YNHH Laboratory Manual

Medical Necessity Documentation

Federal and State reimbursement regulations require that all tests ordered be documented as **medically necessary** for the care of the patient. Failure to do so can result not only in failure of reimbursement to the Hospital but also in governmental audit of the billing practices of the health care provider.

Organ- or disease-oriented and client-customized **panels** should be billed to Medicare only when every component of the panel is medically necessary.

The documentation for laboratory testing requires, at a minimum,

(a) that the **signature** of the person legally authorized to order the tests is included either on the order requisition or in the chart where the **rationale** for the test ordering is included (usually the standard daily or outpatient note);

(b) that the order clearly includes the name of the responsible **attending physician**; and

(c) that the order slip or electronic process indicates the **diagnosis** for which the specific test is requested, preferably as the diagnosis code associated with the diagnosis.

Medicare Advance Beneficiary Notice

Medicare will only pay for laboratory services it determines to be **reasonable and necessary** under Medicare Law. If Medicare determines that any of the ordered services, although they would be otherwise covered, are not reasonable and necessary under Medicare program standards, Medicare will likely deny payment for these services.

If a physician orders a test which may not be a covered service, the Hospital may not be reimbursed for the test, unless the patient signs, in advance, a specific waiver, stating that he/she understands that he/she may be financially responsible for such testing if ordered.

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