

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



INDEPENDENT CARE HEALTH PLAN

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Medicare Advantage Medical Coverage Policy

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Disclaimer

The Coverage Summaries are reviewed by the iCare Medicare Utilization Management Committee. Clinical policy is not intended to preempt the judgment of the reviewing medical director or dictate to health care providers how to practice medicine. Health care providers are expected to exercise their medical judgment in rendering appropriate care. Identification of selected brand names of devices, tests and procedures in a medical coverage policy is for reference only and is not an endorsement of any one device, test, or procedure over another. Clinical technology is constantly evolving, and we reserve the right to review and update this policy periodically. References to CPT® codes or other sources are for definitional purposes only and do not imply any right to reimbursement or guarantee of claims payment. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any shape or form or by any means, electronic, mechanical, photocopying or otherwise, without permission from iCare.

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.

Type	Title	ID Number	Jurisdiction Medicare Administrative Contractors (MACs)	Applicable States/Territories
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Internet-Only Manuals (IOMs)	Pub. 100-02, Medicare Benefit Policy Manual, Chapter 1	§130 – Religious Nonmedical Health Care Institution (RNHCI) Services		
Internet-Only Manuals (IOMs)	Pub. 100-02, Medicare Benefit Policy Manual, Chapter 6	§10.1 – Reasonable and Necessary Part A Hospital Inpatient Claim Denials		
Internet-Only Manuals (IOMs)	Pub. 100-02, Medicare Benefit Policy Manual, Chapter 6	§20.6 - Outpatient Observation Services		
Internet-Only Manuals (IOMs)	Pub. 100-04, Medicare Claims Processing Manual, Chapter 3	§150 - Long Term Care Hospitals (LTCHs) PPS		
Internet-Only Manuals (IOMs)	Pub. 100-04, Medicare Claims Processing Manual, Chapter 4	§290 - Observation Services		
Internet-Only Manuals (IOMs)	Pub. 100-04, Medicare Claims Processing Manual, Chapter 4	§290.2.2 - Reporting Hours of Observation		

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.²

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.¹

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.

CPT® Code(s)	Description	Comments
No code(s) identified		
CPT® Category III Code(s)	Description	Comments
No code(s) identified		
HCPCS Code(s)	Description	Comments
No code(s) identified		

References

1. Centers for Medicare & Medicaid Services (CMS). Medicare Benefit Policy Manual, Chapter 1 – Inpatient Hospital Services Covered Under Part A. <https://www.cms.gov>. Accessed July 25, 2023.
2. Centers for Medicare & Medicaid Services (CMS). Medicare Benefit Policy Manual, Chapter 6 – Hospital Services Covered Under Part B. <https://www.cms.gov>. Accessed July 25, 2023.
3. Centers for Medicare & Medicaid Services (CMS). Medicare Claims Processing Manual Chapter 3 - Inpatient Hospital Billing. <https://www.cms.gov>. Accessed July 25, 2023.
4. Centers for Medicare & Medicaid Services (CMS). Medicare Claims Processing Manual Chapter 4 - Part B Hospital (Including Inpatient Hospital Part B and OPPS). <https://www.cms.gov>. Accessed July 25, 2023.
5. US Government Publishing Office. Electronic code of federal regulations: part 411 – Exclusions from Medicare and limitations on Medicare payment. Particular services excluded from coverage. <https://www.ecfr.gov> Published October 11, 1989. Updated January 19, 1990. Accessed July 26, 2023.

Change Summary

- 01/01/2024 New Policy.