

Medicare Issue: Self-Administered Drugs While in Observation Status at the Hospital

Most people assume that they are an inpatient at a hospital when they stay overnight. But increasingly, that may not be true. Recently, hospitals have been coding more patients as outpatients (in observation status) for overnight stays. Sometimes hospitalized patients stay in observation status for many days. You might be an outpatient even if you stayed overnight in a regular hospital bed. Whether you are an inpatient or outpatient can affect how your hospital bill is paid. Observation status is supposed to be used temporarily while the doctor decides if a person should be admitted to the hospital. But more and more, hospitals are keeping people in observation status for long periods of time.

This can result in larger bills than expected. Many outpatient stays in a hospital may be covered under Part B of Medicare. But some things, like prescription drugs received while an outpatient will not be covered. On the Medicare Summary Notice, these medications will appear as “self-administered drugs.” They will not be covered if your hospital stay is listed as observation or outpatient. The hospital will bill you for these medications. However, it is possible that you can recoup payment from your Medicare Part D plan. You can also try to appeal the denial, especially if you were kept in observation status for many days.

When you get a hospital bill for self-administered drugs you should contact your Part D plan or consult your plan’s handbook. If the drugs you received are part of your plan’s formulary, you may be able to get reimbursed for the medications. You might have to pay the hospital for the medications first and then file for reimbursement from your Part D plan. You should contact your Part D plan for information. Generally, you will need to submit a claim form for an out of network claim. Your Part D plan may also ask you to submit a copy of the hospital bill that shows which drugs you received. It is wise to provide an explanation of why you were hospitalized.

If the drugs are not on the formulary of your plan, you can apply for an exception. In order to get an exception, it will be necessary to get the prescribing physician to write a letter explaining why other similar drugs that are already on the formulary are not acceptable. You and your doctor must prove that the use of this particular drug is “medically necessary.” If an exception is granted, the plan will pay for drugs that are not on its formulary.

It is important to ask your doctor or the hospital staff if you are an inpatient or outpatient anytime you are in the hospital for more than a few hours. It is even more important to find out your status if you are being transferred to a skilled nursing facility after your hospital stay because Medicare will not cover your stay in a nursing home if you were on observation status. Also, always ask the skilled nursing facility if your stay will be covered by Medicare. Pay attention to your bills and statements. Remember that you have appeal rights when Medicare denies payment for your care. Pay attention to the appeal deadlines that are included with the appeal information on your Medicare Summary Notice (MSN) or Explanation of Benefits (EOB) statements. You must file your appeals before the deadline or you will lose your right to object to the denial of payment.