

House & Senate Health Reform Provisions Impact on Clinical Laboratory Fee Schedule (CLFS)

Summary (figures approximate) -The House bill applies a productivity adjustment that would reduce the CLFS by \$7.35 billion* over ten years, or 6% of total Medicare spending on lab services. The Senate bill applies a productivity adjustment differently which saves an estimated \$5 billion, with an additional \$5 billion reduction for a total savings of \$10 billion or 9% of total Medicare spending on lab services.**

Current Law - The Clinical Laboratory Fee Schedule (CLFS), established in 1984, provided that laboratories were to receive an update each January based on the Consumer Price Index (CPI). However, the CLFS has rarely received such updates and has, in fact, been cut because:

- Congress routinely froze the update, including in 10 of the past 12 years
- Congress cut the CLFS by 0.5% for years 2009-2013
- Laboratories are unique among Medicare providers as the update can be increased *or decreased*
- CLFS slated to be reduced 1.9% in January 2010

House Bill

Productivity Adjustment –\$7.35 Billion Savings*

- Applies a permanent productivity adjustment (reduction) to the CLFS starting in January 2010. The productivity adjustment is estimated by CBO to range from 1.1% to 1.4%. No protection from the productivity adjustment reducing the CLFS below zero.
- Eliminates the additional 0.5% reduction in current law for years 2010 to 2013.
- Productivity adjustment would increase CLFS cut in January 2010 *from 1.9% to 2.7%*

Senate Bill

Productivity Adjustment -- \$5 Billion Savings

- Same as House provision except applies beginning in 2011 instead of 2010 and protects against productivity adjustment reducing CLFS below zero, making consistent with other providers

Additional Reduction -- \$5 Billion Savings**

- Additional 1.75% decrease in the CLFS for each of years 2011-2015. Adjustment could reduce the fee schedule update below zero and is projected to do so in all the years it is applied.

* There is no CBO score available that breaks out the savings from applying the productivity adjustment to the CLFS. An independent scoring expert has scored the savings at \$7.35 billion over 10 years as applied by the House bill

** CBO estimated that a 1.75% reduction in each of years 2011-2015 is required to produce \$5 billion in savings. An independent scoring expert who used the Medicare Trustee's report and historical CLFS increases estimated that the required reduction was 1.1% for each of years 2011-2015