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This Will Go On Your
PERMANENT RECORD

Or will it?
Experts debate whether physician queries belong in patient charts.

Short-Stay DRGs Create
Reimbursement Headaches

How Hospital Mergers
Affect HIT Workflow

Academic Report Spotlights
Dictation Errors
Short-Stay DRGs: Fix or Fiasco?

To compensate for some of the fallout surrounding the two-midnight rule, the CMS may have created even more sleepless nights for hospital revenue cycles.

Hospitals reacted by using observation services more liberally when they were unsure whether a patient would meet strict admission criteria such as Medicare or Medicaid. In turn, patients who had received medical care in a hospital and believed themselves to be inpatients ended up to their dismay that this “status difference” also meant that they were required to pay more of the costs of care. If the patient is frequently needed at home care or a skilled nursing facility, the time spent in observation status could not be applied toward the required three-day inpatient stay that was necessary to be deemed a covered Medicare service.

Trying to anticipate the appropriate medical status created another administrative burden on hospitals. Increased use of observation status added to the financial strain being shouldered by Medicare beneficiaries. The reaction ultimately led to a need for the Centers for Medicare & Medicaid Services (CMS) to find some way to mitigate its costs without penalizing either its patients or its providers, and without increasing the complexity of the process.

The Fix

The Medicare final rule for inpatient admissions beginning with fiscal year 2014 included what seemed to be the answer to the two-midnight rule. If a patient needs medically necessary services in a hospital for a span of time that includes at least two midnights, then it should be an inpatient stay. If not, it should be an outpatient stay. The time spent in any outpatient hospital status is included in the time considered for the qualifying two midnights.

For example, if a patient was in the emergency department or in observation status at the first midnight and needed to stay to continue medical necessary services for one more midnight, the physician was to order inpatient admission status with documentation of the expected length of stay and its purpose. This should eliminate unnecessary observation status patients and relieve the provider’s struggle to meet the complex admissions criteria. If the patient must be in the hospital for two or more midnights, the physician can mark him or her an inpatient.

In the rare instance that a patient has been admitted but leaves prior to the second midnight—due to transfer, death, suicide, and unexpected improvement in medical condition, etc.—the documentation must support the reason for a short inpatient stay with a DRG payment. If an error is found, the hospital will be allowed up to one year to correct the status from inpatient to outpatient retrospectively and to refund for the qualifying observation charges.

This seems to be a simple fix, but several Open Door Forums and myriad public discussions and published material have generated only more questions about the new rule. A so-called probe and educate period was announced in which hospitals would be monitored and helped to comply with the new process without recovery audit reviews and related penalties. On April 30, the CMS announced further delay of these audits, stating, “CMS believes this extension will allow for more training and education and promote further understanding of the policy.”

In a Fix?

The famous adage “one size fits all” applies to more industries, and health care is no exception. When short stays were targeted for denial and penalty, the use
of observation services increased. When the two midnight rule was implemented in 2001, some of the obese and critically ill hospital patients were discouraged and became part of patient admissions. Medicare hospitals were no longer financially penalized for a stay that was longer than the two midnight rule and thus it was not discouraged. If the patient was not discouraged, then the two midnight rule was not changed in its original form. So, some of the obese and critically ill hospital patients would not be encouraged to use the two midnight rule.

Short-stay inpatient admissions increased.

Medicare must maintain a standard of care—what is called the ESRD payment for inpatient care. Inpatient care is defined as an overnight hospital stay. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient. If the patient had an overnight stay, the patient was not considered to be an inpatient.