



## **ABN & Medical Necessity**

KRMC Laboratory advises all health care providers to order only those tests that they believe to be medically necessary for the diagnosis and treatment of their patients. It is the policy of KRMC Laboratory to provide all health care providers who utilize our laboratory services with the ability to order appropriate tests and to ensure that the convenience of ordering panels does not adversely impact the health care provider's ability to make a deliberate decision regarding which tests are medically necessary for the individual patient.

**We encourage our clients to order individual tests or a less inclusive panel when not all of the tests included in the panel or profile are medically necessary for the individual patient.**

Medicare laws require that Medicare pay only for services that are reasonable and medically necessary for the treatment and diagnosis of Medicare beneficiaries. As a method of establishing the medical necessity for laboratory tests, Medicare has created medical coverage policies for certain laboratory tests to establish criteria for what it believes is a reasonable and necessary use of the test. The policies come in 2 forms, National Coverage Decisions (NCD) and Local Medical Review Policies (LMRP). NCDs are coverage decisions established by the Negotiated Regulations, and are published in the Federal Register of November 2001. The Negotiated Regulations establish national coverage and administrative policies for clinical diagnostic laboratory services. A LMRP may not conflict with a national coverage decision once the national coverage decision is effective. The LMRPs are established by the local Medicare FI or carrier. The published NCD or LMRPs lists the ICD-9 codes that Medicare will accept to establish medical necessity and therefore allow payment for a test. either the NCD nor LMRP are intended to restrict a physician from ordering any test he/she believes is medically necessary for a patient. They are intended to inform the ordering physician of the circumstances under which the Medicare program will allow payment. If Medicare denies payment for a test based on medical necessity, the provider may not bill a beneficiary for the test unless it has informed the beneficiary of the likelihood of denial through the presentation of an advanced beneficiary notice (ABN) for the beneficiary's signature.

Section 4317 of the Balanced Budget Act of 1997 requires that, in any case where a service ordered by a physician or other provider that will be furnished by another entity requires diagnosis information in order for payment to be made, the ordering physician must provide the diagnosis information. An ICD-9 code used to support the medical necessity for a test order should be reflected in the patient's medical record. If the code used is not present on the list of ICD-9 codes for the ordered LMRP or NCD test, the beneficiary should be asked to sign an ABN. KRMC Laboratory urges physicians and other health care providers to select diagnosis codes from the patient's medical record that reflect that patient's actual medical condition.

### **Medical Necessity and Advance Beneficiary Notice (ABN)**

Medicare Program Memorandums A-00-43 and AB-02-114 provide specific information about ABNs. ABNs are defined as a written notice given to a Medicare beneficiary, before services are furnished, when a provider believes that Medicare will not pay for some or all of the services. A provider may not bill a Medicare beneficiary for a service that is denied by Medicare without having evidence that it has informed the beneficiary of the likelihood of denial through the presentation of an ABN for the patient's review, choice selection, and signature. Health care providers ordering tests should present an ABN for laboratory tests when appropriate. Attach the **completed** and **properly executed** ABN form to the KRMC Laboratory requisition, when submitting laboratory orders.

This information is provided to KRMC Laboratory customers to aid them in meeting government requirements concerning the use of ABNs. Refer to The Centers for Medicare & Medicaid Services (CMS) Web site at: [www.cms.gov](http://www.cms.gov) for updated and further information. KRMC Laboratory will provide copies of the ABN form to customers for their use.

### **Medical Necessity—KRMC Laboratory Policy for ABNs**

KRMC Laboratory requires a physician/NPP who orders a laboratory test covered by LMRP or NCD to provide either a diagnosis code that meets Medicare criteria for coverage/ payment **from the patient's medical record** or a properly executed ABN attached to the laboratory order form. Failure to provide this information will result in:

- Communication to the ordering physician/provider office seeking additional diagnostic information OR
- Communication requesting a copy of a properly executed ABN for a specific patient on a specified date of service for a specific test(s) ordered OR
- Billing the submitting office for services

When a Medicare beneficiary comes to KRMC Laboratory for laboratory services, the requisition or physician/provider order will be reviewed to determine if the tests ordered are LMRP or NCD tests. If any of the tests are covered by an LMRP or NCD, KRMC Laboratory will determine if there is a diagnosis code included on the order that meets the requirement of the LMRP or NCD for the test. If there is no code, or the code supplied is not a covered code, the beneficiary will be asked to sign an ABN before the laboratory test is drawn.

<b>ABN Should Be Executed When:</b>	<b>ABN Should Not Be Executed When:</b>
Certain screening tests (mammogram, Pap smear, PSA, etc.) have frequency limits. ABNs may be given every time these tests are ordered	The physician or supplier “does not know whether or not Medicare will pay” but has no reason to expect Medicare will not pay
Medicare is expected to deny payment for medical equipment and supplies because it is not a covered service	The item or service is <b>not</b> a Medicare benefit (eg, routine physical, tests in absence of signs or symptoms, etc.)
Ordered tests are for research or investigational use only	Medicare is expected to deny payment for an item or service which is a Medicare benefit because it does not meet a technical benefit requirement (eg, ambulance services denied due to an unapproved destination, etc.)
ABN Should Be Executed When:	ABN Should Not Be Executed When:
Medicare is expected to deny payment (entirely or in part) for items or services because they are not reasonable and necessary under Medicare standards (medical necessity denial)	The physician or supplier expects Medicare to pay

When KRMC Laboratory receives an order for a laboratory test on a Medicare beneficiary but does not see the beneficiary, the order will be reviewed to determine if the tests ordered are LMRP or NCD tests. If any of the tests are covered by an LMRP or NCD, KRMC Laboratory will determine if there is a diagnosis code included on the order that meets the requirement of the LMRP or NCD for the test. If there is no code, or the code supplied is not a covered code, KRMC Laboratory may:

- Contact the ordering physician’s office to determine if there is additional information in the medical record to support the medical necessity of the test ordered or if there is an ABN on file for the order OR
- Communicate to obtain a copy of the signed ABN for specific patient, specific date of service, and for specific test(s) ordered OR
- Bill the submitting office for services