

**LOUISIANA STATE UNIVERSITY
HEALTH CARE SERVICES DIVISION
BATON ROUGE, LA**

POLICY NUMBER: 8517-11

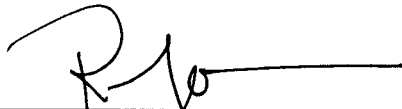
CATEGORY: Compliance

CONTENT: Reporting of Observation Hours Policy

EFFECTIVE DATE: May 3, 2011

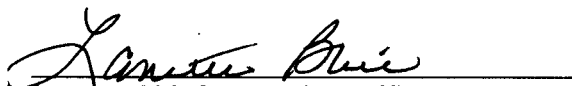
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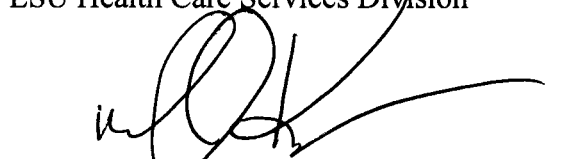
Interim Chief Executive Officer
LSU Health Care Services Division

6.15.11
Date



Deputy Chief Executive Officer
LSU Health Care Services Division

6/8/2011
Date



Chief Medical Officer
LSU Health Care Services Division

6/3/11
Date

LSU Health Care Services Division
Reporting of Observation Hours Policy

I. POLICY STATEMENT

It is the policy of LSU Health Care Services Division to report observation hours in the hospital setting for Medicare patients in a manner consistent with guidance given by Medicare.

II. PURPOSE

Medicare requires that services that require “active monitoring” be subtracted from the observation hours being billed on the hospital claim. Medicare does allow providers to use their judgment in determining which services would be considered “active monitoring”. This policy is intended to ensure that all LSU HCSD facilities are consistent with applying the active monitoring definition.

III. SCOPE

This policy applies to observation hours billed to the Medicare program while the patient is in observation service.

IV. EFFECTIVE DATE

This policy and subsequent revisions to the policy shall become effective upon approval by and date of signature of the Chief Executive Officer of the LSU HCSD or designee.

V. BACKGROUND

CMS defines Observation services as 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 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 services.

General standing orders for Observation services following all outpatient surgery are not recognized. CMS further states that hospitals should not report as Observation care, services that are part of another Part B service, such as postoperative monitoring during a standard recovery period (e.g., 4-6 hours); routine preparation services furnished prior to diagnostic testing and recovery afterwards are included in the payment for those diagnostic services; should not be billed concurrently with diagnostic or therapeutic services for which active monitoring is a part of the procedure (e.g., colonoscopy, chemotherapy).

Observation time ends when all medically necessary services related to Observation care are completed. Observation time may include medically necessary services and follow-up care provided after the time that the physician writes the discharge order, but before the patient is discharged. The end time for Observation services may coincide with the time the patient is actually discharged from the hospital or admitted as an inpatient. However, reported Observation time would not include the time patients remain in the hospital after treatment is finished for reasons such as waiting for transportation home.

If a period of Observation spans more than 1 calendar day, all of the hours for the entire period of observation must be included on a single line and the date of service for that line is the date that the Observation care begins.

VI. IMPLEMENTATION

Observation Bed is defined as a bed that can be located anywhere in the hospital.

Observation Start Time as defined by CMS is the clock time documented in the patient's medical record, which coincides with the time that observation **care is initiated** in accordance with a physician's order **regardless of the patients location in the hospital.**

- ***HCSO Start Time¹ is the time the patient is placed in Observation service as verified by nurse's notes.***
- ***Example:*** MD writes observation orders on 03/15/2010 at 12:05 but the patient isn't placed in OOS bed and care is not started until 03/15/2010 at 13:25. Start time would be 3/15/10 at 13:25 as documented by nursing according to facility specific protocol.
- ***Example:*** MD writes order for observation on 03/15/2010 at 12:05 however there are no beds on the floor to accommodate the patient so care is initiated in the ER at 13:00. Start time would be 03/15/10 at 13:00. ***It is recommended that different nursing notes be used to show a distinct separation between ER nurse's notes and those for observation care.***

Observation Stop Time as defined by CMS is when all medically necessary services related to the Observation care are complete.

- **HCSO Stop Time¹** is the time the physician writes the discharge order plus one hour unless additional medically necessary services and/or follow-up care are needed prior to discharge. Must have documentation to support medical necessity beyond physician's discharge order.

