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# Five Keys to Improving Observation Management

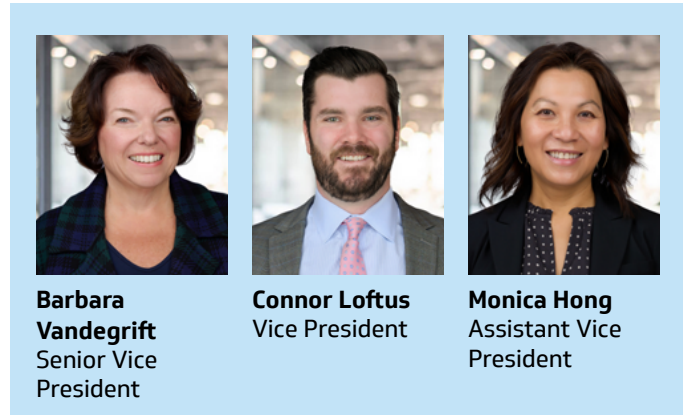
Since the Centers for Medicare & Medicaid Services (CMS) created observation patient status in the 1980s, the incidence and duration of observation stays at hospitals have [expanded](#) significantly. Intended to offer providers a short period of time to determine patient status before inpatient admission, the observation classification now regularly covers patient stays longer than 24 hours. Hospitals provide these patients with inpatient levels of care reimbursed at outpatient rates, which results in resource challenges. This problem can be exacerbated by payer denials of inpatient authorizations, which can also be a source of frustration for clinicians who may feel their clinical judgment is being questioned.

However, health systems have developed methods of response that can improve their observation management strategies and ensure appropriate reimbursement for services provided. The following are five key steps health systems should consider implementing:

- Optimize the patient status determination process at the portal of entry
- Incorporate regular daily touch points for observation management
- Empower utilization management (UM) and physician advisors (PAs) to lead observation management processes
- Educate providers, nurses, and care transitions teams on best practices
- Coordinate systemwide observation management efforts from top to bottom

## 1. Optimize the patient status determination process at the portal of entry.

As with many aspects of healthcare, time is of the essence for effective observation management. As soon as a patient enters the facility, the clock begins to tick. Hospitals need to put in place optimal structure and clinical review processes



to promote accurate and timely level of care determination. This includes ensuring adequate coverage for staff focused specifically on UM activities. Signs of a successful patient status determination process include:

- An initial utilization review (UR) by designated RNs, utilizing information from ED providers, performed within hours of a patient's status determination
- A separation, whether physical or through documentation, of observation and inpatient admissions that gives providers clarity on which patients need stabilization and discharge versus patients needing full inpatient care
- Documentation that supports the providers' medical decision-making and provides the care team with a clear clinical picture of the acuity and complexity of the patient and the medically appropriate care needed to stabilize the patient.

## 2. Incorporate regular daily touch points for observation management program.

Observation management requires a multi-disciplinary, cross-team effort. Hospitals should establish designated communication channels devoted to the sharing of observation and UR information, such as daily patient-status huddles for observation or same-day surgery patients and

twice-daily huddles for observation case reviews. The goal of these huddles should be to:

- Stay up to date on the current cohort of observation patients
- Review the data and medical decisions associated with each patient, with an eye toward collecting the criteria required for inpatient admissions and converting those patients when appropriate
- Ensure continuous progress toward the decision to discharge or admit each observation patient

### **3. Empower UM and PAs to lead observation management processes.**

Although multi-disciplinary efforts are critical to observation management, it's equally important to establish point people to lead the care coordination initiatives. UM and PAs are well suited to these roles, which require specific clinical expertise and general task-management abilities, but the credentials of a UM lead matter less than what authorities are granted to them and how capable they are in their execution. Health systems can support their UM leaders in several ways:

- Establishing a system-wide, appropriately staffed PA scope of practice to standardize UM support, improve outcomes, and comply with Medicare Conditions of Participation
- Honing the UM leader's role to focus on conducting more peer-to-peer reviews with the payor, managing appeals, and decreasing downgrades
- Standardizing reporting and documentation processes to facilitate smooth handoffs between care teams and leads

### **4. Educate physicians, nurses, and care transition teams on best practices.**

Across all levels of licensure, providers have been trained to be expert caregivers, but their instruction does not typically feature the nuances of hospital administration. They want their organizations to succeed and for the care they provide to be reimbursed appropriately, which serves as a fruitful starting point for educational campaigns. Health systems should disseminate leading practices on observation management, medical necessity

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documentation, and denials prevention strategies to all workers with patient classification responsibilities, while tailoring their emphasis by profession:

- Physician buy-in is critical for the success of any observation management program, and appropriate patient classification can have consequences for their bottom-lines. Promoting physician-to-physician conversations and normalizing nurse-to-physician requests around UM processes will improve the salience of an organization's observation management program.
- For nurses, the case for stronger UM and observation management should connect to both the broader success of their organization and improvements to their day-to-day workflow. Better documentation procedures, communication protocols, and discharge planning efforts should make their jobs easier, if implemented properly.

### **5. Coordinate systemwide observation management efforts from top to bottom.**

Ultimately, the effectiveness of any system's observation management program will depend on full organizational commitment. Nothing is more essential than effective communication within and between each of these levels:

- Executives are responsible not only for setting goals and measuring progress, but also understanding and implementing the changes needed to allow their employees to succeed.
- UM managers can develop more robust reporting capabilities for secondary review activities that support organizational progress.
- Physicians should utilize their clinical critical-thinking skills to capture the full acuity and complexity of their patients.

- PAs and other care coordinators can ensure that no patients are lost in the shuffle because every patient will have a plan for their care transition.
- Ancillary services can prioritize observation patients to expedite care delivery, keeping patients to same day turnaround time.
- Nurses and other clinical staff will know about these plans, have the tools and training to execute them, and serve as the face of caregiving supported by a massive backend of logistical considerations.

### **Two takeaways from observation management initiatives**

A successful observation management program, involving the coordination of multiple initiatives across an entire organization, is not an easy undertaking. Therefore, it's important to emphasize the significant benefits realized by health systems once they've improved their observation management processes.

The first and most obvious impact is on revenue and system resources. Consistently providing observation patients with inpatient-level care for outpatient rates will undermine a system's financial viability and ability to serve its mission. The rapid identification of whether observation patients are suited for stabilization and

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discharge or will require more intensive care, and therefore more thorough documentation, will both conserve and grow a system's resources.

The second, subtler impact is the effect on system morale. Disputes between payers and providers have proliferated in recent years, and observation management programs offer provider organizations a win. Denials and prior authorizations are a source of constant frustration for providers, who want the tools to stay ahead of these utilization limits. Health system executives may also feel empowered by the reduction to inpatient authorization denials, which they can take into broader contract negotiations with payers. Holistic improvements to the functioning of a system always matter beyond the bottom line.

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