Purpose: To synthesize current literature on the use of observation stays to reduce the rates of 30-day readmission rates in adults. Medicare observation stays doubled from 2006 to 2014 to nearly 1.9 million. Dedicated observation units with condition-specific care pathways can be associated with shorter lengths of stay and fewer admissions, however, many patients in observation status are not placed in dedicated units.

Methods: The PRISMA guidelines were followed for this study.

Summary of results:
• Observation unit stays increased to 4.7% with no significant association between changes in observation unit stays and readmissions after the implementation of the Affordable Care Act (ACA).
• The number of observation stays within 30 days of index hospitalization increased after ACA, with one in five (20%) observation stays followed by a hospital revisit within 30 days of discharge.
• Readmission and mortality rates after discharge from observation closely paralleled ED discharge outcomes.
• Patients placed in observation status had 12% lower odds of 30-day readmission vs. patients with a short stay.
• Patients placed in observation status had 25% lower odds of dying within 30 days after discharge than those with a short length of stay in the hospital.

Conclusions:
• Observation stays increase options available to admitting physicians, allowing more time to assess the safety of discharge vs. placing the patient as an inpatient admission.
• Reductions nationwide in observed readmission rates in 2012 was not primarily the result of increases in post-index emergency department visits or post-index observation stays.
• No evidence was found to support the hypothesis that changes in observation stays account for the decrease in readmissions.
• There is a lack of qualitative studies to understand observation stays as a phenomenon. Future research is needed to examine the impact of observation stays, for all payors from a nursing and health care systems perspective, to fully understand the admission and discharge practice patterns and costs of caring for patients as an observation stay.

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