If the patient is discharged within one hour of the discharge orders being written this time would be considered the stop time.

- **Example:** MD writes discharge order on 03/16/2010 at 11:00 without further intervention needed. Stop time would be 03/16/2010 at 12:00 or actual discharge time if occurred before 12:00.
- **Example:** MD writes discharge order on 03/16/2010 at 11:00 after 2nd dose of IV antibiotics. 2nd dose of IV antibiotics complete at 13:30. Discharge time would be at 14:30 or actual discharge time if occurred before 14:30.

Observation Billable Procedures are outpatient services performed bedside that are separately billable such as blood transfusion, lumbar puncture, I&D, IV drug administration, hydration, paracentesis, etc. Failure to bill for these bedside procedures will result in loss of revenue. Each facility will need to determine how charge capture takes place. Documentation of medication start and stop times by nursing will be crucial to billing IV drug administration.

Carving Out Procedure Time is defined as time that is deducted from total number of hours reported on the claim for diagnostic or therapeutic services for which **active monitoring** is a part of the procedure. In an effort to have consistency throughout the system those services include, but are not limited to, the following:

- ✓ Blood Transfusion
- ✓ Cath Lab Procedures
- ✓ Chemotherapy
- ✓ Endoscopy
- ✓ Liver Biopsy
- ✓ Stress Test
- ✓ Surgery (outpatient)
- ✓ Dialysis
- ✓ Cardioversion
- ✓ Thoracentesis

¹ As defined by HCSO Work Group to give Operational Interpretation to identify measurable start/stop times.

- ✓ Paracentesis
- ✓ Lumbar Puncture
- ✓ Complex Therapeutic Infusions:
 - Complex drug infusion titration to achieve a specified therapeutic response. Examples would be:
 - Labetolol
 - Nitro
 - Insulin
 - Heparin

Due to difficulty obtaining accurate start and stop times a predetermined time will be carved out for the following procedures:

- ✓ *ECHO* - *carve out a set time of 30 minutes*
- ✓ *Respiratory Treatment* - *carve out a set time of 15 minutes*

It is important to note when carving out procedure time to also carve out any active monitoring and/or recovery time required post procedure.

Example calculation performed

Calculate total observation time as shown below:

OBSERVATION STARTED <small>(Inpatient nurse's notes opened)</small>	03/15/2010 <small>DATE</small>	1100 <small>Military TIME</small>	TOTAL OOS TIME:	1290 mins
OBSERVATION STOPPED: <small>(√ MD order, Nurse's Notes, Inpatient Admit time)</small>	03/16/2010 <small>DATE</small>	0835 <small>Military TIME</small>		

Calculate total time of procedure as shown below:

Service Provided	Start Time	Stop Time	Total Time
Blood Transfusion	1720	2130	250 minutes
Cath Lab Procedures			
Chemotherapy			
Endoscopy			
Liver Biopsy			
Stress Testing			
Surgery			
OTHER:	<i>Submit to nurse auditor for review.</i>		

Calculate total billable observation time by subtracting total time of procedure from total observation time.

Observation Time	<u>1290</u>	<i>Total in minutes</i>
-Procedure Time	<u>250</u>	<i>Occurring during OOS</i>
Billable Observation Time	<u>1040</u>	
<i>Write the total billable observation time (in minutes) in appropriate space below.</i>		

Medically Necessary Hours is defined as time involving clinically appropriate services as they relate to the reason stated by the physician for placing the patient in Observation while a decision is being made whether the patient will require further treatment as an inpatient or will be discharged from the hospital. Time should be deducted for the following if no other medically necessary service is being provided during that time:

- ✓ Delay of services due to unavailability
 - Deduct time from the point of the related service order until time services rendered
 - Example: ultrasound services unavailable on weekends
- ✓ Specialty consult
 - Deduct time from the point where order written for consult until consult rendered
 - Example: Cardiology consult needed prior to discharging patient
- ✓ Surgical prep
 - Deduct time from the point prep started until completion of standard recovery time
 - Example: colonoscopy

- ✓ All diagnostic testing complete, physician notified, but doesn't write discharge orders for hours after.

OUTPATIENT IN A BED - Observation services are not appropriately billed in the following treatment situations:

- ***Extended Recovery*** is when a patient undergoes a surgical procedure without complication but requires postoperative monitoring outside of the recovery period.
 - ***Example:*** Patient has an ambulatory surgery without complications. MD wants patient to receive an additional dose of IV antibiotics postoperatively. Patient does not meet criteria for Observation. Patient can receive care as outpatient in a bed.
- ***Treatment Room*** is when the patient needs specific treatment such as IV antibiotics or blood transfusion only that would otherwise be done in a clinic setting.

