Rancho Los Amigos National Rehabilitation Center
HEALTH INFORMATION MANAGEMENT
ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT:	OBSERVATION SERVICES	Policy No.:	B809.5
		Supersedes:	August 22, 2017
		Revision Date:	November 3, 2022
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PURPOSE:

To provide guidelines and procedures for appropriate use of observation services which are consistent with Los Angeles County Department of Health Services Policy on Observation Services (Policy No. 376.000).

POLICY:

Rancho Los Amigos National Rehabilitation Center (RLA) will provide observation services in clinically appropriate circumstances and will document them in a way that allows appropriate billing to third party payors.

DEFINITION:

Observation Services: A hospital outpatient status consisting of a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment when there is uncertainty about the patient's need for inpatient admission and additional time is required to evaluate the patient. The length of stay for this service must be less than twenty-four (24) hours and a physician must evaluate the need for admission before the twenty-four (24) hours elapses.

PROCEDURES:

A. General Guidelines:

1. RLA shall ensure that all patients, at presentation to the Hospital, are placed in the appropriate patient status and level of care based on the admitting diagnosis and the medical needs of the patient.
2. Placement into Observation Services shall be based on medical necessity and appropriateness according to InterQual and CMS guidelines.
3. Patients shall not be automatically converted to a Hospital Inpatient status at the end of the 24-hour time frame. If the decision is made to admit, a Consult to UR order must be written.
4. When Observation Services are required, the provider's order must clearly state **"Place in Observation"**. (Do **not** write "admit" to observation.)
5. Observation time begins when the order to Place in Observation is written. This time is recorded in the patient's electronic health record (EHR).

The physician must evaluate the need for admission before the 24 hour period elapses.

B. Process for Placing Patient on 24-hour Observation

Nursing will follow the standard departmental procedure for admission and discharge process.

Clinic / Same Day Surgical Patient Requiring Observation

1. **Same Day Surgery** patients are eligible for Observation when an unexpected complication or need for additional monitoring occurs as the result of surgery/procedure performed.
    a. **Attending Surgeon, Anesthesiologist, or Designee** will confer and agree on patient's status and will write justification with orders for Observation and anticipated treatment plan.
2. **Treating Physician/Provider** from clinic or same day surgery will contact and consult with the Physician Advisor or Designee to discuss and affirm Observation. Obtain patient/surrogate's written consent to pursue the proposed plan of care.
3. **Treating Physician/Provider from clinic** will write "Consult to UR" order and contact the Pre-Admission Unit (X56554) Clinical Rehab Specialist (CRS) to provide patient information and diagnosis justification for Observation services.
4. **CRS** will review the referral request based on InterQual Criteria.
5. **CRS** will consult Physician Advisor or Designee. Observation will be approved based on clinical necessity.
6. **CRS** will inform Bed Control Office (BC) with accepted level of care for bed assignment.
7. **BC** will notify Treating Physician/Provider and unit staff with the designated Physician and bed assignment.
8. **Treating Physician/Provider** will notify appropriate care team of patient's bed assignment and facilitate the patient's arrival to the Observation Service.
9. **Treating Physician/Provider** will contact Bed Control for physician and bed assignment.
10. The following staff will **create an encounter for Observation service (OBSRV) in IP Admit Conversation:**
    a. When a clinic patient is placed into Observation during business hours, the CRS will create the FIN.
    b. When a surgical patient is placed into Observation during business hours, the OPHA FIN is used for Observation services.
    c. After hours, NRO is responsible for both scenarios.
11. **Nursing Staff** will notify BC/NRO of patient's arrival time to the unit and verify bed assignment.
    a. BC/NRO will initiate the OBSRV encounter and reflect the time order was written.

C. Change from Observation to Inpatient

1. Physician will write "Consult to UR" order to convert patient from Observation to Inpatient.
2. The order will print out in CRS office.
3. **CRS** will review the referral request and complete InterQual.
4. **CRS** will consult Physician Advisor or designee if the proposed Observation service request does not meet InterQual criteria.
5. **CRS** will notify **BC of the change from OBSRV to Inpatient admission.**
6. BC will call the unit, obtain inpatient admit time, convert OBSRV to Inpatient **without changing the FIN.**

D. Change from Inpatient to Observation (Medicare Condition Code 44)

1. This condition applies to Medicare patients only.
2. When patients are admitted as Inpatient and during the utilization review process are found to meet Observation Status only, non-billable days will apply to avoid Recovery Audit Contractor (RAC) audit.

