

EVH Clinical Guideline 2724.CC Authorization for Observation vs. Inpatient Admission Level of Care

Guideline Number: EVH_CG_2724.CC	<u>Applicable Codes</u>	
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STATEMENT

General Information

- *It is an expectation that all members receive care/services from a licensed clinician. All appropriate supporting documentation, including recent pertinent office visit notes, laboratory data, and results of any special testing must be provided. If applicable: All prior relevant imaging results and the reason that alternative imaging cannot be performed must be included in the documentation submitted.*
- *Where a specific clinical indication is not directly addressed in this guideline, medical necessity determination will be made based on widely accepted standard of care criteria. These criteria are supported by evidence-based or peer-reviewed sources such as medical literature, societal guidelines, and state/national recommendations.*
- *The guideline criteria in the following sections were developed utilizing evidence-based and peer-reviewed resources from medical publications and societal organization guidelines as well as from widely accepted standard of care, best practice recommendations.*

INDICATIONS

Observation Stays

CountyCare considers **Observation Stays** medically necessary for **ANY** of the following indications ^(1,2):

- Member is clinically unstable for discharge
- Continuous clinical monitoring, and/or laboratory, radiologic, or other testing is necessary to assess the member's need for hospitalization, overall severity and intensity of services needed
- A treatment plan is not established or based upon the member's condition, is anticipated to be completed within a period ≤ 48 hours
- Changes in status or condition are not anticipated, and immediate medical intervention may be required

Inpatient Stays

CountyCare considers **Inpatient Stays** medically necessary for **ANY** of the following indications:

- The member's immediate condition is reported to be life threatening or the member is presenting rapid deterioration appropriate for inpatient level of care
- The member's status is determined by acute medical examination to be unstable and the member's response to treatment is negative or trending downward
- The member's acuity of illness/injury necessitates the intensity of services that require

inpatient admission level of care for improvement of the medical condition or to provide life sustaining treatment.

LIMITATIONS

Observation services that extend beyond a 48-hour period are generally not covered. Providers must contact the Utilization Management Department and obtain approval for inpatient status for any services beyond the initial 48-hour period.

Per IL Dept of Healthcare and Family Services Handbook for Providers of Hospital services H-270.1:

“Some patients, while not requiring hospital admission, may require an extended period of observation. Appropriate observation and appropriate ancillary services may be obtained as an outpatient to determine the patient’s future medical management. While the continued outpatient observation period may be medically necessary, admission to the hospital may not be medically necessary. Observation services should be used only for patients who do not meet medical necessity for inpatient admission.”

The following is a non-exhaustive list of services that are not considered appropriate for observation services:

- Services that are neither reasonable nor necessary for the diagnosis or treatment of the member, or observation following an uncomplicated treatment or procedure
- Outpatient blood/chemotherapy administration, or services provided concurrently with chemotherapy
- Lack of/delay in member transportation, or when used for the convenience of the physician, member, or member’s family
- While awaiting transfer to another facility or in the case of delayed discharge or inability to discharge due to unavailability at accepting facility
- Provision of a medical exam for members who do not require skilled support
- Routine preparation prior to and recovery after diagnostic testing
- Routine recovery and post-operative care after ambulatory surgery
- When used as a substitute for inpatient admission
- When an overnight stay is planned prior to diagnostic testing
- Custodial care
- Standing orders following outpatient surgery
- Services that would normally require inpatient stay
- When used due to socio-economic or psycho-social factors

CODING AND STANDARDS

Codes

N/A

Conditions

Diagnoses, condition, or symptom for Guideline Application (adults and peds)

System	Condition
Constitutional	- Abdominal Pain - Back Pain - Dehydration - Failure to thrive - Febrile illness/Fever - General malaise - Generalized infection (bacterial, parasitic, or viral) in any area of the body to include genitals, mouth, or rectum- excluding sepsis - Hyperemesis (with or without pregnancy) - Nausea - Pain management - Sleep disorders - Syncope - Tenderness of any site (unspecified, abdomen, throat, chest, ocular etc.) - Volume depletion - Vomiting
Eyes	- Disorders of optic nerve and visual pathways - Disorder of orbit
Ear, Nose, and Throat (ENT)	- Acute or Chronic Tonsillitis, peritonsillar abscess, and/or Adenoid inflammation - Dysphagia - Ear Pain - Ear Inflammation

