

PAMA: An Urgent Threat to Laboratory Infrastructure

Freeze 2022 CLFS Cuts



The Protecting Access to Medicare Act (PAMA) of 2014 overhauled the Medicare Part B clinical laboratory fee schedule (CLFS). The goal of PAMA was to establish a single national fee schedule based on private-payer rates. Under PAMA, clinical laboratories are required to report their private-payer rates on a test-by-test basis along with associated test volumes. CMS collected this data and used it to calculate new Medicare rates. Unfortunately, CMS' implementation of PAMA resulted in extreme reimbursement rate cuts, deeply harming regional and community independent laboratories.

The Impact of PAMA on NILA Members & Patients

- Decreased public health emergency readiness
- Reduction of testing services to physician offices and nursing homes, particularly those that serve Medicare and Medicaid populations
- Layoffs of laboratory personnel
- Further laboratory market consolidation
- Longer test turnaround times
- Limited or dropped STAT testing

PAMA led to reimbursement cuts of up to 59% for independent community and regional laboratories on some of the most common laboratory tests. PAMA-related cuts have devastated the laboratory industry, particularly community and regional independent laboratories who serve rural and underserved communities not reached by the largest independent laboratories. These cuts left independent laboratories under-resourced to respond to COVID-19, leading to longer testing turnaround times and decreased access to COVID-19 testing services. Further cuts will continue to damage the nation's laboratory infrastructure.

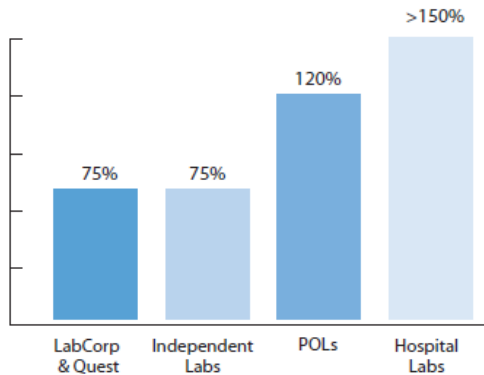
Common set of tests NILA members conduct and the % cuts under CMS's final CLFS implemented 01/01/2018

Test name	Description	Uses	% Cut
Complete blood count	Measures vital blood related biodata, including red and white blood cell counts	Critical for patients with leukemia, anemia, autoimmune disorders, cancer and conditions that require regular blood monitoring	35%
Prothrombin time	A blood test that measures how quickly a patient's blood clots	Checks for bleeding problems, monitors blood thinning medication and diagnoses disorders such as leukemia, liver problems and immune disorders	20%
Comprehensive metabolic panel	Blood tests that measure glucose levels, electrolyte and fluid balances	Examines liver and kidney function; can diagnose diabetes; monitors high blood pressure or effect of medications	37%
Lipid panel	Blood tests that measure and detect abnormalities in cholesterol and triglyceride levels	Used in screening and treatment for high cholesterol, diabetes, heart disease, kidney disease and obesity	39%
Assay of ferritin	Blood tests used to determine the amount of iron stored in the body	Checks for iron storage disorders such as hemochromatosis, liver disease, rheumatoid arthritis, hyperthyroidism and some types of cancer	35%
Urine bacterial culture	A test used to identify bacteria in the urine that cause infection	Used to diagnose a urinary tract infection, which is a frequent infection in long-term care facilities	35%
Hemoglobin A1c	Blood tests that measure blood glucose levels	Used to manage and control diabetes	37%
Definitive drug tests	Blood tests to identify specific drugs or metabolites in the bloodstream	Used in suspected drug overdoses and treatment and monitoring of substance abuse disorders	59%

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Table 7.16
Estimated Average Private Payer Rates as Percentage of Medicare, 2020



Source: Estimated by Laboratory Economics

An Unequal Playing Field

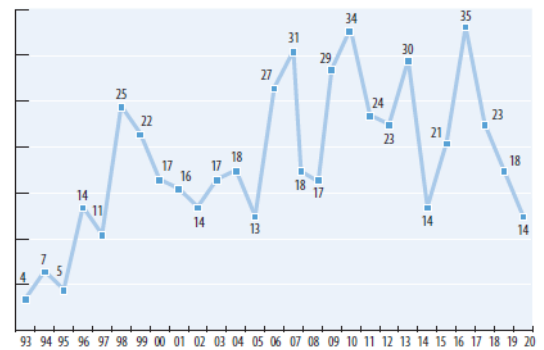
The initial implementation of PAMA over-sampled the private payer rates from large national independent laboratories. This led to artificially low payments across the CLFS. Data from a more representative sample of the entire laboratory industry (independent labs, hospital labs and physician office labs) will more appropriately capture the rates paid across all laboratory sectors.

Market Concentration Slowed the Pandemic Response

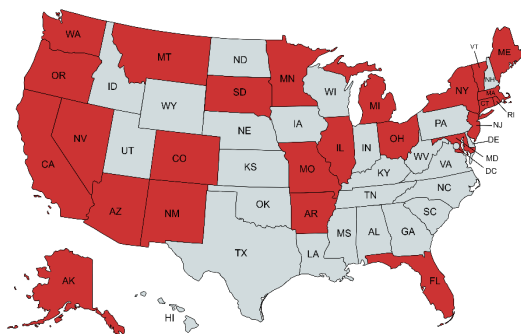
At the height of the pandemic, patients waited days—or even weeks—to receive the results from COVID-19 tests. These delays occurred because the vast majority of tests were referred out to the largest national labs who, on their own, were not able to keep up with the volume. Smaller independent laboratories stepped up to respond. In early 2020, one NILA-member laboratory brought on seven different testing platforms in order to reduce its turnaround time to 24-48 hours. This laboratory quickly became the largest testing laboratory for COVID-19 in the region, serving hospitals, physician offices, correctional facilities, and congregate living facilities. Without the quick investment and action from NILA-member laboratories, the response to the COVID-19 pandemic would have been even slower. Plummeting reimbursement rates brought on by PAMA have resulted in increased consolidation in the laboratory market. By fixing PAMA, Congress can increase competition in the laboratory market and ensure the nation is better positioned to respond to future public health threats.

More than half of LabCorp and Quest Diagnostics' revenue growth between 1993-2020 was achieved by buying up smaller laboratories.

Table 5.1
Number of Completed Lab Acquisitions, 1993-2020



Source: Laboratory Economics



Falling Prices, Increasing Costs

Independent laboratories are not immune to general market conditions. In 2021, more than twenty states (shown in red on the left) will raise their minimum wage—and more states are expected to follow. Laboratories struggled to cover expenses for years—without a more sustainable reimbursement structure that can cover these costs, more independent and community laboratories will be forced to close their doors or sell their businesses to large, national laboratories.