



ADMINISTRATIVE POLICY STATEMENT

Georgia Medicaid

Policy Name & Number	Date Effective
Observational Stay Limits-GA MCD-AD-0765	04/01/2025
Policy Type	
ADMINISTRATIVE	

Administrative Policy Statement prepared by CareSource and its affiliates are derived from literature based on and supported by clinical guidelines, nationally recognized utilization and technology assessment guidelines, other medical management industry standards, and published MCO clinical policy guidelines. Medically necessary services include, but are not limited to, those health care services or supplies that are proper and necessary for the diagnosis or treatment of disease, illness, or injury and without which the patient can be expected to suffer prolonged, increased or new morbidity, impairment of function, dysfunction of a body organ or part, or significant pain and discomfort. These services meet the standards of good medical practice in the local area, are the lowest cost alternative, and are not provided mainly for the convenience of the member or provider. Medically necessary services also include those services defined in any Evidence of Coverage documents, Medical Policy Statements, Provider Manuals, Member Handbooks, and/or other policies and procedures.

Administrative Policy Statements prepared by CareSource and its affiliates do not ensure an authorization or payment of services. Please refer to the plan contract (often referred to as the Evidence of Coverage) for the service(s) referenced in the Administrative Policy Statement. If there is a conflict between the Administrative Policy Statement and the plan contract (i.e., Evidence of Coverage), then the plan contract (i.e., Evidence of Coverage) will be the controlling document used to make the determination.

According to the rules of Mental Health Parity Addiction Equity Act (MHPAEA), coverage for the diagnosis and treatment of a behavioral health disorder will not be subject to any limitations that are less favorable than the limitations that apply to medical conditions as covered under this policy.

Table of Contents

A. Subject	2
B. Background	2
C. Definitions.....	2
D. Policy	2
E. Conditions of Coverage	2
F. Related Policies/Rules	3
G. Review/Revision History	3
H. References	3

A. Subject

Observation Stay Limits

B. Background

Observational status treats patients who are expected to be stabilized and then released within 48 hours or to determine the need for ongoing treatment or inpatient admission. A patient in observation status may improve and be released or then be admitted to inpatient services. Observational status begins and ends with physicians' orders.

C. Definitions

- **Observational Status** – Services furnished by a hospital on its premises, including the use of a bed, periodic monitoring by nursing and other staff, and any other services that are reasonable and necessary to evaluate a patient's condition or to determine the need for a possible inpatient admission to the hospital.

D. Policy

- I. Observation services usually do not exceed 48 hours, and the physician's decision to admit or discharge is typically determined within this time.

A. If the patient is retained on observational status for more than 48 hours without being admitted as an inpatient admission, further services will be denied as not reasonable and/or necessary for the treatment of a physical or behavioral health condition.

B. Claims submitted in excess of 48-hour observation will be **denied**.

C. If the 48-hour observation limit is exceeded and the claim is denied, the provider may submit an appeal with medical records to support medical necessity.

II. CareSource Post Payment and Appeals Process

A. CareSource reserves the right to monitor and review claim submissions to minimize the need for post-payment claim adjustments and to review payments retrospectively.

B. All acute care facilities and inpatient hospitals have the right to appeal any observation status longer than 48 hours denial and request a formal review.

C. Failure of the acute care facility or inpatient hospital to provide complete medical records when requested on appeal will result in an automatic denial of the entire claim.

- III. In the event of any conflict between this policy and any written agreement between the provider and CareSource, that written agreement will be the governing document.

E. Conditions of Coverage

NA

F. Related Policies/Rules
NA

G. Review/Revision History

DATES		ACTION
Date Issued	07/22/2020	New policy
Date Revised	04/12/2023 11/06/2024	Updated references. Approved at Committee. Annual review. Updated references. Approved at Committee.
Date Effective	04/01/2025	
Date Archived		

H. References

1. *Policies and Procedures for Hospital Services*. Georgia Dept of Community Health, Division of Medicaid; 2024. Accessed October 14, 2024. www.mmis.georgia.gov
2. *Policies and Procedures for Physician Services*. Georgia Dept of Community Health, Division of Medicaid; 2024. Accessed October 14, 2024. www.mmis.georgia.gov

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Approved DCH 12/30/2024

The ADMINISTRATIVE Policy Statement detailed above has received due consideration as defined in the ADMINISTRATIVE Policy Statement Policy and is approved.