**MEMORANDUM**

**TO: All Members of the Medical Staff**

**FROM: Despina Kayichian, M.D.**

 **Medical Director, Physician Utilization**

**DATE: September 27, 2013**

**SUBJECT: CMS 2014 Inpatient Prospective Payment System (IPPS) Final Rule**

Effective **October 1, 2013, CMS 2014 IPPS Final Rule** will go into effect. This rule affects Medicare FFS (Fee for Service) only. It affects medical and surgical stays.

The rule changes the inpatient definition by putting **more emphasis on the time** a physician expects the patient to stay in the hospital. The hospital stay is considered **inpatient** if the physician is able to certify that the patient will stay in the hospital past 2 midnights, if the hospital stay is medically necessary.

**CMS now requires an inpatient admission to meet the following criteria:**

* Admission order MUST state: “**Admit as Inpatient**”, not “admit to 4W” or “admit to Dr. X”
* **Physician’s certification** with the following elements: diagnosis and reason for admission, estimated length of stay, plan of care, and discharge plan if appropriate.
* Documented **need for inpatient admission on H&P**, along with **continued documentation on the daily progress notes why the patient continues to need in-hospital care.**

**In addition,**

* **All time spent in the hospital**, **including ED time and any Observation time** before the formal inpatient admission order is written, **can be considered by the MD as a part of the 2 midnights that the patient needs to be in the hospital.**
* Placements to SNF would still require a **3-day qualifying inpatient stay** – **which will not count any time in ED and Observation.** – This qualifying time will start after the inpatient order is written. Remember - The patient **must require medically necessary hospital services** the entire time prior to transfer to SNF.
* **Patients in Observation status will need to be triaged before 2nd midnight:**
	+ DC- if appropriate
	+ Convert to inpatient - if documented continued need for hospital-level care
	+ There should be rare Observation stays spanning more than 2 midnights
	+ Medicare will not pay for convenience or not medically necessary services

This new rule will result in many operational changes across our ministries. The Meditech team is currently building the inpatient/certification template that will be made available to you the next few days. It is crucial that all physicians understand **the importance of daily documentation** to support the need for hospital stay.

There remains some confusion over this new rule across the nation. CMS will continue to provide guidance over the next 3 months. Care Management is available to assist you and answer any of your questions through this significant change.

I am also available to help you and I can be reached via email, Despina.kayichian@stjoe.org, or you can call me at (714) 882-9873.