CMS Proposes Inpatient Admissions Policy Change

In a proposed rule published in the Federal Register May 10, the Centers for Medicare & Medicaid Services (CMS) clarifies the rules governing physician orders of hospital inpatient admissions for payment under Medicare Part A. If finalized, hospital inpatient admissions spanning two midnights in the hospital would generally qualify as appropriate for payment under Medicare Part A. Anything less would be considered observation and paid under Part B, unless the physician could prove otherwise.

The purpose of this provision in the hospital Inpatient Prospective Payment System (IPPS) proposed rule for fiscal year 2014 is to resolve ongoing confusion as to when a patient should be admitted to inpatient status.

CMS states in the proposed rule, “The majority of improper payments under Medicare Part A for short-stay inpatient hospital claims have been due to inappropriate patient status (that is, the services furnished were reasonable and necessary, but should have been furnished on a hospital outpatient, rather than hospital inpatient, basis).”

Will the clarification be enough to resolve the longstanding dilemma for providers as to when it is appropriate to order an inpatient stay? Some are inclined to agree. Stacy Harper, JD, MHSA, CPC, of Lathrop & Gage LLP, is one of them.

“The current subjective guidelines for inpatient admission have resulted in numerous appeals and disputes regarding necessity of inpatient status. If the proposed two-midnight objective presumption is finalized, hospitals will have a new guide available to assist in these decisions,” Harper said.

But the American Hospital Association (AHA) has a difference of opinion. In a public statement released April 26, the AHA said it is more inclined to believe that the proposal will allow Medicare contractors to continue second-guessing physicians’ judgment.

“While we appreciate CMS’ efforts to provide clarity around when an inpatient admission is appropriate – such as for a patient on observation status – we are concerned that this could be applied in a way that undermines medical judgment,” Rick Pollack, AHA executive vice president, said in the statement.

According to CMS, however, review contractors won’t deny short-stay inpatient claims as long as they are documented correctly. “It is the documentation of the reasonable basis for the expectation of a stay crossing 2 midnights that would justify the medical necessity of the inpatient admission, regardless of the actual duration of the hospital stay and whether is ultimately crosses 2 midnights.”

To support an inpatient claim, in addition to the physician’s order and certification, the provider must document complex medical factors such as:

1. Beneficiary medical history and comorbidity
2. Severity of signs and symptoms
3. Current medical needs
4. Risk of an adverse event

Other Considerations
In a related matter, CMS recently announced that it would allow hospitals to resubmit claims for payment under Part B after being initially denied by Part A (Read “CMS Addresses Part B Inpatient Billing Controversy,” AAPC Cutting Edge, June 2013, for details).

Unfortunately, this creates another cause for concern, according to the American Medical Association (AMA). “For patients, reclassification as ‘observation’ rather than admitted can result in unanticipated costs and co-payments,” the AMA stated in an Aug. 31 letter to CMS. For example, Medicare covers skilled nursing facility (SNF) care when a patient spends at least three days as an inpatient, but not as an outpatient under observation status. If a patient were to spend three days as an inpatient and then be transferred to an SNF, that individual would be charged the full shot for the SNF stay in the event the inpatient claim is denied and subsequently paid under Part B.

More Changes on the Horizon
Also in the IPPS proposed rule, CMS would:

1. Implement statutory provisions contained in the Affordable Care Act of 2010;
2. Update rate-of-increase limits for hospitals excluded from the IPPS and paid on a reasonable cost basis;
3. Update IPPS payment policies and annual payment rates;
4. Make changes relating to direct and indirect graduate medical education payments; and
5. Update policies relating to the hospital value-based purchasing program and the hospital readmissions reduction program, as well as revise the conditions of participation.

The IPPS proposed rule is open for comment until June 25. For complete details, download the proposed rule from the Federal Register website (www.federalregister.gov). The final rule is expected Aug. 1, with most of the provisions going into effect Oct. 1.

Source: AAPC