

 <p>HAWAII HEALTH SYSTEMS C O R P O R A T I O N <i>"Touching Lives Everyday"</i></p> <p>Policies and Procedures</p>	<p>Quality Through Compliance</p>	<p>Policy No.:</p> <p>FIN 0501</p>
		<p>Revision No.:</p> <p>N/A</p>
<p>Subject:</p> <p>Referred Laboratory Testing</p>	<p>Issued by:</p> <p>Corporate Compliance Committee</p>	<p>Effective Date:</p> <p>September 15, 2000</p>
	<p>Approved by:</p> <p>Thomas M. Driskill, Jr. President & CEO</p>	<p>Supersedes Policy:</p> <p>N/A</p>
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- I. **PURPOSE:** To make sure that laboratory tests which are referred to other laboratories are billed in accordance with Medicare, Medicaid, and other federally funded payor guidelines.
- II. **POLICY:** Laboratory services referred to another lab for testing will be billed according to the criteria described in this procedure.
- III. **PROCEDURE:** The following steps should be performed to make sure that reference laboratory services are billed according to HCFA guidelines. It is the responsibility of the Chief Financial Officer at each facility to guarantee adherence to this procedure.

A. Hospital Laboratories:

1. Medicare requires direct billing of outpatient laboratory services by the laboratory performing the tests; however, exceptions exist as follows:
 - a. In the case of a clinical diagnostic laboratory test provided under an arrangement made by a hospital or rural primary care hospital with another laboratory, the hospital must bill the federally funded payor for services. For purposes of this policy, "*under an arrangement*" is defined as a contractual agreement between a hospital and a reference laboratory under which the hospital will pay the reference laboratory for the tests performed, and the hospital will be responsible for billing and collection activities.
2. Hospitals that do not have an arrangement with a reference laboratory may bill the federally funded payor for the tests if the following criteria are met:
 - a. Referring laboratory is located in or is part of a rural hospital; or
 - b. Ownership rules apply (referring laboratory is wholly-owned by the reference laboratory, referring laboratory wholly owns the reference laboratory, or both the referring laboratory and the reference laboratory are wholly-owned by a third entity); or

- c. No more than 30% of the total laboratory tests which the referring laboratory performs annually are performed by a reference laboratory, other than an ownership-related laboratory.

B. Reference Laboratories:

1. Medicare requires direct billing of outpatient laboratory services by the laboratory performing the tests; however, reference laboratories which send specimens to other laboratories for testing may bill for the tests if the reference laboratory meets any of the 3 following criteria:
 - a. Referring laboratory is located in or is part of a rural hospital, or
 - b. Ownership rules apply (referring laboratory is wholly-owned by the reference laboratory, referring laboratory wholly-owns the reference laboratory, or both the referring laboratory and the reference laboratory are wholly-owned by a third entity), or
 - c. No more than 30% of the total laboratory tests for which the referring laboratory performs annually are performed by a reference laboratory, other than an ownership-related laboratory.
2. Additionally, all reference laboratories utilized by the facility must be certified in the testing specialty in order for Medicare to reimburse for the laboratory services.

C. Implementation And Annual Review:

1. Laboratory personnel must identify all tests in the chargemaster that are referred to another laboratory for testing.
2. Laboratory personnel must identify the reference laboratory(ies) that is utilized for each test.
3. Laboratory personnel must obtain and/or verify that documented CLIA (Clinical Laboratory Improvement Act) and/or CAP (College of American Pathologists) certificate information is available for each testing specialty used by each reference laboratory identified in previous step.
4. Laboratory and business office personnel must determine if the reference laboratory is under arrangement to provide services for the facility laboratory.
5. If the reference laboratory is under arrangement, the facility must bill for all laboratory services. Proceed to step 7 of the implementation process.
6. If the laboratory is not under arrangement, not part of a rural hospital, and not wholly-owned by a hospital under arrangement, then the laboratory must meet the 70/30 rule in order to bill Medicare for tests that are referred. In this case, laboratory personnel must:

- a. Review annual volumes of all referred tests and total tests performed. Determine the percentage of tests referred by dividing the number of referred tests by the total tests performed.

Example: Total annual tests performed = 100,000 tests
 Total annual referred tests performed = 5,000 tests
 Percent Referred tests = $5,000/100,000 \times 100 = 5\%$

- b. Determine whether laboratory meets the 30% exception rule (no more than 30% of testing may be referred in order for a laboratory to direct bill referred tests). In the example above, the laboratory may continue to direct bill referred tests.
7. If the laboratory refers more than 30% of its annual volume, the laboratory may no longer directly bill Medicare for those tests which are referred. In this case, the referring laboratory must provide billing information to the reference laboratory with instructions that the reference laboratory bill directly.
 8. All staff/physicians responsible for ordering, charging, or billing laboratory services will be educated on the contents of this policy.
 9. Facilities must adhere to specific intermediary and/or state requirements. Mechanisms must be established and implemented in order for business office personnel to identify intermediary interpretations which vary from the interpretations in this policy.
 10. Specific intermediary documentation related to the variance(s) must be obtained and faxed to the Regional Compliance Officer who would report to the Corporate Compliance Officer.