

# LABORATORY ECONOMICS

*Competitive Market Analysis For Laboratory Management Decision Makers*

## OUTSOURCING TESTS TO INDIA WILL HAPPEN SOON

**D**r Lal Path Labs (New Delhi, India) has signed a contract with a marketing and logistics partner, Ssurepath (Ashburn, VA), and is ready to start processing specimens shipped from U.S. hospitals and labs, *LE* has learned. A small menu of high-cost esoteric tests will be marketed at a savings of more than 20% from average U.S. reference lab prices. Dr Lal Path Labs is a private commercial lab that has a CLIA certificate and CAP accreditation. *Details on Page 3*

## SPECIALTY GROUPS RAPIDLY INSOURCING PATHOLOGY

**R**imbursement pressure is driving specialty physicians to expand their practices by adding ancillary services such as pathology labs to maintain their income levels. At least 150 specialty physician groups have set up their own histology labs and added a pathologist to their staff in the last two years, according to Bernie Ness, president of B.J. Ness Consulting Group (Toledo, OH). And Ness expects the trend to continue. "Ultimately all large specialty groups will have their own pathology lab," he says. Right now the trend is hottest at urology and gastroenterology groups, but Ness believes large hematology/oncology groups will be next. "I know several that have looked into it," he notes. For more insight into the in-office pathology trend plus profiles of 11 urology and GI groups that have done it, *see pages 5-8*.

## UROPATH THREATENS ASCP WITH LAWSUIT

**T**he American Society for Clinical Pathology recently began urging its members to write their members of Congress "about the pod lab malignancy that threatens our patients and our profession." In response, Ken Flowers, chief executive of Uropath LLC (Arlington, TX), says his company has contacted ASCP president John Brooks, MD, and threatened legal action unless ASCP stops putting forth "unfounded accusations intended to damage the reputation and business of Uropath and its clients." As the nation's largest pod lab management company, Uropath is bearing the brunt of the ASCP's "Stop Pod Labs" campaign, according to Flowers.

In spite of the controversy, Flowers says Uropath is in the process of opening a new pod lab location in Philadelphia and has plans to open another in Portland. *Continued on page 2*

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## UROPATH THREATENS LAWSUIT (continued from page 1)

In an editorial published in the March issue of *Pathology Today*, ASCP president John Brooks, MD, wrote:

Unfortunately, a number of pod labs are operated in a way that enables the clinician to inappropriately mark up and profit from services he or she does not perform. This practice also causes economic harm to other laboratories by siphoning off business. These entities may also adversely affect the quality of testing in some instances. Ultimately, this practice hurts patients as it leaves them potentially vulnerable to unnecessary testing, poor quality testing and higher health care costs.

The goal of the campaign is to put pressure on CMS to enact regulations that would outlaw pod labs. Last year, CMS proposed changes to the Stark physician self-referral laws that could have put an end to the pod lab business model. However, these provisions were removed from the final physician fee schedule and CMS said it would study the issue further.

But Uropath's Flowers says, "They [ASCP] have not listed one single example of any abusive billing practices, fee splitting, over utilization or Medicare fraud. Nor have they identified a single pod lab owner, operator or manager that has engaged in their baseless allegations....It appears that the ASCP believes that if it tells a lie enough times it will become an accepted truth despite a complete lack of supporting evidence."

Flowers contends that the focus and expertise of Uropath's pathologists results in more accurate diagnosis and less utilization than for general pathologists. He cites Uropath's positive biopsy rate of 40.9% versus the national average of approximately 35% and the company's special stain rate of 5.5% versus a national average of more than 20%.

In an e-mail message, Brooks told *Laboratory Economics* that ASCP has never named any specific company as part of its "Stop Pod Lab" campaign, so it is inaccurate and wrong for Flowers to accuse ASCP of having "intended to damage the reputation and business of Uropath and its clients."

"Our 'Stop Pod Lab' campaign is narrowly focused on petitioning the federal government to ban general business practices that distort rational medical decisions by providing the same kind of inappropriate financial incentives that already are forbidden by the Stark law. ASCP is simply urging the federal government to set standards that businesses and/or providers can follow to avoid the over utilization of health services and protect public health and patient safety in keeping with our status as a public charity," according to Brooks.

### **Uropath Expanding Into Philadelphia and Portland**

Meanwhile, Flowers says Uropath is in the process of outfitting a new pod lab location in Philadelphia where three pathologists will work for 15 urology groups. He says Uropath has been advertising for the three pathology jobs for several weeks and has already received CVs from more than a dozen pathologists. The Philadelphia location will be Uropath's fourth pod lab. In addition, Flowers says there are plans to open a fifth location in Portland, Oregon. Uropath is owned by 23 urology groups and currently operates pod lab facilities in Leesburg and Sarasota, Florida, and San Antonio, Texas. On average, each location performs about 100,000 billable codes per year.

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