is reviewed concurrently each day
- If the patient does not meet inpatient criteria the case is sent to internal physician advisor (PA)
- If PA determines a previously admitted inpatient does not meet inpatient criteria- Condition Code 44



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Hospital Process

- The UM team notifies the inpatient care manager to get a MOON Letter signed by patient.
- IF a patient is incapacitated the POA or next of kin is notified by phone if not present.
- The letter must be sent by certified mail with a return envelope and postage.
- Documents are uploaded in the electronic medical record.



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Condition Code 44

- Exist when a patient is admitted as inpatient, and it is determined that the patient does not meet inpatient criteria. The status must be changed to outpatient/observation.
- The change in status from inpatient to observation is called (Condition Code 44).
- The must be issued a MOON Letter



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Patient Guide to Observation

- **Outpatient Observation: Information for Medicare Patients**
- Your doctor has ordered "outpatient observation" for you because he or she has decided that a brief stay in the hospital is needed to do some additional testing and/or to observe your response to treatment.
- **What does it mean that I have been "placed in observation"?**
- There are two parts to Medicare: Part A and Part B. Medicare Part A covers inpatient care in hospitals and skilled nursing facilities while Part B covers outpatient treatments such as doctor's office visits, the tests your doctor orders from his office, and many minor surgeries.
- Medicare also treats some brief hospital stays as outpatient services. This is called "outpatient observation," and just like a doctor's office visit, observation in a hospital is covered by Medicare Part B.



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Patient Guide to Observation

- **How is outpatient observation different from inpatient admission?**
- Observation allows your doctors to continue testing to find the cause of your symptoms or to provide treatment that can be completed in a short period of time.
- The decision to order observation is based on Medicare rules that take into account the seriousness of your condition and the treatment you need. Observation is used for those with less severe problems. Patients with more serious health issues are admitted as inpatients.
- **Do I get the same treatment in outpatient observation as an inpatient?**
- Yes. The hospital provides all the treatments your doctor orders regardless of whether you are in observation or an inpatient. These classifications are required by Medicare for proper billing but do not affect the care you receive.
- **What if my condition changes?**
- If your condition changes or tests show that you require more treatment than originally expected, your doctor can order inpatient admission.



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Patient Guide to Observation

- **How long can I stay in the hospital under observation?**
- Observation is a brief outpatient hospital stay focused on the main reason you came to the hospital for medical care. For most patients a decision can be made whether to admit or discharge within 2 days.
- **What if I am not ready to go home at that point?**
- If your doctor does not feel you are ready to go home, your stay may be extended to ensure a safe discharge, but Medicare has various rules that your doctor follows to decide whether full inpatient admission is appropriate. Hospitals sometimes keep patients for safety reasons that do not warrant inpatient admission. The Care Management Department helps physicians interpret those guidelines.
- **Does observation count toward the three-day inpatient hospital stay required for a skilled nursing facility?**
- No, it doesn't.
- **What about the cost of observation?**
- Observation is an outpatient service billed under Medicare Part B, so you are responsible for the once-yearly Part B deductible and the 20% coinsurance on the allowable charges.



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Patient Guide to Observation

- If I am in the hospital for such a brief time, how do I complete my treatment?
- Our main concern is that you receive the medical care you need to allow your safe return home. Your doctor may recommend that you obtain additional testing or treatment by your primary physician or specialists after discharge. It is very important that you follow these instructions. When you visit your doctors, be sure to bring all of the medicines you are taking with you and bring copies of any papers you were given at the hospital.

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**Medicare
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The official U.S. government
Medicare handbook



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References

- [Medicare and You Handbook 2022](#) Retrieved 8/22/22

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