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New Independent Study Shows Medicare Receives Lower Rates for Clinical Laboratory Services

Washington, D.C. — Today Avalere Health, a private data analysis firm, released a study that refutes past claims that commercial plans pay lower rates for lab services than Medicare. Instead, the study found that Medicare rates are almost always lower than average rates paid by private plans.

Commissioned by the American Clinical Laboratory Association (ACLA), Avalere's study is the most comprehensive comparison of private market and Medicare rates to-date. The data set included 2012 prices paid by non-government health plans (predominantly for self-insured employers) in over 450 metropolitan statistical areas in the U.S. for 56 million covered lives. The comprehensive study reviewed the entirety of the lab market, including data from both non-hospital and hospital-based labs.

Avalere compared private data for a mix of 27 lab test CPT codes representing low-dollar and high-dollar tests, which constituted nearly half of Medicare spending in the 2011 Clinical Lab Fee Schedule (CLFS) – including the top four codes by Medicare spending.

The study found that for every high-volume code reviewed, Medicare paid lower rates than the weighted commercial mean price. For example, commercial payors paid an average of \$20.26 for a complete blood count (CBC), often used to diagnose anemia or infections; Medicare's price is almost half at \$11.02. For column chromatography for drug screening, commercial payors paid \$69.48 and Medicare paid \$25.57. Commercial rates grew even more expensive than Medicare when services were provided in rural areas. For example, the study found that rates could more than double in low volume areas such as Boise, ID compared to high volume areas such as New York, NY.

Avalere's findings contrast with earlier studies which failed to consider more than half of the private market, such as the Department of Health and Human Services Office of Inspector General (OIG) June 2013 report on lab spending, which incorrectly claimed that private payors receive a better deal on lab services than Medicare.

“All too often, judgments are made from anecdotal reports or incomplete, thumbnail sketches that cherry pick some commercial rates,” said Mertz. “No previous study on lab payments has had the depth and scope of Avalere's work. Avalere's analysis shows unequivocally that Medicare pays lower than average commercial rates. The argument that labs may be overpaid by Medicare is simply unfounded.”

Mertz continued, “ACLA recognizes that Medicare faces significant, long-term fiscal challenges,

but we cannot let anecdotes and incomplete data guide long-term cuts that will ultimately harm Medicare beneficiary access to life-saving clinical laboratory diagnostics. ACLA is committed to working with Congress and the Administration to demonstrate the value of labs and ensure adequate access for current and future Medicare beneficiaries.”

The study is available on-line at ACLA’s website, [here](#).

About Avalere Health

Avalere Health is a strategic advisory company whose core purpose is to create innovative solutions to complex healthcare problems. Based in Washington, D.C., the firm delivers actionable insights, business intelligence tools and custom analytics for leaders in healthcare business and policy. Avalere's experts span 180 staff drawn from Fortune 500 healthcare companies, the federal government (e.g., CMS, OMB, CBO and the Congress), top consultancies and nonprofits. The firm offers deep substance on the full range of healthcare business issues affecting the Fortune 500 healthcare companies. Avalere’s focus on strategy is supported by a rigorous, in-house analytic research group that uses public and private data to generate quantitative insight. Through events, publications and interactive programs, Avalere insights are accessible to a broad range of customers. For more information, visit avalere.com, or follow us on Twitter @avalerehealth.

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