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Patients May Linger in Observation Because of Attachment to Screening Tools, Experts Say

By Nina Youngstrom

Earlier this year, Trinity Health took a hard look at patients who received observation services for more than 48 hours. The analysis was part of its effort to improve compliance with Medicare's two-midnight rule and protect its revenue, a familiar refrain because hospitals everywhere tend to keep some patients in observation who should be admitted as inpatients. The data run at Trinity Health found that 17% of traditional Medicare patients were in observation for more than 48 hours during the first quarter of 2022.

"There's not a lot of evidence around what Medicare observation should be," said Mary Beth Pace, vice president of care management at Trinity Health, a Livonia, Michigan-based system. "We want to make sure that our Medicare beneficiaries in the hospital greater than two midnights who are still receiving a hospital level of care are converted to inpatients." But after being hammered by recovery audit contractor (RAC) reviews of inpatient admissions, hospitals are gun shy, even though CMS took two-midnight rule audits off the RACs to-do list several years ago. Other auditors have picked up the slack, however, including the HHS Office of Inspector General and quality improvement organizations.

Trinity's data meant a fair number of patients were not admitted as inpatients, even though physicians might have expected them to require a hospital level of care for two or more midnights. Like hospitals at other health systems, the reason wasn't a mystery, Pace said. Trinity Health knew that some members of the utilization management (UM) team weren't comfortable making an admission recommendation or decision without getting the green light from admission screening tools. Even though CMS has explicitly said the tools are irrelevant to decision-making under the two-midnight rule, Medicare administrative contractors have used the commercial screening tools to deny claims under the two-midnight rule (before quality improvement organizations took over the audits), Pace said. That signaled the tools were appropriate for use in admission decisions. If patients didn't pass muster with the screening tools, the cases were sent to physician advisors for a second-level review but kept in observation in the meantime.

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