"Under Observation:" The Two Words that Cost Medicare Patients Thousands

When it comes to Medicare claims, it's all about the fine print on your hospital chart. Find out how being "under observation" can cost you.

Keywords

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BRIAN WILLIAMS, anchor:
Back as promised with this new warning for everyone on Medicare. Specifically, it is about the words that appear on hospital forms and small differences in the fine print that could mean thousands of dollars in payments down the line. We get details on this story tonight from our National Correspondent Kate Snow.

KATE SNOW, reporting:
Seventy-nine year-old M.J. Bricu is doing physical therapy after a bad spill in September. She spent three days in a hospital. She got the same care as an in-patient, but she wasn’t classified as one. Instead, her chart said she was only "under observation."

M.J. BRICU: I mean it’s-- it’s illogical. I had a broken leg. It just didn’t make sense at all. What were they going to observe?

SNOW: And here’s what she didn’t understand at first: that label, under observation, technically made her an out-patient and that means Medicare won’t pay for her rehabilitation in a nursing facility which costs $28,000.

BRICU: The whole thing is so outrageous and it's not right.

JUDITH STEIN (Center for Medicare Advocacy Exec. Director): It's a huge problem. There are over a million, almost 2 million people every year, who are stuck in this observation status, Alice in Wonderland world.

SNOW: The number of patients under observation has increased dramatically since 2006. And just last year, more than 600,000 cases were like M.J.’s--patients in the hospital for three days or more, but not eligible for costly rehab coverage. To the patient, to our viewers, frankly, it seems like the hospital shares at least part of the blame for this.

RICH UMBDENSTOCK (American Hospital Association President): Sure, they’re in the hospital. They're going to think all of this is a hospital decision. Much of this is out of our hands.

SNOW: Rich Umbdenstock who represents most of the hospitals in this country, says they’re being squeezed by Medicare. In-patients cost more, so Medicare aggressively audits the classifications given to
patients.

UMBDENSTOCK: If you make the wrong decision, if you admit a patient to in-patient status and then they determine after the facts, sometimes years later, with additional information of the physicians didn’t have, they will take that payment back. Unfortunately, the patient does get in the middle of this.

SNOW: We wanted to talk to Medicare, but they denied our request for an interview, citing pending litigation on this very issue. The hospital that treated Mary Jane wouldn’t talk to us either, but gave us a statement, saying, it is "...obligated to follow Medicare rules when assigning patients to their appropriate level of care." M.J. finds the whole thing unfair. She and her husband who’s had Parkinson’s for 20 years just moved in with their son in Dallas to save money.

BRICU: I’ve worked my whole life. And I’m just appalled.

SNOW: Now, any money they can save will go to her rehab. So far legislative proposals to fix this problem have gone nowhere. Advocates say Medicare patients who end up in a hospital should make sure they’ve been admitted as in-patients and aren’t just "under observation." And if all else fails, ask to challenge the decision with Medicare. Brian.

WILLIAMS: Kate Snow in our New York studios for us tonight with the story. Kate, thanks.