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**PHYSICIANS LABORATORY SERVICES**  
**ANNUAL NOTICE TO PROVIDERS**  
**2026**

The Office of Inspector General (OIG) requires all clinical laboratories to send an annual notice to physicians as part of their compliance program. Physicians Laboratory is dedicated to complying with all federal and state laws and regulations. As part of this commitment, the following information is provided for review.

**MEDICAL NECESSITY**

Title XVIII of the Social Security Act section 1862(a) (1) (A) excludes payment for services "which are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member". Medicare provides specific policies regarding medical necessity via the National Coverage Determinations (NCDs) and Local Coverage Determinations (LCDs). To meet Medicare guidelines, the provider must document medical necessity for each test in the patient's medical record, as well as accurately completing the test order requisition form including the appropriate third-party billing information and diagnosis code(s). The ordering provider must ensure that all tests ordered meet all Federal and State requirements, including that the attending provider has specifically ordered the test(s) and that the tests are medically necessary and do not violate frequency limitations. All standing orders must be for a defined period of time and for a medical condition warranting a standing order. Providers may order any tests that they believe are appropriate for treatment of their patients; however, Medicare will only pay for tests that meet medical necessity requirements.

If a provider would like to order testing that does not meet Medicare's definition of "medical necessity", the provider is responsible for having the patient sign a completed Advance Beneficiary Notice (ABN) prior to service. By signing this document, the patient assumes responsibility for the cost of any testing that is performed.

**NATIONAL COVERAGE DETERMINATIONS:**

The National Coverage Determinations (NCDs) include specific Medicare policies for frequently ordered laboratory tests. The policy manual specifically dictates which ICD-10 codes support medical necessity, as well as the CPT codes for each of these tests. These rules are binding on all Medicare carriers. The diagnosis provided by the physician will be compared to the ICD-10 codes listed in the NCD policies. ICD-10 codes that are not listed as covered codes in this manual will be denied for payment as they do not support medical necessity. In those instances, in which a physician wants to order a test with an ICD-10 code that is not listed, an Advanced Beneficiary Notice (ABN) must be signed by the patient prior to collection.

For the most recent version of the Medicare National Coverage Determinations (NCD) Coding Policy Manual and Change Report please refer to the website below:

National Coverage Determinations

<http://www.cms.gov/Medicare/Coverage/CoverageGenInfo/LabNCDsICD10.html>

**LOCAL COVERAGE DETERMINATION**

Medicare contractors can establish additional policies pursuant to their areas of jurisdiction. These policies are called Local Coverage Determinations (LCDs) and also have specific ICD-10 codes that are required for payment.

For the most recent list of Local Coverage Determinations for the states of Nebraska, Iowa, Kansas, and Missouri, please refer to the website below:

<https://med.wpsgha.com/tools/code-lookup>

#### **ADVANCE BENEFICIARY NOTICE (ABN)**

The Advance Beneficiary Notice (ABN) is provided to Medicare beneficiaries to inform the patient that Medicare may not pay for specific services. The provider is required to document the specific tests; the reason Medicare may not pay and the estimated cost of each test. By signing, the patient then assumes responsibility for payment of the tests in the event Medicare denies payment. The ABN must be completed prior to services being performed.

Common reasons for Medicare denials include:

- The diagnosis code provided did not support medical necessity.
- Testing exceeded Medicare's frequency limitations.
- Testing is considered experimental or for research use.
- Testing is for screening purposes only.

#### **CUSTOM PANELS**

Physicians Laboratory does not encourage the use of custom profiles; however, in those instances in which a provider requests customization they will be required to date and sign a form acknowledging the following:

- The provider requested the custom test order profile.
- The provider has been informed of the Medicare reimbursable amount and CPT codes for the custom panel and its components.
- The provider is aware that the use of customized panels may result in Medicare denying reimbursement.
- The provider must order individualized tests or a less inclusive profile when all the tests in the custom panel are not medically necessary.
- The provider recognizes that the "Office of Inspector General (OIG) takes the position that an individual who knowingly causes a false claim to be submitted may be subject to sanctions or remedies available under civil, criminal and administrative law" (Federal Register, p. 45080).
- The provider is aware that the laboratory makes available the services of a Clinical Consultant to assist in ensuring that appropriate tests are ordered.

#### **REFLEX TESTING**

Physicians Laboratory utilizes reflex testing to validate primary test results or add additional testing when medically appropriate. A list is provided on our test directory that details all reflex testing ([www.physlab.com](http://www.physlab.com)).

#### **NO INDUCEMENTS FOR REFERRALS**

Physicians Laboratory does not provide any form of remuneration as an inducement to physicians or entities to order laboratory tests from our facility. All supplies and equipment provided to clients are for the sole purpose of collection, ordering, shipping, or reporting of test results. Supplies can only be used for testing being sent to Physicians Laboratory. Under no circumstances can they be used for testing performed at the client's facility or sent to another laboratory for testing.

In addition, it is Physicians Laboratory's policy to comply with all aspects of the self-referral prohibitions under Stark Law.

If you have any questions or concerns regarding the content of this Annual Notice, please contact Physicians Laboratory Compliance Officer at 402-731-4145.