

CLINICAL LABORATORY COALITION
Committed to Ensuring Access to Quality Laboratory Services

September 7, 2011

Senator Patty Murray
448 Russell Senate Office Building
Washington, DC 20510

Representative Jeb Hensarling
129 Cannon House Office Building
Washington, DC 20515

Dear Senators Murray and Hensarling:

The undersigned laboratory and health care organizations, representing America's community, regional, and national laboratories and the Medicare patients we serve, ask that you work to protect access to Medicare Part B clinical laboratory services as you begin negotiations to identify ways to reduce overall costs. We specifically urge you to oppose Medicare Part B cost sharing (coinsurance or copays) on clinical laboratory services and additional reductions in the Clinical Laboratory Fee Schedule. Cost sharing burdens ultimately fall on the laboratories and the patients they serve. Further reductions to the fee schedule that was just significantly cut during health reform will threaten these businesses, negatively affecting our workforce and our ability to serve the Medicare population.

A 2000 Institute of Medicine (IOM) report on Medicare laboratory payment policy recommended against beneficiary cost sharing, concluding that "cost sharing is unlikely to significantly reduce overuse or increase the detection of fraud and abuse; it could create barriers to access for the most vulnerable Medicare beneficiaries; and it would be financially and administratively burdensome for laboratories, patients, and the Medicare program..." Additionally, in 2011, the Congressional Budget Office (CBO) did not include laboratory coinsurance or co-pays in the savings options presented to Congress. In its report to Congress, the Medicare Payment Advisory Commission (MEDPAC) also did not include any recommendation for cost sharing on laboratory services.

If cost sharing is put in place, laboratories will receive an upfront reduction in their Medicare reimbursement and will then be expected to collect the cost sharing amount from beneficiaries. In many cases, collection will be impossible, as laboratories typically have no opportunities to interact directly with the patient. For some laboratories that primarily care for Medicare beneficiaries in long-term care and home health care settings, the majority of the people they

serve are dual-eligibles and are unable to pay for cost sharing, and Medicaid will not cover this expense. The laboratories would end up absorbing these costs, which would serve as a direct and major cut to their Medicare reimbursement. Imposing cost sharing on laboratory services will not only threaten seniors' access to tests needed to manage chronic health conditions, it will also threaten the viability of hundreds of community and regional laboratories across the United States that provide services to the majority of the Medicare population.

The IOM asserts that the cost for laboratories to collect a copay or coinsurance will often exceed the amount of the actual cost sharing amount, noting that "the cost of producing and sending a letter could be more than \$5.00." The significant cost imposed on laboratories for collecting coinsurance is not just anecdotal. For example, the median cost of a laboratory claim under Medicare Part B is about \$30, therefore a coinsurance of 20 percent on laboratory services would result in most coinsurance bills averaging \$6 or less, in most cases the copay itself could be less than the cost to collect it. The added cost to the health care system is staggering when considering that cost sharing on Medicare Part B laboratory services will require laboratories to generate at least 200 million new bills annually to beneficiaries.

The cost to our health care system of collecting laboratory cost sharing amounts far exceeds any savings Members of Congress or the Administration believe can be achieved and places the burden of this cost squarely on America's laboratories. If implemented, cost sharing would hurt laboratory businesses, causing many to limit their participation in Medicare Part B or make difficult decisions to cut jobs. Either scenario would severely limit access to care for our most vulnerable seniors and potentially threaten thousands of jobs across the country as laboratories are forced to reduce overhead costs or close their doors.

Clinical laboratories suffered deep cuts as a result of health reform. The law includes a direct and immediate cut to the Part B Clinical Lab Fee Schedule of 1.75 percent each year for five years. This nine percent cut is the largest cut among all Part B providers. Clinical laboratories also received another cut through the productivity adjustment – one of only a few providers subject to an immediate adjustment in 2011 – resulting in an additional 11 percent cut over ten years. Together, the direct cut and the productivity adjustment result in a cumulative 20 percent cut over ten years.

While less than two percent of all Medicare spending, clinical laboratory testing has been subject to significant freezes in payments and cuts over the last two decades. Medicare payment amounts for clinical laboratory services have been reduced by about 40 percent in real (inflation-adjusted) terms over the past 20 years. In some independent clinical laboratories, especially those serving rural communities or nursing home populations, 80 percent or more of their patient-base consists of Medicare beneficiaries. Any additional cuts will threaten their business's existence and cannot be absorbed without adversely impacting patient care.

Our organizations respectfully request that you work to protect access to clinical laboratory services for Medicare beneficiaries by opposing the implementation of cost sharing for Medicare Part B clinical laboratory services and opposing any further reduction in the laboratory fee schedule. Both issues affect our ability to provide necessary services that drive over 70 percent of medical decision making. If you have any questions or we can provide additional

information, please contact Julie Allen with the Clinical Laboratory Coalition at 202-230-5126 or Julie.Allen@dbr.com.

Thank you for considering this request.

Sincerely,

Agendia Inc.

American Association for Clinical Chemistry

American Association of Bioanalysts

American Clinical Laboratory Association

American Medical Technologists

American Society for Clinical Pathology

American Society for Microbiology

Becton, Dickinson and Company (BD)

Caris Life Sciences

Clinical Laboratory Management Association

Laboratory Corporation of America Holdings

National Independent Laboratory Association

Novartis

Sonic Healthcare USA

Quest Diagnostics Incorporated

cc: Joint Select Committee on Deficit Reduction
Senate Finance Committee
Senate Health, Education, Labor and Pensions Committee
House Energy and Commerce Committee
House Ways and Means Committee