

# Know Your Hospital Status



The Office of the  
**Minnesota Attorney General**  
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When you are admitted to a hospital, it is only natural to believe that you have been admitted as a regular patient, or an “inpatient,” to that hospital. Yet, a concept known as “observation status” can affect the amount you pay if you are on Medicare. “Observation status” is a term sometimes used by hospitals and Medicare. “Observation status” technically means that the hospital is caring for you while making a decision as to whether to admit you as an inpatient or to discharge you from the hospital. Oftentimes, patients at hospitals may not know their status, as hospitals sometimes treat patients overnight for serious injuries or illnesses under the category of “observation status” without providing notice right away. If a hospital classifies your stay as “observation status,” however, it may cost hundreds or thousands of dollars more than if the hospital classified you as an inpatient.

Medicare recipients can be financially impacted by “observation status” in at least three ways. First, if a patient requires care at a skilled nursing facility following the hospital stay, he or she must be an inpatient for at least three consecutive days before Medicare will pay for any costs at the skilled nursing facility. Second, if the patient needs prescription drugs while in the hospital on “observation status,” Medicare will not cover the high cost of these drugs. Third, Medicare covers “observation status” stays at hospitals under Medicare Part B, which charges higher co-pays than Medicare Part A.

## Skilled Nursing Facilities

Under Medicare rules, Medicare Part A will normally pay for up to 100 days of a Medicare recipient’s stay at a skilled nursing facility following a three day stay at the hospital. In order to qualify, however, patients must be considered inpatients for at least three consecutive days, not counting the date of discharge. If a patient was not an inpatient for the three consecutive days, then Medicare Part A will not cover any amount of a subsequent stay at a skilled nursing facility. Many skilled nursing facilities require payment upfront from patients when Medicare will not cover the cost.

For example, “**Jane**” was taken to the hospital after a fall. A doctor reviewed her x-rays and informed her that she had a sprained knee. Jane was not able to stand with a brace, so she was sent to a hospital room. Another doctor wanted to take a CT scan of her knee, but she asked to wait until the next morning because she was in pain. The next day, the CT scan showed that she had a fracture. Jane assumed that she had been admitted as an inpatient. No one told her that she was coded as “observation status.” After spending three nights in the hospital, Jane was discharged to a skilled nursing facility for rehabilitation. Because of the “observation status” classification while at the hospital, Medicare Part A did not cover the costs of her stay at either the hospital or the nursing facility. Jane was billed more than \$11,000 for her stay at the hospital and almost \$16,000 for services at the nursing facility.

## Prescription Drug Costs

Being classified as under “observation status” also affects how much patients pay at the hospital for prescription drugs. For those patients under observation status, Medicare does not pay for many routine drugs that hospital patients may need for chronic conditions such as diabetes, high blood pressure or high cholesterol. Hospitals frequently bill patients steep prices for even generic drugs, so that patients who take even small amounts of drugs may be billed hundreds of dollars.

For example, “**Linda**” stayed at the hospital for a few days for rotator cuff surgery. She expected to be discharged the day after her surgery, but she was kept in the hospital because she progressed slowly and experienced shortness of breath and chest pain. She was placed on “observation status” following her surgery, even though she had been

hooked up to a heart monitor and had been unable to control her pain. Because Linda was considered to be under “observation status,” Medicare did not cover the costs of the prescription drugs she took while at the hospital.

## Higher co-pays under Medicare Part B

“Observation status” also affects the amount of co-pays patients must pay under Medicare Part B. If you are an inpatient, Medicare Part A will cover all inpatient hospital services. Generally, patients will only pay a one-time deductible for all hospital services for the first 60 days in the hospital. If instead the patient was under “observation status,” then he or she is responsible for paying 20 percent or more of the Medicare-approved amount for doctor services after paying the Part B deductible.

For example, “**Ruth**” went to a hospital after episodes of severe dizziness, palpitations, and shortness of breath. She never had these symptoms before the incident. Ruth was admitted as an inpatient, but the hospital changed her status overnight to “observation status” without informing her of the change until the next day. Ruth could not get the hospital to change her status back to inpatient despite her protests. As a result, she could not afford further doctor-recommended tests due to the higher co-pays under Medicare Part B.

## Tips

**If you’re in the hospital for more than a few hours, ask whether you’re an inpatient or an outpatient.** Although a hospital is required by Minnesota statute to provide each patient oral and written notice if they are under “observation status” within 24 hours, this does not always happen. Additionally, many patients are not fully informed of the consequences of their status. If you have not been informed, make sure you ask whether you are an inpatient early in the process.

**Request to know immediately if your status changes.** Even if you are admitted as an inpatient, your status may change during your stay at the hospital. Other hospital staff or even outside consultants often review a doctor’s decision to admit someone as an inpatient. If the hospital decides that the patient’s symptoms do not meet Medicare’s criteria for being an inpatient, then the hospital may change that person’s status to “observation status.” Hospitals sometimes fail to notify patients of changes to a patient’s status, even though they are supposed to.

**Medicare.** Unfortunately, the Centers for Medicare and Medicaid Services currently appear to take the position that a determination by a doctor or hospital that a patient is under “observation status” may not be appealed to Medicare. Accordingly, patients should enlist the help of their regular physician to get their treatment re-categorized to “inpatient status.” Patients may also wish to consider hiring an attorney to intervene with the hospital to try to get it to change their status. Information on obtaining an attorney can be found in our flyer entitled *Hiring an Attorney*.

If you have questions about the operation of the Medicare programs, or the coverage available to you under your plan, you may contact the Centers for Medicare and Medicaid Services as follows:

### Centers for Medicare and Medicaid Services

7500 Security Boulevard  
Baltimore, MD 21244  
(800) 633-4227  
[www.cms.gov](http://www.cms.gov)