

Understanding a Medicare glitch can save money

By Linda T. Cammuso

When you are admitted to a hospital, you might naturally think that you are an inpatient. But, the hospital may have a different opinion and categorize your status as observation.

Did you know that under observation status you are deemed an outpatient? Adding insult to injury, did you know being categorized as observation status could result in your paying much more in out-of-pocket

expenses than if you were classified as an inpatient?



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Medicare patients need to understand how costly it can be if the hospital classifies your status as “Observation” rather than “Inpatient.” Since observation status means you are an outpatient, Medicare will pay your benefits accordingly. Let’s

review how this could impact you:

- Rehabilitation or nursing home care: Assuming that you need rehabilitation following hospitalization, Medicare will only pay for care in a skilled facility after a three day consecutive stay — and only if you were classified as an inpatient.

You will not qualify for Medicare benefits if you need nursing home care and you have not been classified as an inpatient and you have not been hospitalized for three full days.

- What observation status means: While you are hospitalized, you could incur unexpected costs (co-pays) for drugs, X-rays, labs and other hospital treatments.

- Notification: Surprisingly, most patients are not informed of their classification; if the status is observation, you have virtually no time to react. In some cases, when patients are notified, many do not fully understand the implications because they are receiving the same care as others; consequently, they do not challenge the classification.

The pressure is on for hospitals and physicians to classify many Medicare patients

under observation status; often that pressure is so pervasive that even when a patient qualifies as an inpatient, the hospital chooses the observation classification to ensure they receive payment for your treatment. Additionally, when doctors classify someone as an inpatient, the hospital will often overrule them. And, the use of the observation status is growing.

It is important that you, or a family member, ask about your admission status immediately when you are hospitalized and again during your stay at the hospital, because it can change from day-to-day. After all, your financial situation is at stake.

If your status is observation, ask the hospital doctor and case manager how they arrived at that classification and ask that it be changed

If they refuse, contact your personal physician and ask him/her to help.

If that fails, be sure to request a hearing with the relevant hospital committee

Bills have been filed in the House of Representatives (HR 1179) and in the Senate

(S569) to amend title XVIII of the Social Security Act. If passed, this legislation would amend the Medicare Act’s definition of “post hospital extended care services” to clarify that time spent in the hospital in observation status counts toward the three-day prior hospital prerequisite for Medicare skilled nursing facility coverage.

But, until the bills are enacted into law, it remains important to be diligent about your, or a loved one’s, hospital classification to avoid costly consequences. This can happen to you and I cannot emphasize enough how costly it will be for any Medicare recipient who is capriciously misclassified.

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