

A Patient's Guide to Observation Care

Although outpatient observation stays are now commonplace in hospitals, you may be unfamiliar with what it actually means as a patient. Following are some FAQs that will help you better understand outpatient observation status and billing.

What is outpatient observation?

Observation services are hospital **outpatient** services that a physician orders to allow for testing and medical evaluation of your condition.

While under observation care, your room may be located **anywhere** in the hospital. However, the quality of care is exactly the same regardless if you are an observation patient or inpatient admission. Within the first 48 hours of your stay, the physician will decide whether you require an inpatient stay, or may be discharged home for care in another setting.

What kinds of conditions usually require observation care?

Typically, observation services are ordered for conditions that can be treated in 48 hours or less, or when the cause for your symptoms has not yet been determined. Some examples are nausea, vomiting, weakness, stomach pain, headache, kidney stones, fever, some breathing problems and some types of chest pain.

Does observation care count toward my three-day hospital stay for skilled care?

No. Any of your time spent during an observation stay **does not** count toward Medicare's three-day (consecutive) hospital stay rule to qualify for skilled nursing home placement. If your status changes from observation to inpatient, your three-day hospital stay begins only from the time when you become an inpatient.



How is an observation stay billed?

An observation stay is billed under **outpatient** services (under Medicare this would be under Part B), while an inpatient admission is billed under **inpatient** services (under Medicare this would be billed under Part A).

What am I expected to pay for as an observation patient?

Since observation stays are billed as an outpatient service, your insurance co-pays and policy or insurance deductibles, along with any additional costs, will probably be based on the outpatient terms of your policies. Your out-of-pocket costs may change depending on whether your stay is designated as observation or full inpatient admission.

Any costs from a nursing home following an observation stay or any inpatient hospital stay less than three days **are the responsibility of the patient and will not be covered by Medicare as a Part B service.**

How do different payers define observation time?

Different insurance payers have different amounts of time that are covered in observation. For example:

- **Medicare** observation services cannot exceed 48 hours. Typically a decision to discharge or admit is made within 24 hours.
- **Medicaid** allows up to 48 hours.
- **Private insurances** may vary but most permit only 23 hours in observation.

At the end of your observation stay, your physician will decide whether to discharge you from the hospital or to admit you as an inpatient.

What if my physician decides my condition requires acute inpatient care?

Your physician must then write an order to convert your outpatient observation stay to a full inpatient admission.

What if my physician decides that I do not require inpatient care?

You will be discharged from the hospital.



Can I be placed into outpatient observation after undergoing an outpatient surgical procedure?

It is possible. For example, Medicare allows a 4-6 hour recovery period. The intent of outpatient surgery is to have your surgery and be discharged the same day. However, if you experience a **post-operative** complication, then your physician may place you into observation to monitor you further.

If I want to spend the night after my outpatient surgery, will Medicare cover this?

No, Medicare will only pay if there is a medical condition that warrants post-operative monitoring. If you desire to stay over for patient/family convenience, you will be fully responsible for payment.



[INSERT HOSPITAL NAME AND LOGO]

Medicare Observation – Information Sheet for Our Patients

Medicare requires your physician and hospital to determine the correct billing status for your hospital stay based on your illness and the services that are provided to you. The quality of care is exactly the same regardless of whether you are classified as an observation stay or inpatient admission.

Your physician and the hospital have determined that your status for this hospital stay is observation care, which means:

- **Your outpatient observation stay does not count toward the three-day inpatient stay requirement for admission to a skilled nursing facility.**
- Observation care is paid under Medicare Part B benefits.
- Your expected length of stay in the hospital is less than 48 hours.
- Your physician will determine your actual length of stay based upon your condition and/or progress.
- You have an outpatient billing status, even though you may be in a regular hospital bed and receive some of the same services as a patient with an inpatient billing status.

If you have specific questions about observation care or your hospital bill, please call patient care services (or indicate appropriate personnel) at xxx/xxx-xxxx.

(optional)

Signature/Initials : _____

Date: _____

A Physician's Guide: Help Your Patients Understand Observation Care

Many patients need your assistance to understand the nature of observation services and its implications for the amount of costs they may have to pay for hospital services and, in some instances, for nursing home expenses. The following offers key facts that may help in your conversations with patients and their families.

What are observation services?

Observation services are hospital **outpatient** services that physicians order to allow for testing and medical evaluation to determine whether patients may require an inpatient stay or follow-up care in another setting.

