



**Pathology and Clinical Laboratory
Duluth, MN**

To: St. Luke's Laboratory Users
From: St. Luke's Hospital Laboratory
Date: January 1, 2018
Re: Medical Necessity Documentation

The Center for Medicare and Medicaid (CMS) has instructed all Medicare providers that medical necessity documentation for each test ordered must be in the patient's chart and also on the orders. ICD-10 diagnosis codes are used by Medicare carriers to prevent the payment of claims that they determine are not medically necessary. Under these policies, the patient's diagnosis and the national or local carrier's policies, determine medical necessity. It is critical that the code used for ordering laboratory services be consistent with the documentation in the patient's medical records so that the medical necessity information is clear and apparent in the event of a post payment review. The ICD-10 code used must be specific to a particular patient and the laboratory tests ordered by the physician for that date of service.

A physician should only order those tests which are medically necessary for the patient, whether it be to monitor an already diagnosed condition or to evaluate current signs and symptoms to help establish a diagnosis. Medicare may deny payment for laboratory tests that are ordered for screening purposes, even though the physician believes the test is appropriate for the patient. The practice of ordering medically unnecessary tests, when one of the purposes of such an order is to obtain Medicare payment, may result in civil penalties.

If a laboratory test is ordered and the medical necessity is questionable, the patient should be asked to sign an Advanced Beneficiary Notice (ABN). The ABN identifies the laboratory test, gives the reason it is likely to be denied, states the approximate price of the laboratory test, and allows the beneficiary or patient to make an informed decision whether or not to sign the ABN. If the patient decides not to sign the ABN, the service probably will not be ordered.

Attached are the AMA approved organ panels currently in use at St. Luke's. St. Luke's only bills the AMA approved organ or disease panels as listed. Panels should only be ordered when all component tests are medically necessary. If only some of the tests in a panel are deemed to be medically necessary, payment cannot exceed the amount of the individually covered services. Panels that contain duplication of tests should not be ordered together. The most comprehensive, medically necessary panel should be ordered along with the medically necessary individual components from the other panel. Please call St. Luke's Laboratory at (218)249-5200 with any questions. Thank you.

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