
CMS Manual System

Pub. 100-04 Medicare Claims Processing

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal 315

Date: OCTOBER 22, 2004

CHANGE REQUEST 3464

SUBJECT: Temporary Change in Carrier Jurisdictional Pricing Rules for Purchased Diagnostic Services

I. SUMMARY OF CHANGES: This instruction implements a temporary change in carrier jurisdictional pricing rules for purchased diagnostic services to allow physicians/suppliers purchasing out-of-jurisdiction diagnostic tests/interpretations to bill their local carrier for these services. It also instructs carriers to revoke any previously issued provider identification numbers used to allow independent clinical diagnostic laboratories physically located outside of the carrier's jurisdiction to bill and be paid for purchased diagnostic tests/interpretations payable under the Medicare Physician Fee Schedule.

NEW/REVISED MATERIAL - EFFECTIVE DATE*: November 22, 2004

IMPLEMENTATION DATE: November 22, 2004

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)

(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
N/A	

III. FUNDING: Medicare contractors shall implement these instructions within their current operating budgets.

IV. ATTACHMENTS:

	Business Requirements
	Manual Instruction
	Confidential Requirements
X	One-Time Notification
	Recurring Update Notification

*Unless otherwise specified, the effective date is the date of service.

Attachment – One-Time Notification

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SUBJECT: Temporary Change in Carrier Jurisdictional Pricing for Purchased Diagnostic Services

I. GENERAL INFORMATION

A. Background:

In accordance with Internet Only Manual (IOM) Publication 100-04, chapter 1, §10.1.1, effective for claims with dates of service on or after April 1, 2004, Medicare carriers must use the ZIP code of the location where the service was rendered to determine both the carrier jurisdiction for processing the claim and the correct payment locality for any service paid under the Medicare Physician Fee Schedule (MPFS). Diagnostic tests and their interpretations are paid under the MPFS, and are therefore subject to the same payment rules as all other services paid under the MPFS. Laboratories, physicians, and independent diagnostic testing facilities (IDTFs) may bill for purchased tests and interpretations. However, under the current carrier jurisdictional pricing rules, these suppliers must bill the purchased test or interpretation to the carrier that has jurisdiction over the geographic location where the test or service is performed (i.e., the carrier that would be billed by the supplier if the test component or interpretation had not been purchased).

Since the implementation of carrier jurisdictional pricing edits on April 1, 2004, CMS has received reports that, due to current enrollment restrictions, some physicians/suppliers purchasing diagnostic tests/interpretations are unable to receive reimbursement for these services when the services are performed outside of their local carrier's jurisdiction. This instruction addresses reported problems with billing for purchased diagnostic tests/interpretations by temporarily changing the carrier jurisdictional pricing rules that apply when billing for an out-of-jurisdiction area purchased diagnostic service. Carrier jurisdictional pricing rules for all other services payable under the MPFS remain in effect.

B. Policy:

Until further notice, physicians/suppliers must bill their local carrier for all purchased diagnostic tests/interpretations, regardless of the location where the service was furnished. The billing physician/supplier is responsible for ensuring that the physician/supplier that furnished the purchased test/interpretation is enrolled with Medicare, and is in good standing (i.e., the physician/supplier is not sanctioned, barred, or otherwise excluded from participating in the Medicare program). The billing physician/supplier is also responsible for any existing billing arrangements between the purchasing entity and the entity providing the service.

When billing for an out-of-jurisdiction purchased diagnostic service, the physician/supplier must report the address of its own facility in the service facility location area of the claim. (For these services only, the place of service is deemed to be the billing physician/supplier's location, rather than the location where the service was actually performed. The billing physician/supplier should use the same address reported for the portion of the service that the physician/supplier performed when reporting the address for the purchased portion of the test.) Physicians/suppliers billing for the purchased test/interpretation must enter the address of their facility in block 32 of the Form CMS-1500 claim form. For electronic claims

submissions, physicians/suppliers billing for the purchased test/interpretation must enter the address of their facility in the Billing Provider loop 2010AA of the ANSI X12 837 electronic claim format, version 4010/4010A. See IOM Publication 100-04, Medicare Claims Processing Manual, chapter 1, §10.1.1.1 for further guidance concerning the submission of electronic claims.

