

Observation Level of Care – Frequently Asked Questions

What is observation level of care? Observation is a care status in an acute care hospital setting that is appropriate when a patient's condition is rapidly changing and it is not clear if inpatient care is needed, but the physician is not confident that the patient can be treated at home. After several hours, and at 24 hours and 48 hours, an assessment can be made to determine if the patient requires inpatient admission, or may be discharged and receive follow-up in the outpatient setting.

How long can a patient remain in observation? Ohio Medicaid will pay for up to 48 hours of observation care, and this is billed on a per hour basis. In addition to the observation charge, imaging studies, labs, and procedures are also reimbursed at the outpatient rate.

How does inpatient care differ from observation? The patient receives all necessary services as ordered by his or her physician in either setting. Observation, intermediate and critical levels of care refer to facility payment only, not to care received.

What happens if inpatient care is not approved? If inpatient care does not meet criteria for admission using MCG criteria, we will pay for up to 48 hours of observation care including all medically necessary services. Services provided after 48 hours will not be reimbursed.

If a physician orders inpatient admission, and inpatient care is denied by the health plan, does this mean the provider and facility will not be paid for services? The participating physician bills for services and is paid per contract based on ODJFS fee schedule rates. Physicians receive payment for E&M services delivered to a patient whether in observation or admitted to the hospital, when appropriate CPT codes are used. The facility will not be paid a DRG payment, but will be paid for up to 48 hours for observation care, and per contract for testing, imaging, and other services in addition to the observation rate. Please note, OP hospital prior authorization guidelines will apply.

Narrative:

When a patient becomes acutely ill and presents to an Emergency Room, Urgent Care or Medical Office, the presenting symptoms, exam findings, lab results, imaging and other test results may indicate the need for immediate inpatient admission. In some cases while there is significant illness present, it may not yet be clear that inpatient admission is the appropriate level of care. However, the physician may not feel that the patient should be discharged, or may want to initiate treatment and observe the response to that treatment before deciding if admission is indicated.

Observation allows the physician to keep the patient in a treatment environment where services are readily available if the condition changes. Often, observation for several hours or even up to two days will show improvement in the patient's general condition, lab values, or testing, and the patient may be discharged from this level of care without inpatient admission and treated at home or through the outpatient treatment setting.

We frequently see patients admitted to an acute care hospital overnight and discharged in the morning. In these cases, the patient's condition was rapidly changing, whether from the natural course of the disease process, or from response to initial treatment. This patient does not require admission, but meets criteria for observation.

A 45-year-old patient presenting with L precordial chest pain is a good example. Acute chest pain is related to acid reflux or similar non-cardiac complaints more frequently than to heart muscle damage from myocardial infarction (heart attack). However, the history and exam presentation could also be compatible with a heart attack or other more serious disease process. Such a patient would be admitted to observation in an acute care hospital, and a series of lab studies and EKGs would soon rule out heart muscle damage. The patient can be sent home to follow up with his or her physician as an outpatient.

MCG lists observation status for acute coronary syndrome, where history and exam cause the clinician to suspect acute coronary syndrome, but initial cardiac biomarkers (troponins) are negative and EKG is either normal, or non-diagnostic. The patient can go home in the morning if biomarkers remain normal, and EKG remains unchanged. Positive biomarkers and acute changes on EKG would indicate acute MI or unstable angina, and acute inpatient admission is warranted and will be approved.

Acute hospital treatment is getting much better and more efficient. More significant disease can be treated in the emergency department or observation unit, and the patient improves in several hours and does not require inpatient admission. Early treatment of respiratory infections or skin infections often does not require admission. Even patients with diabetic ketoacidosis that is diagnosed early and treated with IV insulin can often be discharged in less than 24 hours and receive good care in the outpatient setting.

The American College of Emergency Physicians website has a FAQ section on observation status, stating:

Because Observation services are by definition outpatient services, placement into observation ought to have been specifically ordered at a time when it was uncertain if an inpatient admission would be necessary (Chapter 1, Section 50.3.2 of the Medicare Claims Processing Manual (Pub. 100-04); FAQ 2723.

Observation is a level of outpatient service that should be considered for any patient who requires continued care but does not meet inpatient admission criteria, or any patient that is expected to improve with treatment over the next 24 to 48 hours and for whom inpatient admission is not required. All covered hospital services are available to a patient in observation status.