

LAB CO-PAY IS NOT A “SAVINGS” BUT A MASSIVE \$20 BILLION COST SHIFT TO SENIORS

Collecting This \$20 Billion Will Bury Seniors In An Avalanche of 134 Million New Bills Sent Each Year for Average of \$6 Per bill

Small Laboratories Serving Rural & Nursing Homes Threatened

- 1. A 20% Medicare laboratory co-pay is not a cost savings to our health care system, but rather, staggering new \$20 billion cost shift to seniors --** seniors already burdened under higher Part B premiums and other out of pocket costs. Congress has previously rejected and the Institute of Medicine has recommended against co-pays for laboratory services.
 - In 2007, 134 million separate claims for laboratory services were submitted for Medicare beneficiaries. The average Medicare payment per claim was \$30.00 which translates to an **average \$6.00 co-payment amount**.
 - In addition to the burden and confusion these 134 million bills will create for seniors, **the cost of collecting this \$20 billion in these small amounts will many times exceed the co-pay itself**. Laboratories do not have a direct relationship with seniors. It will cost more than \$6 to collect each co-pay, and under Medicare, and by law, labs must make repeated attempts to collect the co-pays. Labs will spend \$20 billion or more to try to collect \$20 billion – much of which will never be collected – thus, the net “cut” to labs could even exceed \$20 billion **or up to a 25% “cut”** in lab reimbursement (on top of a 2% cut coming in January under current law).
 - The **Institute of Medicine**, in a review of Medicare Laboratory Payment Policy¹, confirmed that the cost of billing and collecting co-payment amounts, combined with the associated bad debt, would frequently exceed the expected co-payment amount.
- 2. Seniors in rural areas and in 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 will **quickly put many or most of these small laboratories out of business** *with no one to replace their services for these most vulnerable seniors.*
- 3. A 20% Medicare laboratory co-pay will ultimately harm beneficiary access to critically important laboratory services – especially for preventive services – contrary to the goals of health reform.**

¹ Medicare Laboratory Payment Policy, Institute of Medicine, 2000

- As stated in the Senate Finance Committee Policy Options Paper² “Evidence indicates that cost-sharing reduces Medicare beneficiaries’ utilization of preventive services”.
- Elderly patients have been found to be price sensitive in their health care consumption. Studies have shown that an increase in co-payments of just \$10 can lead to a 20% decrease in office visits among the elderly.

4. Growth in Medicare costs for laboratory tests have not kept pace with inflation.

- Overall, Medicare payment amounts for clinical laboratory services have been reduced by about 40 percent in real (inflation-adjusted) terms between 1984 and 2004.
- Congress has acted to completely eliminate the CPI update for clinical labs in 10 of the last 12 years, and over the past 21 years, clinical labs have only received 5 full CPI updates.

² Expanding Health Care Coverage: Proposals to provide Affordable Coverage to All Americans, Senate Finance Committee, May 14, 2009, page 44