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CHICAGO'S MONTHLY HEALTH CARE NEWSPAPER

Management of an Observation Program

by KATHY BERGER

Since the inception of the observation status, hospitals have struggled with how to categorize patients admitted to an inpatient unit but considered to be outpatients with an observation status. Most hospitals continue to view "observation" as a patient type in their system, failing to recognize that inpatient versus observation coding is a complex process that needs to be managed.

When hospital administrators are asked if their institution has an issue with using observation status, they either don't know or believe it's working fine. Getting answers to some of the following questions, however, may uncover issues they did not know existed:

- Are claims denied because the status change from observation to inpatient was not authorized?
- Is there an organized process to find these denials and appeal them?
- Does UR review medical records for all observation patients at admission?
- Do physicians and nursing staff understand the criteria for intensity of service and severity of illness (IS/SI) for inpatients versus observation?
- Is UR again reviewing medical records for observation patients after 6 to 8 hours and contacting physicians for additional orders?
- Are physicians' orders to admit adequately and appropriately documented in the medical record?
- What criteria do physicians use to determine whether a patient should be inpatient or observation?
- Do medical records and patient statuses in the financial system match?
- Is Patient Access notified to change patient types in a timely manner or are Medical Records and Patient Accounts trying to fix these after discharge or final bill?

The first step to managing the observation status problem is formation of a task force of decision makers from Patient Access, Utilization Review/Case Management, Patient Accounts, Nursing (preferably the supervisor of unit managers), and Medical Records, along with a physician advisor. The task force chair should be the Director of Utilization Review.

The first challenge of the task force is to develop an observation program plan including the following areas:

- Establishing interdepartmental communication
- Understanding rules and regulations
- Developing protocols for physician and nursing staff education
- Defining roles and accountabilities across all departments
- Identifying treatment rooms and beds
- Setting up the system for patient types and charging
- Tracking and reporting usage, payments, denials, and appeals

Many hospitals have reported difficulty in getting these staff in the same room, and the difficulty of task forces in general of maintaining focus. Therefore, administration must be committed to supporting the task force in their observation program development, and also to paving the way for implementation with the medical and nursing staffs. The major issue surrounding observation versus inpatient admission status is understanding that Medicare and Medicaid rules and regulations regarding appropriateness of admission are based on IS/SI, not which status pays more.

With an Observation Management Program, patients should be admitted correctly up front and monitored throughout their stay; medical records will contain all appropriate documentation regarding IS/SI; orders to admit to what status are clearly documented, and changes in patient type are communicated to Patient Access with necessary authorizations obtained. A program that incorporates all these areas will ensure that a hospital will be able to meet its ultimate goals of staying in compliance and billing appropriately.



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Interested in learning more about Observation Management? Email Info@TintariGroup.com with your interest in the following workshop topics: Developing and Managing an Observation Task Force, Utilization Review and the Role of the Physician, and Denial Management.