



SELF-STUDY MODULE

Defining Observation Services: The Medicare Standard

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CME MODULE:

Defining Observation Services: The Medicare Standard

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Medium Used

An on-line Powerpoint presentation.

Method of Physician Participation

Physicians review the content of the Powerpoint slides,
complete a test, and complete a time attestation and
evaluation.

Estimated Time to Complete Educational Activity

1 hour.

Target Audience

This activity is designed to meet the educational needs of
physicians with hospital admitting privileges.

Learning Objectives

Upon completion of this module, physicians should be able to:

- 1) Define observation services.
- 2) Identify guidelines under which patients can be admitted to observation.
- 3) Demonstrate appropriate documentation when admitting patients or making a change in patient status.
- 4) Recognize the partnership with nursing and utilization review in assisting the physician with appropriate designation of observation services.

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Goal and Definition of Observation Services:

- **Goal of Observation** – to allow the physician time to make a decision and then **RAPIDLY** move the patient to the most appropriate setting.
- **Medicare Guidelines and Definition; APC regulation (FR 11/30/01, pg 59881)** *“Observation is an active treatment to determine if a patient’s condition is going to require that he or she be admitted as an inpatient or if it resolves itself so that the patient may be discharged.”*
- **Medicare Hospital Manual (Section 455)** *“Observation services are those services furnished on a hospital premises, including use of a bed and periodic monitoring by nursing or other staff, which are reasonable and necessary to evaluate an outpatient condition or determine the need for a possible admission as an inpatient.”*

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2006 Regulations

- **Observation status** is commonly assigned to pts with **unexpectedly** prolonged recovery after surgery and to pts who present to the emergency dept and who then require a significant period of treatment or monitoring before a decision is made concerning their next placement.
(Fed Reg, 11-10-05, pg 68688)
- **Physician 2006 Additions**
Patient must be under the care of a physician...as documented in the medical record by admission, discharge and other appropriate progress notes that are timed, written and signed by the physician.
- The medical record must include documentation that the **physician explicitly assessed** patient risk to determine that the beneficiary would benefit from observation care. (pg 68694)

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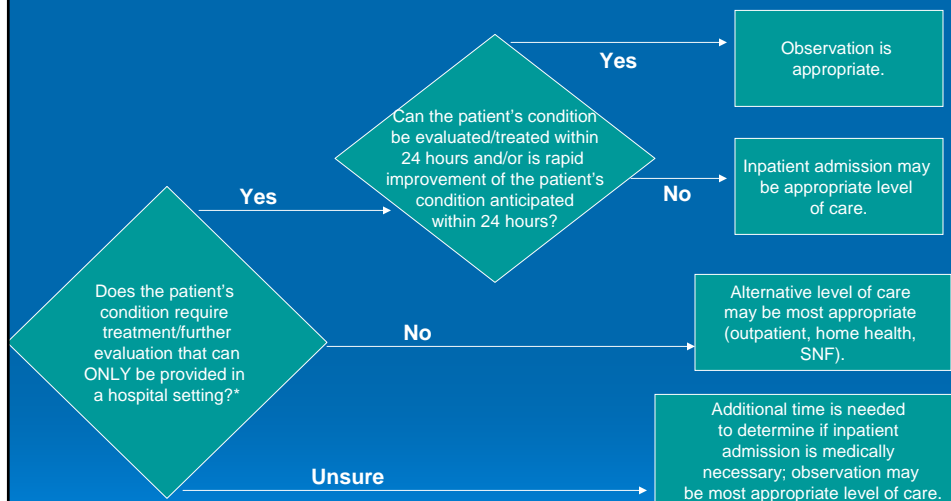
Expanded 2006 Fed Reg. Info

- **Observation** is a well defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment and reassessment, before a decision can be made regarding whether a pt will require further treatment as hospital inpatient or if they are able to be discharged from the hospital.

Note: No significant 2007 reg changes

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Observation Decision



* The decision to admit a patient as an inpatient requires medical judgment including consideration of the patient's medical history and current medical needs, the medical predictability of something adverse happening to the patient, and the availability of appropriate diagnostic services/procedures when and where the patient is receiving treatment.

Source: Virginia Gleason, JD, MPA, CHC, CPHRM.

