

# Psychiatry Coding & Reimbursement Alert

## Inpatient Coding: Understand the New Definition of Inpatient For Reporting Success Each Time

### Expect exceptions when using the "two-midnight" rule.

In the updated 2014 Inpatient Prospective Payment System (IPPS), the Centers for Medicare & Medicaid Services (CMS) has attempted to provide more clarity regarding when "inpatient" and "outpatient" status are used in a facility setting.

If you don't know the ins and outs of the new, so called "two-midnight" rule, you take the risk that Medicare Part A won't cover the hospital stay. Here's what you need to know to keep your claims and those of the hospitals in which you have admitting privileges in the right category.

### Educate Yourself on the CMS Definitions

Under the new "two-midnight rule," an inpatient hospital stay must typically span two midnights or longer.

**Nail down:** If your physician admits and discharges a patient after one midnight or less, it is generally considered outpatient care, and the services rendered are not payable under Medicare Part B rather than Part A. If the patient is being admitted to your facility and then discharged after two midnights or more have passed the care is considered inpatient status and the services are payable under Part A, assuming all other coverage and payment criteria are met.

According to CMS Inpatient Hospital Reviews, the "two-midnight" rule states that surgical procedures, diagnostic tests, and other treatments are generally paid for inpatient stays under Medicare Part A when the physician admits the patient because he expects him to need hospitalization for more than two midnights. CMS also states that the opposite is true and those same procedures, tests, and other treatments are inappropriate for inpatient payments when the patient is expected to be hospitalized for less than two midnights.

**Key:** You need to know when the clock starts to determine whether the hospital stay spans more or less than two midnights. When your physician's patient is in the hospital (observation, emergency, or other treatment areas), the care begins after registration and triage (vital signs). Excessive waiting time and an ambulance ride are excluded.

**Beware:** Some Medicare administrative contractors (MACs) may consider outpatient status as time before the inpatient order and admission, and inpatient time as after the order and admission, regardless of how much time has passed.

**Red flag:** The MACs have been doing "Probe and Educate" audits of hospital providers in their service areas. On April 1, 2014, the President signed the Protecting Access to Medicare Act of 2014. Section 111 of this law permits CMS to continue medical review activities under the MAC "Probe and Educate" process through March 31, 2015. It also prohibits CMS from allowing the recovery auditors (RACs) to conduct inpatient hospital patient status reviews on claims with dates of admission October 1, 2013 through March 31, 2015. Prior to passage of the law, RACs were to begin to review Part A claims consisting of zero to one and two or more midnights for dates of admission on or after September 30, 2014.

### Get to Know the Exceptions

**Loophole #1:** Even when your physician expects a patient will be hospitalized for two midnights or longer, there are uncontrollable circumstances when the patient may leave before the physician anticipated. The new rule recognizes this.

CMS refers to the exceptions as "unforeseen circumstances." The hospital stay can ultimately be shortened as the result of the patient's:

- death
- transfer to another facility
- leaving the hospital against the physician's advice
- decision to seek hospice care
- recovery.

These circumstances are still considered to have an inpatient status. Beware that if an exception exists, it needs to be fully documented in your physician's notes.

**Loophole #2:** Your physician's expectation may be that her patient will have a hospital stay of less than two midnights, but the appropriate patient status may still be inpatient.

For example, a patient may need a medically necessary procedure. If the procedure is on the CMS Inpatient-Only List, then the patient's status is inpatient even though her stay is less than two midnights. The inpatient list has services that will only be reimbursed by Medicare if they are for an inpatient hospital stay.

**Helpful:** CMS defines "medically necessary" as "Health care services or supplies needed to prevent, diagnose, or treat an illness, injury, condition, disease, or its symptoms and that meet accepted standards of medicine."

### **Pay Attention to the Time of Day**

Review this example to help you understand when using the two midnight rule establishes an inpatient hospital stay.

#### **Scenario:**

Tuesday, 6:00 pm

A husband brings his 80-year-old wife to the emergency room of the hospital. He notes that the patient has a history of mental illness for which she is being treated with anti-psychotic medications. However, she has recently stopped taking her medications, leading to a deterioration of her mental health. Her condition is complicated by several comorbidities, including congestive heart failure and chronic obstructive pulmonary disease.

Tuesday, 9:00 pm

Upon arrival at the hospital, the patient is initially evaluated by an emergency physician. She is later admitted by an on-call psychiatrist who confirms the emergency physician's findings and the husband's presentation of the patient. The psychiatrist anticipates that it will take at least 48 hours (i.e. two midnights) to stabilize the patient's mental health and other conditions.

Wednesday and Thursday

The patient received medically necessary hospital care.

Friday, 9:00 am

The psychiatrist determined that the patient, who has resumed her medication regimen, is once again stable. The patient is discharged and sent home.

This patient's stay qualifies as inpatient care that you can bill to Medicare Part A.

**Read more:** You can read the official CMS guidance at [www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Medical-Review/InpatientHospitalReviews.html](http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Medical-Review/InpatientHospitalReviews.html).