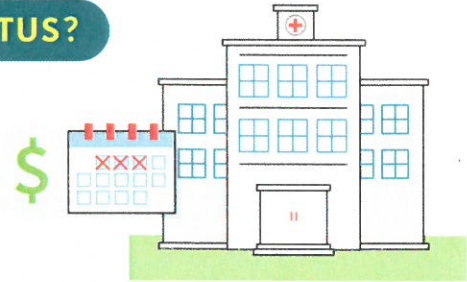


WHAT IS "OUTPATIENT" OBSERVATION STATUS?

A hospital billing classification that can make **Medicare patients pay for the cost of their:**





- Hospital stay
- Hospital prescriptions
- Nursing home care
 - Patients must be classified as **inpatients for 3 days** in the hospital in order for Medicare to pay for subsequent nursing home care.



AskAboutObservation




OBSERVATION STATUS...

-  May be called "outpatient," but it has **NOTHING TO DO** with where a patient receives care or the kind of care received.
-  **IS A BILLING CODE.** Hospitals use it to protect from overzealous auditors and Medicare readmission penalties.
-  May just seem like semantics, but **for Medicare beneficiaries, IT CAN RUIN LIVES.**
-  Saddles patients with increased out-of-pocket expenses. Patients who don't have Medicare Part B are responsible for the **FULL COST** of the hospitalization.





WHY DOES OBSERVATION STATUS MATTER?

Observation Status can be devastating. It can result in thousands of dollars in hospital bills, and thousands more in nursing home bills after a hospital stay.

 In 2012 an average hospital stay in the U.S. cost **\$10,400**, and the median monthly cost for a nursing home in the U.S. was almost **\$8,000**.

AskAboutObservation






-  The use of "outpatient" Observation Status isn't just wrong, **it can be DANGEROUS.**
-  Many patients **CAN'T AFFORD their care** if Medicare won't pay.
-  If post-hospital care in a nursing home won't be covered by Medicare, **many people GO WITHOUT that care altogether**, rather than face the enormous bills.
-  The problem is growing: the number of patients cared for under Observation Status **DOUBLED** from 2006 to 2014.



HOW TO FIGHT OBSERVATION STATUS

Observation Status is very hard to fight.
But here's what individuals can do:



ASK

-  Take action at the **BEGINNING** of a hospital stay to try to stop Observation before it starts.
-  Ask the hospital doctor to "admit the individual as an **INPATIENT**" based on needed care, tests and treatments.
-  Ask the patient's regular physician to **CONTACT THE HOSPITAL DOCTOR** to support this request.

SPREAD THE WORD

-  **CONTACT** The Medicare Agency (CMS), your Senators and Congressional Representatives.
-  **WRITE** to your local paper, **SHARE** this graphic on social media and **SUBMIT** your Observation story at MedicareAdvocacy.org/ObservationStory

ACT

-  **FILE AN APPEAL** with Medicare, if the patient's nursing home coverage is denied.
-  **FILE A COMPLAINT** with the patient's state health department, if he/she did not get notice about "outpatient" Observation Status.

AskAboutObservation





Revised May 2014

Are You a Hospital Inpatient or Outpatient?

If You Have Medicare – Ask!

Did you know that even if you stay in a hospital overnight, you might still be considered an “outpatient?” Your **hospital status** (whether the hospital considers you an “inpatient” or “outpatient”) affects how much **you pay** for hospital services (like X-rays, drugs, and lab tests) and may also affect whether Medicare will cover care you get in a skilled nursing facility (SNF) following your hospital stay.

- You’re an **inpatient** starting when you’re formally admitted to a hospital with a doctor’s order. The day **before** you’re discharged is your last inpatient day.
- You’re an **outpatient** if you’re getting emergency department services, observation services, outpatient surgery, lab tests, X-rays, or any other hospital services, and the doctor **hasn’t** written an order to admit you to a hospital as an inpatient. In these cases, you’re an outpatient even if you spend the night at the hospital.

