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TO: The Honorable Peter A. Hammen, Chairman
Members, House Health & Government Operations Committee
The Honorable Bonnie Cullison

FROM: Joseph A. Schwartz, III
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DATE: February 28, 2013

RE: **SUPPORT** – House Bill 1062 – *Hospitals – Notice to Patients – Outpatient Status and Billing Implications*

The Maryland State Medical Society (MedChi), which represents over 7,500 Maryland physicians and their patients, supports House Bill 1062.

House Bill 1062 deals with the increasingly troublesome practice of patients not being “admitted” into a hospital but being held for a period of time at the hospital facility and categorized as having spent an “observation day.” Many elderly patients, for example, do not realize that they were not “admitted” into the hospital and, more importantly, that subsequent referral for medical services including rehabilitation may not be covered.

House Bill 1062 is a response to a situation created by conflicting Medicare payment policies. On the one hand, Medicare requires that a patient be in the hospital for 3 days before he or she can be discharged to a rehabilitation facility paid for by Medicare. At the same time, Medicare discourages hospital admissions requiring doctors to detail in a patient’s chart the specific clinical reasons that an admission is medically necessary. Hospitals which too freely admit patients are subject to medical audit and potential fraud charges. The net effect of these policies is that patients who appear at the hospital but who are not “admitted” become “observation” patients. The Catch-22 is that “observation” days in the hospital do not count against the 3-day hospital stay requirement to justify Medicare payment of further rehabilitation.

House Bill 1062 will require a notice to patients who are not actually admitted into the hospital but who are only being observed, so that they are aware that any future rehabilitation

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may not be covered by Medicare. The real solution to the problem is to require Medicare to count “observation” days as if they were “admission” days. Until that occurs, the problem identified by House Bill 1062 will continue.

For more information call:

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