



**Statement of Laboratory Corporation of America Holdings
("LabCorp") for the U.S. House Committee on Small Business
Hearing on the Medicare Competitive Bidding Demonstration for
Clinical Laboratory Services**

July 25, 2007

Laboratory Corporation of America Holdings ("LabCorp") congratulates Chairwoman Velazquez and the Committee on Small Business for conducting this hearing on the Medicare Competitive Bidding Demonstration for Clinical Laboratory Services. While it is one of the world's largest clinical laboratories, testing more than 370,000 specimens daily for over 220,000 clients nationwide, LabCorp stands together with small laboratories in opposition to the Medicare Competitive Bidding Demonstration for Clinical Laboratory Services.

Unlike durable medical equipment (DME), clinical laboratory services are not fungible commodities, but complex medical services requiring significant training, expertise and supervision to perform and analyze. The Medicare Clinical Laboratory Fee Schedule contains approximately 1,100 CPT codes for clinical laboratory tests; not all laboratories provide all of those services, and some services are unique to one laboratory. The Centers for Medicare and Medicaid Services (CMS) is proposing to limit the demonstration to approximately 358 CPT codes that represent 99% of Medicare laboratory testing volume and payment; but this proposal would leave out the remaining two-thirds of the CPT codes in the Medicare Clinical Laboratory Fee Schedule, meaning that any issues associated with the majority of the CPT codes in the Medicare Clinical Laboratory Fee Schedule would not be accounted for in the demonstration. Previous attempts to test competitive bidding for clinical laboratory services have collapsed due to the complexity of the market and the difficulty of developing a workable bidding model. No competitive bidding design can alleviate these problems, because the basic premise of competitive bidding does not work for clinical laboratory services.

By its very nature, competitive bidding places emphasis on obtaining the best price over quality and access, and its implementation could result in a reduction in the widespread and ready access to quality laboratory services that Medicare beneficiaries currently enjoy. Slower testing times, lost specimens, and inconclusive results could become necessary byproducts of competitive bidding for laboratory services. Laboratories are less likely to invest in new testing technologies or improve existing ones for better patient care if competitive bidding reduces reimbursement for testing. Patients in rural areas could routinely have to travel significant distances to have specimens collected in laboratories that are no longer able to justify the cost of serving those patients with local patient service centers. Some laboratories may have to cease offering certain vital services to Medicare beneficiaries if the provision of those services is no longer financially feasible, and in some circumstances they may have to cease offering services altogether.

Laboratories that would have expected to provide at least \$100,000 in demonstration tests to Medicare beneficiaries residing in the Competitive Bidding Area during the demonstration that are not selected among the winning bidders will be unable to provide services within the Competitive Bidding Area for three years - which could put some laboratories out of business. Given that laboratory services account for only a tiny fraction of total health care costs but impact an estimated 70% of medical decisions, such an outcome would be penny wise and pound foolish.

Large, national labs like LabCorp often rely upon smaller labs to perform subcontracted services for clients located in geographical areas where we do not have a local lab, as well as for particular kinds of tests we may not perform ourselves. Thus, the threat posed to smaller labs by competitive bidding represents a threat to larger labs as well. As a member of the Clinical Laboratory Coalition, LabCorp has worked with representatives of smaller labs to ask CMS numerous questions about the competitive bidding demonstration. While CMS has answered a few of those questions, most remain unanswered.

Since the health of Medicare beneficiaries is dependent upon ready access to quality clinical laboratory services, and is therefore dependent upon the health of the clinical laboratory industry, it is critical that any attempt to demonstrate competitive bidding for laboratory services recognize and accommodate the operational realities of the clinical laboratory industry, represent a fair and meaningful test of competitive bidding, and minimize adverse impacts to our healthcare system. Unfortunately, the draft bidders' package that CMS recently issued in preparation for the demonstration project fails to meet those goals, despite years of effort on this project by CMS and its contractor, RTI International.

Again, we applaud Chairwoman Velazquez and the Committee for conducting this hearing, and look forward to working with the Committee on issues of common concern to both small and large businesses, such as the Medicare Competitive Bidding Demonstration for Clinical Laboratory Services.