Note: Observation services are hospital outpatient services given to help the doctor decide if the patient needs to be admitted as an inpatient or can be discharged. Observation services may be given in the emergency department or another area of the hospital.

The decision for inpatient hospital admission is a complex medical decision based on your doctor’s judgment and your need for medically necessary hospital care. An inpatient admission is generally appropriate when you’re expected to need 2 or more midnights of medically necessary hospital care, but your doctor must order such admission and the hospital must formally admit you in order for you to become an inpatient.

Read on to understand the differences in Original Medicare coverage for hospital inpatients and outpatients, and how these rules apply to some common situations. If you have a Medicare Advantage Plan (like an HMO or PPO), your costs and coverage may be different. Check with your plan.

What do I pay as an inpatient?

- Medicare Part A (Hospital Insurance) covers inpatient hospital services. Generally, this means you pay a one-time deductible for all of your hospital services for the first 60 days you're in a hospital.
- Medicare Part B (Medical Insurance) covers most of your doctor services when you're an inpatient. You pay 20% of the Medicare-approved amount for doctor services after paying the Part B deductible.

What do I pay as an outpatient?

- Part B covers outpatient hospital services. Generally, this means you pay a copayment for each individual outpatient hospital service. This amount may vary by service.

Note: The copayment for a single outpatient hospital service can't be more than the inpatient hospital deductible. However, your total copayment for all outpatient services may be more than the inpatient hospital deductible.

- Part B also covers most of your doctor services when you're a hospital outpatient. You pay 20% of the Medicare-approved amount after you pay the Part B deductible.
- Generally, prescription and over-the-counter drugs you get in an outpatient setting (like an emergency department), sometimes called "self-administered drugs," aren't covered by Part B. Also, for safety reasons, many hospitals have policies that don't allow patients to bring prescription or other drugs from home. If you have Medicare prescription drug coverage (Part D), these drugs may be covered under certain circumstances. You'll likely need to pay out-of-pocket for these drugs and submit a claim to your drug plan for a refund. Call your drug plan for more information.

For more detailed information on how Medicare covers hospital services, including premiums, deductibles, and copayments, visit

Medicare.gov/publications to view the "Medicare & You" handbook. You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

Here are some common hospital situations and a description of how Medicare will pay. Remember, you pay deductibles, coinsurance, and copayments.

Situation	Inpatient or outpatient	Part A pays	Part B pays
You're in the emergency department (ED) (also known as the emergency room or "ER") and then you're formally admitted to the hospital with a doctor's order.	Outpatient until you're formally admitted as an inpatient based on your doctor's order. Inpatient following such admission.	Your inpatient hospital stay	Your doctor services
You visit the ED and are sent to the intensive care unit (ICU) for close monitoring. Your doctor expects you to be sent home the next morning unless your condition worsens. Your condition resolves and you're sent home the next day.	Outpatient	Nothing	Your doctor services
You come to the ED with chest pain and the hospital keeps you for 2 nights. One night is spent in observation and the doctor writes an order for inpatient admission on the second day.	Outpatient until you're formally admitted as an inpatient based on your doctor's order. Inpatient following such admission.	Your inpatient hospital stay	Doctor services and hospital outpatient services (for example, ED visit, observation services, lab tests, or EKGs)
You go to a hospital for outpatient surgery, but they keep you overnight for high blood pressure. Your doctor doesn't write an order to admit you as an inpatient. You go home the next day.	Outpatient	Nothing	Doctor services and hospital outpatient services (for example, surgery, lab tests, or intravenous medicines)
Your doctor writes an order for you to be admitted as an inpatient, and the hospital later tells you it's changing your hospital status to outpatient. Your doctor must agree, and the hospital must tell you in writing – while you're still a hospital patient before you're discharged – that your hospital status changed.	Outpatient	Nothing	Doctor services and hospital outpatient services

Remember: Even if you stay overnight in a regular hospital bed, you might be an outpatient. Ask the doctor or hospital.

