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CMS PUBLISHES PROPOSED FEE SCHEDULE FOR JANUARY 1ST –SIGNIFICANTLY CUTS LAB FEES FOR 2018

On Friday, September 22, 2017, the Centers for Medicare and Medicaid Services (CMS) published its proposed 2018 Medicare Clinical Lab Fee Schedule (CLFS), cutting reimbursement on most tests by 10%. This is in keeping with the requirements of the Protecting Access to Medicare Act of 2014 (PAMA '14) scheduled to be implemented on January 1, 2018 and affects 78% of laboratory tests. Payment rates have been reduced by up to 9.9% for an additional 10% of the tests, while the remaining tests had rates increased (molecular tests among them).

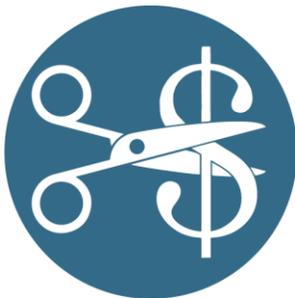
This change disproportionately hurts hospital laboratories. CMS used private payer data submitted from 1,942 reporting labs, but only 21 of them were hospital-based (accounting for only 0.9% of the total reported volume). This tactic greatly dilutes the reported commercial insurance payer rates with the much lower rates (typically 30% lower than hospitals) paid to large reference labs like Quest Diagnostics and LabCorp. While the proposed rates are not yet final (comment period ends on October 23rd), they will give laboratorians, hospitals administrators and CFOs a strong sense of how revenue will be reduced come January 1st.

The final CLFS will be published in early November. However, this is only round 1: PAMA '14 calls for annual CMS payment reductions of up to 10% in 2019 and 2020 and 15% in each year 2021, 2022 and 2023, each year.

AMS strongly recommends that hospitals take immediate action to estimate the potential revenue reduction they will experience in 2018 in order to plan for associated expense reductions for the 2018 budget cycle. Use the proposed CLFS, your local test utilization and Medicare payer mix to estimate the impending revenue loss; also, include commercial insurance contracts tied to the CLFS.

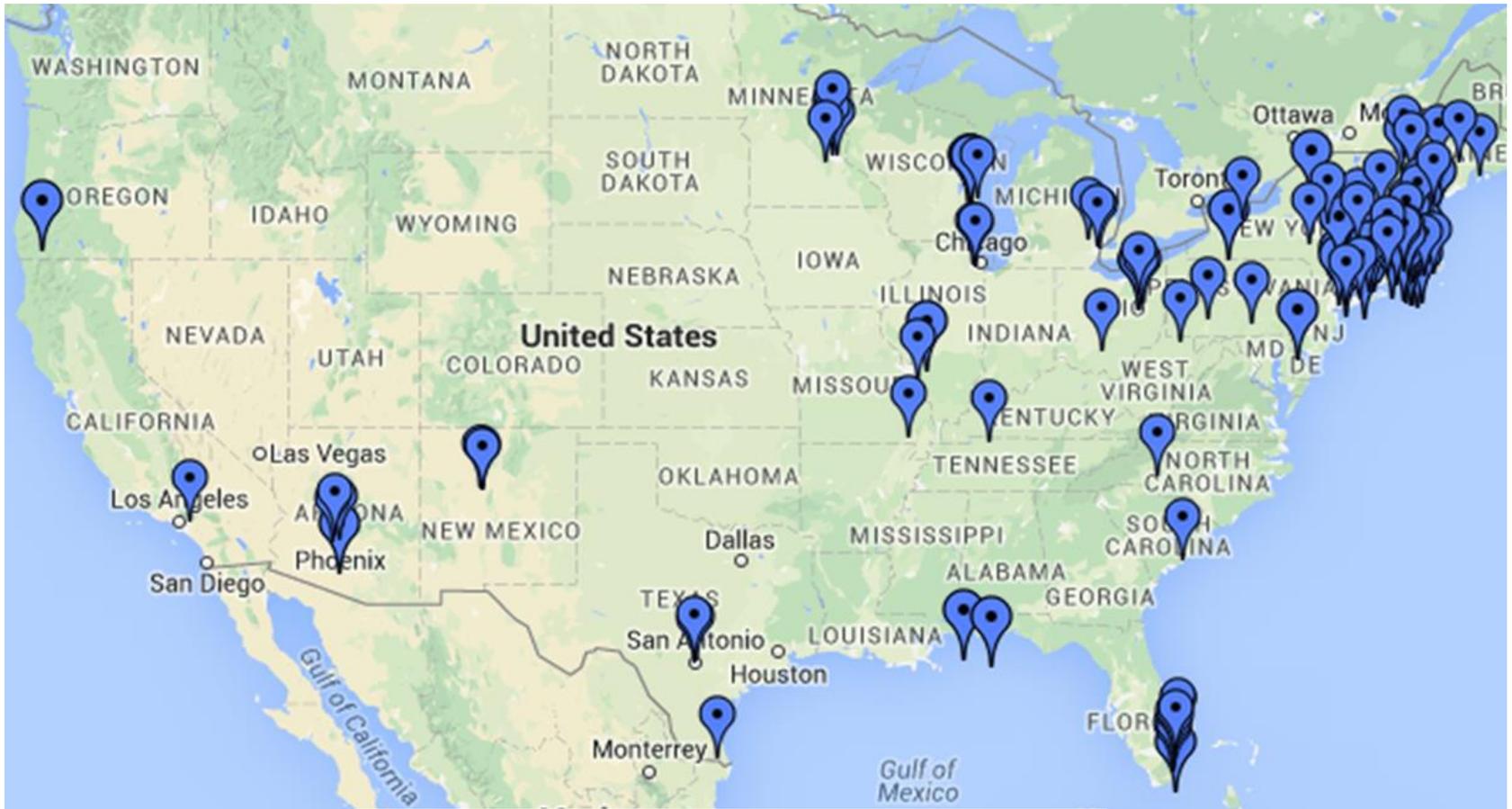
The proposed fees and other information are available at: <https://tinyurl.com/zaawygs>.

Please feel free to contact Paul Camara, Principal, at pcamara@aboutams.com if you have questions about this information or would like to discuss how these changes will impact your laboratory and organization, and how to prepare your lab to respond.



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