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LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

PATHOLOGY ARMAGEDDON AVOIDED BUT IHC RATE CUT WILL STING

CMS's proposed plan to cap pathology rates on the Physician Fee Schedule (PFS) to rates paid within the Hospital Outpatient Prospective Payment System (HOPPS) has been shelved for now. That proposal would have resulted in severe cuts of up to 76% for the technical components of 39 anatomic pathology services.

Key Medicare Rate Changes for 2014*

CPT Code	*Change*
88305-PC	+4%
88305-TC	-4%
88305-Global (for 12-core Prostate Biopsy)	-23%
88112-Global	-43%
88342-Global	-24% to -41%

*Assumes conversion factor of 35.6446 in 2014 and that the scheduled 20% cut is averted
Source: *Laboratory Economics* from CMS

Nonetheless, a revaluation and coding change to CPT 88342—the number two source of income for most pathologists and AP labs after CPT 88305—has resulted in a rate cut of approximately 33% (depending on the number of stains per specimen) for 2014. Cuts to CPT 88112 (enhanced cytology) and new coding rules for prostate biopsies will also hurt. *Full details, pages 3-9.*

WHERE WILL SAVINGS TO AVOID 20% PFS CUT COME FROM?

The big question now is "Where will Congress go for the savings needed to avert a 20% reduction to the conversion factor used to calculate rates for all codes on the PFS that is scheduled to take effect January 1, 2014?" The cost to cancel this cut for 1 year is $25-30 billion, while a permanent fix would cost $120-140 billion. The concern is that the Clinical Lab Fee Schedule could be a target either through: 1) an extension of the 1.75% annual cut to the CLFS now scheduled to end in 2015, or 2) introduction of a co-pay for clinical lab tests.

CMS FINALIZES PLANS TO REVALUE LAB TEST CODES; CLFS UPDATE FOR 2014 IS -0.75%

CMS has finalized its proposal to create a new process that will revalue nearly all lab tests on the Clinical Lab Fee Schedule (CLFS), based on technological changes. Pricing for most lab tests has not been reviewed since the creation of the CLFS in 1984. The review process will begin in 2014 and occur over a five-year period, with the first round of payment cuts for clinical lab tests expected in January 2015. Meanwhile, the CLFS will see an across-the-board 0.75% cut effective January 1, 2014, based on an inflation update of 1.80% minus a productivity adjustment of 0.80% and a 1.75% reduction related to the Affordable Care Act. *Continued on page 2.*

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CMS FINALIZES PLANS TO REVALUE LAB TEST CODES (*cont'd from page 1*)

The first batch of lab tests with proposed pricing is expected to be announced in July 2014 with the release of the CY 2015 PFS Proposed Rule. After 60 days of public comment and 60 days of internal decision-making, CMS would be expected to publish its final policies in November 2014 with pricing changes taking effect January 1, 2015.

Plans to revalue the CLFS follow a June 2013 Office of Inspector General report which concluded that Medicare paid between 18% and 30% more than Medicaid and FEHB plans for 20 high-volume and/or high-expenditure lab tests. "We believe that test codes that are most ripe for review will be test codes where the current payment amounts do not account for changes in technology that have occurred since the test code was added to the CLFS and where the adjustments to the payment amounts will have a significant impact on payments made under the CLFS," according to CMS.

CMS plans to "review all data that can be obtained from any source." The agency will utilize the rulemaking process, under which it will propose payment revisions for identified test codes and provide a comment period prior to the publication of the final payment determinations.

The criteria that CMS will use for prioritizing test codes for review include: 1) rapid spending growth; 2) high dollar payment; 3) high volume; and 4) oldest test codes on CLFS.

Short List of Test Codes Likely to be Revalued First

Test Name	*CPT*	*Medicare Carrier Expenditures*	*Medicare Carrier Volume*	*2014 CLFS*
Thyroid Stimulating Hormone	84443	$360,610,236	16,468,992	$22.93
Lipid Panel	80061	$303,497,598	22,446,233	$18.27
Vitamin D	82306	$232,005,257	6,884,582	$40.40
PSA, Total	84153	$90,982,640	4,230,728	$25.09
Parathormone	83970	$70,301,688	1,283,312	$56.31
Totals		$1,057,397,419	51,313,847	---

Source: *Laboratory Economics* from CMS

The Medicare program spends approximately $10 billion per year on lab tests that are reimbursed based on the CLFS, including $4.7 billion in payments to independent labs and physician office labs (POLs), and $5.1 billion to hospital outpatient labs. Most hospital outpatient lab payments are being bundled into the outpatient facility payment effective January 1, 2014 (*see page 10*). That means that the CLFS revaluation will primarily affect independent labs and POLs.

