

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 should specify "place in 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.
- 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.
- NOTE: Medicare requires some procedures to be done as an inpatient. 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/case management staff with questions regarding patient admission status.