

CLINICAL LABORATORY COALITION

Committed to Ensuring Access to Quality Laboratory Services

April 16, 2013

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Hatch:

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 express serious concern and opposition to further reducing the Medicare Part B Clinical Laboratory Fee Schedule (CLFS) as proposed in the President’s 2014 Budget. Such reductions gravely threaten laboratory providers’ ability to serve their communities, provide access to Medicare laboratory services, and be a vital partner in supporting health care providers in delivering appropriate, cost effective, and high quality health care services to the Medicare population.

Clinical laboratory testing represents only about 1.6 percent (\$8.9B) of all Medicare spending, yet it has been subject to significant freezes in payments and cuts over the last two decades. Since 2010, the CLFS has been repeatedly cut: 1.75 percent every year for five years (2010-2015) and a productivity adjustment every year through the Affordable Care Act (ACA); 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. Adding in the President’s budget proposal, the price of an average test on the CLFS in 2010 would be cut by 29 percent by 2023. The President’s budget proposal would more than double the annual cuts that were imposed by the ACA, the 2012 rebasing, and sequestration.

For clinical laboratories, especially those serving rural communities or nursing home populations, 60 percent or more of their patient base consists of Medicare beneficiaries. Additional cuts of the magnitude suggested in the President’s budget cannot be absorbed without affecting patient access to health care services. Cuts to clinical laboratories threaten seniors’ access to critical laboratory tests necessary for physicians to manage chronic health conditions effectively. Independent clinical laboratories are being forced to make drastic economic decisions to ensure their viability in an already difficult market. As demonstrated in a 2012 survey conducted by the George Washington University, a significant number of small and mid-size independent clinical laboratories operate on very low margins, with profit margins that do not exceed 3 percent. Additional cuts are not an option if these laboratories are to retain their

ability to serve Medicare beneficiaries. For other laboratories, additional cuts to laboratory reimbursement will likely lead to even further workforce reductions, threatening clinical laboratory innovation, economic recovery, patient care, and clinical research.

Our organizations respectfully request that you work to protect access to clinical laboratory services for Medicare beneficiaries and oppose further reductions to the CLFS. Reducing the fee schedule to the levels proposed by the President only serves to constrict the laboratory market further, thereby reducing the availability of testing services that drive 70 percent of clinical decision making. Such reductions do nothing to meet Congress's goal of reducing health care spending or improving the quality of patient care.

Laboratories are an integral partner in Congress's ultimate effort to improve care delivery and reduce health care costs, with laboratory tests serving as the foundation for the diagnosis and clinical management of conditions like infectious disease, heart disease, cancer, and diabetes. Our organizations want to work in partnership with you to achieve your goals without compromising the quality and availability of care Medicare beneficiaries need and deserve.

If we can provide additional information, please contact Julie Allen with the Clinical Laboratory Coalition (202.230.5126 or julie.allen@dbr.com), or directly contact any of the organizations represented below.

Sincerely,

AdvaMedDx
American Association of Bioanalysts
American Clinical Laboratory Association
American Medical Technologists
American Society for Clinical Laboratory Science
American Society for Clinical Pathology
American Society for Microbiology
Clinical Laboratory Management Association
College of American Pathologists
Laboratory Corporation of America Holdings
National Independent Laboratory Association
Novartis
Quest Diagnostics Incorporated
Roche Diagnostics Corporation

Cc: Members of the Senate Finance Committee