Policy Title: Authorization for Observation vs. Inpatient Admission for Contracted Hospitals
Policy Number: B.02
Primary Department: Medical Management
Affiliated Department(s): N/A
NCQA Standard: N/A
URAC Standard: N/A
Last Revision Date: 09/12/2014
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Next Review Date: 09/2015

Special Instructions Alert:

State/Program  | MI  | IL  | IA  | MI  | IL  | IA  | MI  | IL  | IA  |
--------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
Medicare:     | ☒SNP  | ☒MMAI | ☒SNP  | ☒MMAI | ☒SNP  | ☒MMAI | ☒SNP  | ☒MMAI | ☒SNP  | ☒MMAI |
              | ☒MA  | ☒PDP | ☒MA  | ☒PDP | ☒MA  | ☒PDP | ☒MA  | ☒PDP | ☒MA  | ☒PDP |
Medicaid:     | ☐TANF  | ☐SPD | ☐TANF  | ☐SPD | ☐TANF  | ☐SPD | ☐TANF  | ☐SPD | ☐TANF  | ☐SPD |
              | ☐SCHIP| ☐SCHIP| ☐SCHIP | ☐SCHIP | ☐SCHIP | ☐SCHIP | ☐SCHIP | ☐SCHIP | ☐SCHIP | ☐SCHIP |

Definitions:

Outpatient Observation Services: 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.

Policy:
As per the Medicaid provider manual, Meridian follows Medicare’s observation care services coverage, claim submission, and reimbursement policies. To aid the physician in determining when observation may be appropriate, this decision tree developed by the Texas Medical Foundation (TMF) Health Quality Institute and supported by CMS, outlines the thought process for determining whether observation or inpatient admission is appropriate.
The decision to hospitalize a patient for further treatment in either an inpatient or observation status requires complex medical judgment including consideration of the patient’s medical history and current medical needs, the natural course of the presenting disorder, the medical predictability of something adverse happening to the patient, and the availability of diagnostic services/procedures when and where the patient presents. **Adapted from materials developed by the Texas Medical Foundation Health Quality Institute, MPRO, the Medicare Quality Improvement Organization for Michigan, under contract with the Centers for Medicare & Medicaid Services, an agency of the U.S. Department of Health and Human Services.**

Key Points

- Care in outpatient observation can be the same as inpatient care, but reimbursement is under the Outpatient Prospective Payment System.
- An outpatient observation patient may be progressed to inpatient status when it is determined the patient’s condition requires an inpatient level of care.

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.

Based on objective, medical evidence in the form of reports evidencing length of stay by medical condition complied and reviewed, over the past 3 years, certain medical conditions have consistently been medically evaluated, treated and discharged within the observation time frame, representing a standard of care based on the medical management of the condition.

The use of InterQual to determine admission does not guarantee that it will be approved. InterQual is merely a screening criteria—CMS doesn’t actually require hospitals to use it. If the condition was initially designated as an observation and meets InterQual criteria for admission at 24 hours, though it may be a condition that has consistently been medically evaluated, treated and discharged within the observation time frame, an inpatient admission will be approved at the time.

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1 Medicare Benefit Manual, Chapter 6, 20.6 – Outpatient Observation Services, (Rev. 107, Issued: 05-22-09, Effective: 07-01-09, Implementation: 07-06-09)
Procedure:
Meridian will authorize hospital admissions according to the following process:

A. Urgent Pre-service or Concurrent Request
   - Upon notification and request for an inpatient admission the MHP nurse reviewer will notify the facility within 24 hours if additional clinical information is necessary.

B. Upon review of the submitted clinical information the MHP nurse reviewer will identify whether the admitting condition/diagnosis is listed in appendix A “Adult and Pediatric Conditions Initially Reviewed as Observation Stays.”

C. If the condition/diagnosis is listed on “Appendix A”, the case and clinical documentation will be forwarded to the Meridian Medical Director for review and determination.
   - A peer-to-peer discussion will be offered on cases where the facility/physician will not accept an observation status, or disagrees with MHP medical director’s decision to deny an inpatient admission and approve an observation stay. The discussion can occur either initially or after medical director review.

D. If the member’s condition/diagnosis is not listed in Appendix A “Adult and Pediatric Conditions Initially Reviewed as Observation Stays”, the nurse will reviewer will review the clinical information and apply the appropriate InterQual criteria.
   - If the clinical documentation provides evidence of meeting the appropriate SI/IS InterQual criteria the admission will be approved by the Meridian nurse reviewer.

E. If the clinical documentation does not provide evidence of meeting the appropriate SI/IS InterQual criteria, the Meridian nurse reviewer will inform the facility that InterQual was not met. The facility will be offered an observation stay or the case will be forwarded for medical director review.
   - A peer-to-peer discussion will be offered on cases where the facility/physician will not accept an observation status, or disagrees with Meridian’s Medical Director’s decision to deny an inpatient admission and approve an observation stay. The discussion can occur either initially or after medical director review.