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Observation Services must be...

- Specified in a physician's order (or other state-authorized licensed individual practitioner)
 - “Admit to observation”
 - Must **date & time** order
- Reasonable and medically necessary
- No longer than 48 hours in duration, except in rare cases
- Obs time must be documented in the medical record
- A beneficiary's time in observation begins with the beneficiary's admission to an obs bed.
- Time ends when all clinical or medical intervention has been completed, including f/up care that may occur after the physician has ordered the pt be released. (Pg 68692 Fed Reg 11-10-05)

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Key Elements of Coverage

- Observation is billable **hourly**
- Observation is an outpatient, not a mini-inpatient.
- Medical necessity is met for each hour of billable time.
- Nursing's charting ties to the physician order(s).
- Nursing keeps the physician **actively involved** in:
 - Status of initial order being met
- Physician must order 'observation.'
- Order clearly indicates status:
 - Inpatient versus Observation
- Initial order clearly indicates intent:
 - Why the patient needs assessed
 - What is the goal for the care
 - What are the 'triggers' that will indicate to the care team-order met, contact the physician.
- Observation services can be delivered on:
 - Any unit in the hospital including the Intermediate care and Critical care units

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Documentation Requirements

- Documentation must be completed timely
- Altering documentation to support patient status after discharge not allowed
- Amendments to documentation only appropriate pursuant to facility policy

➤ **Observation time...**

Begins at clock time documented in patient's medical record, which coincides with time patient placed in bed for observation per physician's orders

Ends when patient made inpatient or discharged, per physician's orders

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Outpatient Observation Services *Critical Questions*

- In what condition will the patient most likely be tomorrow?
 "Better" = Observation
- Is it risky to send the patient home today?
 "Yes" = Observation
- Is it likely I will know whether to admit or send the patient home tomorrow?
 "Yes" = Observation
- Are vital signs stable?
 "Yes" = Observation
- Will a diagnosis likely be made in 24 hours?
 "Yes" = Observation
- Will treatment, such as IV fluids, require standard monitoring and be complete within 24 hours?
 "Yes" = Observation

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Guidelines

- **Guideline:** If the physician 'believes' the condition will resolve itself within 24 hours –with results, indicators, etc. completed: Observation should be ordered.
- **Guideline:** If the physician has doubt that the patient meets criteria for inpatient: admit to observation, aggressively manage, move to inpatient or safely discharge home.
- **Guideline:** If the physician's original INTENT/order is inpatient, but the patient recovers soon (<24 hrs), inpatient is still billed.

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Situations appropriate for Observation Status

- Rule Outs
- Monitoring
- Medication adjustments
- Hydration management
- Pain management
- Post emergency department interventions requiring prolonged observation
- Symptoms suggesting a diagnosis that must be ruled out (e.g., chest pain, abdominal pain, TIA)
- Conditions requiring hospital services reasonable and necessary to evaluate an outpatient condition (e.g., asthma)
- Unusually long recovery period following outpatient procedure (e.g., pain management, cardiopulmonary)

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Use of Observation...

examples only

- Allergic reaction, generalized
- Altered mental status
- Anemia
- Asthma
- Back pain (intractable)
- Epistaxis, uncontrolled
- Headache, unknown etiology
- Hypertension (non-malignant)
- Kidney stones, renal colic
- Nausea, vomiting/dehydration
- Weakness/dizziness/syncope
- Urinary retention requiring cath
- Vaginal bleeding
- Simple diuresis
- Pain management/comfort care only (if failed at home)

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Medicare Will Not Cover

Convenience Services

- Services are not reasonable and medically necessary for diagnosis and treatment
- Services are for patient/family convenience
- Services are for physician/hospital convenience:
 - Following an uncomplicated procedure
 - Physician busy
 - Awaiting placement

Services Not Covered as Obs:

Services that are covered under Part A, such as a medically appropriate inpatient admission or as part of another Part B service, such as postoperative monitoring during a standard recovery period, (6 hrs) should be billed as recovery room services. Patients who under go diagnostic testing in a hospital outpt department. Routine preparation services furnished prior to the testing and recovery afterwards are included in the payment for those diagnostic services. Observation should not be billed concurrently with therapeutic services such as chemotherapy.

