

Clarifying the “Two-Midnight Rule” and Part A Payments, cont.

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[Earlier this week](#), I discussed CMS’ final rule on the prospective payment for acute care and long-term care hospital inpatient services for fiscal year 2014. The final rule provides guidance to physicians on how to designate a patient as inpatient or outpatient and the impact of the designation on Medicare Part A or Part B coverage. This blog will discuss the two midnight rule.

Basically, the final rule clarifies that if a physician admits a Medicare beneficiary as an inpatient with an expectation that the beneficiary will require care that “crosses two midnights,” payment by Medicare Part A is “generally appropriate.” This rule changes Medicare policy and is expected to increase Medicare reimbursements for hospitals’ inpatient stays by \$220 million annually. However, CMS will offset that increase with a 0.2% pay reduction for hospital services.

Under the Medicare rules, the time a patient spends in the hospital before inpatient admission is formally ordered is considered outpatient time. However, hospitals and physicians can take into consideration the pre-inpatient admission time when determining if a patient’s care will reasonably be expected to cross two midnights.

As a result of the final rule, inpatient admissions are expected to rise, with less services being billed as Part-B related costs. While the final rule does provide some clarification, many provider groups and advocates are seeking even more action on the observation stay issue. According to opponents, the rule will result in confusion (especially if a hospital does not designate between their inpatient/outpatient areas) and may lead to increased scrutiny by auditors regarding inpatient visits that result in less than two midnights.

Physicians must take great care to provide clear documentation and detailed analysis in a patient’s medical record so as to support an inpatient admission, because auditors will carefully review these records. For the 1st part of this Article - [please click here.](#)

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