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Prevent inpatient billing errors for ambulatory or observation hospital services



When a patient presents in the emergency department with an urgent need, they may be evaluated, monitored and admitted to the hospital for diagnostic services.

If their condition stabilizes and improves, they could be discharged without receiving inpatient care.

Hospitals often review these short stays, which are less than four days in length, to identify ambulatory or outpatient encounters that were incorrectly billed as inpatient. When this review doesn't happen, costly billing errors can occur.

To identify ambulatory or observation services incorrectly billed as inpatient, health plans can audit short-stay hospital encounters for intensity of service before or after a claim is paid. Short-stay audits evaluate the services billed in the claim against the services documented to determine if they exceed ambulatory care benchmarks.

Adding a short-stay review to an existing pre- or post-pay audit program is often seamless and doesn't require a complicated implementation. However, by auditing short-stay encounters before a claim is paid, health plans can avoid the costs associated with pay-and-chase.

Day 1, evening

A patient passes out while visiting with a neighbor. They are taken to the ED.

After the patient's initial evaluation, they are moved out of the ED while diagnostic tests are scheduled and performed.

The patient's condition is stable. They continue to receive only monitoring and diagnostic services through the night (ECG, chest X-ray, MRI).

Day 2, morning

The patient is discharged and referred for follow-up care. Diagnostic and monitoring services comprised the entirety of the patient's stay.

The claim is created as inpatient, but the diagnostic and monitoring services the patient received should be reimbursed as outpatient.

Inpatient services typically cost health plans

$2,000–$5,000

more than if they were billed as outpatient

Auditing short-stay encounters before a claim is paid can help health plans save

$3–$8 PMPY in medical costs.

Learn more at optum.com/PI

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