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Medicare Medical Necessity

The OIG understands and recognizes that physicians must be able to order any tests that they believe are appropriate for the treatment of their patients. However, physicians must understand that Medicare will pay only for the tests that meet Medicare definition of “medical necessity”. Medicare may deny payment for a test that the physician believes appropriate but which does not meet the Medicare definition of medical necessity, or where documentation in the entire patient record, including that maintained in the physician’s records, does not support that the tests were reasonable and necessary for a given patient. Section 186(a)(1)(A) of the Social Security Act states “no payment may be made under Part A or Part B for any expenses incurred for items or services which...are not reasonable and necessary for the diagnosis or treatment of an illness or to improve the functioning of a malformed body member.” The OIG takes the position that physicians who order medically unnecessary tests for which Medicare reimbursement is claimed may be subject to civil penalties.

When ordering laboratory tests for Medicare patients, it is important to do the following:

- 1. Order only those tests that you believe are medically necessary for the diagnosis and treatment of your patient, rather than for screening purposes.*
- 2. Provide the laboratory with the complete diagnostic information or signs and symptoms of the disease by entering the appropriate ICD-9 codes or narrative description on each requisition.*
- 3. Highlight tests that are ordered for screening purposes by either circling the test or entering “Screening” in the diagnosis section of the requisition form.*
- 4. Inform the patient that if tests being ordered are for screening purposes or otherwise do not meet Medicare’s definition of medical necessity, they (the patient) will be responsible for paying for those tests. They will be asked to sign an Advanced Beneficiary Notice (ABN) acknowledging their responsibility.*
- 5. When collecting specimens in physician office that require an ABN for testing, the ordering physician is responsible to explain and have patient sign an ABN. When completed send signed notice to laboratory with specimen.*