

## Hospital Observation Status Physician Quick Reference Guide

### Hospital observation services—definition

**Outpatient** services furnished in a hospital, including the use of a bed and at least periodic monitoring by its nursing or other staff, that are reasonable and necessary to evaluate and treat a patient's condition or determine the need for inpatient admission.

### Observation stays are

- Outpatient care, although rendered in a hospital

**Documentation is critical.** *A physician's order must specify "observation status" and must be signed and dated.*

When a patient has been in observation status for 24 hours, documentation in the progress notes must include

- the **need to continue observation status**, with plan for discharge within the next 12—24 hours  
or
- the **need to convert to inpatient**, documenting the medical necessity for admission  
or
- **medical stability for discharge** and plan for follow-up as needed

### Important Notes

- Conversion of observation to inpatient status cannot be retroactive:
  - Medical necessity for admission must be met and documented at the time of conversion.
  - Admission status cannot be changed after discharge or submission of the first claim.
- Conversion of inpatient to observation status can be done prior to discharge if
  - **the original order was ambiguous** and the physician clarifies that order (must support change with contemporaneous medical record/physician notes and orders)
- **Continuous monitoring, such as telemetry, can be provided in an observation or inpatient status;** in determining admission status consider overall severity of illness and intensity of services rather than any single or specific intervention.
- **Hospitals can use specialty inpatient areas** (including CCU or ICU) to provide observation services (e.g., for telemetry). Level of care, not physical location of the bed, dictates admission status.
- **Examples of other conditions potentially appropriate for observation services:** Chest Pain, TIA, closed head injury, blunt abdominal trauma, and unexpected outpatient postsurgical complications.
- **Private Insurance companies'** admission status rules may differ from Medicare's.

*Please contact your hospital's utilization review staff with questions regarding patient admission status.*