Since its inception on January 1, 2009, the anti-markup rule has caused confusion within physician practices regarding its applicability. As a result, the Centers for Medicare and Medicaid Services (CMS) recently released further instructions to its contractors, effective March 15, 2010, for handling tests subject to the anti-markup rule.1

The anti-markup rule was first instituted by CMS for the purpose of reducing overall healthcare expenditures by placing limits on how much physicians can be reimbursed for diagnostic tests they perform.2 As an example, if a billing physician refers a Medicare patient to an outside physician for diagnostic tests, Medicare’s payment to either party may not exceed the lowest of the following amounts: (1) the performing supplier’s net charge to the billing physician; (2) the billing physician’s actual charge; or, (3) the Medicare fee schedule amount for the test that would be allowed if the performing supplier billed Medicare directly.3

Diagnostic tests are made up of both a technical component (TC)—the supplies, equipment, and technicians—and a professional component (PC)—the physician’s interpretation of the TC’s results. The goal of the anti-markup rule is to prevent physicians from profiting from either of these components by first billing Medicare and then purchasing the tests from other physicians at a lower rate.4

The recent update issued by CMS indicates that when billing for either the TC or PC of a diagnostic test that another physician performs, the billing physician must indicate the name, address, and National Provider Identifier (NPI) of the performing physician.5 Additionally, if the performing physician is enrolled with a different Medicare Administrative Contractor, both the billing physician and the performing physician must submit their own separate NPIs.6 Also, if the billing physician performs only the TC or the PC and wants to bill for both, the TC and PC must be reported as separate line items.7

The effects of the anti-markup rule have not yet been evaluated due to its relatively recent implementation, but with these clarifications, CMS hopes to observe an increased level of physician compliance with anti-markup rule and, subsequently, a reduction in healthcare expenditures related to discrepancies in physician billing practices.


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