

## Clinical Policy: Short Inpatient Hospital Stay

Reference Number: PA.CP.MP.182

Plan Effective Date: 06/2021

Date of Last Revision: 03/2025

### Description

Medical necessity criteria for hospital stays of less than three midnights, excluding behavioral health and obstetrical delivery admissions.

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.<sup>3</sup>

*Note: For criteria applicable to Medicare plans, please see MC.CP.MP.182 Short Inpatient Hospital Stay.*

### Policy/Criteria

- I. It is the policy of PA Health & Wellness® (PHW) that an inpatient level of care for hospital stays of less than three midnights is **medically necessary** when meeting one of the following indications:
  - A. Admission is for a procedure on the CMS 2025 Inpatient Only List for members/enrollees age 18 years and over (addendum E [here](#)) or listed as a pediatric inpatient-only procedure in InterQual® for members/enrollees under 18 years of age;
  - B. Admission to an intermediate or intensive care unit level of care (including neonatal intensive care unit (NICU) is considered medically necessary per a nationally-recognized clinical decision support tool in use by the applicable plan;
  - C. Admission to acute hospital care at home;<sup>7</sup>
  - D. Unexpected death during the admission;
  - E. Departure against medical advice from a medically necessary (per a nationally-recognized clinical decision support tool) inpatient stay;
  - F. Transferred from another inpatient facility, with a medically necessary (per a nationally-recognized clinical decision support tool) total length of stay of three midnights or more;
  - G. Election of hospice care in lieu of continued treatment in hospital.
- II. It is the policy of PHW that inpatient hospital stays lasting three midnights and beyond are **medically necessary** when supported by nationally-recognized clinical decision support tools.

### Background

Expectation of time and the determination of the underlying need for medical care at the hospital are supported by complex medical factors such as history and comorbidities, the severity of signs and symptoms, current medical needs, and the risk (probability) of an adverse event occurring during the time period for which hospitalization is considered.<sup>1</sup>

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. 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 and usually in less than 24 hours. In only rare and exceptional cases do reasonable and necessary outpatient observation services span more than two days.<sup>3</sup>

*Centers for Medicare and Medicaid Services (CMS)- Inpatient Only List*

The inpatient only list was established by CMS and identifies procedures for which Medicare will pay only when performed in a hospital inpatient setting. Inpatient only services are generally, but not always, surgical services that require inpatient care because of the complexity of the procedure, the underlying physical condition of patients who require the service or the need for at least 24 hours of postoperative recovery time or monitoring before the patient can be safely discharged. There is no payment under the Outpatient Prospective Payment Systems (OPPS) for procedures that CMS designates to be “inpatient-only” services. The designation of services to be “inpatient-only” is open to public comment each year as part of the annual rulemaking process and many procedures have been added and removed over the years.<sup>6</sup>

*Centers for Medicare and Medicaid Services (CMS)- Acute Hospital Care at Home*

In November 2020, CMS announced the Acute Hospital Care at Home program to allow eligible hospitals expanded flexibility to care for patients in their homes. Hospital at home is designed to provide certain acute-level services in the home that patients would normally receive in the hospital setting. In-person physician evaluation is required prior to starting hospital at home care and patients may only be admitted from emergency departments and inpatient hospital beds. Acute Hospital Care at Home is for patients who require acute inpatient admission to a hospital and who require at least daily rounding by a physician and a medical team monitoring their care needs on an ongoing basis.<sup>7,8</sup>

**Coding Implications**

This clinical policy references Current Procedural Terminology (CPT®). CPT® is a registered trademark of the American Medical Association. All CPT codes and descriptions are copyrighted 2024, American Medical Association. All rights reserved. CPT codes and CPT descriptions are from the current manuals and those included herein are not intended to be all-inclusive and are included for informational purposes only. Codes referenced in this clinical policy are for informational purposes only. Inclusion or exclusion of any codes does not guarantee coverage. Providers should reference the most up-to-date sources of professional coding guidance prior to the submission of claims for reimbursement of covered services.

