National Association for the Support of Long Term Care

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STATEMENT TO
THE HOUSE ENERGY & COMMERCE COMMITTEE
SUBCOMMITTEE ON HEALTH

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July 20, 2017

My name is Alan E. Morrison. I serve as Senior Vice President for Strategy, Business Development and Government Relations at TridentUSA Health Services. I am here today on behalf of the National Association for the Support of Long Term Care (NASL) where I serve as a member of the Board of Directors, as well as a Vice President and the Chair of its Diagnostic Testing Committee.

NASL is a trade association representing providers of services to the patients of the long-term and post-acute care sector including providers of rehabilitation therapy, clinical laboratory services, and portable x-ray services along with health information technology developers and vendors that serve skilled nursing and assisted living providers.

This bundled payment proposal would modernize the very old and complex Medicare payment rules for clinical laboratory services provided to nursing home and other homebound beneficiaries. It would combine the three fees now paid – one for the laboratory tests performed, a second for the collection of specimens, and a third for the travel to the patient's location to collect the specimens – into a single per episode payment.

I have been involved with many segments of the health care industry for over 40 years. Rarely do you see an initiative that can create Medicare program savings, ensure beneficiary access, encourage services to rural beneficiaries, permit provider efficiency gains, and address program integrity issues. This bundled payment proposal does all of these:

- According to an analysis conducted by The Moran Group, it saves the Medicare program approximately $130 million over 10 years;
- It ensures beneficiary access during a period of other significant changes in how providers of clinical laboratory services are paid by the Medicare program;
- It provides a rural add-on payment to ensure access for rural beneficiaries;
- It eliminates the ability of unscrupulous providers to overbill the Medicare program for inappropriate travel allowance amounts; and,
- It allows these specialized providers to better manage their logistics costs without impacting the quality of services provided to beneficiaries.

This proposed payment model is both good health policy and good fiscal policy.

Before elaborating on the proposed payment model, I'd like to briefly take a minute to explain the current situation – how these services are provided and the very complex and antiquated way Medicare currently pays for these services.

Clinical Laboratory Services Provided to Medicare Beneficiaries in Nursing Homes and Homebound Settings

A small, but specialized segment of clinical laboratory providers serve nursing home and other homebound beneficiaries.[1] These companies provide very basic laboratory studies used to diagnose and monitor a wide range of conditions for nursing home and homebound Medicare beneficiaries such as diabetes, cancer, heart disease, pneumonia, urinary tract infections, influenza and flu-like diseases, asthma, COPD, and arthritis. These are low cost tests – with an average Medicare fee of less than $30 and with some as low as under $10. In fact, the 2017 Medicare fee for the most frequently performed test, a complete blood count, is $10.66.

It is important for these beneficiaries to have access to these services whether they are in a nursing home or at home because:

- It enables these beneficiaries to receive their care in the lowest cost setting appropriate for their needs;
- It avoids the need to transport patients for services – whether to a hospital or another location – and the attendant costs, patient risks and patient and family inconvenience of such transports; and

[1] Kandiilow Gass, Amy M., Pope, Gregory C., Kautter, John, Healy, Deborah. (2012). The National Market for Medicare Clinical Laboratory Testing: Implications for Payment Reform. *Medicare & Medicaid Research Review* (Vol. 2 (2), pp. E16- E18). Retrieved from http://dx.doi.org/10.5600/mmrr.002.02.a04

- By having these services available to nursing home residents 24 hours a day, 365 days a year, clinical laboratory samples can be obtained and results reported to patients' physicians and nursing homes on a "stat" basis (when a patient's physical or mental condition requires immediate diagnosis), thus avoiding unnecessary emergency room visits and hospital readmissions and the substantial associated costs.

