

ISSUE SUMMARY

The Two-Midnight rule applies to patients with traditional Medicare as well as Medicare Advantage (MA), as per the Centers for Medicare and Medicaid Services' (CMS) clarification issued in CMS-4201-F (April 5, 2023). While commercial insurance plans have set other reasonable time limits for observation, MA plans must follow the Two-Midnight rule.

MA plans have updated their policies largely to reflect they will follow the Two-Midnight rule, but in practice, this is not always happening. Despite patients having medically necessary hospital stays that exceed two midnights (therefore meeting the Two-Midnight Rule's requirements), some MA plans are still issuing denials of inpatient payment based on InterQual and MCG guidelines.

Payers are issuing more denials, resulting in greater numbers of peer-to-peer discussions and written appeals. A recent report from the American Hospital Association and Syntellis analyzed data from a national sample of 1,300 hospitals and health systems from January 2022 to July 2023 found that Medicare Advantage denials increased by almost 56 percent.

APPLICATION TO MEDICARE ADVANTAGE

For a typical patient hospitalized through the emergency department, the "clock" for the Two-Midnight rule starts when the patient receives care specific to their condition, and is independent of the timing of an order for inpatient admission or observation services. Only a patient's bedside clinician can decide when a patient can be safely discharged.

The Two-Midnight rule sets the "reasonable time" benchmark for hospital care for MA patients, and ties it to the concept that MA patients may not have services denied that would otherwise be covered under traditional Medicare. The rule establishes that medically necessary hospitalizations exceeding

two midnights are not reasonable for observation services and the patient must be an inpatient, unless there is a non-medical delay in care or the patient is only receiving custodial services.

We identify the percentage of patients discharged under observation with stays of two or more midnights. That percentage should not be 0, as delays and nursing home placement issues do occur, but if both midnights were medically necessary, that case most likely should have been an inpatient. We've worked with partner hospitals in which more than 60 percent of their observation discharges had stays exceeding two midnights.

PROPOSED SOLUTION

Sound Physicians' Medicare Advisor solution provides automated, timely, and compliant screening of traditional Medicare observation patients, and can be extended to Medicare Advantage patients with very similar expected results.

Medicare Advisor is a collaboration between Sound physician advisors and Sound hospitalists. The program ensures that MA patients requiring two medically necessary midnights in the hospital are discharged as inpatient status. Sound physician advisors — experts in documentation, CMS compliance, and appropriate admission status — automatically review MA observation stays after one midnight.

Typically, this frees hospital case managers to do more patient-focused work, but if desired, we can tailor the process to include your case managers any way you like. The physician advisor provides quick turnaround with a thorough and specific rationale to support

the inpatient recommendation (when inpatient-appropriate) based on clinical documentation, which they promptly convey to the rounding hospitalist. This allows the hospitalist to enter an inpatient order prior to discharge, which is required by CMS for traditional Medicare but is also a practical necessity for MA plans.

Sound physician advisors, with expert training and a keen understanding of inpatient criteria and documentation, have meaningful results for our Medicare Advisor clients while patients remain hospitalized, as well as post-discharge through peer-to-peer reviews and denials management.

We're also experts in managing DRG disputes to ensure hospitals are paid for the services they provide. Where we provide peer-to-peer services, we've found a statistically significant increase in overturn rates for MA plans.

RESULTS

Our scope is highly specific, and our data demonstrates that when you have a dedicated clinician focused on this critical issue, you get the benefit of meaningful, measurable, and reproducible change.

Midwest hospital | 342 beds

\$340K

increase in annual revenue for traditional Medicare

\$420K

increase in annual revenue for Medicare Advantage

20%

hospital Medicare Advantage denial rate

80%

Medicare Advantage overturn rate through peer-to-peer

For more information, reach out to:

Susan Barone
Vice President of Integration
sbarone@soundphysicians.com

Melissa Buchner-Mehling, MD
Associate Chief Medical Officer
mmehling@soundphysicians.com