E. Written Notice to Any Individual Receiving Observation Services

1. When a provider decides to place a patient in observation, a **written and oral notice** that the patient is an outpatient (and not admitted inpatient) must be given, within 36 hours using the Medicare Outpatient Observation Notice Form (Attachment A- MOON form English and Spanish with instructions).
2. This includes patients who are in observation or other outpatient status for more than 24 hours. The notice must explain the reason that the patient is an outpatient (and not an admitted inpatient) and describe the implications of that status both for cost-sharing in the hospital and for subsequent "eligibility for coverage" in a skilled nursing facility (SNF).

F. Signage Identifying a patient in Observation

1. Observation units must be marked with signage identifying the observation area as an outpatient area. The signage must use the term "outpatient" in the title of the designated area to indicate clearly to all patients and family members that the observation services provided in the unit are not inpatient services.

Reference:

DHS Policy No. 376 – Observation Services
Medicare Outpatient Observation Notice ("MOON") Act
Senate Bill 1076: General Acute Care Hospitals (GACH): Observation Services-Health and Safety Code section 1253.7

JT, AB, JM: 06/21/22

Medicare Outpatient Observation Notice

Patient Name: **Patient Number:**

You're a hospital outpatient receiving observation services. You are not an inpatient because:

Being an outpatient may affect what you pay in a hospital:

- When you're a hospital outpatient, your observation stay is covered under Medicare Part B.
- For Part B services, you generally pay:
  - A copayment for each outpatient hospital service you get. Part B copayments may vary by type of service.
  - 20% of the Medicare-approved amount for most doctor services, after the Part B deductible.

Observation services may affect coverage and payment of your care after you leave the hospital:

- If you need skilled nursing facility (SNF) care after you leave the hospital, Medicare Part A will only cover SNF care if you've had a 3-day minimum, medically necessary, inpatient hospital stay for a related illness or injury. An inpatient hospital stay begins the day the hospital admits you as an inpatient based on a doctor's order and doesn't include the day you're discharged.
- If you have Medicaid, a Medicare Advantage plan or other health plan, Medicaid or the plan may have different rules for SNF coverage after you leave the hospital. Check with Medicaid or your plan.

NOTE: Medicare Part A generally doesn't cover outpatient hospital services, like an observation stay. However, Part A will generally cover medically necessary inpatient services if the hospital admits you as an inpatient based on a doctor's order. In most cases, you'll pay a one-time deductible for all of your inpatient hospital services for the first 60 days you're in a hospital.

If you have any questions about your observation services, ask the hospital staff member giving you this notice or the doctor providing your hospital care. You can also ask to speak with someone from the hospital's utilization or discharge planning department.
You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048
Your costs for medications: Generally, prescription and over-the-counter drugs, including "self-administered drugs," you get in a hospital outpatient setting (like an emergency department) aren't covered by Part B. "Self-administered drugs" are drugs you'd normally take on your own. For safety reasons, many hospitals don't allow you to take medications brought from home. If you have a Medicare prescription drug plan (Part D), your plan may help you pay for these drugs. You'll likely need to pay out-of –pocket for these drugs and submit a claim to your drug plan for a refund. Contract your drug plan for more information.

If you're enrolled in a Medicare Advantage plan (like an HMO or PPO) or other Medicare health plan (Part C), your costs and coverage may be different. Check with your plan to find out about coverage or outpatient observation services.

If you're a Qualified Medicare Beneficiary through your state Medicaid program, you can't be billed for Part A or Part B deductibles, coinsurance, and copayments.

Additional Information (Optional):

Please sign below to show you received and understand this notice.

Signature of Patient or Representative

Date / Time

CMS does not discriminate in its programs and activities. To request this publication in alternative format, please call: 1-800-MEDICARE or email: AltFormatRequest@cms.hhs.gov.

Aviso para pacientes ambulatorios de Medicare sobre servicios de observación

Nombre del paciente: **Numero de identificacion del paciente:**

Usted es un paciente ambulatorio del hospital que está recibiendo servicios de observación. Usted no es un paciente internado porque:

Ser un paciente ambulatorio podría afectar lo que paga en el hospital:

- Cuando es paciente ambulatorio de un hospital, su estáncia para observación está cubierta por la Parte B de Medicare.
- Por los servicios de la Parte B, en general usted paga:
  - Un copago por cada servicio hospitalario que recibe. Los copagos de la Parte B podrían variar según el tipo de servicio.
  - El 20% de la cantidad aprobada por Medicare para la mayor parte de los servicios medicos, después del deducible de la Parte B.