System	Condition
	● Epiglottitis ● Epistaxis ● Laryngitis (acute) ● Lymph node inflammation or swelling ● Otitis externa (ie., Swimmer's ear)
Cardiovascular	● Acute Coronary Syndrome (Acute myocardial infarction [MI]) ● Angina ● Atherosclerotic heart disease ● Chest Pain (including Precordial, Intercostal, unspecified) ● Heart Failure ● Hypertension, Hypertension crisis, Hypotension ● Ischemic heart disease (acute or chronic)
Respiratory	● Acute respiratory infection ● Abnormalities of breathing ● Asthma ● Bronchiectasis ● Bronchitis (acute and chronic) ● Bronchiolitis ● Chronic Obstructive Pulmonary disease (COPD) ● Cough ● Croup ● Difficulty Breathing ● Dyspnea ● Emphysema ● Influenza ● Interstitial lung disease ● Mouth Breathing ● Orthopnea ● Periodic Breathing

System	Condition
	● Pneumonia ● Pneumonitis ● Sarcoidosis ● SOB (Shortness of Breath) ● Stridor ● Tachypnea ● Wheezing
Gastrointestinal	● Abscess of anal and rectal regions ● Abdominal Hernia ● Acute Appendicitis, unspecified appendicitis ● Diaphragmatic hernia ● Alcoholic liver disease ● Ascites ● Cirrhosis of liver ● Cholelithiasis ● Cholecystitis ● Ulcerative colitis ● Congenital malformations of upper GI tract/ Hypertrophic pyloric stenosis ● Crohn's Disease ● Diarrhea ● Disease of anus and rectum ● Diseases of liver, stomach, and Duodenum (removed word other) ● Disorders of fluid electrolyte and acid base balance (example: Hyper/Hyponatremia, hyper/hypokalemia, hyper/hypocalcemia, etc.) ● Diverticulitis ● Diverticulosis ● Duodenitis ● Enteritis

System	Condition
	● Esophagitis ● Esophageal disease ● Fibrosis of liver ● Functional Dyspepsia ● Functional Intestinal disorders including motility issues ● Gallbladder/Bile duct infection or ductal stone ● Gastroenteritis ● Gastroesophageal Reflux Disease (GERD) ● Gastrointestinal (GI) bleeding ● Hematemesis ● Hemorrhoids ● Hepatic Failure ● Hernia ● Inguinal hernia ● Intestinal Infection (including Salmonella Infections) ● Jaundice in adults (unspecified) ● Pancreatitis (acute) ● Perianal venous thrombosis ● Peptic ulcer disease ● Pyloric stenosis ● Umbilical hernia ● Jaundice in adults
Genitourinary	● Calculus of kidney and ureter ● Chronic Kidney Disease (CKD) and End Stage Renal Disease (ESRD) ● Cystitis ● Disorders of penis ● Disorders of urinary system ● Dysuria ● Epididymitis

System	Condition
	• Hematuria • Hydronephrosis • Incontinence • Kidney Stones • Nephritis • Nephrotic syndrome • Obstructive and reflex uropathy • Orchitis/Disorder of one or both testicles • Prostate disorders • Pyelonephritis • Renal Colic • Retention of urine • Urinary tract infection (UTI) • Urosepsis • Vaginal bleeding
Musculoskeletal	• Cervical disc Disorders • Fatigue of any area (eg, leg, arm, generalized, facial muscle, etc.) • Fracture of ribs, forearm, femur, or lower leg (including ankle) • Gait and mobility abnormalities • Joint swelling/inflammation (excludes joint replacement which falls under arthroplasty medical policy) • Kyphosis • Lack of coordination • Rhabdomyolysis • Spondylosis • Synovitis • Tenosynovitis • Thoracic disorders
Integumentary	• Abscess, sinus opening of skin, or cyst

System	Condition
	• Cellulitis • Dermatitis • Erythematous conditions of skin • Infection of skin/surgical site/wound, etc. • Localized swelling, mass, and lump of skin • Non pressure chronic ulcers • Pressure Ulcers • Other skin changes • Rash • Urticaria
Neurologic	• Altered Mental Status • Amnesia • Aphasia • Asthenia • Concussion (mild) • Convulsions • Disorientation • Dizziness • Encephalopathy • Encephalomyelitis • Disorders of the brain • Epilepsy • Giddiness • Headaches • Migraines (intractable, non-retractable, unspecified, vascular, etc.) • Seizures • Traumatic Brain Injury (TBI) • Transient Alteration of Awareness • Transient Ischemic Attack (TIA)

