



Health Services
LOS ANGELES COUNTY

POLICIES AND PROCEDURES

SUBJECT: OBSERVATION SERVICES

POLICY NO: 376.000

PURPOSE:

To provide guidelines for appropriate use of observation services.

POLICY:

DHS hospitals will provide observation services in clinically appropriate circumstances and will document them in a way which permits appropriate billing to third party payors.

DEFINITION:

Observation services means diagnostic, monitoring and/or treatment services provided 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 in an observation bed should generally be less than twenty-four (24) hours and a physician should evaluate the patient for admission before the twenty-four (24) hours elapses.

GUIDELINES:

Observation service is always an outpatient service, and is defined by the type of care provided, not the service location. Inpatient beds may act as observation beds on an occasional, as needed basis, for the provision of outpatient care. Designated outpatient treatment areas and the emergency room may be used for observation services.

Observation beds or areas may only be used for observation services (as defined above) upon the order of a provider (physician or another individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests) when such provider anticipates that the patient's condition can be managed within twenty-four (24) hours and/or rapid improvement of the patient's condition can be anticipated within twenty-four (24) hours.

When observation services are required, the provider's order must clearly state "place in observation" or "hold for observation". (Do not write "admit" to observation.) The provider must document the need for observation services.

APPROVED BY:
REVIEW
DATES:

EFFECTIVE DATE: January 1, 2011

SUPERSEDES:

DEPARTMENT OF HEALTH SERVICES COUNTY OF LOS ANGELES

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Observation time begins, in accordance with the provider's order, at the time the patient is assigned a bed for the purpose of initiating observation services. This time is recorded in the Hospital Information System and should be included in the patient's medical record.

The time when a patient is "discharged" from observation status is the time when all clinical or medical interventions have been completed, including any necessary follow-up care after the provider has ordered the patient to be released or admitted. Documentation in the patient's medical record must include the discharge time, discharge or admission order, discharge notes, and nursing notes.

Observation services does not include extended outpatient services unless there is documentation that, due to an unexpected circumstance, the patient's condition warrants the provision of observation care and the provider requires more time to evaluate the patient for potential hospital admission.

The following are some examples of the types of extended outpatient services **not** considered observation services:

- Standing orders for or following outpatient surgical procedures,
- Routine stays following late recovery from surgery,
- Recovery following diagnostic testing or outpatient therapeutic procedures,
- Recovery from outpatient surgery,
- Routine preparation prior to and recovery after diagnostic testing or delays in initiating the testing,
- Delays in the initiation of surgery or pre-operative procedures,
- Chemotherapy administration or services provided concurrently with chemotherapy,
- Routine recovery and post-operative care after ambulatory surgery,
- Overnight stay that is planned prior to diagnostic testing,
- Services provided for the convenience of the patient/patient's family or a physician,
- Awaiting transfer to another facility,
- Lack of or delay in transportation,
- Services normally requiring inpatient stay, and
- Services not reasonably necessary for care of the patient.

REFERENCES:

Medicare Benefits Manual (CMS Pub. 100-2) Chapter 6 Section 20.6

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Medicare Claims Processing Manual (CMS Pub.100-4) Section 290.5

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