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ARE CLINICAL LABORATORIES READY FOR ROUND TWO? NEW CMS LAB PAYMENT RATE CUTS GO INTO EFFECT ON JANUARY 1, 2019

On September 25, 2017, AMS reported that, starting on January 1, 2018, the Centers for Medicare and Medicaid Services (CMS) would cut reimbursement rates for most laboratory tests by 10%. This was in keeping with the requirements of the Protecting Access to Medicare Act of 2014 (PAMA '14); reductions affected 78% of lab tests. Payment rates were reduced by up to 9.9% for an additional 10% of the tests, while the remaining tests had rates increased (molecular tests among them).

Effective January 1, 2019, greater cuts will be implemented. Of the 1,528 codes on the 2019 CLFS, reimbursement rates will be cut for a total of 873 codes (57%) and 807 codes (53%) will be reduced by a full 10%. Many codes reached their reduction cap in 2018 and were not further reduced. In 2019, rates will be cut by 10% for many common, high volume lab tests such as basic and comprehensive metabolic panels, lipid panels, urinalysis, cortisol and B-12, CBC and platelet counts, blood and urine cultures and many others. The CY 2019 Medicare Clinical Lab Fee Schedule (CLFS) can be found on the CMS website (<https://go.cms.gov/2CmZQxe>).



“Hospital outreach laboratories” must also begin collecting data to report to CMS in 2019. A major change to CMS reporting rules which will become effective on January 1, 2019 is that hospital labs that perform outreach testing and also receive at least \$12,500 per year of Medicare revenues from the CLFS for claims submitted using the CMS 1450 14X bill type (non-patient specimens) are now “applicable labs” for reporting purposes and must submit claims data to CMS.

AMS strongly recommends that hospitals take immediate action to estimate the potential revenue reduction they will experience in 2019 in order to plan for associated expense reductions for the 2019 budget cycle. Use the CY 2019 CLFS, your local test utilization and Medicare payer mix to estimate the impending revenue loss; also, include commercial insurance contracts tied to the CLFS. Labs must also determine if they have to report their outreach claims data.

Please 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.

STATES SPEND MORE THAN 2 TRILLION ON MEDICAID IN 2018

The Biweekly has quoted the **National Association of State Budget Officers** before as a reliable source on expenditures and savings trends for a state's "Rainy Day". For the first time this group has reported stated Medicaid spending exceeded \$2,000,000,000. Spending grew 4.8%, a full percentage point higher than last year. For comparison, states' higher education expenses grew by 3.2 % and transportation by 6.5%.

SUPPORTING HEALTH CARE'S PROFESSIONAL ORGANIZATIONS



In addition to the professional society activities and membership of many of the AMS staff through attendance at meetings, participation on committees and sitting on boards, AMS is proud to be a corporate member of

the **Massachusetts Health and Hospital Association (MHA)**,

the **American College of Healthcare Executives Rhode Island** and

the **Association of Health Care Solutions (AHS)**.

AMS is also pleased to support many professional societies including the

Organization of Nurse Leaders (ONL) for Massachusetts, Rhode Island, New Hampshire, Connecticut and Vermont through meeting and directory sponsorship;

the **Massachusetts Health Information Management Association (MaHIMA)** through sponsorship of the Annual Dot Wagg Legislative seminar; and

American College of Healthcare Executives of Massachusetts through promotion of events and provision of accounting services

HAPPY HOLIDAYS FROM ALL OF US AT AMS!

There is no more fitting time of the year than now to say "thank you". We wish all of our clients and readers a very safe and happy holiday season, and a new year of health, happiness, and prosperity.

With the tax law changes and recent stock market performance, most charities expect that giving will be off this year, so be as generous as you can to the many seeking donations this holiday.

Lastly, with Christmas and New Year's Day falling on Tuesdays, the holiday season seems extended this year. AMS offices will be closed on Monday, December 24, Tuesday, December 25, and Tuesday January 1, 2019. *Peace on earth and good will to all!*

How does your hospital measure up? Benchmarking provides the answers

AMS's hallmark service is labor benchmarking. Only by identifying a hospital's actual staffing levels and comparing it to our proprietary industry labor benchmark database can an institution confidently begin the process of optimizing productivity. We perform both hospital-wide and department-level benchmarks.

Typical initial savings identified is up to 10% of total labor expense

Immediate Benefits

- Identify, by department and cost center, staffing based on AMS work-function level benchmarks
- Identify departments with potential for productivity and operating system improvement
- Provide a focal point for senior management to discuss labor resource issues
- Establish a starting point for improvement efforts
- Assist with development of long-term labor strategies

Recent Results

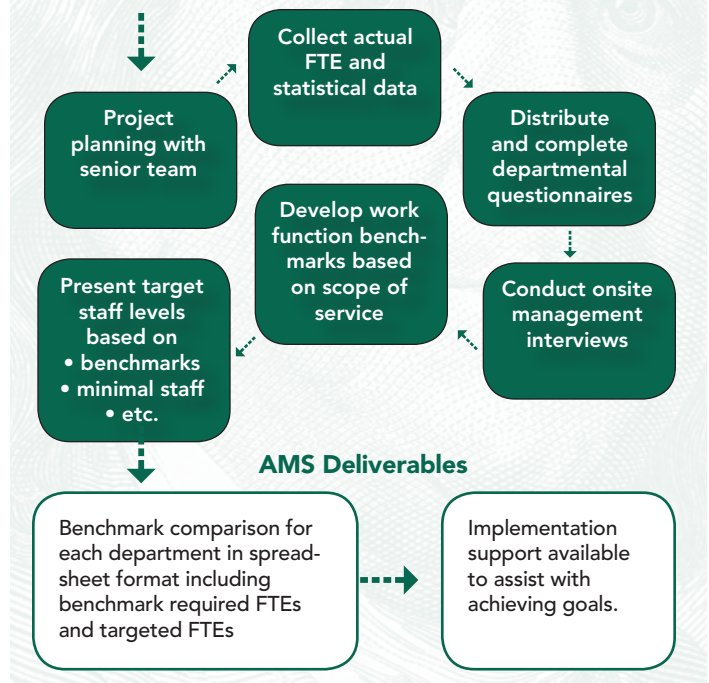
200-bed community hospital: AMS identified a labor improvement opportunity of 108 FTEs of the hospital's 1,250 FTEs. Eight outlier departments accounted for 50% of the opportunity.

3-hospital, 600-bed regional system: AMS identified areas with staffing opportunity equal to 3% (136 FTEs) of the system's 4,500 FTEs.

Critical access hospital: AMS identified an 8% staffing opportunity (48 FTEs) in a system of 600 FTEs comprised of a 25-bed acute care, 25-bed nursing home, 10-bed rehab unit, and support staff for physician practices.

Average ROI = more than 30 times

How we do it



The AMS Benchmarking Advantage

- Hospital-wide benchmarks compare your hospital/health system to similar institutions (size, type, and case mix) on a global basis.
- Department benchmarks are based upon a key volume indicator and paid hours per indicator for each department or area of the hospital.
- AMS's proprietary benchmarking database is based primarily on:
 - Actual studies AMS performs for its clients
 - Best practice targets developed by AMS content experts who specialize in all facets of health care.

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