

Know Your Rights!

Observation vs Inpatient

When the doctor tells you that they are going to admit your loved one to the hospital you need to ask “Are they being admitted as an inpatient or Observation?”

If the answer is inpatient there is nothing else you need to do. If your loved one is being admitted under “Observation” you need to be aware of some potential problems.

Observation Status is paid by Medicare Part B, while inpatient status is paid by Medicare Part A. Individuals who are enrolled in Medicare Part A, but not Part B will be responsible for paying the entire hospital bill if they are listed as “Observation” status.

Since March 2017, federal law has required hospitals to provide both oral and written notification to patients that they are being admitted as an Observation status if they are being admitted for more than 24 hours and are not being admitted as an inpatient. This is called the “Medicare Outpatient Observation Notice” or MOON, and notice must be given to the patient within 36 hours of admission to the hospital.

- When an individual’s status is “Observation” they may be charged for services that Medicare would normally pay for such a copayment for each outpatient service they receive or 20% of the Medicare-approved amount for most doctor services after the Part B deductible.
- In order to get Medicare to pay for rehab in a long-term care facility the individual must be listed as an inpatient for three (3) midnights. If your loved one’s status is “Observation” Medicare will NOT pay for their rehab; it will be an out of pocket expense.

What Options do you have if your loved one is admitted under “Observation?”

1. If the individual is still in the hospital:
 - a. Ask the doctor to help change their status to inpatient, only the doctor can change an individual’s status.
 - b. Use Medicare’s “two-midnight rule.” (Not to be confused with the (3) three midnight rule above). This states that if their doctor expects the individual to require hospital care for at least two midnights, the hospital should be able to admit the individual an inpatient.
 - c. Consider other resources for care such as: an inpatient rehabilitation hospital, home health care or, outpatient therapy. These do not require a three (3) day inpatient stay.

If the individual is no longer in the hospital: Medicare does not have an official method to appeal the Observation status at this time.