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SHIIP – Iowa Insurance Division, 515-281-5705



New Notice Explains Medicare Outpatient Observation Coverage

The Iowa Insurance Division’s Senior Health Insurance Information Program (SHIIP) is letting Iowans know about a new Medicare Outpatient Observation Notice (MOON) which informs patients before they leave the hospital if they are outpatient or inpatient.

“Over the past several years Iowans on Medicare were often surprised to receive information that their overnight stay at a hospital was considered to be outpatient, not inpatient,” Kris Gross, director of SHIIP said. “The MOON must be provided to individuals receiving observation services as an outpatient no later than 36 hours after services begin, or upon release if sooner. It explains how observation status affects your coverage and costs.”

Iowans are considered outpatient if they receive emergency department services, observation services, outpatient surgery, lab tests, X-rays, or any other hospital services, and the doctor has not written an order to admit them to a hospital as an inpatient. Observation services are hospital outpatient services given to help the doctor decide if the patient needs to be admitted as an inpatient or can be discharged. In these cases, Iowans are considered an outpatient even if they spend the night at the hospital.

When Iowans with Medicare Part B receive services as an outpatient, Medicare Part B covers the hospital services. This means the patient pays a copayment or coinsurance for each outpatient service, including doctor services.

Generally, prescription and over-the-counter drugs the patient receives in an outpatient setting (like an emergency department), sometimes called “self-administered drugs,” aren’t covered by Part B. Also, for safety reasons, many hospitals have policies that don’t allow patients to bring prescription or other drugs from home. Iowans with Medicare prescription drug coverage (Part D), may have these drugs covered under certain circumstances. The patient will need to pay out-of-pocket for these drugs and submit a claim to the drug plan for a refund.

Another important difference between inpatient and outpatient stays is that only inpatient stays count towards qualifying for Medicare covered skilled nursing care after leaving the hospital.

Iowans with questions about the MOON, outpatient observation services or filing for Part D outpatient claims may call SHIIP at 800-351-4664 (TTY 800-735-2942) or visit www.therightcalliowa.gov. SHIIP counselors are available in communities across Iowa and are available to help answer your questions and assist with problems you have concerning Medicare and related health insurance. SHIIP is a service of the State of Iowa Insurance Division. All services are free, confidential and objective.