

STATE OF MARYLAND



# DHMH

Maryland Department of Health and Mental Hygiene

*Larry Hogan, Governor - Boyd K. Rutherford, Lt. Governor - Van T. Mitchell, Secretary*

**MARYLAND MEDICAL ASSISTANCE PROGRAM  
Beacon Health Options Transmittal No. 8  
Hospital Transmittal No. 246  
MCO Transmittal No. 114  
December 19, 2016**

**TO:** Beacon Health Options  
Hospitals  
Managed Care Organizations

**FROM:** *Susan J. Tucker*  
Susan J. Tucker, Executive Director  
Office of Health Services

**RE:** 24 Hour Maximum for Outpatient Observation Stays

**NOTE:** Please ensure that appropriate staff members in your organization are informed of the contents of this transmittal

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The Centers for Medicare and Medicaid Services has advised the Maryland Medicaid Program that Medicaid agencies may only reimburse hospitals for up to 24 hours in an outpatient setting, which includes observation stays. 42 CFR 440.2(a) limits outpatient services to under 24 hours. Effective January 1, 2017, managed care organizations (MCOs), our Behavioral Health Administrative Service Organization and the fee-for-service program will limit payment to under 24 hours. Overpayments that may occur will be subject to recoveries.

If you have any questions, please e-mail them to Denise James: [denise.james@maryland.gov](mailto:denise.james@maryland.gov)