There are some 1,250 lab test codes on the CLFS, and CMS has said it will take at least five years to complete its review of all existing codes. But most of the financial impact to independent labs and POLs will occur in the first year of implementation (2015). This is because the top 100 CPT codes account for more than 90% of all Medicare volume and expenditures on lab tests. In fact, a repricing of as little as five high-expenditure codes (see table) would affect over $1 billion in annual Medicare payments to labs.

The June 2013 Office of Inspector General report suggested that prices for most high-volume test codes could be cut by 20% or more (see *LE*, June 2013, pp. 1-2).

The American Clinical Lab Assn., College of American Pathologists and other lab and pathology interest groups say their focus is now on influencing the revaluation process.

PATHOLOGY ARMAGEDDON AVOIDED (*cont'd from page 1*)

CMS has indicated it will take some additional time to consider capping pathology payments on the PFS to the rates paid under the HOPPS. However, there were still several big reimbursement cuts and coding changes that CMS did finalize for 2014 under its "misvalued" code initiative.

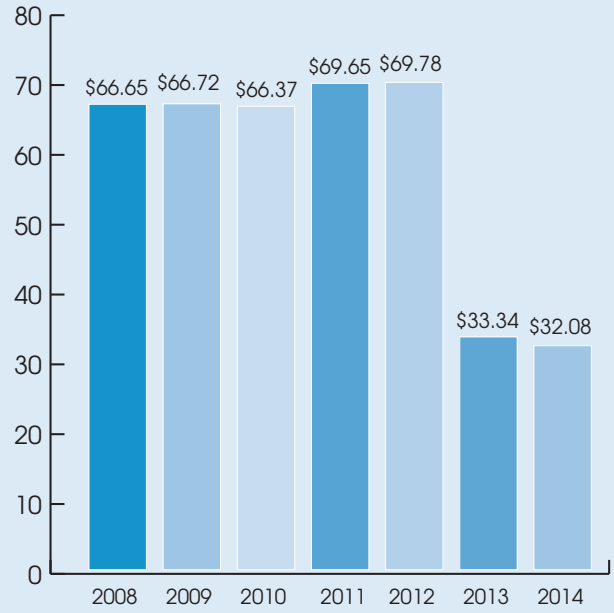
CPT 88305

Global reimbursement for CPT 88305 is scheduled to increase by 0.2% to $70.22 in 2014. The technical component of 88305 is being cut by 3.8% to $32.08, while the professional component is being raised by 3.8% to $38.14.

The College of American Pathologists had argued that the valuation of the technical component was reduced too steeply in 2013 and did not include some key input costs. In the Final Rule, CMS rejected requests to add several new inputs into the PE RVUs for CPT 88305, including "specimen, solvent and formalin disposal cost," "courier transportation costs" and "Copath system and software."

In addition, CMS said that it is difficult to determine the appropriate number of blocks to use in establishing direct PE inputs for CPT 88305, so it maintained the current two-block assumption. This was actually a victory because there was concern that CMS might lower the block assumption for CPT 88305.

Medicare Reimbursement for CPT 88305-TC*



*National payment unadjusted for geographic practice cost differences; Assumes conversion factor of 35.6446 in 2014

Source: Medicare Physician Fee Schedules, 2008-2014

The 3.8% reduction to 88305-TC scheduled for 2014 follows the devastating 52% cut that occurred in 2013.

Immunohistochemistry

After a review by the AMA's Relative Value Update Committee, CMS is drastically reducing technical and professional rates for immunohistochemistry. CPT code 88342 is being eliminated. Up until now, CPT 88342 has been used to bill for the first IHC stain on a specimen as well as additional stains. Effective January 1, two new G-codes will replace CPT 88342:

G0461 (immunohistochemistry or immunocytochemistry, per specimen; first single or multiplex antibody stain) will be used to bill for the first IHC stain per site. Global reimbursement will be $88.08, down 24% from current reimbursement of $115.34 for CPT 88342. Professional rates are being cut by 27% to $30.65; technical rates are being cut 22% to $57.39.

