



## **Modernizing the Clinical Diagnostic Laboratory Fee Schedule**

The Medicare program reimburses clinical diagnostic laboratory tests according to the fee schedule created under section 1833(h) of the Social Security Act. This fee schedule has not been subject to a fundamental review since it was established in 1984. Significant technological advances in the delivery of clinical laboratory services in the last 25 years are not fully reflected in the current clinical laboratory fee schedule. Unless the fee schedule is modernized, patient access to health care is at risk and shortages in qualified personnel are anticipated. It is time to modernize the clinical diagnostic fee schedule to reflect increased cost and enhanced technology.

### **Current Fee Schedule**

The clinical diagnostic laboratory fee schedule under Medicare Part B is the last Medicare fee schedule that does not utilize prospective payment or relative value as the primary payment methodology. The current fee schedule was adopted based on 1983 local prevailing charge data collected by the Centers for Medicare and Medicaid Services (CMS). In 1986, reimbursement was pegged at 115 percent of the median price under the National Limitation Amount (NLA), but by 1997 reimbursement the NLA was reduced to 74 percent of the median price. Additionally, the Consumer Price Index (CPI) update for clinical laboratory fees has been frozen or reduced in all but three out of the last 15 years.

### **Today's Market**

The cost of clinical laboratory services has increased significantly in the last 25 years, but the clinical laboratory fee schedule has not been updated accordingly. Today, clinical laboratories are paid only 75 percent of the 1984 level when adjusted for inflation. This constitutes a real reduction in reimbursement and not just a reduction in the rate of increase that has been experienced by other health care services. In 2000, the Institute of Medicine (IOM) issued a report which reviewed current Medicare clinical lab payment policy and provided a set of 12 recommendations. Only three of these recommendations have been implemented at this point. The shrinking Medicare clinical diagnostic laboratory fee schedule does not fully reflect changes in cost, technology, complexity and delivery of clinical laboratories over the past two decades.

### **Modernizing the Fee Schedule**

Representatives Stupak (D-MI) and Burgess (R-TX) introduced H.R. 1452 which would require the Secretary of Health and Human Services to convene a negotiated rulemaking committee to develop a modernized, consensus-driven clinical laboratory fee schedule. The purpose of this legislation is to ensure patient access, involve relevant stakeholders, create mechanisms for periodic updates and modernize the fee schedule to reflect increased cost and enhanced technology. The negotiated rulemaking committee must seek consensus on a clinical laboratory fee schedule within two years. If the negotiated rulemaking committee fails to reach consensus, the Congress retains authority to enact a modernized fee schedule. The Medical Payment Advisory Commission ("MedPAC") must issue a report on the Committee's fee schedule, or, in the case that the Committee fails to reach consensus, make its own recommendation on how to modernize the fee schedule. A modernized fee schedule and periodic updates will enable clinical laboratories to continue to provide advanced, accurate and effective tests to all patients.

***For questions about H.R. 1452 or to become a co-sponsor, please contact Erika Orloff (Rep. Stupak) at (202) 225-4735 or Eric Wilson (Rep. Burgess) at (202) 225-7772.***