



**STATEMENT OF AMERICAN MEDICAL TECHNOLOGISTS
IN CONNECTION WITH HEARING ON “COMPETITIVE BIDDING FOR CLINICAL LAB
SERVICES: WHERE’S IT HEADING AND WHAT SMALL BUSINESSES CAN EXPECT”**

**Before the Committee on Small Business
United States House of Representatives**

July 25, 2007

American Medical Technologists (AMT) appreciates the opportunity to provide this statement for the record of the Small Business Committee’s hearing on competitive bidding for Medicare clinical laboratory services. AMT is a national, non-profit organization providing professional certification and membership services to members of the clinical laboratory and related allied health professions. Founded in 1939, AMT currently has over 38,000 active members in good standing. AMT’s certification and membership categories include Medical Technologists, Medical Laboratory Technicians, Registered Phlebotomy Technicians, Certified Office Laboratory Technicians, Registered Medical Assistants, and Certified Medical Administrative Specialists, among others. AMT’s certification programs, including its competency-based certification examinations, are fully accredited by the National Commission on Certifying Agencies, the accrediting arm of the National Organization for Competency Assurance. Many of AMT’s member-certificants work in relatively small independent and hospital-based laboratories.

AMT is a charter member of the Clinical Laboratory Coalition (CLC), a coalition of numerous organizations and companies representing all sectors of the clinical laboratory services delivery system. AMT shares the CLC’s position in staunch opposition to the implementation of competitive bidding for Medicare clinical laboratory services.

While there are numerous reasons why competitive bidding is inappropriate for clinical laboratory testing services, one of the chief reasons is the potential for disproportionate impacts on small businesses, and the resultant loss of access to lab services by the most vulnerable segments of the Medicare population. Small independent laboratories frequently are the only labs that are willing to serve certain Medicare populations, especially nursing home residents. But even the smallest labs typically exceed the threshold of \$100,000 in annual Medicare revenues that the Centers for Medicare and Medicaid Services (CMS) has established as the point beyond which a lab is required to participate in the competitive bidding demonstration.

*“Pride of the Profession”
Incorporated in 1939*

If forced to bid against large national lab chains, with price being the determinative factor, these smaller labs will simply be unable to compete. And if small labs are excluded from participation in Medicare, they likely will have to close their doors, thus creating access problems for many Medicare beneficiaries.

CMS and its demonstration contractor have done little to alleviate the concerns among small independent and hospital laboratories that predatory pricing by large national labs will squeeze the smaller players out of the program. There is a very real risk that any short-term savings realized from low-ball pricing will be offset by a loss of competition over the long term, as competitors drop out of the market. CMS has promised to evaluate the demonstration's impacts on competition, and to police gaming behavior on the part of bidders, but has not disclosed how it intends to do so and has provided no assurance that any policing activity will occur in time to preserve competition in the acquisition area.

Although most small labs will be required to bid because they receive over \$100,000 of revenues annually from Medicare Part B services, many such labs provide only a small portion of the test menu covered by the competitive bidding demonstration. Yet any lab that submits a bid is required to bid on all of the tests covered by the demo. This means that labs performing only a subset of the covered tests must sub-contract with other labs serving the demonstration area to provide the remaining tests. The subcontractor labs will also necessarily be submitting their own bids to CMS as prime contractors, however, placing them in direct competition with the labs with which they have agreed to subcontract.

Another obstacle faced by relatively small laboratories is the extensive paperwork burden and associated direct and indirect costs involved in preparing a bid package. CMS has estimated that each bidding lab will spend approximately 100 hours preparing the bid application form, at a labor cost of \$4,113.46 per bidder. AMT believes that CMS's estimate significantly understates the time and resources required to complete the bid package. Even if CMS's estimate is roughly accurate, the cost of preparing and submitting a bid – in terms of both direct monetary costs and diverted manpower resources – will obviously impact small laboratories disproportionately.

In closing, AMT thanks the Committee for holding this hearing and urges Members of the Committee to sponsor legislation to repeal section 302(b) of the Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003 (P.L. 108-173). Competitive bidding will not work for Medicare clinical laboratory services, which are not fungible commodities, but instead are complex medical services that can vary depending upon the setting, patient acuity, required turnaround time, and a host of other factors. Besides the above described impacts on small business, the demonstration will also harm beneficiaries by limiting their choices of labs, and in many cases requiring seniors to travel to new, unfamiliar and inconvenient patient service centers to have their blood drawn. The demonstration therefore should be repealed.