How would my hospital status affect the way Medicare covers my care in a skilled nursing facility (SNF)?

Medicare will only cover care you get in a SNF if you first have a “qualifying inpatient hospital stay.”

- A qualifying inpatient hospital stay means you’ve been a **hospital inpatient** (you were formally admitted to the hospital after your doctor writes an inpatient admission order) for at least 3 days in a row (counting the day you were admitted as an inpatient, but not counting the day of your discharge).
- If you don’t have a 3-day inpatient hospital stay and you need care after your discharge from a hospital, ask if you can get care in other settings (like home health care) or if any other programs (like Medicaid or Veterans’ benefits) can cover your SNF care. **Always ask your doctor or hospital staff if Medicare will cover your SNF stay.**

How would hospital observation services affect my SNF coverage?

Your doctor may order “observation services” to help decide whether you need to be admitted to a hospital as an inpatient or can be discharged. During the time you’re getting observation services in a hospital, you’re considered an outpatient. **This means you can’t count this time towards the 3-day inpatient hospital stay needed for Medicare to cover your SNF stay.**

For more information about how Medicare covers care in a SNF, visit [Medicare.gov/publications](https://www.Medicare.gov/publications) to view the booklet “Medicare Coverage of Skilled Nursing Facility Care.”

How would a hospital's observation services affect my SNF coverage? (continued)

Here are some common hospital situations that may affect your SNF coverage:

Situation	Is my SNF stay covered?
You came to the ED and were formally admitted to the hospital with a doctor's order as an inpatient for 3 days. You were discharged on the 4th day.	Yes. You met the 3-day inpatient hospital stay requirement for a covered SNF stay.
You came to the ED and spent one day getting observation services. Then, you were formally admitted to the hospital as an inpatient for 2 more days.	No. Even though you spent 3 days in the hospital, you were considered an outpatient while getting ED and observation services. These days don't count toward the 3-day inpatient hospital stay requirement.

Remember: Any days you spend in a hospital as an outpatient (before you're formally admitted as an inpatient based on the doctor's order) aren't counted as inpatient days. An inpatient stay begins on the day you're formally admitted to a hospital with a doctor's order. That's your first inpatient day. The day of discharge doesn't count as an inpatient day.

What are my rights?

No matter what type of Medicare coverage you have, you have certain guaranteed rights. As a person with Medicare, you have the right to all of these:

- Have your questions about Medicare answered.
- Learn about all of your treatment choices and participate in treatment decisions.
- Get a decision about health care payment or services, or prescription drug coverage.
- Get a review of (appeal) certain decisions about health care payment, coverage of services, or prescription drug coverage.
- File complaints (sometimes called "grievances"), including complaints about the quality of your care.

For more information about your rights, the different levels of appeals, and Medicare notices, visit [Medicare.gov/appeals](https://www.medicare.gov/appeals) to view the booklet "Medicare Rights & Protections." You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

Where can I get more help?

- If you need help understanding your hospital status, speak to your doctor or someone from the hospital's utilization or discharge planning department.
- For more information on Part A and Part B coverage, read your "Medicare & You" handbook, or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.
- For more information about coverage of self-administered drugs, view the publication "How Medicare Covers Self-administered Drugs Given in Hospital Outpatient Settings" by visiting [Medicare.gov/publications](https://www.medicare.gov/publications), or call 1-800-MEDICARE for a free copy.
- To ask questions or report complaints about the quality of care of a Medicare-covered service, call your Quality Improvement Organization (QIO). Visit [Medicare.gov/contacts](https://www.medicare.gov/contacts), or call 1-800-MEDICARE to get the phone number.
- To ask questions or report complaints about the quality of care or the quality of life in a nursing home, call your State Survey Agency. Visit [Medicare.gov/contacts](https://www.medicare.gov/contacts), or call 1-800-MEDICARE to get the phone number.