

Congress of the United States

Washington, DC 20515

December 11, 2007

The Honorable John Dingell
Chairman
Energy and Commerce Committee
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Joe Barton
Ranking Member
Energy and Commerce Committee
U.S. House of Representatives
2322-A Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Chairman
Energy and Commerce Committee
Subcommittee on Health
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Nathan Deal
Ranking Member
Energy and Commerce Committee
Subcommittee on Health
2322 A Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Dingell, Pallone and Ranking Members Barton and Camp:

Re: Medicare Clinical Laboratory Services Competitive Bidding Demonstration project planned for the San Diego-Carlsbad-San Marcos, California metropolitan area.

San Diego has been chosen as the first site of the CMS Clinical Laboratory Competitive Bidding Demonstration Project. All laboratories that provide over \$100,000 in Medicare fee for service testing for patients residing in San Diego County are required to bid. We strongly oppose any effort to impose competitive bidding arrangements for diagnostic laboratory payments under Part B of Medicare or state Medicaid programs. Competitive bidding would threaten the quality of and access to laboratory services and create a substantial and cumbersome administrative bureaucracy. Moreover, it will not result in a meaningful, cost-effective reform of Medicare. **We urge you to include a repeal of the clinical laboratory competitive bidding demonstration authority provided in the Medicare Modernization Act of 2003 in any must-pass Medicare legislation this year.**

There are numerous reasons not to conduct this demonstration project at all:

- Laboratory test results impact over 70% of all medical decision making, however clinical laboratory tests account for less than two percent (2%) of Medicare expenditures. The last time clinical laboratories received an increase in the Medicare Fee Schedule was in 2003; this 1.2 percent increase was implemented after a five-year freeze on fees. The Medicare Prescription Drug Improvement and Modernization Act of 2003 imposed another five year freeze for the period between 2004 and 2008.
- Seniors have difficulty accessing draw stations to collect blood and other specimens. Reducing the number of service centers by restricting the number of participating laboratories will adversely affect our Medicare population. Diversion to selected labs could lead to non-compliance and test avoidance due to transportation, convenience, and access issues.
- To provide optimal care for our senior population, standard platforms for testing for markers of chronic disease must be used. Hospital laboratories ensure a common platform for inpatients, outpatients, and outreach patients thus reducing total Medicare costs, improving quality through

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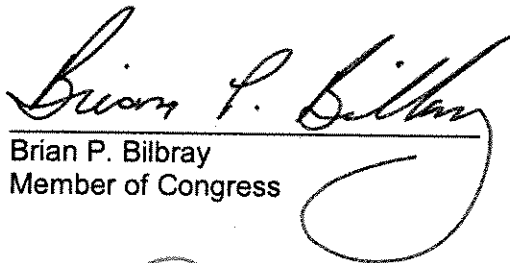
better coordination of care, and reducing unnecessary hospital admissions. Hospitals have laboratory systems and electronic medical records, which permit monitoring of patients across the continuum of care resulting in a reduction of unnecessary laboratory testing.

Furthermore, the selection of San Diego as one of the two locations for the demonstration project is particularly troublesome:

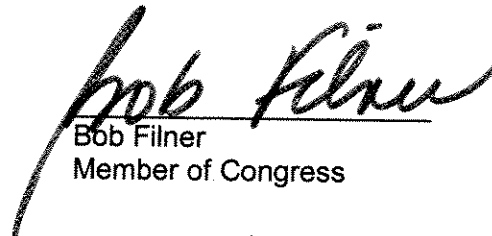
- The location of this demonstration in San Diego will undoubtedly further decrease the number of suppliers in our already highly concentrated market. The winning laboratories will be in a position to dictate pricing for all other payers.
- The demonstration area was to include only areas with "moderately large Medicare populations, and neither very low nor very high Medicare managed care penetration".¹ With approximately 42% of our Medicare beneficiaries enrolled in a senior managed care plan, San Diego has one of the highest concentrations of Medicare managed care in the state of California and the entire country.²

Once again we urge you **include a repeal of the clinical laboratory competitive bidding demonstration authority provided in the Medicare Modernization Act of 2003 in any must-pass Medicare legislation this year.** It is in the best interest of Medicare beneficiaries, nursing home patients, hospitals and laboratories that this demonstration project be stopped and the authority repealed.

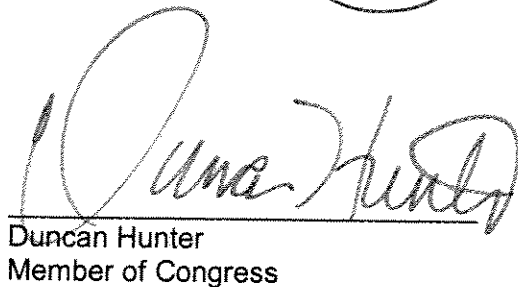
Sincerely,



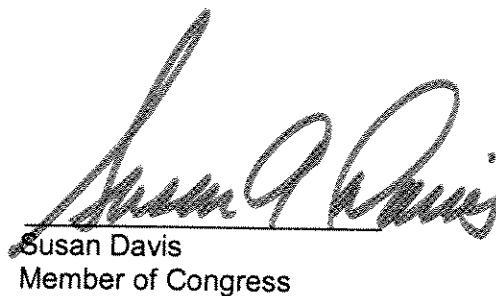
Brian P. Bilbray
Member of Congress



Bob Filner
Member of Congress



Duncan Hunter
Member of Congress



Susan Davis
Member of Congress

¹ Statement by Timothy P. Love, Director, Office of Research, Development, and Information, Centers for Medicare and Medicaid Services, July 25, 2007. Excerpt from selection criteria published in the Federal Register.

² Sources: Thomson Market Planner Plus including: Claritas 2007/2012 Population and Income Demographic Estimates; HealthLeaders-InterStudy, January 2006 HMO County Files, January 2006 County Surveyor Data, January 2006 Medicare county files.