

Medicare Payment for Referring Laboratories Special Conditions for Referring Laboratories

- When Part B payment for clinical laboratory tests is subject to the fee schedule, payment is only made to the party/entity performing or supervising the tests, except in the following situations.

The following information from the Medicare Carrier Manual describes the instructions for the billing of clinical diagnostic laboratory services and who can file these claims. The sections of primary interest to the clinical laboratory are Section 5114.1(E)(2) Special Conditions for Referring Laboratories. These instructions support section 1395 of 42 U.S.C.

Chapter 5 of the Medicare Carrier Manual
Section 5114: PAYMENT FOR DIAGNOSTIC LABORATORY SERVICES
Specifically in the following subsection:
5114.1 (E.) Who Can Bill and Receive Payment for Clinical Laboratory Tests.--

In accordance with §6111(b) of OBRA of 1989 as amended by §4154 of OBRA of 1990, a referring laboratory may bill for tests for Medicare beneficiaries performed on or after May 1, 1990, by a reference laboratory only if it meets any one of the following three exceptions:

- The rural hospital exception. The referring laboratory is located in, or is part of, a rural hospital;
- The ownership related exception (formerly, the subsidiary related exception). The referring laboratory and reference laboratory are ownership related. That is:
 - The referring laboratory is wholly-owned by the reference laboratory; or
 - The referring laboratory wholly owns the reference laboratory; or
 - Both the referring laboratory and the reference laboratory are wholly-owned subsidiaries of the same entity; or
- The 30 percent exception
 - For services rendered from May 1, 1990 through April 30, 1991, no more than 30 percent of the clinical diagnostic laboratory tests billed annually by the referring laboratory may be performed by another laboratory other than an ownership related laboratory. { > than 30% makes referring lab a Shell Lab }
 - For services rendered on or after January 1, 1991, no more than 30 percent of the clinical diagnostic laboratory tests for which the referring laboratory receives requests annually may be performed by another laboratory, other than an ownership related laboratory described above.
- Referring laboratories are responsible for setting up appropriate billing arrangements when submitting specimens to this laboratory for Medicare/Medicaid patients.

Version 1, September 2002

Reviewed March 2010