

analyzing patterns in outpatient long-stay observation claims

The Notice of Observation Treatment and Implication for Care Eligibility (NOTICE) Act passed by Congress in March 2015 and enacted this past August requires hospitals to explain details of Medicare program coverage to Medicare beneficiaries who receive observation services as an outpatient for 24 or more hours. The intent is for hospitals to notify beneficiaries in writing of their status in the hospital as an outpatient (Part B) and that they are not eligible for inpatient coverage (Part A) while in observation. For patients who receive such notification, the implication is that they may be personally financially responsible for significant portions of the services provided to them during the observation stay as well as any subsequent skilled nursing services because of this setting status.

This mandated notice is likely to raise questions about how hospitals differ in their utilization of observation services. To provide a baseline for comparison, we analyzed outpatient data from the CY15 Medicare hospital outpatient prospective payment system (OPPS) file (the proposed rule version) in order to compare utilization differences among U.S. hospitals. Hospitals with 10 or fewer observation claims were excluded.

A 48-hour-or-longer stay benchmark was chosen to simplify this analysis for the purpose of a quick comparison. The number of these two-day or longer stays in an observation setting was divided by the total number of observation stays to measure patterns of usage between hospitals.

HOSPITALS WITH MORE THAN 10 CLAIMS FOR OBSERVATION SERVICES LASTING 48 OR MORE HOURS, CY15

	Percentage of Total Observation Stays That Are 48 or More Hours	Inpatient Average Length of Stay	Median Acute Bed Size	Percentage Teaching	Total Facilities
Quartile 1	0.07% to 7.07%	5.27	189	42.08%	480
Quartile 2	7.08% to 11.03%	5.34	147	32.21%	475
Quartile 3	11.04% to 16.97%	5.24	164	35.92%	476
Quartile 4	16.98% to 47.83%	5.51	159	33.54%	477

HOSPITALS WITH CLAIMS FOR OBSERVATION SERVICES, BUT NONE LASTING 48 OR MORE HOURS

	Inpatient Average Length of Stay	Median Acute Bed Size	Percentage Teaching	Total Facilities
No Observations Stays of 48 Hours or More to Report	5.26	100	23.37%	1,104

In the claims data, a total of 3,012 hospitals were qualified for inclusion in the analysis, having submitted more than 10 observation claims. Of that group, 1,908 had more than 10 claims for patients who had spent 48 or more hours in observation, with the percentage of such stays relative to all observation claims ranging from 0.70 to 47.83 percent. The median percentage for facilities reporting stays of 48 or more hours was 11.03 percent.

To compare the characteristics of the hospitals included in the study, facility profile information—including inpatient average LOS (from Medicare FFY15 IPPS claims data), teaching status, and bed size—was evaluated for hospitals reporting more than 10 stays lasting 48 or more hours and those reporting no such stays. The former group of hospitals were further separated into quartiles based on percentages of overall observation stays lasting or exceeding 48 hours.

The only noteworthy difference highlighted by these data is that hospitals with no claims to report for observation services lasting or exceeding 48 hours tend to be smaller and non-teaching.

Hospitals that encounter questions about their utilization patterns for observation services may find such information beneficial for ascertaining the extent to which their patterns are in line with those of peers. Although it is not apparent in the data why there is wide variation for utilization of observation services for extended stays, hospitals on the higher end of this scale should be prepared to explain their own pattern for these extended stays, given the increased visibility of the area to patients and in the news media. ■

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