

Part B Insider (Multispecialty) Coding Alert

Physician Office Labs: 5-Year Freeze Could Chill Your POL Business

Trimming tests, reaching out may save your lab

If you're one of the thousands of physician offices that operates your own laboratory out of your office, then you could be in for some lean times.

The Medicare reform bill signed last December by President Bush imposes a five-year freeze on Medicare laboratory payments, and that includes physician office labs.

"The lab industry for the POLs has been suppressed for many years already, so this freeze is really not going to impact it any worse than it already has," says **Larry Fox**, a technical consultant with **Consolidated Lab Services** in Deer Park, NY. It's already very difficult for small POLs to survive, he notes.

All the commercial payors will follow Medicare's lead, notes **Terry Hensel**, central business office manager with **Prime Care Physicians**, in Albany, NY. Medicare should have boosted RVUs to make up for cutting POL payments, she complains.

Many suppliers to POLs will have a hard time raising prices for reagents and supplies they sell to POLs during the freeze, notes **Charles Fabijanich**, senior vice president with supplier **Polestar Labs** in Escondido, CA. Suppliers will fear driving physicians out of the POL business if they raise prices.

Fox says becoming more efficient is key to POLs' survival. As a consultant, Fox encourages "streamlining the lab" and reducing the number of tests performed onsite. Fox urges POLs, especially smaller ones, to eliminate costly low-volume testing.

"They certainly can analyze the panels that they have and see if there's any losers in the panel that you would just want to send out to the reference laboratory," says Hensel. POLs tend to perform automated multi-channel tests that require high volume to be profitable.

Also, look into adding newer tests that the physician may not have thought of performing, such as the new cardiac markers and homocystine tests. This way, you can improve outcomes and reimbursement, says Fox.

Another possibility is to open up your lab to other physicians' patients, says Hensel. But beware: many states, including New York, require a special license to do that.