

# Maximize Net Reimbursement for Observation and Inpatients

## Crowe<sup>®</sup> Healthcare Webinar Series

Colleen Hall, Senior Manager  
Dr. Stephen Crouch, Advocate Health Care

## About the Speakers

**Colleen Hall** is a Senior Manager within the Healthcare Performance practice at Crowe Horwath. She has over ten years of healthcare industry experience with specific expertise in the areas of charge capture and coding. Ms. Hall leads the Observation services division within Crowe and has presented on issues related to the Two-Midnight Rule and the impacts affecting hospitals on a national level. She also holds several coding certifications including Certified Professional Coder (CPC), Certified Professional Medical Auditor (CPMA) and Certified Interventional Radiology and Cardiology Coder.

**Dr. Stephen Crouch** practices emergency medicine at Advocate Good Samaritan Hospital in Downers Grove, Illinois. For the past 11 years, he has served as the medical director and chairman of the Department of Emergency Medicine in addition to his clinical duties. Dr. Crouch also serves as a physician for the Utilization Management Department at Good Samaritan. In this role, he works with the UM nurses helping navigate the ever changing CMS regulations regarding admission status. Also, he interacts with the hospital's care managers, clinical documentation team and insurance denial specialists.

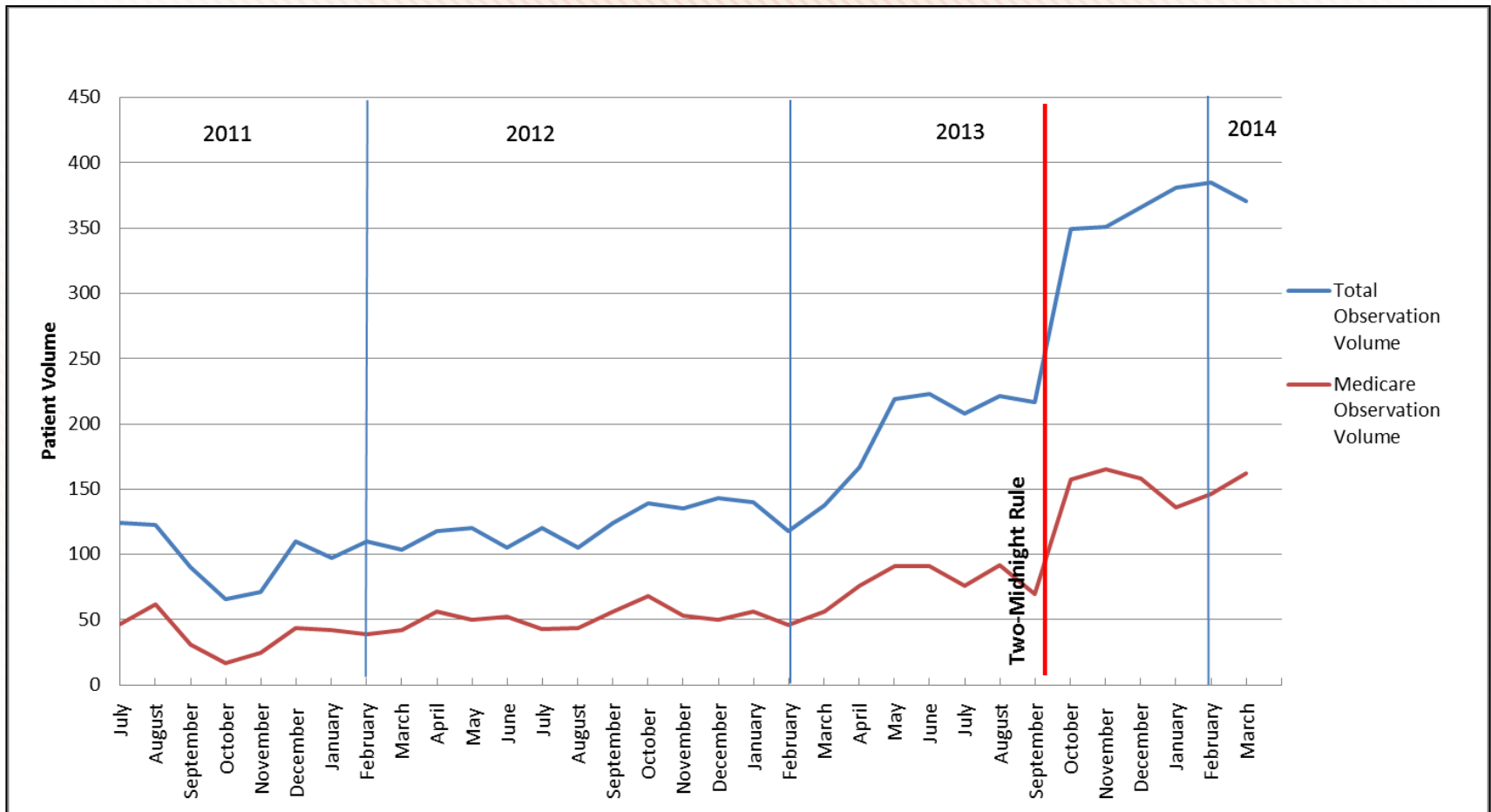
## Observation or Inpatient... That is the Question





