

Opening Statement

Chairman Bill Nelson

Senate Special Committee on Aging: Admitted or Not? The Impact of Medicare Observation Status on Seniors

July 30, 2014

Forty-nine years ago today, President Johnson signed Medicare into law. As times have changed, we must ensure that we are strengthening and improving this important program so that seniors and people with disabilities get the care they deserve.

As part of that process of continuing to improve Medicare, we are here today to discuss a topic that, I think, impacts more Medicare beneficiaries financially than we realize.

I'm speaking about the impact of Medicare observation status.

I think most people, after spending the night in a hospital, would say that they have been "admitted" to the hospital—that they are an inpatient of that hospital.

This assumption is not always the case—that actually, even if you're in the hospital, you haven't been formally admitted. You might be under what's called "observation status."

Now, sometimes being in "observation status" isn't such a big deal—it can cost less than Medicare's inpatient deductible, even when a beneficiary has copayments for outpatient services.

But the real problem comes when a senior learns that they or their loved one needs nursing home coverage—and despite staying in the hospital for the required three days or more, Medicare won't cover that nursing home stay because the beneficiary was never "admitted" during that time, but was "under observation."

It's a little Medicare payment coding change that can add up to big out-of-pocket expenses for beneficiaries.

I think we would all agree that program integrity is critical to the long-term sustainability of the Medicare program--we want the right billing code, for the right service, at the right time. That's important.

But, unfortunately, right now we have a situation where beneficiary care—and dollars—are caught up in a debate about the nuances of what is, or isn't, the right way to use observation stays.

That is not the way we ought to treat Medicare patients. They deserve better than to become pawns in a back and forth struggle between Medicare and providers. As a result, my colleague, Senator Brown, has introduced a bill that both I and Senator Collins support to count any three days a beneficiary stays in the hospital as eligible for nursing home coverage. That's one way to get beneficiaries out of the middle of this mess.

Medicare officials are at a critical juncture right now to determine payment rules for both inpatient and outpatient services for next year, and now more than ever, we need to shine a spotlight on the importance of this issue to beneficiaries around the nation.