Hospital Services (Long Term Care Hospitals (LTCH), Observation)

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Medicare Advantage Medical Coverage Policy

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Related Documents

Please refer to CMS website for the most current applicable CMS Online Manual System (IOMs)/National Coverage Determination (NCD)/ Local Coverage Determination (LCD)/Local Coverage Article (LCA)/Transmittals.
### Internet-Only Manuals (IOMs)

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### Description

**Long Term Care Hospitals (LTCH)**

LTCHs are certified under Medicare as short-term acute care hospitals that have been excluded from the acute care hospital inpatient prospective payment system (PPS) under §1886(d)(1)(B)(iv) of the Act and, for Medicare payment purposes, are generally defined as having an average inpatient length of stay of greater than 25 days.³

*In interpreting or supplementing the criteria above and in order to determine medical necessity consistently, iCare may consider InterQual Guidelines.*

### Observation Services
Observation care is a well-defined set of specific, clinically appropriate services, which include ongoing short-term treatment, assessment, and reassessment before a decision can be made regarding whether patients will require further treatment as hospital inpatients or if they are able to be discharged from the hospital. Observation services are commonly ordered for patients who present to the emergency department and who then require a significant period of treatment or monitoring in order to make a decision concerning their admission or discharge.  

In interpreting or supplementing the criteria above and in order to determine medical necessity consistently, iCare may consider InterQual Guidelines.

Religious Nonmedical Health Care Institution (RNHCI)
Section 1821 of the Social Security Act provides for coverage of services furnished in a Medicare qualified religious nonmedical health care institution (RNHCI), when the beneficiary meets specific coverage conditions. The beneficiary must have a valid election for RNHCI services and would otherwise qualify for care in a conventional hospital or post hospital extended care facility that was not a religious nonmedical health care institution.

The RNHCI benefit provides only for Part A inpatient services. The Medicare program will only pay for nonmedical health care services furnished in RNHCIs, as defined in Section 1861(ss)(1) of the Act and 42 CFR 403 Subpart G. The program does not pay for supporting religious services or payment for the religious practitioner. The cost of religious items/services and the cost of using a religious practitioner is a personal financial responsibility and not covered by Medicare.

The use of the criteria in this Medicare Advantage Medical Coverage Policy provides clinical benefits highly likely to outweigh any clinical harms. Services that do not meet the criteria above are not medically necessary and thus do not provide a clinical benefit. Medically unnecessary services carry risks of adverse outcomes and may interfere with the pursuit of other treatments which have demonstrated efficacy.

Coverage Determination

Long Term Care Hospitals (LTCH)
Medicare Claims Processing Manual, Chapter 3, §150 – Long Term Care Hospitals (LTCHs) PPS

Outpatient Observation Services
Medicare Claims Processing Manual, Chapter 4, §290 - Observation Services

Medicare Benefit Policy Manual, Chapter 6, §20.6 - Outpatient Observation Services
Observation services are covered only when provided by the order of a physician or another individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests. In the majority of cases, the decision whether to discharge a patient from the hospital following resolution of the reason for the observation care or to admit the patient as an inpatient can be
made in less than 48 hours, usually in less than 24 hours. In only rare and exceptional cases do reasonable and necessary outpatient observation services span more than 48 hours.

Hospitals may bill for patients who are directly referred to the hospital for outpatient observation services. A direct referral occurs when a physician in the community refers a patient to the hospital for outpatient observation, bypassing the clinic or emergency department (ED) visit. Effective for services furnished on or after January 1, 2003, hospitals may bill for patients directly referred for observation services.²

Religious Nonmedical Health Care Institution (RNHCI)

Medicare Benefit Policy Manual, Chapter 1, §130 – Religious Nonmedical Health Care Institution (RNHCI) Services

Coverage Limitations

Refer to:
Medicare Benefit Policy Manual, Chapter 6, §10.1 – Reasonable and Necessary Part A Hospital Inpatient Claim Denials

Medicare Claims Processing Manual, Chapter 4, §290.2.2 - Reporting Hours of Observation

US Government Publishing Office. Electronic code of federal regulations: part 411 – 42 CFR § 411.15 - Particular services excluded from coverage

Coding Information

Any codes listed on this policy are for informational purposes only. Do not rely on the accuracy and inclusion of specific codes. Inclusion of a code does not guarantee coverage and/or reimbursement for a service or procedure.

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Change Summary

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