



G2 Intelligence

Labs Need to Prepare for Upcoming PAMA Data Collection Period

By Staff Writer

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The impact of PAMA (the Protecting Access to Medicare Act) is already being felt in the laboratory industry.

The estimates are bleak. Three-fourths of codes on the Clinical Lab Fee Schedule are now subject to decreased reimbursement. The Office of Inspector General at the Department of Health and Human Services estimates the 2018 cuts will total \$670 million, nearly 70 percent higher than the pre-PAMA estimate of \$390 million.

But, the impact is not being felt evenly. Laboratories with a higher percentage of Medicare patients will feel cuts more strongly. The greatest, early impact is in rural and nursing home laboratories, where anticipated fee cuts will virtually wipe out all profitability.

In “Master Your Fate,” Lâle White, executive chairman and CEO, XIFIN Inc. kicked off G2 Intelligence’s 36th annual Lab Institute (Oct. 24-26; Washington, D.C.) with a frank look at the “post-PAMAgeddon world.”

While legal challenges and potential legislative fixes wait in limbo, Whites says the laboratory industry need to make changes within.

“There are strategies laboratories can take to offset PAMA-related losses,” said White.

Firstly, White calls for fiscal leadership on the part of laboratories. Private payers will follow Medicare’s lead and try to reduce reimbursement in contracts, which are expected to be approximately 3.5% lower in 2018. Laboratories need to be prepared for contractual process reviews and reimbursement due diligence. White says laboratories will be more effective if they understand costs involved with the actual tests.

Additionally, laboratories need to gain operational efficiencies. In addition to cost reduction efforts, including workflow automation to achieve labor efficiencies, laboratories need to make data-driven decisions.

“We do not have the best technology in place in our administrative offices,” said White. “We need a thoughtful way to look at data and leverage it for our businesses.”

Good data can help with test menu selection, optimizing testing, and knowing which payers are paying for which tests. White says laboratories should focus on reducing total cost of billing to below four percent, while also achieving bad debt targets.

Improved financial systems with appropriate reporting capabilities are necessary to get ready for the next PAMA data collection period (Jan. 1 to June 30, 2019).

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“PAMA taught us that as an industry we had weak methods to collect and analyze data,” warned White. “This exercise is incredibly important. Hopefully, laboratories have done due diligence negotiating with payers and implemented tech changes to properly report in PAMA.”

Solid reporting, White says, is critical to mitigate future price cuts. She advises laboratories to

- Report on actual allowables versus payments
- Validate accuracy of payments
- Optimize appeals activity to avoid reporting under payments
- Retain source documents

White warns that PAMA allows penalties of \$10,000/day for each failure to report, error in reporting, or omission in reporting applicable information.

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