

Medicare proposes coverage change on short hospital stays

July 1 2015, by Ricardo Alonso-Zaldivar

Medicare proposed Wednesday to ease a coverage policy on short hospital stays that has been criticized because it can result in higher costs for seniors.

Under Medicare, coverage for inpatient and [outpatient care](#) is determined under very different [payment](#) rules. In some cases, a hospital admission classified as inpatient can result in lower bills for beneficiaries.

The problem has come when patients are admitted for short observation stays. Medicare policy generally required a hospitalization to span at least two midnights to qualify as an inpatient case.

Wednesday's proposal from Medicare would allow for case-by-case exceptions. Based on a doctor's judgment, certain short hospital stays could be covered under inpatient payment rules.

The current policy—known as the "two-midnight rule"—has been on the books since 2013, but isn't being enforced because of the controversy surrounding it. A congressional moratorium that prevents Medicare from carrying out the policy expires Sept. 30.

Medicare's original concern was that hospitals could potentially use the differences in payment rules to game the system.

AARP, the seniors lobby, was analyzing the new proposal.

Reaction from the American Hospital Association was mixed. While welcoming the flexibility on short hospital stays as "a good first step," the trade group said it is disappointed that the proposal maintains certain payment cuts.

The new [policy](#) would not take effect until November, following a public comment period.

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