

# New study examines long-term benefit of 'two-midnight rule'

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A new *Health Affairs* study led by Vanderbilt University Medical Center researchers raises questions about the long-term benefit and value of the so-called Medicare "Two-Midnight Rule" implemented in 2013 to

reduce costly and potentially unnecessary inpatient hospital admissions.

Led by Sabrina Poon, MD, MPH, assistant professor in the Department of Emergency Medicine, and Melinda Buntin, Ph.D., Mike Curb Professor of Health Policy and chair of the department, the study published Nov. 1 in *Health Affairs* found that a [policy change](#) adopted in October 2013 by the Centers for Medicare and Medicaid Services caused an immediate decrease in short inpatient stays that are reimbursed by CMS at a higher level and therefore could be clinically inappropriate.

The so-called "Two-Midnight Rule" was implemented by CMS in 2013 and stated that inpatient reimbursement, which is higher than reimbursement for observation stays, was only appropriate if the provider expected the [hospital stay](#) to last at least two midnights.

"Rules with names that seem arbitrary like the 'Two-Midnight Rule' are often created to standardize the enforcement of regulations" Buntin said, "but we need to periodically evaluate them to determine if they are having their intended effect or putting additional burdens on patients and hospitals."

There had already been a declining trend in admitting patients to inpatient rather than observation status before 2013. However, the new rule hastened that trend, decreasing short inpatient stays by 2 stays per 1,000 beneficiaries while the more appropriate observation stays increased by 1.8 stays per 1,000 beneficiaries, suggesting a substitution of one type of stay for another.

But after that initial improvement that saw a shift in patients admitted from inpatient to observation status, the study found a stabilization in the rate of both types of stays, a finding that leads the authors to suggest weighing the continued benefit of the rule against the substantial

administrative burden.

"The question is whether there is a better way we can appropriately reimburse hospital stays without needing this determination in place," Poon said.

Hospitals have faced administrative burdens that equate to roughly five full-time employees being dedicated to determining whether patients should be admitted to inpatient or observation status, which detracts from them focusing exclusively on patient care, and more than 40% of all job postings for nurse case managers are for status determination.

Clinically, Poon said, it can be challenging for physicians to predict future status of patients or the level of care they will require after admission.

"There is a limit on how well we can predict the future, which the current system of status determination requires, and which calls into question the value of status determination at all," Poon said. "I think there are ways we can base reimbursement on what actually happens in the [hospital](#) while maintaining some of the incentives intended by [status](#) determination, namely, to provide efficient and high-quality care to patients."

**More information:** Sabrina J. Poon et al, Medicare Two-Midnight Rule Accelerated Shift To Observation Stays, *Health Affairs* (2021). [DOI: 10.1377/hlthaff.2021.00094](https://doi.org/10.1377/hlthaff.2021.00094)

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