Los servicios de observación podrían afectar su cobertura y el pago de su atención medica, después de salir del hospital:

- Si necesita la atención de un centro de enfermería especializada (SNF) después de salir del hospital, la Parte A de Medicare solo cubrirá la atencion de un SNF, si ha tenido una etadía minima de 3 dias en el hospital como paciente internado, por necesidad médica real, como consecuencia de una enfermedad o lesión relacionada. Una estadía hospitalaria como paciente internado comienza el dia en que el hospital lo ingresa basado en la orden de un médico y no incluye el día del alta.
- Si tiene Medicaid, un plan Medicare Advantage u otro plan de salud, Medicaid o el plan podrían tener reglas diferentes para la coberture de SNF, después de que sale del hospital. Verifique con Medicaid o su plan.

NOTA: La Parte A de Medicare, en general, no cubre los servicios hospitalarios para pacientes ambulatorios, como una estadía para observación. Sin embargo, la Parte A, en general, cubre los servicios por necesidad médica real para pacientes internados, si el hospital lo ingresa como paciente internado, basado en la orden del médico. En la mayor parte de los casos, usted pagará un deducible por única vez, por todos sus servicios hospitalarios para pacientes internados, durante los primeros 60 días que permanezca en el hospital.

Si tiene preguntas sobre sus servicios de observación, pregunte al personal del hospital que le entregue este aviso o al médico que le brinda atención médica. También puede pedir hablar con alguien del departamento de admisiones o planificación de altas del hospital.
También puede llamar al 1-800-MEDICARE (1-800-633-4227). Los usuarios de TTY pueden llamar al 1-877-486-2048
Sus costos por medicamentos: En general, los medicamentos recetados y los de venta libre, incluidos los "medicamentos autoadministrados", que recibe en el entorno como paciente ambulatorio del hospital (como el departamento de emergencias) no están cubiertos por la Parte B. Los "medicamentos autoadministrados" son aquellos que usted puede tomar por sí solo. Por razones de seguridad, muchos

hospitals no permiten que tome medicamentos que trae de su casa. Si tiene un plan de medicamentos recetados de Medicare (Parte D), su plan podria ayudarlo a pagar estos medicamentos. Es probable que deba pagar estos medicamentos como gastos de bolsillo y presenter un reclamo a su plan de medicamentos para recibir un reembolso. Comuníquese con su plan de medicamentos para obtener más información.

Si está inscrito en un plan Medicare Advantage (como un HMO o PPO) u otro plan de salud Medicare (Parte C), sus costos y cobertura podrian ser diferentes. Verifique con su plan para conocer la cobertura por servicios de observación para pacientes ambulatorios.
Si es Beneficiario Calificado de Medicare a través de su programa estátal de Medicaid, no pueden facturarle los deducibles, coseguros, ni copagos de las Partes A y B.

Información adicional (Opcional):

Firme a continuación para mostrar que ha recibido y comprendido este aviso.

_____ _____
Firma del paciente o representante Fecha / Hora

CMS no discrimina en sus programas y actividades. Para solicitor está publicación en formato alternativo, llame a: 1-800-MEDICARE o envíe un mensaje de correo electrónico: AltFormatRequest@cms.hhs.gov.

Notice Instructions: Medicare Outpatient Observation Notice

Medicare Outpatient Observation Notice (MOON)

The following blanks must be completed by the hospital. Information inserted may be typed or legibly hand-written in 12-point font or the equivalent.

Patient Name:

Fill in the patient's full name or attach patient label.

Patient ID number:

Fill in an ID number that identifies this patient, such as a medical record number or the patient's birthdate or attach a patient label. This number should not be the patient's social security number.

"You're a hospital outpatient receiving observation services. You are not an inpatient because:"

Fill in the specific reason the patient is in an outpatient, rather than an inpatient stay.

Additional Information:

This may include, but is not limited to, Accountable Care Organization (ACO) information, notation that a beneficiary refused to sign the notice, hospital waivers of the beneficiary's responsibility for the cost of self-administered drugs, Part A cost sharing responsibilities if the beneficiary is subsequently admitted as an inpatient, physician name, specific information for contacting hospital staff, or additional information that may be required under applicable state law.

Hospitals may attach additional pages to this notice if more space is needed for this section.

Oral Explanation:

When delivering the MOON, hospitals and CAHs are required to explain the notice and its content, document that an oral explanation was provided and answer all beneficiary questions to the best of their ability.

Signature of Patient or Representative:

Have the patient or representative sign the notice to indicate that he or she has received it and understands its contents. If a representative's signature is not legible, print the representative's name by the signature.

Date/Time:

Have the patient or representative place the date and time that he or she signed the notice