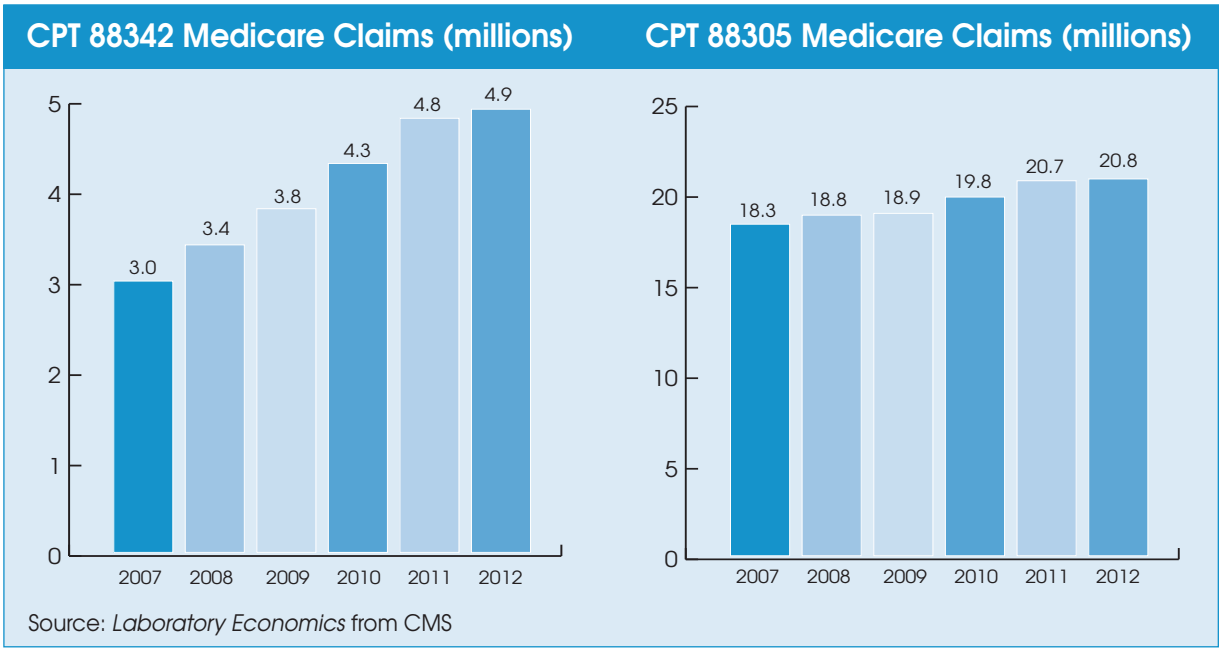
G0462 (immunohistochemistry or immunocytochemistry, per specimen; each additional single or multiplex antibody stain) will be used for add-on IHC stains. The global rate is being cut 41% to

$68.08. Professional fees are being slashed by 70% to $12.48; technical rates are dropping 24% to $55.61.

The new IHC codes and resulting reimbursement cuts will hit pathologists that read complicated cancer cases the hardest. For example, a cancer case that receives six separate IHC stains is currently reimbursed under CPT 88342 x 6=$692.04. Next year, this same service will be billed with codes G0461 for the first stain and G0462 for the next five stains at a total reimbursement of $428.44, which represents a 38% global pay cut.

Under this example, the pathology lab's technical fees are reduced by 24% to $335.44, while the pathologist interpretation has been cut by 63% to $93.05.

Michael Farmer, principal at the IVD research firm McEvoy & Farmer (New York City), believes the rate cut will lead to significant consolidation among the ~4,000 pathology labs that perform IHC staining in the United States. Farmer estimates that the national pathology lab companies (Quest, LabCorp, Clarient, Miraca, etc.) pay less than $10 in supply costs per IHC stain to Roche/Ventana, Dako and Leica Biosystems. In comparison, he estimates that supply costs at smaller pathology labs average more than $25 per IHC stain. "Ultimately, there will be fewer labs, running bigger panels on more cases, on bigger instruments," according to Farmer.



Source: *Laboratory Economics* from CMS

Furthermore, Farmer believes that government scrutiny of billing practices for IHC staining is likely to intensify. "Billing for 88342 has gotten so rowdy that we can't expect insurers to stay asleep at the wheel forever," he adds.

