**Insights to Coding and Data Quality**

# Medicare no longer pays for some outpatient lab tests

**by Monica Leisch, RHIA, CCS**

You may not have realized that as of January 6, 2014, Medicare is no longer paying for some laboratory tests. With CR 8572 issued December 27, 2013, the Centers for Medicare and Medicaid Services (CMS) implemented the new policy under CY 2014 OPPS final rule, providing packaged payment of outpatient lab tests (other than molecular pathology) on a 013X Type of Bill (TOB) (Hospital Outpatient).

There are some exceptions to the packaging policy. CMS instructs hospitals to use the 014X TOB (Hospital Non-Patient) to obtain separate payment only in the following circumstances:

- Non-patient (referred) specimen;
- A hospital collects specimen and furnishes only the outpatient labs on a given date of service; or
- A hospital conducts outpatient lab tests that are clinically unrelated to other hospital outpatient services furnished on the same day. "Unrelated" means the laboratory test is ordered by a different practitioner than the practitioner who orders the other hospital outpatient services for a different diagnosis.

In these situations CMS assumes that the hospital functions as an independent laboratory, and therefore allows the use of the 014X bill type. Provider concern that use of the 014X bill might violate the Health Insurance Portability and Accountability Act (HIPAA), caused CMS to create a modifier for use on the 013X TOB (instead of the 014X TOB). The new modifier, L1, was effective July 1, 2014, and retroactive for dates of service on or after January 1, 2014.

Hospitals have the responsibility to determine when lab tests require separate payment, and when to apply the modifier on the 014x TOB. Under the CY 2014 OPPS final rule, it is optional for OPPS hospitals to request separate payment for an outpatient lab test. Both related and unrelated outpatient labs can be billed on the same bill type.

To summarize, the new modifier, L1, should be used for laboratory services meeting the criteria listed in numbers 2 and 3 above on 013x TOB. Without this modifier designation, the laboratory tests will be packaged, and not separately payable. Molecular pathology tests described by CPT codes in the ranges of 81200* through 31383*, 81400* through 81408*, and 81479* are not packaged in the OPPS and do not require the new modifier. Review your APC payments to ensure that you have received accurate payment and conduct routine audits to identify coding and modifier use issues that can further impact reimbursement.



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*References*

*MLN Matters Number: SE1412 Related Change Request Number: 8572*
*To read the article related to CR8572, go to http:// www.cms.gov/Outreach-and-Education/Medicare- Learning-Network-MLN/MLNMattersArticles/ Downloads/MM8572.pdf.*

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