

## Ask About Observation Status

[credit to Easthampton resident Sherrod Perkins Keane who urged me to educate folks about this potentially costly policy]

For those who depend on Medicare to cover their medical expenses, it is important to understand the rules determining hospital **inpatient** and **outpatient** services. According to the Center for Medicare and Medicaid Services (CMS):

- Inpatient services are those received after being formally admitted to the hospital with a doctor's orders. With the prevalence of Hospitalists, the admitting doctor is now almost always a hospital employee;
- Outpatient services include those received in the Emergency Department, outpatient surgery center or while under **observation status**, that is, the services received while waiting to be admitted or discharged.

This difference in status affects how Medicare pays for service and can lead to costly bills for the patient.

- Medicare Part A covers an inpatient stay plus all outpatient hospital services received during the 3 days prior to admission
- Medicare Part B pays only for the doctor's services. So if you are not admitted, you pay the cost for all services including lab tests, procedures and medications/IV's received. Generally, Medicare supplement plans cover these expenses.

Where this can really become an issue is when a patient is held under observation status, even in a standard hospital room for several days, but is then transferred to a short term rehab facility. (SNF) The Medicare rule is that if a patient is formally admitted to the hospital for three days, the cost of the first 20 days in the SNF will be covered, as well as partial coverage for 80 days more. ***If you receive services under observation status, even for three days or more, you must pay the full charge for rehab admission.***

Understandably, patients think that if they are kept in the hospital and spend the night in a hospital room, they are inpatients. Now that hospitals are increasingly using observation status, however, you cannot make this assumption. So when you are hospitalized, find out whether you have been admitted as an inpatient or on observation status. Since March 8, 2017, hospitals have been required to give patients the Medicare Outpatient Observation Notice (MOON) within 36 hours if the patients are receiving "observation services as an outpatient" for 24 hours. Hospitals must also orally explain observation status and its financial consequences for patients. The MOON cannot be appealed to Medicare.

The following links can provide more information on the topic:

From CMS - <https://www.medicare.gov/what-medicare-covers/what-part-a-covers/inpatient-or-outpatient-hospital-status-affects-your-costs>

This organization is mounting a class action lawsuit to challenge this rule - <https://www.medicareadvocacy.org/medicare-info/observation-status/>

This article references some of the issues affecting a hospital's decision around observation status - <https://www.forbes.com/sites/howardgleckman/2019/01/02/understanding-medicare-observation-status/#2fa18bf87876>