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Kaiser Foundation Health Plan of Washington

Clinical Review Criteria
Observation Level of Care

PURPOSE

To provide a regional standard for appropriate utilization of observation care that ensures consistent application of the outpatient and acute care benefits for Kaiser Permanente of Washington members regardless of where care is delivered.

POLICY

A. Observation care will be utilized, when in the judgment of the admitting physician, the patient's presenting medical condition requires services which are reasonable and necessary to evaluate a patient's condition or determine the need for a possible inpatient admission.

   Observation care is a set of specific, clinically appropriate services, not a location. Therefore, a patient can be in observation status regardless of where the services are performed, i.e. critical care unit, emergency room, recovery room, telemetry, or on a medical floor. MCG Care Guidelines and the CMS "Two Midnight Rule" may serve as guidance for the attending physician in determining the appropriate use of observation care. (See MCG white paper on "Observation Care 101", by Bill Rifkin, M.D.) Observation services are defined by Centers for Medicare and Medicaid (CMS). See definition on following page.

B. CMS Manual- "When a physician orders observation care, the patient's status is that of an outpatient. The purpose of observation care is to determine the need for further treatment or for inpatient admission. Thus, a patient receiving observation care may improve and be released or be admitted as an inpatient. A physician's order must specify, "admit to observation" or "observation status" and signed electronically.

   Conversion to inpatient status must meet medical necessity for admission and be documented at the time of conversion from observation to inpatient status. A physician's order must specify, "admit to inpatient status" and be signed electronically.

   Medical records may be evaluated by Kaiser Permanente of Washington to determine the consistency between the physician order (physician intent), the services actually provided (inpatient or outpatient), and the medical necessity of those services, including the medical appropriateness of the inpatient or observation stay.

C. A patient in observation care may improve and be released or be admitted as an inpatient. In most instances a placement in observation care a will result in a disposition being implemented within 48 hours-either to discharge or continued hospitalization under inpatient status.

D. If a patient is retained in observation care for 48 hours without being admitted as an inpatient, further observation services may be denied as not reasonable and necessary for the diagnosis or treatment of illness or injury.

E. Conversion from observation status to inpatient status must meet medical necessity

F. Medicare does not consider use of observation as a convenience of the patient, the patient's family, or a physician to be appropriate. For example, a decision to keep the patient overnight due to transportation issues or because the procedure could not be scheduled in a timely manner would not qualify.

DEFINITIONS

Medicare CMS definition:

Observation care 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 patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital.

Observation services are commonly ordered for patients who present to the emergency department and who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.

Observation services are covered only when provided by the order of a physician or another individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests. In the majority of cases, the decision whether to discharge a patient from the hospital following resolution of the reason for the observation care or to admit the patient as an inpatient can be made in less than 48 hours, usually in less than 24 hours.

In only rare and exceptional cases do reasonable and necessary outpatient observation care span more than 48 hours. For coverage requirements, see the Medicare Benefit Policy manual, Chapter 6.

Medicare Outpatient Observation Notice (MOON):

The MOON informs all Medicare beneficiaries when they are an outpatient receiving observation services and are not an inpatient of the hospital or critical access hospital (CAH).

Beneficiary Notices Initiative (BNI)

RESPONSIBILITIES

TIMELINESS

A. MOON - The MOON must be delivered to beneficiaries in Original Medicare (fee-for-service) and Medicare Advantage plans. Enrollees who receive observation services as outpatients for more than 24 hours will be issued a MOON by the facility. The hospital or CAH must provide the MOON no later than 36 hours after observation services as an outpatient begin.

B. If the attending physician intends to place or retain a patient in observation care longer than 48 hours for:
   1. a non-medical reason,
   2. or the patient and/or family are unable or unwilling to make other arrangements for care

   A coverage determination should be requested of the Health Plan to determine if the stay is approved or denied.

PROCESS

Primary Responsibility	Actions
Facility or CAH	1. Must deliver verbal & written MOON no later than 36 hours after observation services as an outpatient begin.
KP Physician (Kaiser Permanente of Washington) and Contracted MD) (Attending/Admitting Physician)	1. Utilizing clinical judgment and CMS 2 Midnight Rule, admits the patient to observation status. (see MCG white paper "Observation Care 101" by Bill Rifkin, M.D.) 2. The KP Physician's order must specify, "admit to observation" and be electronically signed. 3. The history and physical must clearly document the medical intent of the use of observation care and be supported by the patient's presenting medical condition (severity of illness) and plan for observation/treatment (intensity of service). 4. Medical necessity for admission must be met and documented at the time of

Primary Responsibility	Actions
	conversion from observation to inpatient status. 5. The KP Physician may change admission status prior to discharge. The patient must be informed before they are transferred or discharged from the hospital if their status is Observation care only for Medicare patients. 6. The KP Physician may convert a patient from inpatient status to observation status. This will cancel the inpatient admission prior to discharge if the physician determines: a. that the inpatient admission is unnecessary b. or the original order was ambiguous and the KP Physician clarifies that order. 7. Any change in admission status must be supported by medical records (KP Physician notes and orders) and be supported by medical necessity. 8. The KP Physician may change or clarify the admission status through a direct written order, a verbal order given to a CMLN and subsequently signed by the KP Physician. 9. Notification of the Care Management department is required in this instance. **The KP Physician/attending physician may not change the patient's status (i.e., inpatient vs. observation) after discharge.* *** Through Provider Reconsideration or other review process, coverage decision can be made and/or changed after the patient discharges.*
CMLN (Care Management Liaison Nurse)	**Rounded and Non-Rounded Facilities:** • CMLN will communicate Observation/Inpatient status decision to hospital UM office within 24 hours after hospital services begin or from time of notification. • Medicare Observation stays over 24 hours are communicated to hospital UM office. **For Rounded Facilities** 1. When working directly with KP Physician during admission, will discuss status based on CMS 2 Midnight Rule and medical necessity. 2. Based upon the review, the KP Physician may provide additional documentation to support the admission status, or convert the admission status to the identified appropriate status 3. If the patient does not meet Inpatient criteria for the admission status, the CMLN will contact the physician and discuss the results of the review. 4. The CMLN may accept a verbal order from the physician to either clarify or change the admission status. The CMLN must notify the Hospital UM Office of the changes. 5. In the event the attending physician does not provide additional documentation to support the admission status or convert the patient to the appropriate status, the CMLN will: a. contact the Clinical Review Unit (CRU) physician for further review, b. arrange for a "Peer to Peer" discussion before the patient discharges. 6. If the peer-to-peer results in a change from IP to Obs, notification of the status change to the hospital UM Office before hour 36 will allow for timely MOON delivery. **Non- Rounded Facilities** 1. When not working directly with KP Physician, CMLN will conduct a review for all patients admitted as inpatient utilizing MCG Care Guidelines. 2. CMLN will communicate Observation/Inpatient status decision to hospital UM office within 24 hours after hospital services begin or from time of notification.

Primary Responsibility	Actions
Clinical Review Unit (CRU) (UM Physician Advisor)	1. CRU may contact the KP Physician and review the recommended level of care determination. If additional clinical information is needed to make a determination. 2. CRU will advise the CMLN of the results of the contact. • The decision from the Peer-to-Peer discussion will be entered into Care Management workflow system and the outcome communicated to the Hospital UM office for the appropriate actions.

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04/04/2017	04/04/2017, 04/06/2021[MPC], 04/05/2022[MPC], 04/04/2023[MPC]	06/06/2017

[MPC] Medical Policy Committee

Revision History	Description
06/06/2017	MPC approved revised policy to further clarify language