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Title: The Financial Impact of Correct Status Within Health Systems

Introduction: For financial purposes, a healthcare setting began a quality improvement project aimed at optimizing the determination of patient status (Observation vs. Inpatient). The Centers for Medicare and Medicaid Services (CMS), through the "2 midnight rule," offers guidelines to distinguish observation and inpatient statuses. Nonetheless, achieving consistent and appropriate status determination is intricate, demanding comprehensive comprehension of clinical factors, medical necessity, and financial considerations.

Methods: Data extracted from the financial records of patients was utilized, focusing on observation status cases that stayed in the hospital for at least two midnights. The primary objective was to reduce the rate of prolonged observation stays, defined as cases exceeding two midnights, from a baseline of 34.6% to below 10% within a one-year timeframe. The project involved educating utilization management nurses and attending physicians on the distinction between observation and inpatient care. Each month, re-evaluation and re-education would occur as necessary to ensure there was a decrease in total unrealized cases. To evaluate success of the intervention total realized and total unrealized opportunity were compared to provide a percent realized.

Results: The results showed a substantial decrease in the rate of prolonged observation stays to 7.3% by November 2022, leading to an increase in inpatient admissions and higher financial reimbursement. The average monthly realized cases were 41 (range: 21-67), amounting to a realized financial opportunity of \$251,857 per month (range: \$128,482 - \$409,919). The Period to Date reports \$3,407,823. Unrealized cases averaged 17 (range: 11-29), with an unrealized financial opportunity of \$106,045 per month (range: \$67,300 - \$177,428). The Period to Date reports \$1,823,224.

Conclusion: The project findings underscore the financial significance of accurate patient status determination, with potential positive impacts on healthcare institutions' revenue and indirectly on patient care quality. Major limitations include the single-center focus, and the short-term nature of the project. Future research should expand to multi-center studies, emphasize long-term monitoring, conduct cost-benefit analyses, and promote a culture of continuous quality improvement to enhance the effectiveness of educational interventions and maintain the balance between financial optimization and high-quality patient care.