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**MEMORANDUM**

March 4, 2004

To: Chief Financial Officers

From: Dennis N. Phelps, Associate Director-Audit & Compliance

Re: Admissions of Less than 24 Hours

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The Commission has recently been made aware that some third party payers have been re-classifying the claims of members who have been authorized for admission and admitted to the hospital, but who stay less than 24 hours.

It appears that the payers have been amending their authorization from inpatient to outpatient and refusing to reimburse for Room/Board and Admission charges solely because that the member had a of stay less than 24 hours.

The Commission adheres as much as possible to Medicare regulations on issues regarding inpatient hospital services. Under Medicare regulations, Part A coverage, Section 1209, an inpatient is defined as follows:

“An inpatient is a person who has been admitted to the hospital for bed occupancy for purposes of receiving inpatient hospital services. A person is considered an inpatient if he was formally admitted as an inpatient with the expectation that he would remain at least overnight and occupy a bed, even though it later develops that he can be discharged or that he is transferred to another hospital and does not actually use a hospital bed overnight.”

It is clear from this definition that an admission does not have to last 24 hours. Also, the Commission has traditionally considered it implicit in this regulation that an admission is generated upon a physician's decision to admit the patient.

Therefore, if patients are admitted by order of a physician, a payer may not elect to pay other than Commission approved rates as billed. Failure to pay Commission approved rates may result in appropriate sanctions, including referral to the Maryland Insurance Administration.

The above, of course, does not abrogate the payer's right to conduct clinical reviews to determine whether such admissions were medically necessary.

Hospitals with payers that continue to refuse to pay Commission approved rates for medically necessary admissions, after having been supplied with a copy of this memorandum, should inform me in writing of the particulars of the situation for appropriate action.

If you have any questions, you may contact me at 410-764-2565.