Clinical Lab Rates Decrease in New CMS Proposal

October 16, 2017

Recent legislation significantly revised the Medicare payment methodology for certain clinical diagnostic laboratory tests paid under the Clinical Laboratory Fee Schedule (CLFS). Beginning on January 1, 2018, Medicare will use certain private payor rate information reported by applicable laboratories to calculate Medicare payment rates for most laboratory tests paid under the CLFS. The majority of the laboratories that were surveyed for data for the proposed rates were not hospital-based but rather independent or contracted laboratories (small independent labs as well as large corporate entities such as Lab Corps and Quest Diagnostics).

Strategic Health Care reached out to CMS for clarification on what facilities will be impacted and received the following response:

> *The new private payor rate-based Medicare Clinical Laboratory Fee Schedule applies to all laboratories performing laboratory tests paid under the Medicare CLFS (not just applicable laboratories). Applicable information from applicable laboratories (reported to CMS by the reporting entity) were used to determine the weighted median of private payor rates for laboratory tests paid under the CLFS. A hospital laboratory will be impacted by the new private payor rate-based CLFS to the extent the hospital laboratory performs a laboratory test that is paid under the CLFS.*

Below is an explanation of which laboratories were used to determine the new payment rates as well as a breakdown of the expected decrease in payments. Additional information on the proposed CLFS can be found here.

Comments on the rule are due by October 23, 2017 and should be sent via e-mail to CLFS_Annual_Public_Meeting@cms.hhs.gov.

Laboratories Surveyed for Rate Determination

Medicare will use "market data" to establish CLFS payment rates beginning with calendar year 2018 with the goal of paying more appropriately for laboratory services to save Medicare.

Laboratories with the following criteria were used for the rate determination:

- Be an independent laboratory with its own National Provider Number (NPI) –
- May be owned by the hospital but is a separate entity from the hospital, and
- Provides services for Medicare patients who are neither inpatients nor outpatients for the hospital, i.e. provides laboratory services for entities not owned by the hospital or system.
- Have at least 50 percent of its total revenues from Medicare.
- Receive at least $12,500 in Medicare revenues

CLFS Rate Differences

CMS anticipates that by early November 2017 they will finalize the CY 2018 CLFS rates and make them available on the CMS website and implement the rates on January 1, 2018.

The preliminary private payor rate-based CLFS payment amounts are estimated to decrease payment by about $670 million in calendar year 2018 for Medicare Part B, including the Part B premium effects. This is derived from the following:

- For approximately 10 percent of the HCPCS codes on the CLFS, the weighted median of the private payor rates is an increase over the CY 2017 CLFS NLA.
- For approximately 75 percent of the HCPCS codes on the CLFS, the weighted median of the private payor rates is a decrease from the CY 2017 CLFS NLA.
- About 58 percent of HCPCS codes will receive a phased-in payment reduction in CYs 2018, 2019, and 2020 rather than the full private payor rate-based payment amount in CY 2018 because the total payment decrease would be greater than the 10 percent floor.
- The Top 25 HCPCS codes, by 2016 CLFS spending, account for 63 percent of total CLFS spending.

If you have any questions, please contact our policy lead, Devon Seibert-Bailey, at 202-266-2600.