# Observation or Inpatient?

## Volume Impact from the Two-Midnight Rule

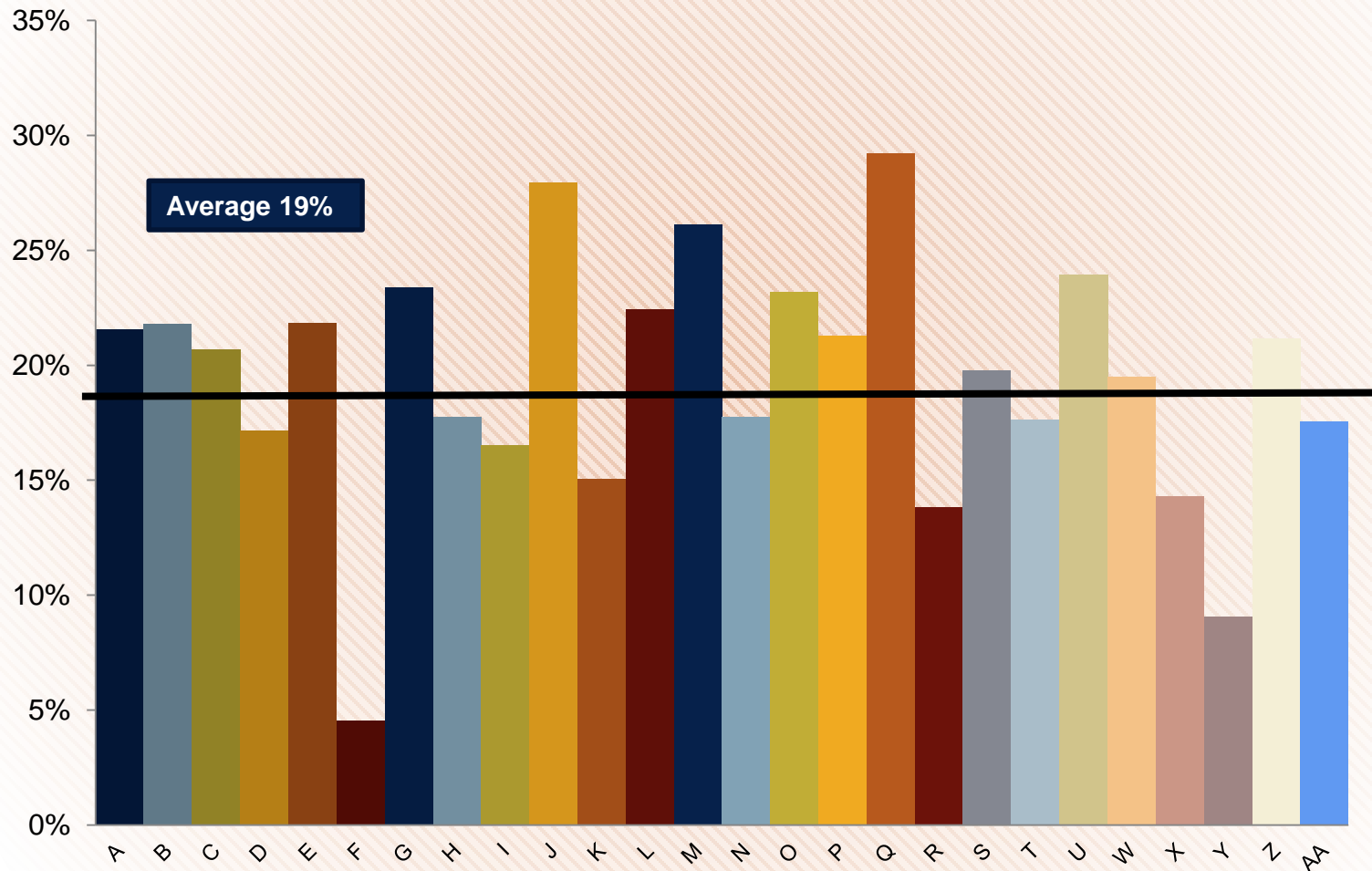


## Polling Question #1

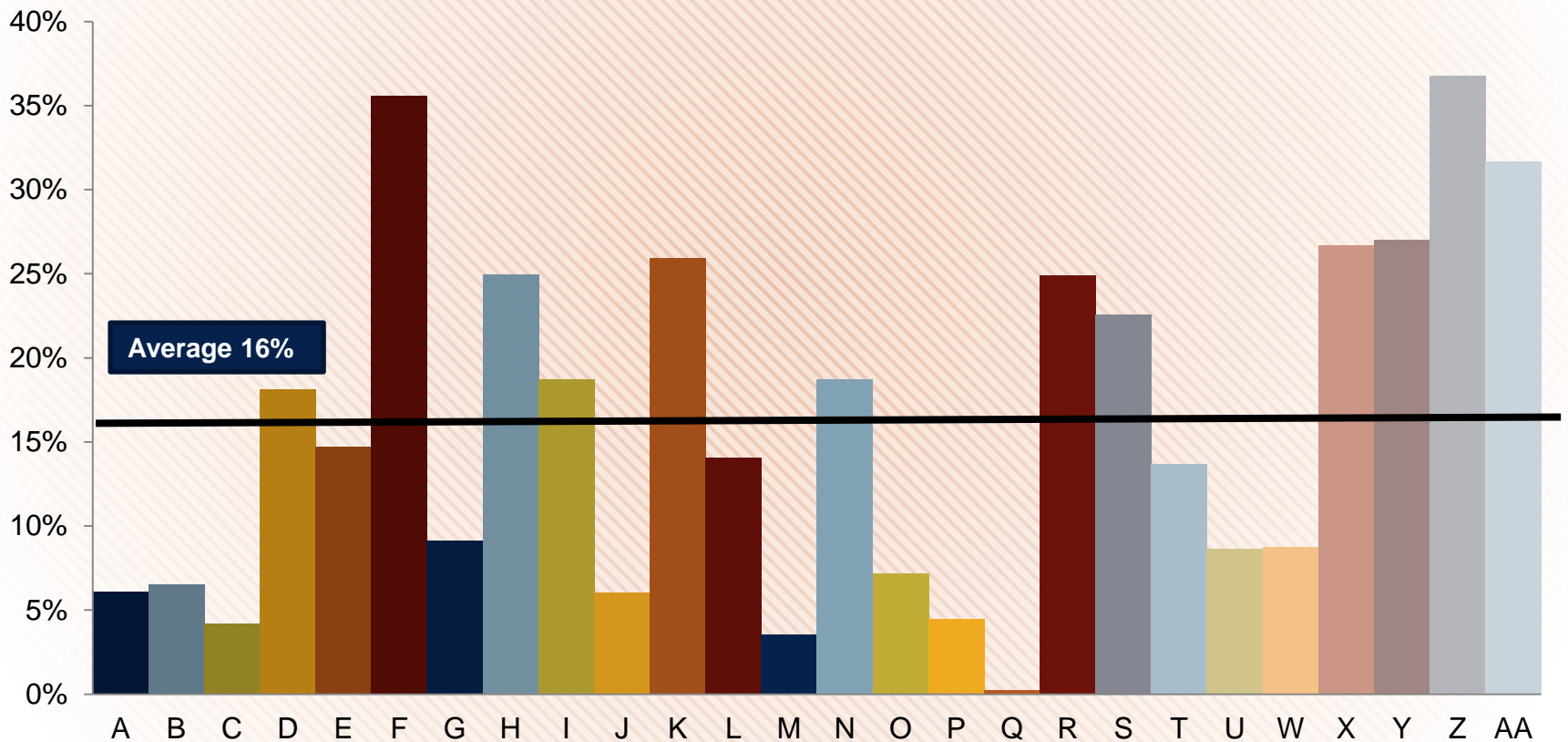
- Has your organization experienced a drastic (i.e. over 10%) increase in observation patient volume since the Two-Midnight Rule was implemented?
  - A. Yes
  - B. No
  - C. Unsure



