

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL
ADMINISTRATIVE MANUAL

SECTION: FINANCIAL MANAGEMENT

NUMBER: 04-007

SUBJECT: CONDITION 44 / MEDICARE

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POLICY: Use of Condition Code 44, "Inpatient Admission Changed to Observation Status"

A. Background:

Payment is made under the Hospital Outpatient Prospective Payment System (OPPS) for Medicare Part B services furnished by hospitals subject to the OPPS, and under current payment methodologies for hospitals not subject to OPPS. "Outpatient" means a person who has not been admitted as an inpatient.

In some instances, a physician may order a beneficiary to be admitted to an inpatient bed, but upon reviewing the case later, the hospital's utilization review committee determines that an inpatient level of care does not meet the hospital's admission criteria.

CMS has obtained a new condition code from the National Uniform Billing Committee (NUBC), effective April 1, 2004:

Condition Code 44--Inpatient admission changed to observation status – For use on outpatient claims only, when the physician ordered inpatient services, but upon internal review performed before the claim was initially submitted, the hospital determined the services did not meet its inpatient criteria.

B. Policy:

1. In cases where a hospital utilization review committee determines that an inpatient admission does not meet the hospital's inpatient criteria, the hospital may change the beneficiary's status from inpatient to outpatient(observation) and submit an outpatient claim for medically necessary Medicare Part B services that were furnished to the beneficiary, provided all of the following conditions are met:
 - a. The change in patient status from inpatient to outpatient is made prior to the patients discharge or release, while the beneficiary is still a patient of the hospital;
 - b. The hospital has not submitted a claim to Medicare for the inpatient admission;
 - c. A physician concurs with the utilization review committee's decision; and
 - d. The physician's concurrence with the utilization review committee's decision is documented in the patient's medical record.

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2. When the hospital has determined that it may submit an outpatient claim according to the conditions described above, the entire episode of care should be treated as though the inpatient admission never occurred and should be billed as an outpatient episode of care.

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