

STATE OF MARYLAND
DEPARTMENT OF HEALTH AND MENTAL HYGIENE



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MEMORANDUM

To: Chief Financial Officers

From: Dennis N. Phelps, Associate Director, Audit & Compliance

Date: October 18, 2001

Re: Observation Services

Commission policy allows hospitals to bill for observation services for patients who arrive in the emergency room and are kept for observation by a physician's order and are not admitted that day. The observation charge begins two hours after the observation order is given by a physician (the first two hours are included in the base emergency services charge and should not be billed as part of the observation charge). A patient may not be billed for both observation services plus an admission and patient care bed charge for the same day. That is, if a patient is admitted to the hospital on the same day as he/she receives observation services, the hospital may bill an admission charge and a patient care bed charge, but may not bill for observation services provided on that day. If the patient is admitted on a day subsequent to the day for which observation services are provided, the hospital then may bill both the observation charges and the admission and patient care bed charge.

Maternity patients may be billed a Labor & Delivery observation charge of one RVU per hour up to a maximum of 24 hours for Maternal and Fetal Assessment (Appendix D, page 043A of the Budget Manual).

If you have any questions, you may contact me at (410) 764-2565.