(Pub 100-02, Ch 6, Sec 70.4)

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Post-op complications that may warrant Observation admission*

- Persistent nausea/vomiting (atypical)
- Fluid imbalance
- Electrolyte imbalance (easily correctable)
- Difficult-to-control pain
- Persistent but not excessive bleeding

* Clinical judgment required, as inpatient admission may be necessary for serious complications

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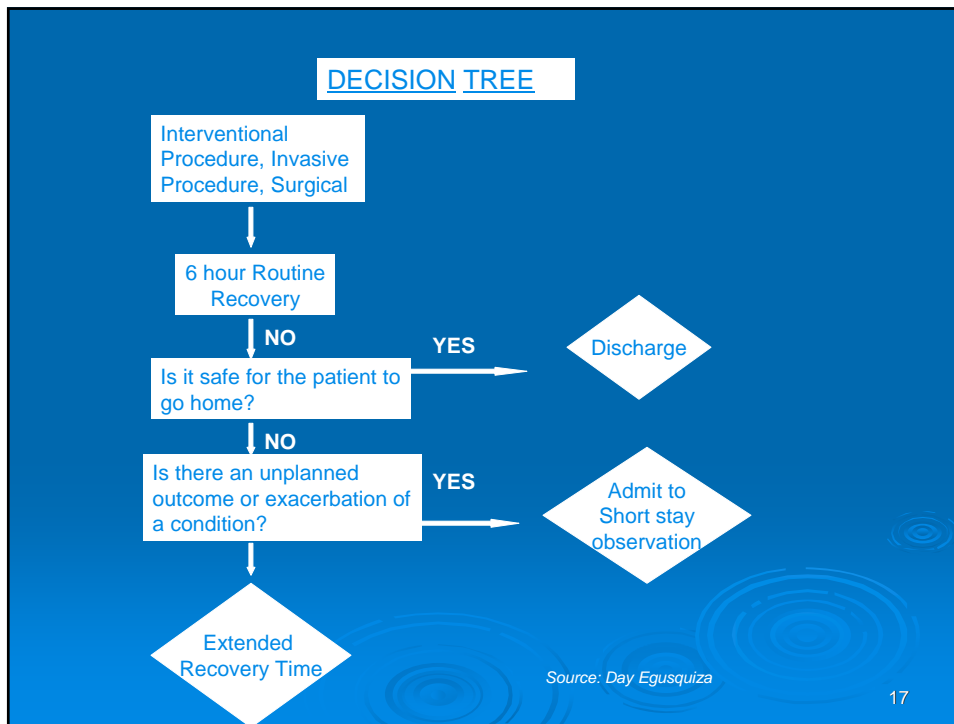
Surgical/Interventional Procedures

- Each patient individually assessed
- After 6 hrs routine recovery you will be asked to make a decision on patient status
- Decide: Safe to go home?
- If yes, the appropriate discharge criteria are met and the order is written
- If not, evaluate:
 - Is it an unplanned outcome?
 - Is it an exacerbation of a condition?
 - Then, does the patient meet criteria for observation or inpatient status?
 - If not unplanned outcome or exacerbation of a condition, then consider extended recovery time

Remember:

Observation can not be ordered "before" the procedure and there are no standing orders for observation.

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- ### Decision Tree Additions
- At any point, that the patient's status deteriorates an inpatient admit can be ordered – in recovery, extended recovery or observation.
 - At any point, the patient's status may change while in extended recovery, the physician orders observation and the decision-making moves to observation
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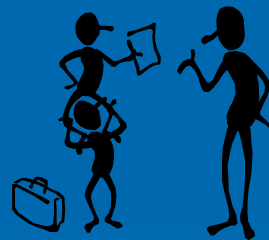
When to Change Observation to Inpatient

- Inpatient applies when patient's condition worsens or is more clearly defined and requires acute, inpatient services.
- Physician must document clinical reason(s) for change to inpatient status.
 - Rule In: MI, CVA, Acute Abdomen, Sepsis, Hemodynamic Instability
- Inpatient admission date is the:
 - Date patient met medical necessity for inpatient services
 - Date physician wrote the order.
 - Medicare does not allow back dating of orders to the date of admission.