Between 2007 and 2012, the volume of Medicare claims for CPT 88342 grew by 10.5% per year, according to data from CMS. In comparison, the volume of Medicare claims for CPT 88305 increased by only 2.5% per year during the same time frame.

Prostate Biopsies

There is no change to reimbursement for the first 9 prostate biopsy specimens (88305 x 9). However, CMS is now requiring individuals that bill for 10 or more prostate specimens to bill using G codes. CMS made it clear in its Final Rule that the G-code requirement applies to prostate biopsies obtained via "any method," not just saturation biopsies. This new requirement

will drastically reduce reimbursement (especially professional rates) for the standard 12-core prostate biopsy.

For example, a 12-core prostate biopsy is currently reimbursed by Medicare at a global rate of $841.08 (88305 x 12).

Next year, the global rate for prostate biopsies involving between 10 and 20 specimens will be a straight $648.02 under G0416 (surgical pathology, gross and microscopic examinations for prostate needle biopsy, any method, 10-20 specimens). This represents a 23% reduction when compared with current global reimbursement of $841.08.

The technical reimbursement for a 12-core prostate biopsy is actually being increased by 16% to $464.45 under G0416, but professional fees are being lowered by 58% to $183.57. In other words, CMS will be reimbursing an average of only $15.30 per professional interpretation for a 12-core prostate biopsy in 2014.

Reimbursement for 12-Core Prostate Biopsy in 2014

Code	*Modifier*	*Total Rate*	*Average Per Specimen*
G0416	Global	$648.02	$54.00
G0416	26-Professional	$183.57	$15.30
G0416	TC-Technical	$464.45	$38.70

Source: *Laboratory Economics* from CMS

The coding change for prostate biopsies was presumably prompted by studies that indicate that in-office pathology labs over-utilize services. However, raising technical fees for a 12-core prostate biopsy and lowering professional fees will have the reverse intended effect, notes *Laboratory Economics*.

Enhanced Cytology Services: CPT 88112

CMS accepted the RUC recommendation and slashed the global rate for CPT 88112 by 43% to $62.73. The technical component of 88112 is being cut by 33% to $34.58, while the professional component is being cut by 52% to $28.16. CPT 88112 is the fourth most important AP code in terms of billing (behind only 88305, 88342 and 88185).

FISH Testing (CPT 88365, 88367 & 88368)

The FISH testing codes were reviewed under CMS's "misvalued" code initiative. However, CMS deferred action on revaluation of the PC & TC components until 2015. Nonetheless, adjustments to the practice expense RVUs for these codes will result in technical component reductions of 2-3% for CPT 88365, 88367 and 88368 in 2014. The PC rates for these three codes will increase by 3-5%.

What's Next?

The two-block assumption currently used to value CPT 88305 may be reviewed again by CMS. "This is not a dead issue," according to Jonathan Myles, MD, Chair of CAP's Economics Affairs Committee. In addition, although revaluation of the FISH codes 88365-88368 was deferred for 2014, changes are expected in 2015. Myles also sees the potential for the microdissection codes to be reviewed in the next 1-2 years. "When codes are revalued they don't go up, if they stay the same that's considered a victory," notes Myles. Lastly, Myles says there is still hope that a ban on in-office pathology labs could be written into any final bill that cancels the SGR cut of 20%. Removal of the *Stark* Law's In-Office Ancillary Services Exception would save an estimate $1.8 billion to $6 billion and help pay for the SGR fix, says Myles.

GAUGING THE REVENUE LOSS TO PATHOLOGY GROUPS AND LABS

Reductions in Medicare rates for 12 key pathology codes will result in an estimated revenue loss of $155 million for pathology groups and labs next year. This estimate is based on $1.866 billion of annual Medicare Part B expenditures for 12 top pathology codes multiplied by reimbursement reductions that average 8% on a weighted basis.

Our estimates assume that the conversion factor (CF) in 2014 will be 35.6446 and that a scheduled 20% cut to the CF for 2014 is averted.

Pathology and lab reimbursement for CPT 88342 (IHC stains) is being reduced the most as a result of coding changes (see pages 3-4). The coding change and severe rate reduction for add-on IHC stains will result in a loss of more than $100 million in Medicare revenue for pathologists and labs next year.

The scheduled rate reduction for CPT 88112 will result in the loss of $42 million per year of Medicare revenue for pathologists and labs.