CPT® Codes	Description
N/A	

HCPCS Codes	Description
N/A	

Reviews, Revisions, and Approvals	Revision Date	Approval Date
Policy developed	02/20	03/20
Added to the description that “medical necessity criteria for day one and day two of an inpatient hospital stay, excluding behavioral health and obstetrical delivery admissions.” Clarified that the medical necessity statement in I. applies to the first and second days of an inpatient stay. Added section II., stating that days 3 and beyond are medically necessary per nationally-recognized clinical decision support tools. Replaced all instances of member with member/enrollee.	10/20	11/20
References reviewed and updated. I.A. was updated to specify “2020” Inpatient Only List. Background updated to include heading for CMS and information related to the Inpatient Only List and CY 2021 OPPTS/ASC Final Rule.	02/21	03/21
New Policy to PHW	6/2021	
Annual review. In III, clarified that the statement refers to medically necessary stays supported by clinical decision support tools, vs. according to clinical decision support tools. Changed “Review Date” in the header to “Date of Last Revision,” and “Date” in the revision log header to “Revision Date.” Replaced 2020 inpatient only list with 2022 inpatient only list in I.A. and updated references accordingly. References reviewed and updated.	7/29/2022	
Annual review. Added I.C. “Acute hospital care at home.” Background updated with no clinical significance. Updated hyperlink to CMS inpatient only list in Criteria I.A. Added option in I.A. for procedure to be listed as an inpatient-only procedure in InterQual for those under 18 years of age, and noted that the CMS inpatient only list applies to those 18 years of age and older. Minor rewording with no clinical significance. References reviewed and updated. Internal specialist reviewed.	10/2023	
Annual review. Added note to policy to refer to MC.CP.MP.182 for Medicare criteria. Updated criteria I.A. from 2023 inpatient only link to 2024 link. Updated description and background with no clinical significance. References reviewed and updated. Internal specialist reviewed.	05/2024	06/2024
Annual review. Realignment to meet review schedule. Internal specialist reviewed.	09/2024	10/2024
Annual review. Updated criteria I.A. from CMS 2024 inpatient only to 2025 and updated the link. References reviewed and updated. Internal specialist reviewed.	03/2025	

## References

- Centers for Medicare & Medicaid Services (CMS). Reviewing Short Stay Hospital Claims for Patient Status: Admissions On or After January 1, 2016. (Last Updated: 12/31/2015). <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Medical-Review/Downloads/Reviewing-Short-Stay-Hospital-Claims-for-Patient-Status.pdf>. Accessed January 10, 2025.
- Centers for Medicare & Medicaid Services (CMS). Medicare Benefit Policy Manual. Chapter 1 - Inpatient Hospital Services Covered Under Part A. (Rev. 10892, 08/06/21). <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c01.pdf>. Accessed January 10, 2025.

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3. Centers for Medicare & Medicaid Services (CMS). Medicare Benefit Policy Manual, Chapter 6 - Hospital Services Covered Under Part B (Rev.12421; Issued: 12-21-23 and Rev. 12425; Issued; 12/21/23). <https://www.cms.gov/regulations-and-guidance/guidance/manuals/downloads/bp102c06.pdf>. Accessed January 14, 2025.
4. Centers for Medicare & Medicaid Services (CMS). Inpatient Only List 2025. <https://www.cms.gov/license/ama?file=/files/zip/2025-nfrm-opps-addenda.zip> Accessed January 10, 2025.
5. Centers for Medicare & Medicaid Services (CMS). CY 2024 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule (CMS-1786-FC). Published November 2, 2023. <https://www.cms.gov/newsroom/fact-sheets/cy-2024-medicare-hospital-outpatient-prospective-payment-system-and-ambulatory-surgical-center-0> Accessed January 14, 2025.
6. Centers for Medicare & Medicaid Services (CMS). Inpatient-only services. Medicare First Coast Service Options, Inc. [https://medicare.fcso.com/Billing\\_news/0483382.asp](https://medicare.fcso.com/Billing_news/0483382.asp). Accessed January 14, 2025.
7. Centers for Medicare & Medicaid Services (CMS). CMS Manual System Pub 100-20 One-Time Notification. New Occurrence Span Code and Revenue Code for Acute Hospital Care at Home. Published January 20, 2022. <https://www.cms.gov/files/document/r11191otn.pdf>. Accessed January 14, 2025.
8. Hospital-at-home. American Hospital Association. <https://www.aha.org/hospitalathome>. Accessed January 14, 2025.
9. Local coverage article: Outpatient Observation Bed/Room Services (L34552). Centers for Medicare and Medicaid Services Web site. <http://www.cms.hhs.gov/mcd/search.asp>. Published October 1, 2015 (revised December 19, 2024). Accessed January 17, 2025.