

May 5, 2014

**RE: SB 1269 (Beall) Observation Services: FLOOR ALERT - SPONSOR**

Dear Members of the Senate,

The 86,000 RNs of the California Nurses Association is proud to sponsor SB 1269 (Beall), which will require observation services to be licensed by the Department of Public Health and require hospital outpatient surgical settings to be staffed at the same level of inpatient surgical settings.

Trends in the use of outpatient settings for the provision of acute care to patients are already underway. These trends are a result of changes hospitals are making to achieve the goals of the ACA to lower costs, to maximize reimbursement under new federal payment models that incentivize avoidance of hospital readmission, and to save money by avoiding state nurse-to-patient ratio staffing requirements.

More and more, hospitals are placing patients who cannot be safely discharged to their homes in “observation units” as an alternative to hospital admission. In these settings, patients are sometimes placed for prolonged periods of time. Many patients are not aware that they are in observation, leaving them to believe they are admitted as inpatients. This is especially concerning for patients who may need to be discharged to a long-term care facility, as Medicare requires patients to be admitted as inpatients for three days before coverage for long-term care will kick in. However, time spent in observation does not count, as observation services are outpatient services.

Outpatient services are not subject to many of the laws and regulations designed to ensure patient safety and adequate staffing standards. Additionally, hospitals are not required to report data to the state on observation service utilization, which leaves the public with a dearth of information on how often and for what reasons outpatient observation services are used. The increasing use of these settings for patients in need of inpatient care raises serious concerns about patient access to safe levels of care and services

SB 1269 (Beall) will address these concerns by requiring hospitals to:

- Obtain approval from the state to provide an observation service as a supplemental service, and limit the period of time a patient may be placed in observation to 24 hours making it consistent with time limitations imposed on other outpatient settings.
- Require observation services to meet the same staffing standards, including licensed nurse-to-patient ratios, as emergency rooms or the applicable ratio wherever the observation bed is placed.
- Require hospitals to provide notice to patients that observation services are “outpatient” services and third-party reimbursement may be impacted.
- Require hospitals to report observation services to the Office of Statewide Health Planning and Development.

Because observation is considered an outpatient service, they are not subject to many of the laws and regulations designed to ensure patient safety and adequate staffing standards. The increasing use of these

settings for patients in need of inpatient care raises serious concerns about patient access to safe levels of care and services. This is an important piece of public protection. CNA requests your “aye” vote when this bill comes before you on the Senate Floor.

Sincerely,

Stephanie Roberson  
Legislative Advocate

Cc: Senator Beall