

July 31, 2009

Honorable Max Baucus
Chairman, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Honorable Charles Grassley
Ranking Member, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Grassley:

We are writing to convey our strongest opposition to the implementation of a Medicare clinical laboratory co-pay, and we would oppose any measure that included such a proposal. Laboratory test results inform up to 70 percent of all medical decision-making, demonstrating the value in health care delivery. As the first point of intervention, laboratory tests serve as the foundation for the diagnosis and management of conditions like cardiac disease, HIV, cancer, diabetes, kidney disease, and infectious diseases.

The 20% Medicare laboratory co-pay being proposed by the Senate Finance Committee financially burdens both beneficiaries and laboratories and will not accomplish any change in utilization, because laboratory services are ordered by health care professionals, not initiated by patients. The result of this proposed policy is not a cost savings to our health care system, but rather, a staggering new \$23 billion cost shift to seniors.

Congress has previously rejected this idea, both because it does not result in a change in utilization and because of the huge costs to collect these small co-pays. The proposal shifts over \$23 billion in program costs to the senior citizens and then requires the collection of that \$23 billion in the most administratively inefficient manner imaginable. It is important to understand that for the majority of the top 100 laboratory procedures, beneficiaries would be pay less than \$2 in co-payment.

Implementation of a laboratory co-pay will require over one-quarter million bills to be mailed every day. In addition to the burden and confusion these 134 million bills will create for seniors, the cost of collecting \$23 billion in these small amounts will exceed the co-pay itself. Laboratories do not have a direct relationship with seniors and under Medicare, and by law, labs must make repeated attempts to collect the co-pays.

Seniors in rural areas, nursing homes, and home health settings would be hardest hit. These patients are served primarily by small, local independent and hospital laboratories that specialize in serving these most vulnerable populations. These local, small laboratories have tight operating margins and could ill-afford what is, in essence, a 20-25% cut in their reimbursement. This co-pay provision could quickly put many of these small laboratories out of business, with no one to replace their services for these most vulnerable seniors.

We strongly support the goal of expanding health coverage and ensuring that a reformed health system prioritizes screening, wellness, and prevention, as well as treating disease; but, as Congress and the Institute of Medicine confirmed, in a review of Medicare Laboratory Payment Policy,¹ the cost of billing and collecting co-payment amounts, combined with the associated bad debt, would frequently exceed the expected co-payment amount.

¹ Medicare Laboratory Payment Policy, Institute of Medicine, 2000

A co-pay would contribute to already unacceptable cuts in payment for laboratory services and reduce the opportunity for advancements in the promising area of laboratory medicine. In fact, Medicare payment amounts for clinical laboratory services have been reduced by about 40 percent in real (inflation-adjusted) terms. The Congressionally mandated update for clinical labs has been completely eliminated 10 of the last 12 years, and over the past 21 years, clinical labs have only received 5 full updates.

The laboratory industry has already offered other meaningful savings that will contribute to slowing the growth of health care costs and support policies that produce real scoreable savings. However, there are few, if any, health providers that could absorb a \$23 billion reduction, as included in the proposal to institute copayments on clinical laboratory services. While we appreciate the importance of covering the uninsured, this suggestion needs to be rejected as a financing mechanism, because it is unworkable, inequitable, and would irrevocably harm a critical component of our health care infrastructure

We hope that you will continue to work with the laboratory community and allow the opportunity for this important sector of health care to support the health reform transformation, as it continues to take shape.

Sincerely,

Aculabs
American Association of Bioanalysts
American Association of Clinical Chemists
American Clinical Laboratory Association
American Medical Technologists
American Society for Clinical Laboratory Science
American Society for Clinical Pathology
American Society for Microbiology
ARUP Laboratories
Aureon Laboratories
Axial Biotech
Becton Dickinson
BioReference Laboratories
Clinical Laboratory Management Association
CorePlus, L.L.C
DCI Laboratory
Genomic Health
Genzyme Genetics
Laboratory Corporation of America Holdings
National Independent Laboratory Association
NMS Labs, Inc.
Quest Diagnostics Incorporated
Roche Diagnostics Corporation
Siemens Healthcare Diagnostics, Inc.
Sonic Healthcare - USA
Spectrum Laboratory Network

cc: Senate Finance Committee