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Physician and Nursing - Partners

- **Active physician involvement** = charting indicates condition. Update w/corresponding orders, changes documented with all timed and signed by the physician.
- **Who keeps the physician 'updated' so the above can occur? **Nursing****



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The Nurse's Role in Observation

(Informational document for nurses)

What is the reason for admitting a patient into observation status?

- To allow the physician time to make a decision regarding inpatient stay or discharge. Once a determination is made the patient should rapidly move to the most appropriate setting
- Some examples for the patient being placed in observation status might be observing chest pain or abdominal pain while running tests to determine the etiology and treatment plan
- The time that patients are in observation status must be documented in the medical record and begins with admission to a bed and ends when the physician has ordered discharge with treatment completed.
- Documentation needs to indicate condition updates with corresponding orders, and all changes documented, timed and signed by the physician

Who keeps the physician "updated" so the above can occur?

Nursing keeps the physician actively involved in the status of the patient. This begins with the initial order and includes requesting a new status as appropriate such as calling the physician after 6 hours recovery for observation, inpatient or discharge order and after a period of 24 and 48 hours in observation status.

The nurse should ask physician/obtain further orders:

- Can the patient be discharged safely?
- Does the patient need to be continued in observation status?
- Does the patient need to be changed to inpatient status for further treatment?
- Observation is an outpatient status, not a mini inpatient. Medical necessity must be met for each hour of billable time. Patient/Family convenience alone does not qualify as medical necessity.

The Nurse's Role in Working with Utilization Review

Utilization Review (UR) is responsible for reviewing all admissions for concurrent medical necessity. In this role, every admission order is checked for accuracy. The role of the utilization review specialist does not allow for them to take an order over the phone. This is why the staff will rely on your scope of practice to assist them in obtaining any order changes that need to occur when patients in observation status are nearing the 24 and 48 hour timelines. UR also values the nurse-physician relationship and will rely on nursing to initiate those conversations with the physician. UR will make every attempt to alert you to the need to monitor those admissions closely with our phone call to you. However, if you do have questions please call us; there is staff available to help answer your questions.

➤ 2nd floor IMCU/Cardio (2635)

➤ 5th floor Surg/Peds/NICU/FBC (7736)

➤ Redmond (3995)

➤ 3rd floor Orth/Neuro/CCU/ICU (2623)

➤ 4th floor Medical (2625)

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Criteria Components

- The Utilization Review department at SMC reviews the medical records of all patients admitted to the hospital. UR checks to make sure admission orders are present at the time of admission – an Oregon State and Medicare requirement. UR uses the InterQual Level of Care Criteria when reviewing to ensure that the medical necessity and the admission order are compatible. The following criteria components are checked:
 - Severity of illness (SI)
 - Objective clinical indicators of illness (symptoms, findings, working diagnosis)
 - Intensity of Service (IS/*IS)
 - Monitoring and all therapeutic services that can only be administered at a specific level of care.
 - Discharge Screens (DS)
 - Clinical indicators of stability and recommended alternate levels of care
- Medicare rules regarding admission status are set up to encourage the correct order placement at the time of admission.
- However, If after reviewing SI/IS criteria UR believes that the admission status needs to be changed they will contact the physician for additional information or request an order for the corrected admission status.

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Exceptions to Observation

- Medicare has a list of “Inpatient Only Procedures” also known as “Addendum E”
- Patients must be admitted as an inpatient for any procedure on this list.
- The list is updated annually by Medicare (usually minor updates)
- Please familiarize yourself with procedures on this list that fall in your medical specialty
- A current list is available by calling 541-706-6836 or by contacting Utilization Review at 541-706-2635

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Final step:

1. Complete the physician education test questions provided in your packet.
2. Complete the Time Attestation and Course Evaluation provided in your packet.
3. Return the above two documents to:

Continuing Medical Education, St. Charles Medical Center - Bend;
2500 NE Neff Road, Bend, OR 97701. Members of the medical
staffs at St. Charles Bend & St. Charles Redmond may use inner
office mail, Attention Tracy Parmele, Manager of Continuing
Medical Education.

Questions? Contact Tracy at 541.706.2605 or
tparmele@stcharleshealthcare.org

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