

CONDITION CODE 44

December 2024

Condition Code 44 is a billing code used when a hospital determines that a traditional Medicare patient admitted as an inpatient does not meet the medical necessity for inpatient care. The process MUST occur PRIOR TO DISCHARGE and effectively removes the inpatient admission as if it never happened, and the status becomes outpatient. If observation services are warranted, they must be ordered by the physician. The process allows the hospital to begin billing observation services commensurate with the observation order.

The determination that the inpatient order/stay must be approved by BOTH the attending physician and a UR/UM committee member. These requirements are found at 42 CFR 482.30.

The review process and concurrence from the attending physician must be documented, and the following parties to the decision must be notified within 2 days of the determination:

- Patient
- Hospital
- Attending Physician

The Medicare beneficiary whose status is changed from inpatient to outpatient must be notified of the decision. Many hospitals will use the MOON to inform the patient of the decision; however, this is not required, and observation services may not be appropriate if the patient does not require ongoing hospital care.

- Medicare requires the MOON for any beneficiary receiving observation services for at least 24 hours and before 36 hours of observation services. Observation services are a Medicare Part B benefit and can affect the patient's financial responsibilities.
- The Medicare beneficiary is expected to sign the MOON to acknowledge receipt.

Depending on their contract, Medicare Advantage (MA) plans may or may not use this process. If the hospital makes the determination, it is best practice to follow the Medicare utilization review process. However, if the plan makes the determination, the utilization management committee review is not required, and the hospital should merely place Condition Code 44 on the claim.

Reference: 42 CFR 482.30; Medicare Claims Processing Manual, Chapter 1, Section 50.3

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