



POLICY AND PROCEDURE MANUAL

Policy Number: PA.227.CC
Last Review Date: 12/12/2022
Effective Date: 01/01/2023

PA.227.CC Authorization for Observation vs. Inpatient Admission Level of Care

Summary

According to CMS, inpatient is defined as a person who has been admitted to a hospital for bed occupancy for purposes of receiving inpatient hospital services. Generally, a patient is considered an inpatient if formally admitted as inpatient with the expectation that he or she will remain at least overnight and occupy a bed even though it later develops that the patient can be discharged or transferred to another hospital and not actually use a hospital bed overnight. The admitting physician responsible for a patient's care at the hospital is also responsible for deciding whether the patient should be admitted as an inpatient.

According to CMS, 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 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 concerning their admission or discharge.

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.

"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.

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In most 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 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:

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.”

CountyCare considers Observation Stays medically necessary when:

- The patient is clinically unstable for discharge; and
- Requires continuous clinical monitoring, and/or laboratory, radiologic, or other testing is necessary to assess the patient’s need for hospitalization, overall severity and intensity of services needed, or
- Changes in status or condition are not anticipated and immediate medical intervention is not required, only monitoring is needed, or
- Treatment plan could be administered in a lower level of care because the member is stable and being observed for a change in condition or response to the ordered treatment

CountyCare considers Inpatient Stays medically necessary when:

- The patient’s immediate condition is reported to be life threatening or the patient is presenting rapid deterioration appropriate for inpatient level of care.
- The patient’s status is determined by acute medical examination to be unstable and the member’s response to treatment is negative or trending downward

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Limitations

Observation services at INN facilities that extend beyond a 48-hour period are not covered without a prior authorization. Providers must contact the Utilization management department and obtain approval for inpatient status for any services beyond the initial 48-hour period. Medical necessity must be established for conversion to inpatient status. Failure to obtain authorization may result in nonpayment.

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 sample list (not all inclusive) of services that are not considered appropriate for observation nor inpatient services:

- services that are not reasonable or necessary for the diagnosis or treatment of the patient
- outpatient blood or chemotherapy administration
- lack of/delay in patient transportation
- provision of a medical exam for patients 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 used for the convenience of the physician, patient, or patient’s family
- while awaiting transfer to another facility
- when an overnight stay is planned prior to diagnostic testing
- custodial care
- standing orders following outpatient surgery
- services that would normally require inpatient stay
- observation following an uncomplicated treatment or procedure
- services provided concurrently with chemotherapy
- when used due to socio- economic or psycho-social factors

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

System	Condition
Constitutional	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Disorders of optic nerve and visual pathways • Disorder of orbit
ENT	<ul style="list-style-type: none"> • Acute or Chronic Tonsillitis, peritonsillar abscess, and/or Adenoid inflammation • Dysphagia • Ear Pain • Ear Inflammation • Epiglottitis • Epistaxis • Laryngitis (acute) • Lymph node inflammation or swelling • Otitis external • Swimmers' ear
Cardiovascular	<ul style="list-style-type: none"> • Acute Coronary Syndrome (Acute MI)

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	<ul style="list-style-type: none"> • Angina • Atherosclerotic heart disease • Chest Pain (including Precordial, Intercostal, unspecified) • Heart Failure • Hypertension, Hypertension crisis, Hypotension • Ischemic heart disease (acute or chronic)
<p>Respiratory</p>	<ul style="list-style-type: none"> • 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 • Pneumonia • Pneumonitis • Sarcoidosis • SOB (Shortness of Breath) • Stridor • Tachypnea • Wheezing
<p>Gastrointestinal</p>	<ul style="list-style-type: none"> • Abscess of anal and rectal regions • Abdominal Hernia • Acute Appendicitis, unspecified appendicitis • Diaphragmatic hernia • Alcoholic liver disease

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	<ul style="list-style-type: none">• Ascites• Cirrhosis of liver• Cholelithiasis• Cholecystitis• Colitis (ulcerative)• 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• Esophagitis• Esophageal disease• Fibrosis of liver• Functional Dyspepsia• Functional Intestinal disorders including motility issues• Gallbladder/Bile duct infection or ductal stone• Gastroenteritis• GERD• GI bleeding/hemorrhage• Hematemesis• Hemorrhoids• Hepatic Failure• Hernia• Inguinal hernia• Intestinal Infection (including Salmonella Infections)• Jaundice in adults (unspecified)
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	<ul style="list-style-type: none"> • Pancreatitis (acute) • Perianal venous thrombosis • Peptic ulcer disease • Pyloric stenosis • Umbilical hernia • Jaundice in adults
Genitourinary	<ul style="list-style-type: none"> • Calculus of kidney and ureter • Chronic Kidney Disease and End Stage Renal Disease • Cystitis • Disorders of penis • Disorders of urinary system • Dysuria • Epididymitis • 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 • UTI (Urinary tract infection) both pregnant and non-pregnant women, personal history of UTI • UTI unspecified • Urosepsis • Vaginal bleeding
Musculoskeletal	<ul style="list-style-type: none"> • Cervical disc Disorders • Fatigue (of any area- leg, arm, generalized, facial muscle etc.) • Fracture of ribs, forearm, femur, lower leg including ankle • Gait and mobility abnormalities

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	<ul style="list-style-type: none"> • Joint swelling/inflammation (excludes joint replacement which falls under arthroplasty medical policy) • Kyphosis • Lack of coordination • Rhabdomyolysis • Spondylosis • Synovitis • Tenosynovitis • Thoracic disorders
<p>Integumentary</p>	<ul style="list-style-type: none"> • Abscess, sinus opening of skin, or cyst • 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
<p>Neurologic</p>	<ul style="list-style-type: none"> • Altered Mental Status • Amnesia • Aphasia • Asthenia • Concussion (mild) • Convulsions • Disorientation • Dizziness • Encephalopathy • Encephalomyelitis • Disorders of the brain • Epilepsy • Giddiness • Headaches

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	<ul style="list-style-type: none"> • Migraines (intractable, non-retractable, unspecified, vascular, etc.) • Seizures • Traumatic Brain Injury • Transient Alteration of Awareness • Transient Ischemic Attack • Weakness
Psychiatric	<ul style="list-style-type: none"> • Cocaine related disorders • Drug overdose, caustic, or poison ingestion • Opioid Related Disorders • Other anxiety disorders in med surg bed • Other psychoactive, substance disorders
Endocrine	<ul style="list-style-type: none"> • Diabetes Mellitus • Type II DM • Diabetic Ketoacidosis or any type • Hypoglycemia • Hyperglycemia • Hyperthyroidism/Thyrotoxicosis/Thyrotoxic crisis or storm • Ketoacidosis • Hyperosmolarity
Hematological	<ul style="list-style-type: none"> • 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 • Unspecified Anemia
Reproductive	<ul style="list-style-type: none"> • 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

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	<ul style="list-style-type: none">• Female genitals prolapse• Inflammation of Vagina and vulva• Inflammatory disorders of the breast• Inflammatory/Noninflammatory disorder of ovary, fallopian, and broad ligament• Menopausal or perimenopausal disorders• Oophoritis• Ovarian cysts• Pelvic Inflammatory Disease• Salpingitis
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Disclaimer:

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