Medlearn Matters

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Medlearn Matters Number: MM3090
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Effective Date: July 1, 2004
Implementation Date: July 6, 2004
Transmittal #: R85CP

Adjudication of Reference Laboratory Service Claims

Provider Types Affected

Independent clinical diagnostic laboratories.

Provider Action Needed

An independent laboratory may bill for services they refer to another laboratory no matter where the reference laboratory is located, as long as it is within any Medicare claims processing jurisdiction. When billing for reference laboratory services, independent clinical diagnostic laboratories must submit the zip code of the location where the laboratory service was actually performed. The carriers' standard billing systems will now price the payment of referred laboratory services based on the zip code where the service was performed.

Any independent laboratories that were assigned a Provider Identification Number (PIN) for the purposes of reimbursement of reference laboratory services in a payment jurisdiction other than one they have a physical presence will have those PINs revoked. The Independent Laboratory will not need to take any action. Carriers will revoke the PIN and notify the appropriate Independent Laboratory. The following requirements apply when billing for reference laboratory services for dates of service, July 1, 2004, and later:

Electronic Claim Submission Requirements

ANSI format:

- Will require the presence of the performing and billing laboratory's CLIA number.
- If tests are referred to another laboratory, the CLIA number of the laboratory where the testing is rendered must also be on the claim.
- The clinical diagnostic laboratory will not have to submit separate claims for referred and performed services under the ANSI format.
- An independent clinical diagnostic laboratory submits a 90 modifier on the line item when billing a reference laboratory service and the CLIA number assigned to the reference laboratory in X12N 837 (HIPAA version) loop 2400, REF02. REF01 = F4.

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NSF format:

- Suppliers may not combine services that they performed themselves and any that they referred to another laboratory on the same NSF claim form.
- If a billing laboratory performs some testing and refers the remaining tests to another (reference) laboratory to perform, the laboratory must segment the services and submit two separate claims.
- If services are referred to more than one laboratory, a separate claim must be submitted for each reference laboratory to which services were referred.
- The CLIA number assigned to the performing laboratory shall be reported in FA0 – 34.0.
- An NSF electronic claim for laboratory testing requires the presence of the performing and billing laboratory's name and address.
- The billing laboratory for a service with a line item CPT '90' modifier requires the address information of the performing lab to be submitted in the following NSF record and fields:

EA0 Field 39 Facility/Lab Name	EA1 Field 08 Facility/Lab City
EA1 Field 06 Facility/Lab ADDR1	EA1 Field 09 Facility/Lab State
EA1 Field 07 Facility/Lab ADDR2	EA1 Field 10 Facility/Lab Zip Code

Paper Claim Submission Requirements

- Suppliers that submit claims in the paper format (CMS-1500) may not combine services that they performed themselves and any that they referred to another laboratory on the same CMS-1500 claim form.
- If a billing laboratory performs some testing and refers the remaining tests to another (reference) laboratory to perform, the laboratory must separate the services and submit two separate claims.
- If services are referred to more than one laboratory a separate claim must be submitted for each reference laboratory to which services were referred.
- Paper claims will be returned as unprocessable if billing providers combine clinical laboratory services performed themselves and any referred to another laboratory on the same CMS 1500.
- The line items submitted for referred laboratory test must contain a modifier 90.
- The performing laboratory's name and address must be reported in item 32 on the CMS-1500 form to show where the service (test) was actually performed. A paper claim for laboratory testing requires the presence of the CLIA number of the laboratory actually performing the testing in item 23 of the CMS-1500 billing form.
- An NSF electronic claim for laboratory testing requires the presence of the performing and billing laboratory's name and address.

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- The performing laboratory for a service with a line item CPT '90' modifier requires provider information to be submitted in the item 32 of the CMS-1500.

Background

Sometimes a clinical diagnostic laboratory will refer a specimen to another laboratory for testing. In most cases the laboratory that furnishes the service will bill for the service. But it's also possible for one laboratory to bill for a service performed by *another* laboratory. Medicare uses certain terms of art in describing laboratories in this context. "Referring laboratory" is defined as the laboratory that refers a specimen to another laboratory for testing. "Reference laboratory" is defined as the laboratory that receives a specimen from another laboratory and performs one or more tests on such specimen.

Medicare's payment policy for laboratory services is generally based on fee schedules specific to each carrier jurisdiction. Previously, some carriers have been unable to process a claim for a laboratory test performed in another jurisdiction because they did not possess the fee schedule of that other jurisdiction. Thus, some carriers paid for referred services performed outside of their jurisdiction and based payment on the fee schedule for that jurisdiction.

Other carriers attempted to overcome the difficulty by enrolling the laboratory outside their jurisdiction as a reference laboratory. These carriers issued a Provider Identification Number (PIN) for the reference laboratory as a "reference-use-only" PIN. However, not every carrier has been willing to issue "reference-use-only" PINs.

Implementation

This change resolves the issues by requiring that:

1. An independent clinical laboratory may bill only the carrier in which it is enrolled by location.
2. An independent clinical laboratory may not enroll with a carrier as a "reference-use-only" laboratory.
3. Every carrier must settle a claim for a referred service submitted by a laboratory located in its jurisdiction, regardless of where the service was performed.
4. Every carrier must pay for a referred service on the basis of the fee schedule in effect in the jurisdiction where the test was performed.
5. Every carrier must cancel all existing "reference-use-only" enrollments and "reference-use-only" PINs and refrain from making any further "reference-use-only" enrollments.
6. The referring laboratory must identify a referred service as such on the claim and identify reference laboratory performing that test and correctly entering the zip code of such laboratory.
7. Both the referring laboratory and the reference laboratory must be enrolled in Medicare.

When a billing laboratory is the referring laboratory it must identify the referred service as such by use of modifier 90 and must identify the reference laboratory by specifying its CLIA number and the address, including the correct zip code, where the service was actually performed. Also, the referring laboratory must meet one of the following conditions:

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1. It must be located in, or be part of, a rural hospital;
2. It must be wholly-owned by the reference laboratory; or both it and the reference laboratory are wholly-owned subsidiaries of the same entity; or
3. It refers no more than thirty (30) percent of the clinical laboratory tests annually to other laboratories (not including referrals made under the wholly-owned proviso stated above).

Important Dates

These changes will be implemented by Medicare on July 6, 2004, and will apply to services rendered on or after July 1, 2004.

Related Instructions

If you need further clarification, background, details or just want to see the original change request implementing these changes, you can find it at:

http://www.cms.hhs.gov/manuals/pm_trans/R85CP.pdf

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