When billing for a diagnostic service purchased within the local carrier's geographical service area, the physician/supplier must continue to follow existing guidelines for reporting the location where the service was furnished.

For out-of-jurisdiction purchased diagnostic services only, carriers must use the ZIP code of the billing entity's location to determine both the carrier jurisdiction over the claim and the correct payment locality for the amount payable under the MPFS. Carriers must accept and process claims billed by suppliers (including radiologists, physicians, and Independent Diagnostic Testing Facilities [IDTFs]) enrolled in the carrier's jurisdiction based on the ZIP code entered on the claim, regardless of where the service was actually furnished. Suppliers billing for purchased diagnostic tests/interpretations must meet all other enrollment criteria, and must be eligible to bill for the purchased component of the test.

Carriers must notify physicians/suppliers billing for purchased diagnostic services that they will not be penalized by the Office of the Inspector General when they change the service facility location on the claim, even if the location reported on the claim does not correspond with the location where the service was actually performed. If the carrier determines during the claims review process that the service was performed at a location other than the service facility address entered on the claim, the carrier must hold the physician/supplier harmless for this discrepancy, and may not deny the claim on this basis. For audit purposes, physicians/suppliers must maintain, and provide upon request, supporting documentation demonstrating that the test/interpretation was purchased, and documenting the location where the service was performed.

Carriers must notify physicians/suppliers that they must bill their local carrier for purchased diagnostic tests/interpretations, and that they may no longer use provider identification numbers (PINs) issued in out-of-jurisdiction carrier sites to bill for these services. Carriers must also revoke any previously issued provider identification numbers (PINs) issued to any supplier (including, particularly, independent clinical diagnostic laboratories [Specialty Type '69']) that is physically located outside of the carrier's jurisdiction in order for such supplier to bill and be paid for purchased diagnostic services payable under the MPFS.

C. Provider Education: A Medlearn Matters provider education article related to this instruction will be available at <http://www.cms.hhs.gov/medlearn/matters> shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
3464.1	Until further notice, for purchased diagnostic services only, carriers shall use the ZIP code of the billing entity's location to determine both the carrier jurisdiction over the claim and the correct payment locality for the amount payable under the MPFS.			X						
3464.2	Carriers shall notify physicians/suppliers billing for purchased diagnostic services that they will not be penalized by the Office of the Inspector General when they change the service facility location on the claim, even if the location reported on the claim does not correspond with the location where the service was actually performed.			X						
3464.3	For purchased diagnostic services only, carriers shall hold the billing physician/supplier harmless for any discrepancies found during the claims review process between service facility address reported on the claim and the actual location where the service was furnished.			X						
3464.4	Carriers shall not deny claims for purchased diagnostic services based on discrepancies found during the claims review process between the service facility address reported on the claim and the actual location where the service was furnished.			X						
3464.5	Carriers shall notify physicians/suppliers that they must bill their local carrier for purchased diagnostic services, and that they may no longer use PINs issued in out-of-jurisdiction carrier sites to bill for these services.			X						

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CBF	
3464.6	Carriers shall revoke any previously issued provider identification numbers (PINs) issued to any supplier (including, particularly, independent clinical diagnostic laboratories [Specialty Type ‘69’]) that is physically located outside of the carrier’s jurisdiction in order for such supplier to bill and be paid for purchased diagnostic services payable under the MPFS.			X						

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: November 22, 2004</p> <p>Implementation Date: November 22, 2004</p> <p>Pre-Implementation Contact(s): Susan Webster, (410) 786-3384</p> <p>Post-Implementation Contact(s): Contact the appropriate regional office.</p>	<p>Medicare contractors shall implement these instructions within their current operating budgets.</p>
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