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What is observation status and what does it mean to you

The Center for Medicare Advocacy has been working tirelessly on eliminating Medicare “outpatient observation status” and has recently published a graphic to explain this type of Medicare hospital billing and what you can do about it. (www.medicareadvocacy.org). The Center works as advocates for all of us regarding Medicare issues. For instance, they were instrumental in addressing the issues surrounding when the patient is not making progress in rehabilitation, then his or her Medicare will no longer cover the necessary care; the standard in not improvement as was thought for many years. Now another frontier is observation status for Medicare beneficiaries.

“Outpatient observation status” for Medicare beneficiaries is alive and well. In fact, the number of patients affected by this has doubled from 2006 until 2014. Observation status is a **billing** classification that can make Medicare patients pay for the cost of their care in the hospital, hospital prescriptions and eventually the full cost of their nursing home care. Hospitals are using this to protect themselves from overzealous auditors and Medicare re-admission penalties. However, for the patients who are generally unaware of their status, it can be financially disastrous.

Medicare beneficiaries who enter a hospital think that they are being admitted. They are moved to a room, wear hospital clothing, eat hospital food, wear an ID bracelet but all along they are considered “outpatient” or under “observation.” By the time that they learn that they are not “inpatients” they may have lost their ability to become eligible for Medicare coverage in a nursing facility for rehabilitation, which has a requirement of a three-day hospital admission. Medicare Part B may cover some of the hospital stay costs, but the patient is likely still left with an unexpected whopping bill. The care may be classified as “outpatient” but it occurs within the four walls of the hospital; it is all about how it is billed.

Many people cannot afford their care if Medicare will not pay for it. If Medicare will not pay for post hospital care in a nursing facility, often the safest discharge option, many people will forgo that care rather than pay the enormous bills. If someone does not have Medicare B, then no one will cover the costs of the stay in the hospital to the tune of thousands of dollars. As the Center for Medicare Advocacy says, “this isn’t just wrong, it is dangerous.” People will not receive the care that they need.

The Center offers some insight on how to fight this. It is a very difficult process but the first step is being aware of this billing classification. Ask about the admission versus observation status at the beginning of the hospital stay for yourself or a loved one. Request that the hospital physician *admit* the person based on needed care and contact the person’s regular doctor to support that decision. The Centers for Medicare and Medicaid Services (CMS) has developed a Notice form for patients; demand that you be given proper notice and a method to appeal that decision

Spread the word by contacting CMS, your Senator and Congressional Representatives. You can submit your Observation story at www.medicareadvocacy.org. You need to be your own best advocate until this practice is eliminated for all.