Laboratory Economics' estimate of a 8% reduction in Medicare Part B expenditures on anatomic pathology services in 2014 follows the 14% contraction that occurred this year (caused primarily from the 52% cut to 88305-TC).

In addition, the Medicare rate changes will also influence rates paid by commercial third-party payers and Medicaid plans. Many, if not most, payers base their rates on a percentage of the Medicare Physician Fee Schedule and will adjust their rates proportionately as contracts come up for renewal.

Medicare Reimbursement Estimates For Key Pathology Codes*

Code (Description)	*Estimated Annual Medicare Part B Expenditures (mil)*	*2014 Global Rate Change**	*2014 Revenue Impact*
88305 (Level IV, tissue exam by pathologist)	$865.4	0.2%	$1.7
88342 (Immunohistochemistry)	$309.0	-24% to -41%	-$102.0
88185 (Flow cytometry, add on)	$121.6	-1.2%	-$1.5
88112 (Cytopath cell enhance tech)	$97.5	-42.7%	-$41.6
88312 (Special stains, Group I)	$94.0	-3.6%	-$3.4
88307 (Level V, tissue exam by pathologist)	$100.8	-3.5%	-$3.5
88313 (Special stains, Group II)	$65.0	-3.1%	-$2.0
88368 (FISH-manual)	$55.0	-0.3%	-$0.2
88120 (Cytopath urine 3-5 probes each spec)	$55.0	-0.9%	-$0.5
88331 (Pathology consult during surgery)	$40.0	-1.3%	-$0.5
88367 (FISH-computer assisted)	$33.0	-1.4%	-$0.5
88173 (Cytopath eval FNA)	$30.0	-2.6%	-$0.8
TOTAL	$1,866.3	-8.3%	-$154.7

*Assumes conversion factor of 35.6446 in 2014 and that the scheduled 20% cut is averted

Source: *Laboratory Economics*

Medicare Rate Comparison for Key Pathology Codes: 2014* vs. 2013

Code	Modifier	Description	2014 Rate*	2013 Rate	% Chg
88108	Global	Cytopath concentrate tech	$78.42	$78.93	-1%
88108	26	Cytopath concentrate tech	$22.81	$22.11	3%
88108	TC	Cytopath concentrate tech	$55.61	$56.82	-2%
88112	Global	Cytopath cell enhance tech	$62.73	$109.55	-43%
88112	26	Cytopath cell enhance tech	$28.16	$58.18	-52%
88112	TC	Cytopath cell enhance tech	$34.58	$51.37	-33%
88120	Global	Cytp urne 3-5 probes ea spec	$615.58	$620.92	-1%
88120	26	Cytp urne 3-5 probes ea spec	$58.81	$56.48	4%
88120	TC	Cytp urne 3-5 probes ea spec	$556.77	$564.44	-1%
88121	Global	Cytp urine 3-5 probes cmptr	$532.53	$557.98	-5%
88121	26	Cytp urine 3-5 probes cmptr	$50.62	$49.33	3%
88121	TC	Cytp urine 3-5 probes cmptr	$481.91	$508.64	-5%
88160	Global	Cytopath smear other source	$64.16	$63.62	1%
88160	26	Cytopath smear other source	$26.38	$25.52	3%
88160	TC	Cytopath smear other source	$37.78	$38.11	-1%
88161	Global	Cytopath smear other source	$58.46	$60.56	-3%
88161	26	Cytopath smear other source	$25.31	$24.50	3%
88161	TC	Cytopath smear other source	$33.15	$36.06	-8%
88162	Global	Cytopath smear other source	$95.88	$96.29	0%
88162	26	Cytopath smear other source	$40.28	$39.13	3%
88162	TC	Cytopath smear other source	$55.61	$57.16	-3%
88172	Global	Cytp dx eval fna 1st ea site	$54.18	$54.78	-1%
88172	26	Cytp dx eval fna 1st ea site	$36.00	$35.38	2%
88172	TC	Cytp dx eval fna 1st ea site	$18.18	$19.39	-6%
88173	Global	Cytopath eval fna report	$146.14	$150.04	-3%
88173	26	Cytopath eval fna report	$71.65	$70.09	2%
88173	TC	Cytopath eval fna report	$74.50	$79.95	-7%
88177	Global	Cytp fna eval ea addl	$29.59	$29.60	0%
88177	26	Cytp fna eval ea addl	$22.10	$21.77	1%
88177	TC	Cytp fna eval ea addl	$7.49	$7.83	-4%
88184		Flowcytometry/ tc 1 marker	$87.33	$88.80	-2%
88185		Flowcytometry/tc add-on	$53.47	$54.10	-1%

