



Competitive Market Analysis For Laboratory Management Decision Makers

LABCORP'S BeaconLBS EYES TEXAS

UnitedHealthcare will soon be introducing BeaconLBS, a lab benefit management program owned by LabCorp, into the Texas market. For more details, see our exclusive interview with LabCorp's CEO David King on pages 6-7.

MDx TESTING MARKET CONTINUES TO SUFFER FROM HIGH CLAIM DENIALS

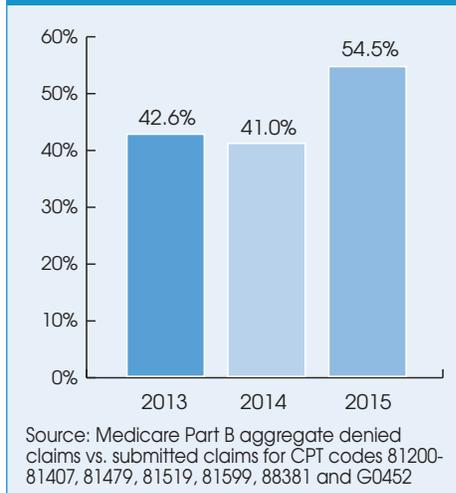
The percentage of molecular diagnostic (MDx) test claims denied by Medicare Part B contractors in 2015 jumped to 54.5%, according to an exclusive analysis of the latest available Part B data by *Laboratory Economics*. That compares with an average 41% denied MDx test claims in 2014 and 42.6% in 2013, and it towers above the average 5% to 10% denial rate for routine lab tests.

The introduction of more specific codes in 2013 is allowing both Medicare Administrative Contractors (MACs) as well as commercial payers to deny claims for tests that they say lack adequate evidence of clinical utility.

Despite improvement, there is still a desperate need for greater code specificity. AMA is not keeping up with all the new tests being introduced, according to an executive at a large third-party claims processor who requested anonymity. "The strategy of some molecular labs is to throw a ton of junk [MDx test claims] against the wall [Medicare] and see what sticks. If Medicare doesn't pay the claim, then it's sent to a less-knowledgeable secondary payer. And if they don't pay, then the patient gets billed the full price," says our anonymous executive.

Continued on page 2.

Medicare Part B Claims Denial Rates on Molecular Tests (\$ millions)



MDx AND DRUG TESTS COULD GET A BOOST

Most routine clinical lab tests are likely to see their Medicare Part B rates reduced by 5% to 10% when CMS resets lab test prices based on private-payer rates (effective January 1, 2018). However, many molecular diagnostics and toxicology tests could see substantial price increases, according to an analysis of the private-payer rates received by 150 clinical labs by XIFIN Inc. (San Diego).

More details on page 4.

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MDx AND DRUG TESTS COULD GET A BOOST (*cont'd from p. 1*)

XIFIN analyzed 2016 pricing data from 150 of its lab clients on specific lab procedure codes and calculated weighted-average pricing for each code using the same method that CMS will use. XIFIN Chief Executive Lale White presented the data during *Laboratory Economics'* special teleconference, "Getting Final Guidance on Medicare's Market-Based Lab Payment System," on October 6.

As expected, the XIFIN analysis showed that Medicare Part B reimbursement rates for most routine clinical lab tests are likely to decrease as a result of their alignment with private-payer rates. However, the XIFIN data also showed the potential for significant price increases for many high-priced MDx tests. For example, Medicare's national rate for MTHFR gene analysis (CPT 81291) is currently set at \$59, but private payers reimburse this code at an average of \$130, indicating the potential for 118% rate hike.

The same situation applies to many of the new drugs-of-abuse testing codes. In an effort to discourage unnecessary utilization, CMS established new bundled codes that slashed reimbursement rates for drugs-of-abuse tests effective January 1, 2016. However, many private payers have not yet adjusted to Medicare's new coding system and are paying an average 40+% higher for drugs-of-abuse testing.

The PAMA rule limits price reductions for any particular lab test code to 10% per year for the first three years (2018-2020) and then 15% per year for the next three years (2021-2023). But there is no upward cap on how high rates can be raised.

As a result, an unintended consequence of the new payment system may be that routine clinical labs get smacked with a 5% to 10% cut in Medicare reimbursement in 2018, while specialized molecular and toxicology labs enjoy price increases of 20% to 50% or more for the lab tests they offer.

Private-Payer Rates vs. Medicare for Sample of 12 MDx and Toxicology Tests

<i>CPT</i>	<i>Short Description</i>	<i>Private-Payer Weighted Avg. Rate</i>	<i>2016 Medicare National Limit</i>	<i>Percentage Difference</i>
81211	BRCA1, BRCA2 full sequence analysis	\$2,573	\$2,180	18%
81225	CYP2C19 genotype	\$423	\$291	45%
81226	CYP2D6 genotype	\$737	\$451	63%
81227	CYP2C9 genotype	\$281	\$175	60%
81291	MTHFR gene analysis	\$130	\$59	118%
81401	Molecular pathology procedure, Level 2	\$262	\$134	95%
81404	Molecular pathology procedure, Level 5	\$315	\$164	92%
G0479	Drug test presumptive	\$102	\$79	29%
G0480	Drug test definitive 1-7 classes	\$112	\$80	40%
G0481	Drug test definitive 8-14 classes	\$167	\$123	36%
G0482	Drug test definitive 15-21 classes	\$244	\$166	47%
G0483	Drug test definitive 22+ classes	\$458	\$215	113%

Source: XIFIN Inc. and Medicare CLFS for 2016