MEDICAL NECESSITY – AUDITING AND MONITORING PROGRAM

Objective: To ensure that claims submitted by the facility for Medicare reimbursable services meet "medical necessity" guidelines of "medical necessity".

Medical Necessity Audit - Preliminary Procedures	W/P Ref	Initial & Date

Sample Selection

1. Select a time frame from which to extract a sample of patient accounts
2. Identify the population of patient accounts receiving diagnostic testing during the audit period
3. Identify key data field information needed to conduct meaningful data extraction
4. Conduct data analysis to determine diagnostic test activity by facility, department, or type of diagnostic test
5. Having identified the volume of diagnostic testing, include an account from each department that orders and performs ancillary tests to ensure that the sample captures all diagnostic tests performed by the facility.
6. Extract the patient account sample using your data analysis tool.

Supporting Documentation Collection

For each of the patient accounts included in the audit sample, obtain the following documentation:
1. Copy of the test order or requisition
2. Authentication of any verbal orders
3. Notations on the test order of signs or symptoms presented by the patient
4. Diagnosis noted on the test order
5. Diagnostic test results
6. Emergency department (ED) record for ED patients
7. Copy of the claim forms (UB04 or CMS 1500)
8. National coverage determinations (NCD) and applicable local coverage determinations (LCD) from the Medicare Administrative Contractor (MAC)
9. Copies of any Advance Beneficiary Notice (ABN) or Notice of Exclusion from Medicare Benefits (NEMB) provided to and completed by the patient

Medical Necessity Audit – Testwork & Process Confirmation Procedures	W/P Ref	Initial & Date

Documenting Testwork & Identifying Deficiencies

1. Develop a testwork matrix (i.e., spreadsheet) to record presence or absence and correctness or incorrectness of data or process
2. For supporting documentation collected, enter whether information was obtained or not on the working spreadsheet
3. Where information is lacking, research cause for deficiency in the process
4. Identify ICD-9 codes for each diagnostic test selected in the sample patient accounts and determine whether the payment is in accordance with LCDs or NCDs – note on spreadsheet as compliant or not
5. Where no payable diagnosis code is identified, review the test order, test results, and the ED records to determine whether documentation supports assigning another covered diagnosis code
6. Also, where no covered diagnosis code is identified, determine whether

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an ABN was completed by the patient for the particular diagnostic test – specify compliance status on spreadsheet 7. If inadequate documentation appears to result in failing the test of "medical necessity", discuss the information with the physician – note any exceptions and explanations on the spreadsheet 8. Investigate process deficiencies and recommend corrective action		
Medical Necessity Audit – Monitoring Procedures	**W/P Ref**	**Initial & Date**
Data Analysis & Problem Identification Claims denied for issues related to "medical necessity" can be indicative of process errors. To identify problem areas in the "medical necessity" process, perform the following steps: 1. Determine the denial rate of claims related to "medical necessity" by facility, department, physician, or type and look for unexpected trends or outliers 2. If denial rates appear excessive, identify the source of the greatest denials and verify that theMAC's requirements for "medical necessity" are being followed 3. Review the "medical necessity" process to determine when denials or edits are identified and reinforce education with ordering physicians and the registration staff on "medical necessity" screening and the proper use of ABNs, and the required ABN process 4. Verify that the "medical necessity" process has a feature to provide ordering physicians and the registration staff with information on potential denials so that ABNs can be obtained from patients and the required process can be followed 5. On a regular basis, review documentation and diagnostic test ordering anomalies that may result in denials, including NCD and LCD denials		