*Assumes conversion factor of 35.6446 in 2014 and that the scheduled 20% cut is averted

Code	Modifier	Description	2014 Rate*	2013 Rate	% Chg
88187		Flowcytometry/read 2-8	$71.29	$68.73	4%
88188		Flowcytometry/read 9-15	$89.82	$87.78	2%
88189		Flowcytometry/read 16 & >	$110.14	$106.49	3%
88291		Cyto/molecular report	$31.01	$30.62	1%
88304	Global	Tissue exam by pathologist	$43.13	$44.57	-3%
88304	26	Tissue exam by pathologist	$11.41	$11.23	2%
88304	TC	Tissue exam by pathologist	$31.72	$33.34	-5%
88305	Global	Tissue exam by pathologist	$70.22	$70.09	0%
88305	26	Tissue exam by pathologist	$38.14	$36.74	4%
88305	TC	Tissue exam by pathologist	$32.08	$33.34	-4%
88307	Global	Tissue exam by pathologist	$286.94	$297.36	-4%
88307	26	Tissue exam by pathologist	$83.76	$82.00	2%
88307	TC	Tissue exam by pathologist	$203.17	$215.37	-6%
88309	Global	Tissue exam by pathologist	$436.65	$449.44	-3%
88309	26	Tissue exam by pathologist	$148.28	$144.94	2%
88309	TC	Tissue exam by pathologist	$288.36	$304.51	-5%
88311	Global	Decalcify tissue	$20.32	$20.41	0%
88311	26	Decalcify tissue	$12.48	$12.25	2%
88311	TC	Decalcify tissue	$7.84	$8.17	-4%
88312	Global	Special stains group 1	$94.10	$97.65	-4%
88312	26	Special stains group 1	$27.45	$26.54	3%
88312	TC	Special stains group 1	$66.66	$71.11	-6%
88313	Global	Special stains group 2	$65.59	$67.71	-3%
88313	26	Special stains group 2	$12.12	$11.91	2%
88313	TC	Special stains group 2	$53.47	$55.80	-4%
88321		Microslide consultation	$94.81	$93.22	2%
88323	Global	Microslide consultation	$146.86	$141.54	4%
88323	26	Microslide consultation	$87.69	$83.02	6%
88323	TC	Microslide consultation	$59.17	$58.52	1%
88331	Global	Path consult intraop 1 bloc	$98.38	$99.69	-1%
88331	26	Path consult intraop 1 bloc	$62.38	$61.24	2%
88331	TC	Path consult intraop 1 bloc	$36.00	$38.45	-6%

*Assumes conversion factor of 35.6446 in 2014 and that the scheduled 20% cut is averted

Code	Modifier	Description	2014 Rate*	2013 Rate	% Chg
88332	Global	Path consult intraop addl	$43.49	$43.55	0%
88332	26	Path consult intraop addl	$31.01	$30.28	2%
88332	TC	Path consult intraop addl	$12.48	$13.27	-6%
G0461 (88342)	Global	Immunohisto antibody slide	$88.04	$115.34	-24%
G0461 (88342)	26	Immunohisto antibody slide	$30.65	$42.19	-27%
G0461 (88342)	TC	Immunohisto antibody slide	$57.39	$73.15	-22%
G0462 (88342)	Global	Immunohisto antibody slide	$68.08	$115.34	-41%
G0462 (88342)	26	Immunohisto antibody slide	$12.48	$42.19	-70%
G0462 (88342)	TC	Immunohisto antibody slide	$55.61	$73.15	-24%
88346	Global	Immunofluorescent study	$105.86	$109.21	-3%
88346	26	Immunofluorescent study	$42.77	$41.85	2%
88346	TC	Immunofluorescent study	$63.09	$67.37	-6%
88356	Global	Analysis nerve	$278.38	$277.63	0%
88356	26	Analysis nerve	$133.31	$127.93	4%
88356	TC	Analysis nerve	$145.07	$149.70	-3%
88360	Global	Tumor immunohistochem/manual	$129.39	$127.25	2%
88360	26	Tumor immunohistochem/manual	$54.54	$52.40	4%
88360	TC	Tumor immunohistochem/manual	$74.85	$74.85	0%
88361	Global	Tumor immunohistochem/comput	$157.19	$156.51	0%
88361	26	Tumor immunohistochem/comput	$59.17	$57.16	4%
88361	TC	Tumor immunohistochem/comput	$98.02	$99.35	-1%
88365	Global	Insitu hybridization (fish)	$176.44	$178.62	-1%
88365	26	Insitu hybridization (fish)	$59.88	$58.18	3%
88365	TC	Insitu hybridization (fish)	$116.56	$120.44	-3%
88367	Global	Insitu hybridization auto	$254.50	$258.23	-1%
88367	26	Insitu hybridization auto	$62.38	$59.88	4%
88367	TC	Insitu hybridization auto	$192.12	$198.35	-3%
88368	Global	Insitu hybridization manual	$231.33	$232.04	0%
88368	26	Insitu hybridization manual	$64.52	$61.58	5%
88368	TC	Insitu hybridization manual	$166.82	$170.46	-2%
G0452	26	Molecular pathology interpr	$19.25	$18.71	3%

