Document ID: AETAMA-081918	**Title:** Aetna Medicaid Administrators LLS (AMA) 7200.08 Common Hospital Observation	
Parent Documents: N/A		
Effective Date: 07/01/2018	**Last Review Date:**	**Business Process Owner (BPO):**
Exhibit(s): N/A		
Document Type: Policy and Procedures		

PURPOSE

This policy outlines how Healthy Louisiana Managed Care Organizations (MCOs) utilize a common hospital observation policy and to provide outpatient services to eligible Medicaid members performed on an outpatient basis in a hospital setting. Hospital providers are to confirm that the services provided to Medicaid members are medically necessary, appropriate and within the scope of current evidence based medical practice and Medicaid guidelines.

SCOPE

This policy applies to all staff processing and reviewing Louisiana prior authorization requests.

POLICY

Observation Policy

Healthy Louisiana MCOs will reimburse up to forty-eight (48) hours of medically necessary care for a member to remain in an observational status. This time frame is for the physician to observe the member and to determine the need for further treatment, admission to an inpatient status, or for discharge. Observation and ancillary services do not require notification, precertification or authorization and will be covered up to forty-eight (48) hours.

Hospitals should bill the entire outpatient encounter, including Emergency Department (ED), Observation, and any associated services, on the same claim with the appropriate revenue codes, and all covered services are to be processed and paid separately.

Any observation service over forty-eight (48) hours requires MCO authorization. For observation services beyond forty-eight (48) hours that are not authorized, MCOs will only deny the non-covered hours.

If a member is anticipated to be in observation status beyond forty-eight (48) hours, the hospital must notify the MCO of an extension of observation request by next business day following the end of the initial forty-eight (48) hour observation period. The MCO and provider will work together to coordinate the provision of additional medical services prior to discharge of the member as needed.

Observation-to-Inpatient

Length of stay should not be the determining factor in plan denial of inpatient stay/downgrading to observation stay.

Medicaid members should not be automatically converted to inpatient status at the end of the forty-eight (48) hours. Admission of a member cannot be denied solely on the basis of the length of time the member actually spends in the hospital.

All hospital facility charges on hospital day one (1) are included in the inpatient stay and billed accordingly inclusive of Emergency Department/observation facility charges.

NOTE: Professional charges should be billed separately.

A case example is as follows:
A member is referred to the hospital on 9/1 at 10 a.m. from the doctor's office with chest pain. Orders are to admit in an outpatient (observation) status and observe on a telemetry unit (EKG monitoring, cardiac enzymes q8hrs x3 sets).

At 1 p.m. on 9/2, chest pain continues, and enzymes are positive. The physician writes an order to convert the member to inpatient. The hospital should indicate that the member came in as an outpatient via emergency room or observation on 9/1. On 9/2, the physician wrote orders to admit as an inpatient. The admission date is 9/1 not 9/2.

In the case example above, all services performed on 9/1 are included in the inpatient stay and should be billed accordingly.

The provider cannot bill an outpatient claim for 9/1. The encounter claims should indicate both the date of admit and the date of service as 9/1. The MCO authorization date of service (DOS) will begin on 9/1 to include the date of the order for observation status for the Medicaid member at the hospital facility.
All observation status conversions to an inpatient hospital admission require notification to the MCO within one (1) business day of the order to admit a member. Acceptable notifications include the use of MCOs provider portals, ADT notifications, and other medium through which plans accept clinical communications.

MCOs are prohibited from including any observation hours in the inpatient admission notification period.

The MCO will notify the provider rendering the service, whether a health care professional or facility or both, verbally or as expeditiously as the member's health condition requires but within no more than one (1) business day of making the initial determination. The MCO will subsequently provide written notification (i.e., via fax) to the provider within two (2) business days of making the decision to approve or deny an authorization request.

STANDARD:
To provide outpatient services to eligible Medicaid members performed on an outpatient basis in a hospital setting.

No later than July 1, 2018, the MCO will utilize a common hospital observation policy that is developed and maintained collectively by MCO personnel with approval of LDH. The common hospital observation policy will be reviewed annually by the MCOs in its entirety. Any revisions will be reviewed and approved by LDH in writing at least thirty (30) calendar days prior to implementation.[1]

Documentation should include:

- **Initial prior authorization or notification of extended observation or admission to the Prior Authorization department**
- **Information updates related to concurrent review, level of care changes, discharge planning, or applicable referral information (such as Integrated Care Management referrals) by concurrent review clinician or designated staff**

Measurements

- **Observation stays in hours**
- **Extended observation stays greater than forty-eight (48) hours**
- **Consistency of application of medical review criteria as measured through the inter-rater reliability assessment tool**
- **Quality/utilization management indicators**
- **Consistency in documentation (by department file audits)**

Reporting

- **Monthly percent of observation stays**
- **Consistency of documentation by department file audits at least quarterly**

DEFINITIONS:

1. **Aetna: The subsidiaries of Aetna Inc. that provide traditional and consumer-directed health insurance products and related services.**
    a. **Aetna is the brand name used for products and services provided by one or more of the Aetna group of companies. (Aetna) means: "Aetna" is the brand name used for products and services provided by one or more of the Aetna group of affiliate companies. The Aetna companies that offer, underwrite or administer benefit coverage include Aetna Health Inc., Aetna Health of California Inc., Aetna Health of Iowa Inc., Aetna Health of Michigan Inc., Aetna Health of Ohio Inc., Aetna Health of Utah Inc., Aetna Life Insurance Company, Aetna Health Insurance Company of New York, Aetna Health Insurance Company, Coventry Health Plan of Florida, Inc., Coventry Health Care plans, Coventry Health and Life Insurance Company, HealthAmerica**

[1] 2023 Louisiana Medicaid Managed Care Organization Attachment A, Model Contract Section 2.12.8.3

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2. **Business Day: Traditional workdays, including Monday, Tuesday, Wednesday, Thursday, and Friday. State holidays are excluded, and traditional work hours are 8:00 a.m. – 5:00 p.m., unless the context clearly indicates otherwise**
3. **Department: Louisiana Department of Health (LDH)**
4. **Member: A person insured or otherwise provided coverage by a health insurance organization**.
5. **Observation Care: Is a well-defined set of specific, clinically appropriate services furnished while determining whether a member will require formal inpatient admission or be discharged from the hospital. Observation is for a minimum of one (1) hour and up to forty-eight (48) hours.**
    - **The member must be in the care of a physician during the period of observation, as documented in the medical record by an observation order, discharge, and other appropriate progress notes that are timed, written, and signed by the physician.**
6. **Observation Time: This begins at the time the order is written to place in observation status or the time a member presents to the hospital, with an order for observation, and ends with discharge or an order for inpatient admission.**
7. **Provider: An institution or organization that provides services, such as a hospital, residential treatment center, home health agency or rehabilitation facility.**

Aetna Better Health of Louisiana

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Resources:

- **2023 Louisiana Medicaid Managed Care Organization Attachment A: Model Contract**

EXHIBIT(S): N/A