Observation Program

Tufts Health Plan's observation program was introduced to ensure that medically necessary care is provided in the most appropriate setting. Utilization experience has shown that inpatient admissions often may be avoided in cases where short-term, intensive outpatient management interrupts the progression of an illness, successfully stabilizes and improves the member's conditions, and permits the member to return home.

Tufts Health Plan does not expect observation services to be used as a replacement for medically appropriate inpatient admissions, as noted in the following CMS definition:

"Observation care is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment and reassessment that are furnished while a decision is being made regarding whether members will require further treatment as hospital inpatients or if they are able to be discharged from the hospital. Observation status is commonly assigned to patients who present to the emergency department and who then require a significant period of treatment or monitoring before a decision is made concerning their admission or discharge."

Observation services are covered only when provided on the order of a physician or another individual authorized under state law and hospital staff bylaws to admit members to the hospital or to order outpatient tests. Observation services must also be reasonable and necessary to be covered by Medicare. Reasonable and necessary outpatient services span more than 48 hours only in rare and exceptional cases. In the majority of cases, the decision whether to discharge a member from the hospital following resolution of the reason for the observation care or to admit the member as an inpatient can be made in less than 48 hours, usually in less than 24 hours.

The following information highlights important points of this program:

- When medically appropriate, observation care is an option for members whose problems are reasonably expected to be resolved within 24 to 48 hours. Members must generally be released or admitted by the 49th hour of observation care.
- Hospitals must follow the inpatient notification procedures outlined in the Referrals, Prior Authorizations and Notifications chapter for members admitted to inpatient status after receiving observation services
- Upon notification, the member's Interdisciplinary Care Team (ICT) will assist with discharge planning and care coordination services[1]
- Tufts Health Plan may retrospectively review observation services for medical necessity to ensure compliance with Tufts Health Plan guidelines, which are consistent with Medicare guidelines
- Hospitals will no longer be reimbursed at the contracted rate for both observation care and an inpatient admission if a decision is made that results in an inpatient admission from the observation stay. If the observation services and admissions commence on the same calendar day, Tufts Health Plan will only pay for the admission.
- When other outpatient services are provided, all reasonable and necessary observation services are packaged in the ambulatory payment classification (APC) payment for the procedure or visit with which it was furnished. Separate APC payments made only for outpatient observation services involving three specific conditions (chest pain, asthma, and congestive heart failure) will not apply. However, hospitals may receive payment for "direct admission" to observation services in accordance with Medicare guidelines. Refer to the CMS Medicare Claims Processing Manual, Chapter 4, §290 for additional payment criteria.

[1] Applies to Tufts Health Plan SCO members only.

- As required by CMS and the Notice of Observation Treatment and Implication for Care Eligibility (NOTICE) Act, hospitals must provide written notification and a verbal explanation to individuals receiving observation services in an outpatient setting for more than 24 hours. Providers must issue the standard CMS Medicare Outpatient Observation Notice (MOON) form to the individual no later than 36 hours after observation services begin. The individual or their proxy must sign the notice to acknowledge receipt. For more information about the NOTICE Act and for the current version of the MOON form, refer to the CMS Beneficiary Notices Initiative page.

As outlined in the MOON notice, certain portions do not apply to Tufts Medicare Preferred or Tufts Health Plan SCO members; members are instead covered in accordance with their member benefit documents. Providers should include this information in their verbal explanations to members receiving observation services for more than 24 hours and advise members to contact Senior Products Member Services with any coverage-related questions:

- Members are not required to meet the 3-day minimum inpatient stay for admission to a skilled nursing facility (SNF)
- Member cost-sharing amounts may apply but are capped (Note: Member cost-sharing does not apply to Tufts Health Plan SCO members). TMP PPO members may receive service out-of-network without referral or prior authorization and out-of-network cost share will apply.

For additional information on observation services and payment criteria, refer to the Observation Facility Payment Policy.

PUBLICATION HISTORY

03/01/24	administrative edits
04/09/25	administrative edits
11/01/26	updated language to clarify use of MOON form