These services are delivered within 48 hours or less.

Where is observation care provided?

Observation care may be provided in the emergency department or in any bed located anywhere in a hospital. Patients may perceive that overnight stays or placement on a unit with other inpatients means they are automatically inpatients and no longer considered as observation status.

It is important to inform and remind patients of their observation status and to engage other members of the health care team in this effort, e.g. social workers, discharge planners, nurses.

What implications does Medicare billing for observation services (Part B) mean for patients?

Observation days do not count toward Medicare's medically necessary three-day hospital stay rule to qualify for skilled nursing home placement. If a patient's status changes from observation to inpatient, the three-day hospital stay requirement commences from the time the patient becomes an inpatient.

Unfortunately, some hospitalized Medicare patients in observation care mistakenly assume they qualify for their subsequent nursing home stay only to discover after discharge that they do not have coverage. They are often surprised and stressed to find that they are now responsible for paying their nursing home expenses, as well as any additional costs.

Physicians can assist their Medicare patients by explaining the distinction between inpatient and observation care in an effort to prevent any confusion or misunderstanding.



How is an observation stay billed?

The observation stay is billed under **outpatient** services (Part B for Medicare patients), while full inpatient admission is billed under **inpatient** services (Part A for Medicare patients).

Insurance co-pays, deductibles and any additional costs are based on the outpatient terms of a patient's policy.

What are some examples of conditions that may qualify for observation services?

Typically, observation services are ordered for conditions that can be treated in a short stay, or when the cause has not yet been determined. Typical examples are abdominal pain, asthma, some types of chest pain, dehydration and nausea, seizures and/or headache.

How do different payers define observation time?

Different insurance payers have different amounts of time that are covered in observation. For example:

- **Medicare** observation services cannot exceed 48 hours. Typically a decision to admit or discharge is made within 24 hours.
- **Medicaid** allows up to 48 hours.
- **Private insurances** may vary but most permit only 23 hours in observation.

Physicians must decide at the end of the observation stay whether to admit or discharge the patient from the hospital.



When can I place a patient into outpatient observation after they undergo an outpatient surgical procedure?

Medicare only allows a 4-6 hour recovery period. The intent of outpatient surgery is to have the surgery and be discharged the same day. However, if they experience a post-operative complication, you may then order observation services to monitor the patient further.

If a patient and their family want to spend the night after an outpatient surgery will Medicare cover this?

No, Medicare will only pay if there is a medical condition that warrants post-operative monitoring. If a decision is made for the patient to stay over for patient/family convenience, they will be fully responsible for payment.



[INSERT HOSPITAL NAME AND LOGO]

Facts Nurses Should Know About Patients in Observation Care

1. Observation services are hospital outpatient services given to help the physician decide if the patient needs to be admitted as an inpatient or can be discharged.
2. Observation services are ordered by physicians for patients with problems that can be diagnosed and treated within 48 hours or less, or when the cause for symptoms has not yet been determined. Examples include: abdominal pain, asthma, chest pain, dehydration and vomiting, syncope, headache and/or fever.
3. Patients placed in observation status may occupy any bed in the hospital, but for billing purposes are considered outpatients, not inpatients. Therefore, they are outpatients even though they may be spending nights in the hospital.
4. Many observation patients may be receiving services in the emergency department, may transfer to a bed on any unit from the ED, or may be placed in observation status directly from a physician's office.
5. A physician order is required to convert an observation stay to a full inpatient admission or discharge to another setting, e.g. home health, home.
6. Many patients do not understand billing implications related to their observation status. They are liable for charges that are not covered under Medicare Part B or for all of the charges if they do not have Medicare Part B or other insurance coverage.
7. **Important!** Many patients do not understand that observation days do not count toward Medicare's medically necessary three-day inpatient hospital stay requirement to qualify for skilled nursing home placement. **To qualify for skilled nursing benefits under Medicare, the patient must have been admitted to a hospital as an inpatient and stayed for at least three consecutive days. Otherwise, payment for the skilled nursing stay becomes the patient's full responsibility.**
8. Observation stays are usually completed within 24-48 hours resulting in the patient being admitted, discharged or evaluated for an extended observation period.
9. In general, observation care is inappropriate for routine stays following late-day surgery, diagnostic testing, or patient, family or physician convenience.

Contact [name] at [phone] for more information.