## Observation Volume as a % of Total Discharges



## Short Stay Inpatients (48 hrs or less) as a % of Total Inpatient Volume





## Polling Question #2

- Has your organization struggled with the correct application of the Two-Midnight rule?
  - A. Yes
  - B. No
  - C. Unsure

## Significant Financial Mistakes

- Placing every patient in Observation to start
- Following Interqual/Milliman over physician order or intent
- Lacking physician documentation
- Lacking physician certification
- Failure to validate/sign physician order prior to discharge
- Failure to obtain new order for inpatient status
- Failure to document unforeseen circumstances for short stay inpatients
- Performing inpatient only procedures on outpatient/observation patients

# DRG Financial Impact Analysis

DRG	DRG Description	October 2013 - March 2014					Annualized Total Gain/Loss	Confidence Rating
		IP Short Stav	OP Obs Long Stav	Total Volume	IP Short Stay Avg. Net	Total Obs Avg. Net		
428	Heart failure	48	9	57	\$ 7,193	\$ 4,540	(\$206,921)	●
786	Symptoms involving respiratory system & other chest symptoms	15	18	33	\$ 5,132	\$ 1,847	\$19,711	●
996	Complications peculiar to certain specific procedures	25	5	30	\$10,110	\$ 7,923	(\$87,476)	●
599	Disorders of urethra and urinary tract	23	2	25	\$ 6,851	\$ 1,261	(\$234,766)	●
427	Cardiac dysrhythmias	20	3	23	\$ 8,264	\$ 2,277	(\$203,559)	●
780	General symptoms	11	11	22	\$ 7,036	\$ 1,739	\$0	●
493	Asthma	16	5	21	\$ 7,034	\$ 2,673	(\$95,940)	●
250	Diabetes mellitus	19	1	20	\$ 7,891	\$ 1,232	(\$239,695)	●
198	Secondary malignant neoplasm of other specified areas	16	1	17	\$ 9,768	\$ 2,944	(\$204,720)	●
276	Disorders of fluid, electrolyte, and acid-base balance	11	3	14	\$ 5,991	\$ 1,757	(\$67,740)	●
434	Occlusion of cerebral arteries	11	2	13	\$ 8,312	\$ 1,880	(\$115,770)	●
578	Gastrointestinal hemorrhage	11	1	12	\$10,138	\$ 1,666	(\$169,441)	●
415	Acute pulmonary heart disease	9	2	11	\$ 9,501	\$ 4,761	(\$66,357)	●
185	Malignant neoplasm of prostate	59	0	59	\$11,828	\$ 5,263	(\$774,711)	●
189	Malignant neoplasm of kidney	12	0	12	\$14,000	\$ 5,263	(\$209,682)	●
486	Pneumonia, organism unspecified	11	0	11	\$ 7,807	\$ 1,917	(\$129,585)	●
518	Other diseases of lung	13	0	13	\$13,198	\$ 2,230	(\$285,171)	●
562	Diverticula of intestine	12	0	12	\$ 7,560	\$ 1,611	(\$142,792)	●
584	Acute kidney failure	22	0	22	\$ 8,435	\$ 1,485	(\$305,789)	●
715	Osteoarthritis, generalized	32	0	32	\$16,193	\$ 4,948	(\$719,644)	●
	All Other Diagnosis Codes	408	85	493			(\$4,377,163)	●
<b>Total</b>		<b>804</b>	<b>148</b>	<b>952</b>			<b>(\$8,617,210)</b>	

Confidence Rating Summary	
Confidence Rating	Annualized Total Gain/Loss
●	(\$1,672,673)
●	(\$2,567,374)
●	(\$4,377,163)
<b>Total</b>	<b>(\$8,617,210)</b>



