Medical Necessity

Medicare regulations provide for coverage of outpatient laboratory testing but only under certain conditions. In order for this testing to be reimbursed under the Medicare program, medical necessity must be established. This is primarily accomplished through the use of local or national coverage determinations for many lab tests (called LCDs and NCDs). These coverage policies establish the clinical indications for which Medicare considers a specific lab test to be covered/non-covered and provides a list of related ICD-9 codes for each test. Some of the NCDs include some form of frequency limitation as noted in the indications and limitations section of each policy. However, if frequency exceeds these recommended limits for these diagnostic tests, then the submission of medical records may be necessary to establish the necessity of testing.

In order to comply with complex billing rules for these lab tests, Palmetto Health laboratories require that a diagnosis, sign, symptom or other reason for testing accompany every lab order. Ideally, the reason for **each** test should be listed on the laboratory order so that a reliable determination of coverage and liability for payment can be made. Without complete information, your patient may be held financially liable for lab testing that would otherwise be covered by Medicare.

When a test is found **not** to be reasonable and necessary under Medicare guidelines, the patient must be informed of his/her financial responsibility by signing an Advanced Beneficiary Notice (ABN). **When specimens are sent to the Laboratory, the physician or other provider must determine if an ABN is needed and provide it to the laboratory.**

This website provides information needed to determine "medical necessity" and/or the need for an ABN in an easy to accessible format. Updates are made to these LCD/NCDs when applicable.

Key Points About Medical Necessity and Laboratory Claims

- ***Reasonable and Necessary**: those tests used in the diagnosis and treatment of illness or injury or to improve the function of a malformed body part

- Diagnoses are required from the physician on claims for laboratory services when there is a NCD or LCD for the service or you have been notified by the laboratory of the need for a diagnosis on the claim due to Medical Review. (CMS Program Memorandum AB-02-114). **Palmetto Health laboratories may request additional information from your patient records to support medical necessity of all the tests on the laboratory claim when we receive a request for records for medical review.**

"The Laboratory may request additional diagnoses or other medical information from the physician to document that services it bills are reasonable and necessary. (CMS Program Memorandum AB-02-30)"

CMS NATIONAL COVERAGE POLICY

*Title XVIII of the Social Security Act; section 1862(a)(1)(A). This section allows coverage and payment for only those services that are considered to be reasonable and necessary. Reasonable and necessary items or services are those used in the diagnosis and treatment of illness or injury or to improve the function of a malformed body part.

LCD & NCDs are accessible through http:// www.palmettogba.com/medicare.