CLINICAL LABORATORY COALITION

Committed to Ensuring Access to Quality Laboratory Services

July 11, 2013

Daniel R. Levinson
Inspector General
Department of Health and Human Services
Office of Inspector General
330 Independence Avenue, SW
Washington, DC 20201

Dear Mr. Levinson:

On behalf of the undersigned organizations—representing America's community, regional, hospital-based, and national clinical laboratories; the laboratory professionals who provide care for the Medicare patients we serve; and diagnostic manufacturers—we write to request a meeting with your office to discuss the findings and methodology of the June 2013 Office of Inspector General study entitled "Comparing Lab Test Payment Rates: Medicare Could Achieve Substantial Savings." We were disappointed that the laboratory community was not consulted during the study. We believe we could have provided useful information to guide the Office in its research and provide a better understanding of how the laboratory community operates and the differences in lab-related costs for services provided to Medicare beneficiaries.

The laboratory community is very concerned about the data as presented in the study. We would like to understand more about the plans and plan rates selected for data comparison, and we would like to understand why the OIG opted to compare the lowest rates available by certain plans rather than an average of rates across plans. As a community, we are soliciting information from clinical laboratories to understand more about the reimbursement rates for the services outlined. We would certainly appreciate a better understanding of how the OIG went about selecting the plans and the rates outlined and what factors were considered when doing so. For example, whether the volume of the services outlined was a factor when assessing payment rates by the payers. Such information would be helpful, as we are alarmed by the substantial differences in rates between FEHB plans alone, which has raised some significant questions about how those rates are derived.

The OIG report comes at a time when the laboratory community is already facing significant economic pressures. Clinical laboratory testing represents only about 1.6 percent ($8.2B) of all Medicare spending, yet it has been subject to significant reductions over the last two decades. In outlining the adjustments that have been made to the Clinical Laboratory Fee Schedule (CLFS), the OIG failed to outline the cuts and freezes in payments that the CLFS received prior to 2003. While the OIG report references that the lab fee schedule is subject to a 1.75 percent cut (between 2010-2015) and a productivity adjustment, it also failed to reference that the lab fee schedule was also rebased by 2 percent in the Middle Class Tax Relief and Job Creation Act of 2012 passed in February 2012, and cut by another 2 percent in FY 2013 through sequestration.

Such recent cuts would undoubtedly affect the difference in payment rates when comparing Medicare rates for lab services to other plan rates. We would like to understand why these cuts were not included in the OIG's analysis.

As part of our discussion, we also want to ensure that the OIG understands the diversity of the laboratory market as it continues to engage the Department of Health and Human Services on laboratory payment rates. For clinical laboratories, especially those serving rural communities and/or nursing home populations, 60 percent or more of their patient base consists of Medicare beneficiaries. Additional cuts of the magnitude suggested by the OIG cannot be absorbed without affecting patient access to health care services. We would like to understand whether the OIG considered the impact its recommendations could have on various segments of the laboratory market.

Our organizations respectfully request a meeting with the OIG to discuss the office's approach to the study, factors the office should consider in relation to its recommendations, and options for appropriately assessing the Clinical Laboratory Fee Schedule. Together we should strive to ensure that OIG recommendations and a subsequent response by the Department of Health and Human Services does not result in further constricting the laboratory market, thereby reducing the availability of testing services that drive 70 percent of clinical decision making. Such reductions would do nothing to meet the Department's goal of reducing health care spending or improving the quality of patient care.

We look forward to a discussion to learn more about the OIG's approach to the study and to better understand the data presented, which has raised several questions across the laboratory community. To schedule a meeting with representatives of the Clinical Laboratory Coalition, please contact Julie Scott Allen at 202-230-5126 or julie.allen@dbr.com.

Sincerely,

American Association of Bioanalysts
American Clinical Laboratory Association
AdvaMedDx
American Association for Clinical Chemistry
American Medical Technologists
American Society for Clinical Laboratory Science
American Society for Clinical Pathology
American Society for Microbiology
Clinical Laboratory Management Association
National Independent Laboratory Association
Roche Diagnostics Corporation

Cc: Senate Finance Committee
House Energy and Commerce Committee
House Ways and Means Committee