*Assumes conversion factor of 35.6446 in 2014 and that the scheduled 20% cut is averted

Source: *Laboratory Economics* from CMS

FINAL OPPS RULE BUNDLES CLINICAL LAB TESTS (AND SOME AP CODES)

Effective January 1, 2014, payment for nearly all clinical lab tests (other than molecular pathology tests) performed on hospital outpatients will be "bundled" into a single facility payment for primary hospital outpatient visits. The expanded bundled payment will apply to lab tests that are: 1) provided on the same date of service as the primary service and 2) ordered by the same practitioner who ordered the primary service.

In addition, eight anatomic pathology codes will be bundled, including the new G-code for add-on IHC stains (G0462), according to the Hospital Outpatient Prospective Payment System (OPPS) Final Rule for 2014. This is a much shorter list of bundled AP codes as compared with the Proposed OPPS Rule issued in July.

Bundled AP Codes for 2014

CPT Code	*Description*
88177	Cytp fna eval each additional
88185	Flowcytometry/tc add-on
88311	Decalcify tissue
88314	Histochemical stains add-on
88332	Path consult intraop addl
88334	Intraop cyto path consult 2
88388	Tiss ex molecul study add-on
G0462	Immunohisto/cyto chem add

The new bundling rule does not apply to non-hospital patients or outreach program testing, which will continue to be paid under the CLFS. In addition, the bundling rule does not apply to the professional component of pathology services, which will continue to be paid under the PFS.

However, Medicare payment for clinical lab tests and add-on pathology services provided to hospital outpatients will no longer be reimbursed through fee schedules. Instead, payment for these services will be considered to be part of the facility payment for hospital outpatient visits.

For example, reimbursement for the most common Medicare hospital outpatient visit (CPT 99214/APC 0606) with two typical clinical lab tests—Complete Blood Count and Metabolic Panel—currently totals $122.18. This includes a Medicare payment of $96.96 for the hospital outpatient visit plus separate payments of $10.69 and $14.53 for the two lab tests.

Starting in 2014, hospitals will bill for all outpatient clinic visits using a single code (G0463) with a fixed payment of $92.53, with no separate payment for lab tests. In other words, the Medicare payment rate is lower with no added reimbursement for lab tests.

Meanwhile, the final OPPS rate for CPT 88305 will be $36.53 in 2014, down 4% from $38.10 in 2013. However, the OPPS rate is still significantly higher than the PFS rate of $32.08 for 88305-TC in 2014. Overall, OPPS rates for 35 pathology codes are, on average, set 19% below the PFS (*see table on next page*).

