

Once Upon Two Midnights Dreary: The Impact of Observation Status on Medicare Beneficiaries and their Families

AARP/Alliance for Health Reform Forum
“Am I in the Hospital or Not?”
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Are Observation Status and the Two-Midnight Rule Patient- & Family-Centered?

- Person coming to ED is sick, in pain, frightened
- Family is worried and anxious to find out what is wrong and what is going to happen
- After (possibly prolonged) ED stay, person is moved to a bed in a regular unit
- Person gets what appears to be regular hospital care—same nurses, same food, same tests
- Thinks (mistakenly) Medicare will cover entire hospital stay



Relationship with Hospital Staff

- Hospitalist, not patient's primary care doctor, is in charge of hospital care and probably hasn't seen patient before
- Even if patient is told, "We are keeping you for observation," patient may not know what that means (New York State requires informing patient of status as of January 2014)
- Patient and family may "blame the messenger" if doctor says that this is not an inpatient stay, but an outpatient stay with different financial rules
- Sets up bad environment for good communication about care, which should be focus, not payment
- No clear way to challenge decision

In-Hospital Financial Burden Reviewed

Admission: Medicare Part A Observation: Medicare Part B

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| <ul style="list-style-type: none">❑ Covered fully❑ One-time deductible (\$1,216 in 2014) for benefit period (60 days)❑ Prescription drugs covered | <ul style="list-style-type: none">❑ Covered in the same way as doctor visits and outpatient care: each service is billed separately❑ Co-pay of 20% of Medicare-approved rate after deductible (\$147/year)❑ Prescription drugs not covered, cannot bring from home |
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Although no individual charge for a service can exceed the Part A deductible, total can and often does exceed that amount

Post-Hospital Financial Burden

- Observation status does not count toward 3-day hospital stay standard for short-term rehab
- Patient/family must pay privately or receive services at home
- Outpatient rehab is not an equal alternative
 - Not as intensive and will probably not last as long (a few times a week as opposed to every day)
 - Transportation becomes an expensive and burdensome issue
 - No or limited personal care through Medicare
 - Family will have to fill in gaps and may lose work time and incur additional costs

Potential Outcomes

- No data on outcomes and readmissions because observation stay patients were never admitted
- Patients may interpret “observation status” as an indication that their health problem is not serious – or that their health is being ignored
- Patients may go home rather than pay extra for “observation”
- If they are newly and truly admitted to the hospital after going home, likely that the condition has worsened
- Lack of rehab may lead to functional decline, need for more services, and higher costs

Original Question:
**Are Observation Status and the Two-Midnight Rule
Patient- and Family-Centered?**

Not so much.

Thank you.

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