

Medical Necessity

Written by Angela Buckley, CCS, CPC, CPMA, CPC-I, RMA

Definition

- Medicare defines "**medical necessity**" as health care services or supplies needed to diagnose or treat an illness, injury, condition, disease, or its symptoms and that meet accepted standards of medicine. The services must be items reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.
- Medical necessity of a service is the overarching criterion for payment in addition to the individual requirements of a CPT code.
- CMS provides specific information under the Social Security Act:
... no Medicare payment shall be made for items or services that are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member
- The diagnosis must provide the medical necessity for testing. In essence, the diagnosis drives medical necessity.

Documentation

- Per the CMS MLN Fact Sheet, the physician must clearly document in the medical records his or her intent that the lab be performed. The physician should clearly indicate all tests to be performed when completing the progress note. If you order diagnostic services for Medicare patients, you must also maintain documentation of the order or intent to order and medical necessity of the services in the patient's medical records.
- Documentation in the patient's medical record must support the medical necessity for ordering the service(s) per Medicare regulations and applicable Local Coverage Determinations (LCDs) and National Coverage Determinations (NCDs).
- If you bill laboratory services to Medicare, you must obtain the treating physician's signed order (or progress note to support intent to order) and documentation to support medical necessity for ordered services.

Diagnosis For Medical Necessity

- Without a specific diagnosis code (Dx) that indicates medical necessity for a test(s) based upon the LCD or NCD policies, a claim submitted for payment to Medicare will be denied for these services. The Medicare program will allow the laboratory to bill the patient for denied coverage only if an Advance Beneficiary Notice of Noncoverage (ABN) is completed, signed, and dated prior to the service being rendered, and forwarded to the laboratory prior to testing. ABN's cannot be signed after the fact. The diagnosis codes provided must be reflected in the patient's medical records.
- The ABN is a waiver of liability and is provided to the patient when Medicare payment is expected to be denied.

Diagnosis For Medical Necessity Continued

- Original Medicare is the only payer that uses Advance Beneficiary Notices (ABNs).
 - TriCore cannot bill the patient when an ABN is not obtained and medical necessity is not met.
- All Medicare Advantage plans follow Original Medicare's medical necessity rules.
 - ABN's are not applicable to Medicare Advantage plans.
 - Some Medicare Advantage plans require prior authorization in lieu of the ABN. Know plan requirements.
 - TriCore cannot bill the patient if the prior authorization (mentioned above) is not obtained or medical necessity is not met.
- All payers require medical necessity to be clearly documented in the medical records and the diagnosis must provide medical necessity for tests ordered. Third-party payers have their own set of criteria they use to interpret medical necessity.
- The condition(s) and/or diseases should be coded in ICD-10 to the highest degree of certainty for that encounter/visit, such as signs, symptoms, abnormal test results, or other reasons for the visit. When a non-specific ICD-10 code is submitted, the underlying sign, symptom, or condition must be related to the indication for the test.
- All digits required by ICD-10 coding conventions must be used. A code is invalid if it has not been coded with all digits/characters required for that code.

Examples That Meet Medical Necessity, Per NCD

- CPT code 82105 (Alpha-fetoprotein; serum) reported with C22.0 (liver cell carcinoma)
- CPT code 82947 (glucose; quantitative, blood) reported with diagnosis E11.9 (type 2 diabetes mellitus without complications)
- CPT code 84443 (TSH) reported with C73 (malignant neoplasm of thyroid gland)
- CPT code 80061 (Lipid panel) reported with E78.2 (mixed hyperlipidemia)
- CPT code 80162 (Digoxin – therapeutic drug assay) reported with I50.22 (chronic systolic (congestive) heart failure)

These are examples only and TriCore does not encourage use of these codes unless they describe the patient's condition and are documented in the patient's chart.

Examples That Do Not Meet Medical Necessity

- The listed Dx codes in these scenarios were not listed as covered diagnosis for the CPT in the NCDs.
 - CPT code 80061 (Lipid panel) reported with F33.2 (major depressive disorder, recurrent severe without psych features)
 - CPT code 84153 (PSA) reported with R63.4 (abnormal weight loss)
 - CPT code 83036 (hemoglobin A1C) reported with I10 (essential hypertension)
 - CPT code 85025 (CBC) reported with I20.0 (unstable angina)

These are examples only and TriCore does not encourage use of these codes unless they describe the patient's condition and are documented in the patient's chart.

Denials

- Per CMS, tests for screening purposes that are performed in the absence of signs, symptoms, complaints, or personal history of disease or injury are not covered except as explicitly authorized by statute.
- Failure to provide documentation of the medical necessity of tests might result in denial of the claim.
- Tests that are not reasonable and necessary for the diagnosis or treatment of an illness or injury will be denied/might result in the denial of the claim.
- Per the CMS MLN, the majority of improper payments for laboratory services identified by the Comprehensive Error Rate Testing (CERT) Program were due to insufficient documentation. Insufficient documentation means something was missing from the medical records, such as documentation to support the medical necessity of ordered services.

Resources

- MLN Fact Sheet
 - <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/ProviderComplianceLabServices-Fact-Sheet-ICN909221.pdf>
 - <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LabServices-ICN909221-Text-Only.pdf>

- CMS
 - <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/r178cp.pdf>
 - https://www.cms.gov/Medicare/Coverage/CoverageGenInfo/Downloads/manual201510_ICD10.pdf
 - <https://www.hhs.gov/sites/default/files/advcomcfs/meetings/presentations/jacques-052213.pdf>

- Social Security
 - https://www.ssa.gov/OP_Home/ssact/title18/1862.htm