A patient's physician, or in many situations, nurse practitioner, order these very basic laboratory studies for several reasons, including to diagnose a disease, to monitor a patient's chronic condition, or to determine the effectiveness of their current medications. In order to provide these services, specially trained staff travel to patients' bedsides several days each week (usually in the very early morning or late evening hours), draw blood samples and collect other specimens, and then transport these specimens to the laboratory, which processes them and reports the results to the patient's physician and the facility. Results are typically reported by early afternoon in order to enable the patient's physician to make any needed changes to the patients' medications, to initiate treatment or to modify therapy. Because these patients typically suffer from multiple diseases and aging-related disorders, there is a high percentage of critical results – which are immediately reported to the patient's physician and nursing home – allowing needed treatment to begin at once.

As previously noted, a specialized segment of clinical laboratory providers serves these beneficiaries. Of note, the national clinical laboratory companies and almost all hospital laboratories de-emphasized serving nursing home and homebound patients many years ago (in fact in 2015, the two largest national laboratory companies provided less than 4% of these services).

The Current Payment Model for These Services is Outdated, Overly Complex, and Prone to Program Integrity Problems

The Medicare payment model for clinical laboratory services provided to nursing home and homebound patients is out of date as it has been essentially unchanged for over 30 years. It is very complex involving multiple payment components, one of which requires significant manual record keeping, which carries a significant administrative burden. Under current law, there are three payment components:

- The Medicare fee for the actual laboratory tests performed (the same fee is paid to all clinical laboratory providers);
- A separate fee for specimen collection; and

- A separate travel allowance (per mile or flat fee for under ten miles of travel) consisting of the IRS business mileage reimbursement rate (reflecting providers' fuel and vehicle expenses) plus a labor portion (covering providers' staff salaries and benefit costs).

The current payment model is prone to program integrity abuse by unscrupulous providers who "game" the billing for the travel allowance payment component. There are also significant administrative inefficiencies for the providers of these specialized services as a high level of compliance with Medicare law, regulations and manuals requires providers' specialized staff to log the mileage for each trip to a patient location which is then manually transcribed by billing staff to ensure accurate and compliant billing.

We believe that there is a better way to do this.

A Bundled Payment Model Can Create Savings, Address Program Integrity Concerns and Permit Efficiency Gains

The proposed new payment model would bundle the current three payment components into a single per episode payment covering all included tests provided on a single calendar day to a nursing home or homebound beneficiary. The proposed bundled payment would apply to the 100 highest volume tests, which represent 98% of tests ordered and which have remained virtually unchanged over the past six years. The proposed single bundled payment would include:

- Payment to perform the individual tests, if included in the top 100 list
- All specimen collection fees
- The travel allowance

This per episode bundled payment would be made in lieu of the three separate payments Medicare currently makes under the existing payment model – and would be limited to one episode per calendar day. The proposed new payment model also would include a rural add-on payment based on the beneficiaries' location in order to ensure access to these beneficiaries.

Any clinical laboratory tests outside of the 100 highest volume tests, which represent less than 2% of tests ordered, would be paid the Medicare fee for performing the test. There would be no additional payment for travel or specimen collection.

The budget savings would come from the Secretary setting payment amounts in a manner such that the total volume of payments under the bundled payment model in 2017 equals 97.5% of the amount that would be otherwise payable for the same top one hundred tests, the specimen collection fee, and the travel allowance in 2017 under current law. We recognize that budget

savings sometimes can drive bad policy. With this bundled payment proposal, we can get budget savings as well as good policy and beneficiary access.

Summary

We believe that the proposed new bundled payment model for clinical laboratory tests provided to nursing home and homebound beneficiaries is an improved way to pay for the important clinical laboratory services for Medicare beneficiaries who reside in a nursing facility or who are homebound. The proposed payment model would:

- Create $130 million in projected budget savings over ten years;[2]
- Ensure continued beneficiary access to these services;
- Provide an incentive to serve rural beneficiaries;
- Address program integrity concerns; and
- Permit providers to better manage their logistics costs without impacting quality.

The NASL Diagnostic Testing Committee, its member companies that provide these services, and other key stakeholders strongly support the proposed bundled payment model for clinical laboratory services provided to nursing home and homebound patients. We hope you share our enthusiasm for this initiative.

[2] Based on a private analysis prepared for NASL by The Moran Company.