Condition Code 44 – Inpatient admission changed to outpatient – For use on outpatient claims only, when the physician ordered inpatient services, but upon internal review performed before the claim was initially submitted, the hospital determined the services did not meet its inpatient criteria.

Requirements are:

- The change in patient status from inpatient to outpatient is made prior to discharge or release, while the patient is still a patient of the hospital;
- The hospital has not submitted a claim to Medicare for the inpatient admission;
- The treating/attending physician concurs with the utilization review committee's decision ;
- The physician's concurrence with the utilization review committee's decision is documented in the patient's medical record;
- ***Observation Start Time*** begins at the time that the physician writes the order for Observation services when Condition Code 44 is used.

Remember that ***Condition Code 44*** is a Medicare Condition of Participation. Other payers may insist that a case be processed as an outpatient, regardless of physician orders. Yet other insurances may determine whether a case is processed as inpatient or outpatient by the CPT code of the planned procedure.

Observation Services versus Inpatient versus Outpatient in a Bed – appropriate patient status is a must to ensure correct payment and to avoid recoupment by outside auditors such as RAC, MIC, ZPIC, etc. Educate physicians as well as nursing staff. Postoperative Decision Tree can be used to assist in their education (Attachment 2).

Refer to payer specific guidelines for Observation encounters for patients with a payer source other than Medicare.

VII. RESPONSIBILITY

A. Hospital Administrator

1. Ensure that this policy is disseminated and that all “appropriate staff” is trained and have documented of that training. All “appropriate staff” includes (but not limited to) utilization management staff, as well as staff responsible for documenting treatment times and staff responsible for calculating the observation hours.
2. Designates personnel responsible for calculating the observation hours.
3. Ensures that personnel responsible for the policy implementation at the hospital level have an effective process for calculating the observation hours according to this policy, and ensuring that this information is reflected on the hospital bill.

B. Clinical Directors

1. All clinical directors (i.e, Director of Nursing, Director of Ancillary Services) are responsible for ensuring that their staff understands that treatment events, as outlined in this policy, must be dated and timed.
2. Clinical directors will hold their clinical staff responsible for dating and timing entries in the medical record, as well as treatment events as outlined in this policy.

C. Clinical Employees

1. Clinical staff is responsible for documenting date and time on their medical record entries, as well as treatment events as outlined in this policy.

D. Designated Employee(s) for Observation Time Calculation

1. Employees designated as responsible for calculating observation time are responsible for doing so according to this policy in a timely manner.
2. It is understood that there will be instances where best judgment will have to be used in determining the appropriate number of hours to be charged as an observation service. Employees calculating hours are encouraged to seek the advice of the appropriate personnel if decisions must be made that are not covered in this policy as to whether time should be counted towards observation. In such instances, the employee is encouraged to consult the compliance officer and/or compliance committee for this guidance.

VIII. CONSEQUENCES

Any employee who is found to have intentionally violated this policy, or the provisions of the CMS regulations related to the calculation of observation hours may be subject to disciplinary action, up to and including termination of employment in accordance with the rules of the Department of State Civil Service, the LSU Board of Supervisors' By-Laws, and/or LSU HCSD policies.

IX. REFERENCES

- Medicare Claims Processing Manual, Chapter 4, Part B Hospital (Including Inpatient Hospital Part B and OPSS) Section 290.1. Rev. 1882, 12-21-09.
- Medicare Claims Processing Manual, Chapter 4, Part B Hospital (Including Inpatient Hospital Part B and OPSS) Section 290.2.2. Rev. 1882, 12-21-09.
- Medicare Claims Processing Manual, Chapter 4, Part B Hospital (Including Inpatient Hospital Part B and OPSS) Section 290.5.1. Rev. 1882, 12-21-09.
- Medicare Frequently Asked Questions, ID #9973, How should the hospital report observation services when the patient's status is changed from inpatient to outpatient using Condition Code 44? May the hospital report observation services from the beginning of the hospital encounter? Created 01/26/2010.
- TMF Health Quality Institute, Medicare Patients: Observation or Inpatient Admission?
- Medicare Transmittal 1760, July 2009 Update of the Hospital Outpatient Prospective Payment System (OPPS). Published 06-23-09.