High Volume & Strong DX Code Match



High Volume with Weak DX Code Match

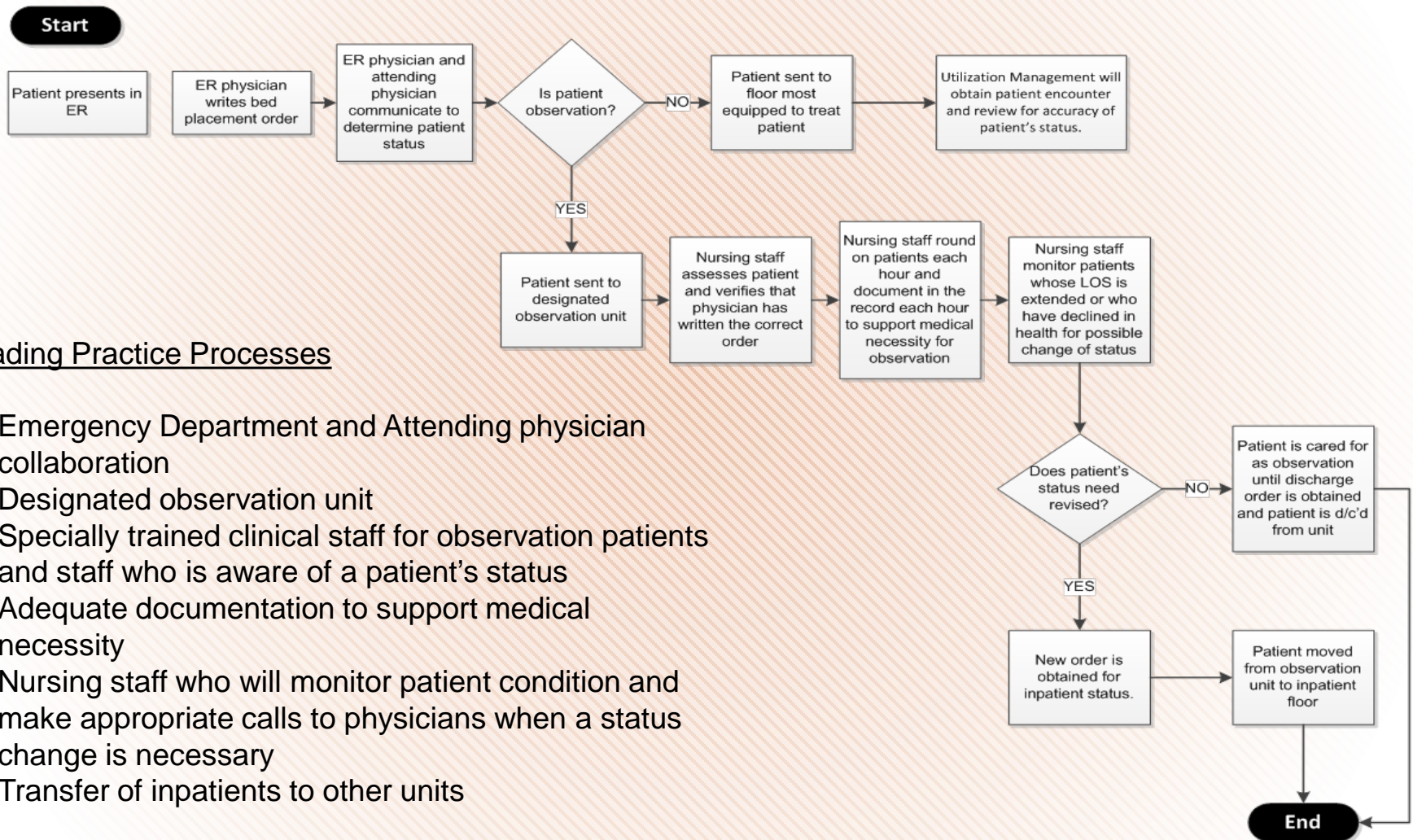


Low Volume (<10 Cases)

## Polling Question #3

- How much of an impact has your organization estimated as an impact from the Two-Midnight Rule?
  - A. Less than \$1 million
  - B. Between \$1 - \$5 million
  - C. Between \$5 - \$10 million
  - D. Over \$10 million
  - E. Unsure

# Maximizing Observation Patient Charge Capture



## Leading Practice Processes

1. Emergency Department and Attending physician collaboration
2. Designated observation unit
3. Specially trained clinical staff for observation patients and staff who is aware of a patient's status
4. Adequate documentation to support medical necessity
5. Nursing staff who will monitor patient condition and make appropriate calls to physicians when a status change is necessary
6. Transfer of inpatients to other units



## RAC Settlement Option

- 68% settlement of ALL claims that are in the appeal or denial status
- Must make decision by October 31<sup>st</sup>
- Considerations:
  - Amount at risk
  - Certainty of appeal results
  - Need of cash now



## Polling Question #4

- Is your organization accepting the 68% settlement from CMS?
  - A. Yes
  - B. No
  - C. Undecided

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