

# LABORATORY



# ECONOMICS

*Competitive Market Analysis For Laboratory Management Decision Makers*

## MARKET PRESSURES LED UMASS TO SELL OUTREACH LAB TO QUEST DIAGNOSTICS

“Reimbursement for lab tests has been falling dramatically for quite some time and insurers are directing their patients and physicians to use labs that are lower cost than our service,” said John O’Brien, president and CEO of UMass Memorial Health Care, in a letter to employees back in February. Fast forward six months and UMass has announced it is selling its clinical lab outreach business to Quest Diagnostics. The transaction is expected to close within 90 days. Quest expects the acquisition to add one percent (or approximately \$75 million per year) to its annual revenue, be neutral to earnings in 2013, and add to earnings in 2014. Quest says it paid less than \$100 million for the UMass outreach lab, which indicates a purchase price multiple of roughly 1x revenue. *Continued on page 11.*

## PALMETTO DENYING COVERAGE FOR MOST MolDX TESTS

Since July, Medicare carrier Palmetto GBA has published coding guidelines and coverage updates for 13 tests under its new MolDX program. Ten tests have been denied coverage and only three have received positive coverage decisions, according to an analysis by *Laboratory Economics*.

Molecular tests that Palmetto will reimburse include Gen-Probe’s FDA-cleared ProgenSA PCA3 Assay, Roche’s FDA-cleared cobas BRAF V600 Test and CardioDx’s Corus CAD Test.

Among the 10 tests denied coverage are five proprietary lab tests marketed by Celeris’s Berkeley HeartLab (Alameda, CA), which was acquired by Quest Diagnostics in March 2011. Other tests denied coverage include Agendia’s BluePrint Test and Biocept’s OncoCee Circulating Tumor Cell Assay.

“Up until now, there has been no process whatsoever to determine if an assay was appropriate,” Elaine Jeter, MD, medical director at Palmetto GBA, told the audience at the recent G2 Lab Institute in Washington, DC. Furthermore, Jeter said that CMS has expressed an interest in expanding Palmetto’s MolDx program to a national level. *Continued on pages 5-6.*

## HOW MUCH DOES IT REALLY COST TO MAKE A SLIDE?

CMS was prompted to review its reimbursement rate for CPT 88305-TC, in part, because an anonymous stakeholder argued that it costs labs only \$18 to produce a routine H&E slide versus Medicare’s national payment rate of \$70. But where did this \$18 figure come from? *Laboratory Economics* thinks it may have come from a study published in the *Archives of Pathology & Laboratory Medicine* (APLM) in August 2010. *Continued on page 2.*

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