310-S - OBSERVATION SERVICES

EFFECTIVE DATES: 10/01/94, 10/01/18

REVISION DATES: 07/22/96, 10/01/01, 10/01/06, 09/01/09, 10/01/11, 11/01/11, 01/01/12, 03/01/12, 09/20/18

I. PURPOSE

This Policy applies to AHCCCS Complete Care (ACC), ALTCS E/PD, DCS/CMDP (CMDP), DES/DDD (DDD), and RBHA Contractors; Fee-For-Service (FFS) Programs as delineated within this Policy including: Tribal ALTCS, the American Indian Health Program (AIHP); and all FFS populations, excluding Federal Emergency Services (FES). (For FES, see AMPM Chapter 1100). This Policy establishes requirements for Observation Services for evaluation of a member to determine whether the member should be admitted for inpatient care, discharged, or transferred to another facility.

II. DEFINITIONS

OBSERVATION SERVICES Include the use of a bed and periodic monitoring by hospital nursing staff and/or other staff to evaluate, stabilize, or treat medical conditions of a significant degree of instability and/or disability.

RECOVERY ROOM EXTENSIONS An outpatient extended recovery to allow the physician to monitor the condition for an extended period of time beyond the standard recovery room.

III. POLICY

In order to admit a member to the hospital for Observation Services, or to order outpatient diagnostic tests or treatments, the Observation Services shall be ordered in writing by a physician, or other individual authorized by hospital staff bylaws.

It is not considered an Observation Service when a member with a known diagnosis enters a hospital for a scheduled procedure/treatment that is expected to keep the member in the hospital for less than 24 hours, this is an outpatient procedure, regardless of the hour in which the member presented to the hospital, whether a bed was utilized, or whether services were rendered after midnight.

Extended stays after outpatient surgery must be billed as Recovery Room Extensions.

A. FACTORS FOR CONSIDERATION

The following shall be taken into consideration by the physician, or authorized individual, when ordering Observation Services:

1. Severity of the signs and symptoms of the member.

2. Degree of medical uncertainty that the member may experience an adverse occurrence.

3. Need for diagnostic tests or treatments appropriate for outpatient services (i.e. tests or treatments that do not typically require the member to remain at the hospital for 24 hours or more) to assist in assessing whether the member should be admitted.

4. The availability of diagnostic procedures at the time and location where the member presents.

5. It is reasonable, cost effective, and medically necessary to evaluate a medical condition or to determine the need for inpatient admission.

6. Length of stay for Observation Services is medically necessary for the member's condition.

B. REQUIRED MEDICAL RECORD DOCUMENTATION

The following are required to be documented in the member's medical record:

1. Orders for Observation Services, written on the physician's order sheet, not the emergency room record, which specifies, "Observation Services". Rubber stamped orders are not acceptable.

2. Follow-up orders written within the first 24 hours, and at least every 24 hours if Observation Services is extended.

3. Changes from "Observation Services to inpatient" or "inpatient to Observation Services". These shall be made per physician order.

4. Inpatient/outpatient status change, supported by medical documentation.

C. LIMITATIONS

The following services are not covered Observation Services:

1. Substitution of Observation Services for physician ordered inpatient services.

2. Observation Services that is not reasonable, cost effective, and necessary for diagnosis or treatment of member.

3. Observation Services provided solely for the convenience of the member or physician.

4. Excessive time and/or amount of Observation Services than are medically required by the condition of the member.

5. Observation Services customarily provided in a hospital-based outpatient surgery center and not supported by medical documentation of the need for Observation Services.

Refer to AMPM Chapter 800for Prior Authorization and Utilization Management requirements for Fee-For-Service (FFS) providers.