

LABORATORY



ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

PAYERS TARGET \$300 LAB TESTS; BIG PHARMA PRICES NEW CANCER DRUGS AT \$100K

The Medicare program has issued 101 additional molecular pathology procedure test codes established by the American Medical Association. The goal is to eliminate code stacking and set new reimbursement rates for molecular diagnostic tests starting in 2013.

The change will have the greatest effect on pharmacogenomic tests (e.g., KRAS, EGFR, BCR/ABL, etc.) used to make treatment decisions for expensive cancer drugs that don't cure anyone but just extend life for a few months.

Reference labs are being scrutinized for charging \$300 to \$500 to perform these tests. Meanwhile, the pharmaceutical companies have carte blanche to set their own prices. For example, Pfizer's new lung cancer drug Xalkori

(crizotinib) costs about \$115,000 per course of treatment, and Roche has priced its new melanoma drug Zelboraf (vemurafenib) at \$56,400. For more details, see *The Value of Pharmacogenomics*, pages 5-9.

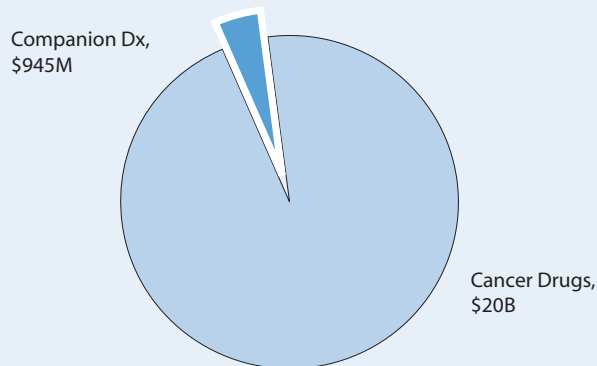
TAMPA PATHOLOGY LAB SETTLES ALLEGED TC/PC MEDICARE FRAUD CASE

Tampa Pathology Laboratory (TPL) and its owner, Jose SuarezHoyos, MD, have signed a corporate integrity agreement with the Office of Inspector General of the U.S. Department of Health and Human Services. The CIA is part of a settlement that resolves allegations that the lab and a dermatologist client collaborated in a technical component/professional component (TC/PC) kickback scheme to defraud Medicare.

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U.S. Cancer Spending Comparison, 2011

An estimated \$20 billion was spent on cancer drugs in the United States last year versus \$945 million for related companion diagnostics.



Source: *Laboratory Economics*

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