



September 16, 2011

Glenn M. Hackbarth, J.D., Chairman
Medicare Payment Advisory Commission
601 New Jersey Avenue, NW, Suite 9000
Washington, DC 20001

CC: Mark E. Miller, Ph.D., Executive Director

Dear Mr. Hackbarth,

We write you today regarding the options for changing the Medicare Physician Fee Schedule (MPFS) to correct ongoing problems with the Sustainable Growth Rate (SGR) formula, which were discussed at MedPAC's September 15 public meeting. We are particularly concerned about the prospect of the Commission making recommendations to Congress for fixing the SGR through cuts to providers' payments, including payments to non-primary-care physicians.

ACLA is an association representing clinical laboratories throughout the country, including local, regional, and national laboratories. ACLA member companies provide clinical diagnostic laboratory services to Medicare beneficiaries receiving services in physician offices, hospitals, nursing homes and many other settings. Thus, ACLA member companies would be directly impacted by changes to the SGR. ACLA agrees with MedPAC's analysis of the current problems with the SGR system and the need to replace it with a stable and predictable payment system.

ACLA is very concerned, however, with MedPAC's suggested policy options for financing changes to the SGR. One of MedPAC's principles for changes to the SGR is, "Share cost of repealing SGR across physicians, other health professionals, providers in other sectors, and beneficiaries." More specifically, MedPAC's recent discussions have centered on an offset package that would save \$235 billion over 10 years, with laboratories accounting for 9% of the savings (or \$21 billion.) In addition, the proposal would cut payments for laboratory services that are included on the MPFS.

We believe that additional reimbursement cuts to clinical laboratories are unsustainable, as they would hit an industry that has little left to cut. Clinical laboratory services inform 70 percent of healthcare providers' decisions, while accounting for only 1.6% of Medicare spending. Reimbursement for clinical laboratories under Medicare has been systematically reduced over the decades, raising concerns about the ability of many laboratories to continue to serve Medicare beneficiaries. Payments have been reduced by about 40% in real (inflation-adjusted) terms over the past 20 years. In addition, the Affordable Care Act cut Medicare reimbursement for laboratory services by an additional 19% over the next ten years and more cuts are reportedly "on the table" for the Joint Select Committee on Deficit Reduction.

We look forward to working with you in the future to discuss how to fix the broken SGR system without subjecting clinical laboratories to unsustainable reimbursement cuts.

Regards,

A handwritten signature in black ink that reads "Alan Mertz".

Alan Mertz
President, ACLA