

## **COMPETITIVE BIDDING FOR LABORATORY SERVICES THREATENS QUALITY AND ACCESS**

The Health Care Financing Administration (HCFA) has been developing a design for a competitive bidding demonstration project for Medicare Part B laboratory services for the past three years. A Laboratory Technical Advisory Committee (LTAC) had been convened to help HCFA with the project. The provisions of the Balanced Budget Act of 1997 changed some of the parameters of the design of the model and put the project on hold. Recently, there appears to be some renewed interest within HCFA to proceed with the competitive bidding demonstration project **without the involvement of the LTAC and, therefore, the laboratory community.**

### **Competitive Bidding Is Not the Answer For Decreasing Reimbursement**

The American Society for Clinical Laboratory Science (ASCLS), as a member of the LTAC, has commented that competitive bidding provides incentives for laboratories to knowingly submit bids under their actual costs in order to "meet or beat" the competition to obtain Medicare business. When revenues are less than costs, a laboratory cannot maintain the resources necessary to assure that results are accurate and reliable. As that occurs, Medicare beneficiaries will suffer the consequences of poor quality.

In light of the growth of Medicare managed care, ASCLS has questioned the need for the demonstration project. Since both the Congress and the Administration favor moving Medicare beneficiaries to managed care, future Medicare policy revisions are likely to provide increased incentives for beneficiaries to join risk programs. As the fee-for-service component continues to shrink, nation-wide competitive bidding will soon not be cost-effective. Expending considerable federal resources on a demonstration not likely to be implemented nationwide is inconsistent with the cost containment emphasis of the Congress and Administration.

Most importantly, competitive bidding does not address the root cause of excessive laboratory expenditures - overutilization of laboratory testing. As laboratories do not order tests, competitive bidding fails to correct the true problem. HCFA has implemented medical necessity requirements that are significantly reducing laboratory reimbursement. While the current medical necessity rules are inherently flawed, they do deal with the primary problem and these reimbursement savings should be taken into account when assessing the need for competitive bidding.

### **ASCLS Position**

ASCLS opposes competitive bidding for laboratory services for the reasons cited above and objects to a process that does not involve consultation with the laboratory community. Requests for an update from HCFA have been met with little information. Therefore, ASCLS urges each member of Congress to write HCFA asking for a status report and an outline of HCFA's intentions/plans for the competitive bidding demonstration project for clinical laboratory services.