MDS Alert

PAYMENT TRENDS: Beware: Reports Indicate Hospitals Providing More Observation Stays

If you get a technical denial, look to Parts B and D to pay for part of the stay.

Your SNF admits a Part A-eligible resident requiring daily skilled rehab after a hospitalization spanning several days. The person has days left in his benefit period, so everything's good to go -- right?

Not so fast: Providers report seeing patients with long hospital observation stays that don't count as a three-day qualifying hospital inpatient stay. Thus, your Medicare team should be on the lookout for this phenomenon -- and know what to do if an observation stay results in a technical denial.

Anecdotally, "we know the trend is national," says **Doug Beardsley,** VP of member services for Care Providers of Minnesota. He's aware of one SNF that recently admitted a resident who'd been in the hospital for six days for a total shoulder replacement.

"And all six of those days were for observation."

Regulatory reality: The regs related to observation stays say they are for scenarios where a patient presents to the emergency room, says **Betsy Anderson,** a VP at FR&R Healthcare Consulting in Deerfield, Ill. "The regulations go on to say that only in rare or exceptional cases that are reasonable and necessary would the observation stay span more than 48 hours." Typically, the stays are less than 24 hours, according to the Hospital Part B Manual, she adds.

Take These Protective Steps

Care Providers of Minnesota has been advising nursing home providers to ask the hospital to identify how many days the beneficiary was in the hospital as an inpatient versus an outpatient.

Cover the bases: The SNF should check with the hospital discharge planner to nail down that information, says Anderson. In addition, verify with the hospital business office how the hospital actually billed the stay, she adds.

"If it was billed as an observation stay, it will be under Part B," Anderson explains. "In many cases,he billing office may have that informationat the time the patient goes to the SNF," she notes. "If the patient started out in an observation stay and went on to a direct admission, the billing office staff may have billed the observation portion of the stay."

Anderson has, however, heard anecdotally that some SNF providers have been told by the hospital that a patient's hospital stay was billed as inpatient -- but the hospital later changed the status to outpatient.

As an additional step, SNF providers should actually talk with the physician who treated the patient in the hospital, who may be a hospitalist, for example, advises Anderson. **Reasoning:** "The regulation specifically notes that the observation services are only covered if they are provided based on the physician order."

Sending a SNF staff person to do a preadmission review of the chart is also an option. Whether the SNF should make that level of effort depends on its situation and what kind of relationship the SNF has with the hospital staff, Anderson says. "We have recommended that SNFs do a preadmission screen on residents brand new to the facility."

Quick tip: Finding out the resident's bed number in the hospital can give you a heads up whether the person was in an inpatient bed or an observation unit bed, says Anderson. If the hospital has swing beds, that can be be an issue, she adds. "A lot of times, however, knowing the name of the unit or bed number can give you a much better idea of what

type of stay the patient had rather than making broad assumptions that the person had an inpatient stay due to having had surgery, for example."

Know What to Do if the SNF Gets a Technical Denial

Suppose the SNF staff believed the patient had a three-day qualifying stay that turned out to be an observation stay, resulting in a technical denial. Can the SNF bill the resident? **Ron Orth, RN, NHA, CPC, RACMT,** says it's "his understanding that the SNF can bill the patient/responsible party if there's a technical denial" -- that is, "the person didn't have the requisite three overnight inpatient stay or doesn't have days left in his benefit period."

Yet "trying to get a patient or family to pay for a SNF stay after the fact is going to be like 'whistling Dixie,'" observes **Pauline Franko,PT, MSCP,** in Tamarac, Fla.

The good news: Other payers may pick up some of the tab. "If the patient is dual-eligible, payment for the stay would bump to Medicaid," says Anderson. Or the person may have another type of insurance, although the latter may "only kick in after the person's Medicare days are used up, depending on the type of policy," she adds.

Otherwise, the SNF could bill some of the services to Part B, including rehab therapy and certain ancillaries, such as surgical dressings, catheters, and parenteral and enteral nutrition therapy, Anderson counsels. The facility could bill Part D for medications, if the patient has coverage, she adds.