Final OPPS vs. PFS for Key Pathology Technical Services for 2014*

CPT/ HCPCS	Description	APC	OPPS Rate	PFS TC Rate	OPPS/ PFS
88104	Cytopath, smear	342	$19.84	$44.56	45%
88108	Cytopath, concentrate tech	342	19.84	55.61	36%
88112	Cytopath cell enhance tech	433	36.53	34.58	106%
88120	FISH manual for urine sample	343	61.47	556.77	11%
88121	FISH computer for urine sample	344	179.67	481.91	37%
88172	Cytopath dx eval FNA 1st each site	342	19.84	18.18	109%
88173	Cytopath eval FNA report	433	36.53	74.50	49%
88177	Cytp fna eval each additional	Bundle	Bundle	7.49	NA
88184	Flowcytometry/tc, 1 marker	433	36.53	87.33	42%
88185	Flowcytometry/tc, add-on	Bundle	Bundle	53.47	NA
88187	Flowcytometry/read, 2-8	344	179.67	71.29	252%
88188	Flowcytometry/read, 9-15	661	278.23	89.82	310%
88189	Flowcytometry/read, 16 & >	433	36.53	110.14	33%
88300	Level I-surgical pathology	342	19.84	9.98	199%
88302	Level II-surgical pathology	342	19.84	22.81	87%
88304	Level III-surgical pathology	433	36.53	31.72	115%
88305	Tissue exam by pathologist	433	36.53	32.08	114%
88307	Tissue exam by pathologist	343	61.47	203.17	30%
88309	Tissue exam by pathologist	344	179.67	158.21	114%
88311	Decalcification procedure	Bundle	Bundle	7.84	NA
88312	Special stains group 1	342	19.84	66.66	30%
88313	Special stains group 2	342	19.84	53.47	37%
88314	Histochem stains add-on	Bundle	Bundle	54.89	NA
88321	Microslide consultation	342	19.84	94.81	NA
88331	Path consult during surgery	433	36.53	36.00	101%
88332	Path consult intraop addl	Bundle	Bundle	12.48	NA
88334	Intraop cyto path consult 2	Bundle	Bundle	25.66	NA
G0461	Immunohisto/cyto chem 1st st	433	36.53	57.39	64%
G0462	Immunohisto/cyto chem add	Bundle	Bundle	55.61	NA
88346	Immunofluorescent study	433	36.53	63.09	58%
88360	Tumor immunohistochem/manual	433	36.53	74.85	49%
88361	Tumor immunohistochem/computer	433	36.53	98.02	37%
88367	FISH-computer assisted	433	36.53	192.12	19%
88368	FISH-manual	433	36.53	166.82	22%
88388	Tissue exam molecul study add-on	Bundle	Bundle	8.91	NA
AVERAGE					**81%**

*Physician Fee Schedule rates assume conversion factor of 35.6446 in 2014 and that the scheduled 20% cut is averted
Source: *Laboratory Economics* from CMS

LAB STOCKS UP 1% YTD

Fourteen lab stocks are, on average, up 1% in price year to date through December 11. In comparison, the S&P 500 Index is up 27%. The top-performing lab stocks so far this year are NeoGenomics, up 48%, and Psychemedics, up 33%, followed by Foundation Medicine, up 29%. Quest Diagnostics is down 7% and LabCorp is up 2%.

Company (ticker)	Stock Price 12/11/13	Stock Price 12/31/12	2013 Price Change	Market Capitalization ($ millions)	P/E Ratio	Price/ Sales	Price/ Book
Bio-Reference (BRLI)	$26.97	$28.63	-6%	$746	15.8	1.1	2.9
Cancer Genetics Inc. (CGIX)	12.63	10.00	26%	117	NA	20.1	15.5
CombiMatrix (CBMX)	2.77	5.28	-48%	13	NA	2.1	2.9
Enzo Biochem (ENZ)	2.43	2.70	-10%	100	NA	1.1	2.9
Foundation Medicine (FMI)	23.17	18.00	29%	652	NA	27.2	4.5
Genomic Health (GHDX)	30.80	27.24	13%	947	NA	3.7	6.5
LabCorp (LH)	87.99	86.62	2%	7,690	14.5	1.3	3.0
LipoScience (LPDX)	3.80	9.00	-58%	58	NA	1.1	1.2
Myriad Genetics (MYGN)	23.88	27.25	-12%	1,800	11.5	2.6	2.8
NeoGenomics (NEO)	3.67	2.48	48%	181	123.3	2.9	9.5
Psychemedics (PMD)	14.26	10.75	33%	76	23.3	2.9	6.3
Quest Diagnostics (DGX)	54.25	58.27	-7%	8,030	11.1	1.1	2.1
Response Genetics (RGDX)	1.31	1.39	-6%	45	NA	2.2	11.3
Sonic Healthcare (SHL.AU)	15.21	13.33	14%	6,179	18.3	1.8	2.1
Unweighted Averages			1%		33.2	5.6	5.0

Source: Zacks

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