System	Condition
	● Weakness
Psychiatric	● Cocaine related disorders ● Drug overdose, caustic, or poison ingestion ● Opioid Related Disorders ● Other anxiety disorders in medical- surgical bed ● Other psychoactive, substance disorders
Endocrine	● Diabetes Mellitus ● Hypoglycemia ● Hyperglycemia ● Hyperthyroidism/Thyrotoxicosis/Thyrotoxic crisis or storm ● Ketoacidosis (any type) ● Hyperosmolarity
Hematological	● Anemia ● Bleeding ● HB SS Disease with or without crisis ● Iron deficiency anemia ● Red blood cell disorders ● Sickle cell anemia with or without crisis ● Sickle cell thalassemia with or without crisis ● Sickle cell thalassemia beta plus with or without crisis
Reproductive	● Abnormal uterine bleeding ● Breast Disorders ● Ectopic Pregnancy (excludes elective abortions as they are not covered by HP only covered directly with HFS) ● Endometriosis ● Excessive vomiting in pregnancy ● Female genitals prolapse ● Inflammation of vagina and vulva ● Noninflammatory disorder of ovary, fallopian, and broad ligament

System	Condition
	• Menopausal or perimenopausal disorders • Oophoritis • Ovarian cysts • Pelvic Inflammatory Disease • Salpingitis

Applicable Lines of Business

☐	CHIP (Children's Health Insurance Program)
☐	Commercial
☐	Exchange/Marketplace
☒	Medicaid
☐	Medicare Advantage

BACKGROUND

Definitions

- **Inpatient** is defined as a person who has been admitted to a hospital for bed occupancy for purposes of receiving inpatient hospital services that is expected to span at least two midnights and occupy a bed even though it later develops that the member can be discharged or transferred to another hospital and not actually use a hospital bed overnight.
- **Observation Care** is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment, that are furnished while a decision is being made regarding whether members will require further treatment as hospital inpatients or if they are able to be discharged from the hospital.

This period of observation that follows an emergent medical admission, is defined as post stabilization per IL 215 ILCS 134/10-Sec.10) Managed Care Reform and Patient Rights Act ⁽³⁾:

- **Post-stabilization medical services** means health care services provided to an enrollee that are furnished in a licensed hospital by a provider that is qualified to furnish such services and determined to be medically necessary and directly related to the emergency medical condition following stabilization.
- **Stabilization** means, with respect to an emergency medical condition, to provide

such medical treatment of the condition as may be necessary to assure, within reasonable medical probability, that no material deterioration of the condition is likely to result.

General Information

In most cases, the decision whether to discharge a member from the hospital following resolution of the reason for the observation care or to admit the member as an inpatient can be made in less than 48 hours, usually in less than 24 hours during post stabilization. Observation services up to 48 hours do not require prior authorization.

Additionally, per IL Dept of Healthcare and Family Services Handbook for Providers of Hospital services (issued 2014) Chapter H-200 under Observation Services ⁽⁴⁾:

- Per Observation Services H-270.1:
 - *“Observation is established to reimburse services that are provided when a patient’s current condition does not warrant an inpatient admission but does require an extended period of observation in order to evaluate and treat the patient in a setting which provides ancillary resources for diagnosis or treatment with appropriate medical and skilled nursing care.”*
- Per Section H-262:
 - *“Inpatient services are covered when a patient’s medical necessity for services on an inpatient basis are documented.”*

POLICY HISTORY

Date	Summary
August 20, 2026	● Annual Review - Replaced patient with member in first bullet under General Information; minor update to Indications; updated Limitations; updated Conditions table spelling out abbreviations and removing redundant conditions; format updates to References
November 20, 2025	● This guideline replaces PA.227.CC Authorization for Observation vs. Inpatient Admission Level of Care ● Editorial changes to match the formatting and layout of the new template, no changes to clinical content

LEGAL AND COMPLIANCE

Guideline Approval

Committee

Reviewed / Approved by Evolent Administrative Services Medical Policy Committee

Disclaimer

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REFERENCES

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