

Press Release

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For More Information
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Medicare Beneficiaries Are Responsible for High Costs as Hospital Observation Patients

Denver CO. The high cost of hospital care for Medicare beneficiaries has been under review and scrutiny since the 1980s. Medicare has used various methodologies to curb the high costs of hospital care. More recently, hospitals have begun to place patients in “observation” beds without telling the patient. Patients are often placed in an observation bed when the patient in the next bed is an inpatient bed; thus causing more confusion for patients.

According to the Centers for Medicare and Medicaid Services, hospital patients need to ask if they are considered an “outpatient” or an “inpatient”. If an individual is an “inpatient”, the hospital stay starts with the day the physician writes an order (and the hospital and/or Medicare agrees with the physician) that the patient should be admitted as an inpatient.

Medicare Part A covers the hospital stay for patients who are admitted as “inpatients”, except for the one-time deductible for all of the hospital services for the first 60 days. Routine hospital charges such as prescriptions, oxygen, durable medical equipment, and other services are covered as part of the payment made by Medicare to the hospital. In addition, if the individual spends three midnights in the hospital as an inpatient, any rehabilitation stays in a long term care setting or nursing home are covered by Medicare as well.

Medicare Part B covers most of the physician services for an inpatient at the hospital. The patient pays 20% of the Medicare-approved amount for doctor visits after paying the Part B deductible.

However, if an individual is an outpatient or in “observation” status and the physician has not written an order for admission, Medicare Part A pays nothing for any of the services received in the hospital. Medicare Part B will pay for physician visits with the patient being responsible for the 20% co-payment. High costs are incurred because the patient must pay a co-payment for each outpatient service such as every lab, every x-ray, oxygen, and durable medical equipment.

In addition, most hospitals are not part of the Medicare Part D network, thus any prescription that is administered during an observation stay, is not covered. Patients must pay the total cost of prescription drug(s) at the out-of-network rates. Most hospitals will not allow patients to self-administer drugs from home for safety reasons.

In the past five years, the number of observation patients in hospitals has risen 59% to 1.6 million patients in 2011. Observation visits were intended for physicians to “observe” the patient for 24 to 48 hours prior to making a decision to admit or discharge. Hospitals are approving longer observation stays because they are not sure if Medicare will pay if patients are admitted.

Hospitals also have another incentive for keeping patients in observation with the new rule that if a patient returns to the hospital within 30 days the hospital is not reimbursed for the re-admission. In addition, Medicare penalizes hospitals for high re-admission rates.

Hospitals are not required to notify patients if they are an outpatient (observation) patient or an inpatient. A recent Medicare investigation found that observation patients often have the same health problems as those who are admitted, but the observation designation means the patients have higher out-of-pocket expenses and fewer Medicare benefits, according to Susan Jaffe, Kaiser Health News.

On October 1, Medicare released new rules to define when hospital patients should receive observation care, rather than being admitted to a hospital. The rules require hospitals to admit a patient who is expected to stay through at least two midnights and those who stay is less than two days can be considered observation patients. Although Medicare says they will delay enforcement of the new rule until January 1, 2014, hospital officials and patient advocates do not believe the rule will fix the problem.

For example, if a patient is in observation bed for two days and admitted for an additional two days, the patient will not be eligible for rehabilitation in a long term care setting because the three day hospitalization requirement has not been met. Furthermore the patient is required to pay the first two days of care in observation stay as a Part B outpatient with high co-pays, as well as out-of-network prescription drug costs.

Patients who are in observation status do not have any appeal rights according to the Center for Medicare Advocacy in Washington DC. The courts have also not been helpful protecting patients in this practice. A lawsuit was filed in Hartford, Connecticut, but the federal court judge dismissed the lawsuit which was filed against the government by 14 Medicare beneficiaries who were denied nursing home coverage due their observation status in the hospital.

Patients should ask the hospital about their status, but the status may be changed by Medicare and/or the hospital, even with a physician order for admission as an inpatient. For more information, call 303-333-3482.

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