

Physician Notice Regarding Medical Necessity and Compliance

What is a Physician Notice?

This Physician Notice pamphlet has been designed to notify you of Medicare, CMS, and OIG rules regarding medical necessity and billing compliance in order to protect both you and the hospital from potential liability.

What is Medical Necessity?

Medicare will only pay for those tests and services that it determines to be “reasonable and necessary.”

Medicare Contractors may develop a “Local Coverage Determination” for specific tests and/or services. This Local Coverage Determination (LCD) indicates which diagnoses, signs, or symptoms are payable for these specific tests and/or services. If a test or service is ordered in which a LCD exists, there must be documentation of medical necessity on the claim in order for Medicare to pay for this test or service. In the case where the Medicare Contractor does not have a

LCD, the National Coverage Determinations (NCD) still apply. Physicians are advised by CMS to only order those tests and/or services they believe are medically necessary. A specific diagnosis, sign, symptom, or ICD-9-CM code must be provided when ordering tests or services. If a test or service is **not** medically necessary (according to LCD and/or NCD), an Advance Beneficiary Notice (ABN) must be obtained from the patient. Please understand that the guiding principle to determine whether an ABN must be obtained is not whether you, as a physician believe that the test or service is medically necessary, but whether the patient’s diagnosis, signs, or symptoms are included in an LCD and/or NCD for the specific test or service being ordered. Note: Medicare Contractors may have different LCD. Our facility must follow our Medicare Contractor’s LCD.

What if I need assistance in ordering tests or services?

The appropriate ancillary department will make available the services of a clinical consultant to assist you when you have questions regarding test or service appropriateness.

What is an ABN & why do we need one?

An ABN is an Advance Beneficiary Notice. The purpose of the ABN is to give the patient advance notice that Medicare may not pay for the test or service ordered. When ordering tests or services that do not meet LCD or NCD, physicians should explain to the beneficiary why the test is being ordered and that Medicare may not pay for the test and therefore an ABN must be signed. Signed ABNs should be forwarded to the ancillary service department performing the tests or services.

How can we work together?

To limit the potential risk for both physicians and ancillary departments, our facility has adopted several policies related to Medicare billing. We realize that it is good medicine to provide certain services and sets of tests for specific diagnoses and therefore in the laboratory we will allow you to define Custom Profiles for use in treating your patients. Please contact our Laboratory for additional information. We also realize that there are instances when abnormal values for specific tests warrant additional testing. Therefore, we have created laboratory reflex testing guidelines which will be updated and approved annually by the Executive Committee of the Medical Staff and published in the Medical Staff Meeting Minutes.