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CENTRAL HEALTH MEDICARE PLAN

Medical Policy

Short Stay Admissions and Outpatient Hospital Observation	
MEDICAL POLICY NUMBER	MED_Clin_Ops-120
CURRENT VERSION EFFECTIVE DATE	1/01/2024
APPLICABLE PRODUCT AND MARKET	*Individual Family Plan*: All *Small Group*: All *Medicare Advantage*: All

Brand New Day/Central Health Medicare Plan develops policies and makes coverage determinations using credible scientific evidence including but not limited to MCG™ Health Guidelines, the ASAM Criteria™, and other third party sources, such as peer-reviewed medical literature generally recognized by the relevant medical community, physician specialty society recommendations, and expert opinion as relevant to supplement those sources. Brand New Day/Central Health Medicare Plan Medical Policies, MCG™ Guidelines, and the ASAM Criteria™ are not intended to be used without the independent clinical judgment of a qualified health care provider considering the individual circumstances of each member's case. The treating health care providers are solely responsible for diagnosis, treatment, and medical advice. Members may contact Brand New Day/Central Health Medicare Plan Customer Service at the phone number listed on their member identification card to discuss their benefits more specifically. Providers with questions about this Brand New Day/Central Health Medicare Plan Medical Policy may contact the Health Plan. Brand New Day/Central Health Medicare Plan policies and practices are compliant with federal and state requirements, including mental health parity laws.

If there is a difference between this policy and the member specific plan document, the member benefit plan document will govern. For Medicare Advantage members, Medicare National Coverage Determinations (NCD) and Local Coverage Determinations (LCD), govern. Refer to the CMS website at http://www.cms.gov for additional information.

Brand New Day/Central Health Medicare Plan medical policies address technology assessment of new and emerging treatments, devices, drugs, etc. They are developed to assist in administering plan benefits and do not constitute an offer of coverage nor medical advice. Brand New Day/Central Health Medicare Plan medical policies contain only a partial, general description of plan or program benefits and do not constitute a contract. Brand New Day/Central Health Medicare Plan does not provide health care services and, therefore, cannot guarantee any results or outcomes. Treating providers are solely responsible for medical advice and treatment of members. Our medical policies are updated based on changes in the evidence and healthcare coding and therefore are subject to change without notice. CPT codes, descriptions and materials are copyrighted by the American Medical Association (AMA). MCG™ and Care Guidelines® are trademarks of MCG Health, LLC (MCG).

PURPOSE

The purpose of this policy is to establish the medical necessity review criteria used by Brand New Day/Central Health Medicare Plan to determine approval of coverage at the observation level of care. This policy describes situations where observation level of care may be assigned (for example, observation level of care in lieu of hospital admission for prolonged evaluation of a member after an Emergency Department encounter.

The policy also describes situations where Observation level care is not approved for coverage (for example, a minor prolongations of Emergency Department evaluation and treatment or prolongations of recovery room care after ambulatory procedures).

POLICY

Brand New Day/Central Health Medicare Plan will cover the observation level of care, NOT the inpatient level of care, if:

1. The clinical condition meets the criteria of this policy.

   OR

2. ALL of the following are met:
   a. The clinical condition meets the criteria of this policy **AND**
   b. The clinical condition meets the criteria of an MCG Health guideline for inpatient level of care of a specific condition **AND**
   c. The medically necessary period of care is < 48 hours

Background

Brand New Day/Central Health Medicare Plan determines the covered level of care according to medical necessity criteria in this policy and other relevant policies including the Emergency Care Coverage policy (MED- 078) and MCG Health guidelines.

Considerations for when an observation level of care may be necessary include:

- A member needs ongoing evaluation or treatment to determine if hospital admission is required after an emergency department encounter.
- The required services go beyond what is typically provided in an emergency room or community setting.
- Services are expected to be short-term with limited duration.

Observation Care Criteria

The outpatient hospital observation level of care is appropriate and may be approved for coverage when ALL of the following are met:

1. Assessment, care, and treatments are needed to stabilize or treat a condition beyond what is able to be provided during a typical Emergency Room episode of care. For example, when the provider needs to employ a variety of outpatient services to determine whether admission and ongoing inpatient care is required, such as:
   a. Laboratory tests.
   b. Imaging services.
   c. Specialist consultations.
   d. Therapeutic drug treatments and/or procedures.
2. Hospital-based services are required for more than 8 hours but typically for less than 48 hours to determine:
   a. A definitive treatment plan; or

   b. Apply short-term interventions that are typically able to be performed on an outpatient basis.

3. Hospital-based services are needed to observe, evaluate, or safely and effectively apply short-term treatments for the member's condition beyond what can be done in the community setting, non-hospital setting, or lower level of care.
4. Ongoing or frequent periodic monitoring by hospital staff is necessary for safe and effective evaluation of the member's condition.

Note: The clinical scenario may or may not meet the criteria of an MCG guideline for inpatient level of care of a specific condition to be authorized for observation level of care.

Refer to MCG criteria for condition-specific observation criteria.

Exclusions:

The following services do not support medical necessity for coverage at the Observation Level of care:

1. Routine diagnostic services or outpatient surgery/procedures.
2. Routine postoperative monitoring during the standard recovery period in a recovery room (e.g. 4-6 hours). These services are considered part of the associated surgical procedure.
3. Patient preparation or active recovery room monitoring associated with ambulatory diagnostic or therapeutic services including but not limited to: ambulatory surgeries, endoscopies, chemotherapy treatments, or blood transfusions.
4. Services provided only for the convenience of the member or their family or physician (for example, discharge is delayed because the provider is unavailable after an uncomplicated procedure, or a member is awaiting placement in a long-term care facility).
5. Standing orders for observation following outpatient surgery.

DEFINITIONS

1. **Outpatient observation** is used when the member's condition is expected to be evaluated and/or treated within 48 hours of admission, with follow-up care provided on an outpatient basis or with hospital admission.

2. **Short-term inpatient stay** is a one (1) to two (2) day length of stay at the inpatient level of care

3. **Observation care** is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment, that are furnished

while a decision is being made regarding whether patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital.

EVIDENCE BASED REFERENCES

1. Medicare Benefit Policy Manual (Pub. 100-2), Chapter 6, 20.6 Outpatient Observation Services available at http://www.cms.hhs.gov/manuals/Downloads/bp102c06.pdf
2. Medicare Claims Processing Manual, Chapter 4, 290 Observation Services available at http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/clm104c04.pdf
3. https://oig.hhs.gov/oei/reports/oei-02-12-00040.pdf

POLICY HISTORY

Original Effective Date	**6/16/2022**
Revised Date	**Version Notes**
UM Committee Endorsement	V2 – March 01, 2023 – Adopted by MA UMC January 1, 2024 - Updated to Brand New Day/Central Health Medicare Plan (no policy revisions made)

Approved by Utilization Management Committee 06/16/2022