F. Post Service Request
   - If the admission request occurs after the member has been discharged, the request will be reviewed by the post-service appeal committee upon receipt of the medical record.
   - Meridian physician reviewer is available to discuss the decision with the treating physician or your physician reviewer prior to a post-service appeal decision. The physician may call for a peer-to-peer discussion by calling 888-322-8843. If a specific time frame for the call is desired, a facility representative acting on behalf of the physician may call to schedule a peer-to-peer discussion.

G. Use of Condition Code 44, “Inpatient Admission Changed to Outpatient” in cases where a hospital utilization review committee determines that an inpatient admission does not meet the hospital’s inpatient criteria, the hospital may change the beneficiary’s status from inpatient to outpatient and submit an outpatient claim (TOBs 13x, 85x) for medically necessary Medicare Part B services that were furnished to the beneficiary, provided all of the following conditions are met:
   - The change in patient status from inpatient to outpatient is made prior to discharge or release, while the beneficiary is still a patient of the hospital;
   - The hospital has not submitted a claim to Medicare for the inpatient admission;
   - A physician concurs with the utilization review committee’s decision; and
   - The physician’s concurrence with the utilization review committee’s decision is documented in the patient’s medical record.

When the hospital has determined that it may submit an outpatient claim according to the conditions described above, the entire episode of care should be treated as though the inpatient admission never occurred and should be billed as an outpatient episode of care.
Special Instructions:

Medicare/All States:
Any care provided directly through the Emergency Department is already approved for Medicare members. No prior authorization is required.

CPT/HCPCS Codes:

N/A

Approved by: ________________________________
Corporate Chief Operating Officer
Date: 12/16/2014

Reviewed and approved by Policy and Procedure Committee:
Date: 09/12/2014

Reviewed and approved by Medical Policy Operations Committee:
Date: 10/03/2014

Reviewed and approved by Physician Advisory Committee:
Date: 10/24/2014

Reviewed and approved by Corporate Compliance Committee:
Date: 12/16/2014

References:

1. Texas Medical Foundation (TMF) Health Quality Institute
2. Michigan Department of Community Health Medicaid Provider Manual. Hospital-Sec. 3.23 (P.26) Version Date: July 1, 2012
6. Medicaid Services Administration Bulletin 07-07: Observation Care Services

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## Appendix A

### Adult and Pediatric Conditions Initially Reviewed as Observation Stays

<table>
<thead>
<tr>
<th>Group</th>
<th>Condition</th>
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| General | •   Anemia / Bleeding  
     •   Dehydration  
     •   Fever  
     •   Pain Management  
     •   Weakness  
     •   Sickle Cell Pain Crisis  
     •   Alcohol Overdose-Including Detox & Withdrawal  
     •   Drug Overdose  
     •   Fractures-Ribs / Extremities  
     •   R/O Sepsis |
| Neurological | •   Altered Mental Status  
     •   Dizziness / Headache  
     •   Seizures  
     •   Concussion / Closed Head Injury  
     •   Transient Ischemic Attack (TIA) |
| Cardiovascular | •   Atrial Fibrillation / Flutter  
     •   Congestive Heart Failure (CHF)  
     •   Hypertension  
     •   Syncope or Presyncope  
     •   Chest Pain / Acute Coronary Syndrome (ACS)  
     •   Deep Vein Thrombosis (DVT)  
     •   Supraventricular Arrhythmias |
| Respiratory | •   Asthma / Wheezing  
     •   Croup  
     •   Shortness of Breath / Dyspnea  
     •   Chronic Obstructive Pulmonary Disease (COPD)  
     •   Pneumonia / Bronchitis / Bronchiolitis |
| GI | •   Abdominal Pain  
     •   Diverticulitis  
     •   Esophageal Disease  
     •   Ileus  
     •   Pancreatitis  
     •   Gallbladder / Bile duct infection or ductal stone  
     •   Nausea and Vomiting / Hyperemesis Gravidarium  
     •   GI Bleeding |
| GU | •   Acute Renal Failure  
     •   Hematuria  
     •   Pyelonephritis / UTI  
     •   Vaginal Bleeding  
     •   Chronic Renal Failure  
     •   Hydronephrosis  
     •   Renal Colic |
| Skin | •   Abscess  
     •   Cellulitis  
     •   Soft Tissue Infections  
     •   Rash |
| Endocrine | •   Diabetic Ketoacidosis  
     •   Hyperglycemia / Hypoglycemia |
| OB | •   Ectopic Pregnancy  
     •   Hyperemesis Gravidarium  
     •   Incomplete Abortion / Miscarriage  
     •   Preterm Labor |