



Hospital Services - Observation Level of Care

LOB(s): <input checked="" type="checkbox"/> Commercial <input checked="" type="checkbox"/> Medicare <input checked="" type="checkbox"/> Medicaid	State(s): <input checked="" type="checkbox"/> Idaho <input checked="" type="checkbox"/> Montana <input checked="" type="checkbox"/> Oregon <input checked="" type="checkbox"/> Washington <input type="checkbox"/> Other: <input checked="" type="checkbox"/> Oregon
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Enterprise Policy

PacificSource is committed to assessing and applying current regulatory standards, widely-used treatment guidelines, and evidenced-based clinical literature when developing clinical criteria for coverage determination. Each policy contains a list of sources (references) that serves as the summary of evidence used in the development and adoption of the criteria. The evidence was considered to ensure the criteria provide clinical benefits that promote patient safety and/or access to appropriate care. Each clinical policy is reviewed, updated as needed, and readopted, at least annually, to reflect changes in regulation, new evidence, and advancements in healthcare.

Clinical Guidelines are written when necessary to provide guidance to providers and members in order to outline and clarify coverage criteria in accordance with the terms of the Member's policy. This Clinical Guideline only applies to PacificSource Health Plans, PacificSource Community Health Plans, and PacificSource Community Solutions in Idaho, Montana, Oregon, and Washington. Because of the changing nature of medicine, this list is subject to revision and update without notice. This document is designed for informational purposes only and is not an authorization or contract. Coverage determinations are made on a case-by-case basis and subject to the terms, conditions, limitations, and exclusions of the Member's policy. Member policies differ in benefits and to the extent a conflict exists between the Clinical Guideline and the Member's policy, the Member's policy language shall control. Clinical Guidelines do not constitute medical advice nor guarantee coverage.

Background

This policy describes clinical conditions and symptoms that are suitable for management at an observation level of care. Outpatient observation serves as an alternative to inpatient admission. This policy aims to align with medical necessity guidelines suitable for most individuals presenting with specific symptoms, illnesses, or conditions. Each person's unique clinical situation requires individualized evaluation through a thorough review of relevant medical records by a licensed practitioner.

Procedure

Commercial, Medicaid, and Medicare

PacificSource will review requests to consider medical necessity for observation level of care when the criteria below is met, and the requests will be sent to a third level reviewer to make the medical necessity determination for appropriate level of care.

Note: PacificSource Community Solutions (PCS) follows the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) policy for members under 21 or Young Adults with Special Health Care Needs (YSHCN). Third Level Reviewers perform case-by-case reviews for EPSDT Medical Necessity and

EPSDT Medical Appropriateness, as defined in OAR 410-151-0001, prior to denying level of care requests.

UM Clinicians will review a request to determine if the request meets at least **ONE** of the following situations (Items #1 - 3) where observation level of care would meet medical necessity:

1. The member's clinical condition is stable or improving, and the stay is not expected to exceed 48 hours; or
2. Psychiatric crisis intervention or stabilization with observation is required every 15 minutes, while discharge plans are completed; or
3. Member has no change in symptoms after six (6) hours of treatment in the emergency department and clinically appropriate medically necessary services are rendered, which includes ongoing short-term treatment, assessment, and reassessment.

AND

4. The member experiences a condition and/or symptom (not all inclusive list), which may require observation level of care (*see MCG ISC: Observation Care Guidelines for clinical criteria*):
 - Abdominal Pain
 - Allergic reaction (generalized)
 - Altered Mental status or encephalopathy (confusion)
 - Anemia
 - Asthma
 - Atrial Fibrillation
 - Back pain
 - Bronchiolitis
 - Bronchitis
 - Cellulitis
 - Chest pain
 - Chronic obstructive pulmonary disease (COPD)
 - Croup
 - Dehydration
 - Diabetes mellitus
 - Epistaxis
 - Failure to thrive
 - Febrile illness
 - Gastroenteritis
 - Generalized weakness
 - Heart failure
 - Hemoptysis
 - Hypoglycemia
 - Migraine

- Pain
- Pneumonia
- Poisoning or toxic ingestion
- Renal colic, kidney stone
- Seizures
- Sepsis
- Syncope and collapse
- Transient ischemic attack (TIA)
- Urinary tract infection
- Vaginal bleeding (non-obstetrical)

In the event the member's condition shows no improvement within 48 hours, additional clinical information is required to review for appropriateness of inpatient level of care.

Definitions

Observation – level of care with a defined set of clinically appropriate services, including continuous short-term treatment, evaluation, and reassessment, provided while determining whether a patient requires inpatient admission or can be safely discharged. These services are typically ordered for patients presenting to the emergency department who need extended monitoring or treatment to support the admission or discharge decision

Related Policies

Clinical Criteria Used in UM Decisions

Early and Periodic Screening, Diagnostic, and Treatment (EPSDT)

Inpatient Hospital Short-Stays

Medical Necessity Reviews

Prior Authorization Requests and Level of Care Determinations

References

Centers for Medicare Services (CMS). Medicare Benefit Policy Manual. Chapter 6 -20.5-Outpatient Observation Services. Rev. 10541, 12-31-20.

Centers for Medicare and Medicaid Services (CMS). Newsroom Fact Sheet: Two-Midnight Rule

MCG Health. Guidelines for Inpatient & Surgical Care: Observation Level of Care

Oregon Administrative Rules (OARs). Oregon Health Authority. Health Systems: Medical Assistance Programs – Chapter 410

<https://secure.sos.state.or.us/oard/displayChapterRules.action?selectedChapter=87>

Appendix

Policy Number:

Effective: 7/1/2025

Next review: 7/1/2026

Policy type: Enterprise

Author(s):

Depts.: Health Services

Applicable regulation(s): OARs 410-141-3820, 410-141-3825, 410-151-0001, 410-151-0002

External entities affected: N/A

Commercial OPs: 10/2025

Government OPs: 10/2025