

## Policy Statement

# Competitive Bidding for Laboratory Services

(Policy Number 94-01)

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The ASCP believes competitive bidding for laboratory services can have serious adverse impacts on the quality and access to laboratory services.

## Background and Rationale

### I. Introduction

Quality of laboratory services relies heavily on the ability of the laboratory to adequately staff the laboratory with highly educated, well-trained personnel and to conduct numerous effective but costly quality assessment assurance measures. Competitive bidding and capitation methods of reimbursement create incentives for laboratories that may cause them to compromise quality in an effort to reduce costs and secure the bid. When cost becomes the major driving force in the system, quality suffers. For example, laboratories may reduce courier pick-ups and staff, resulting in slower result turnaround time, or may eliminate certain services. True competition requires the continued viability of qualified providers of laboratory services in diverse settings.

### II. Competitive Bidding Proposals May Cause Patient Harm

Under forced fiscal constraints, as a result of winning a contract, quality may not be maintained. The oversight of the performance of the contract laboratory may not reveal the deficiencies until it is too late, and substandard quality of results or diagnoses may result in serious patient harm. In addition, health care resources may be wasted for retesting and reevaluation.

Competitive bidding also restricts patient access to quality laboratory services by driving out small, convenient local laboratories.

Decreased access will occur especially in rural and other underserved areas where the small laboratories do not have the operating margins or volumes to become effective competitive bidders. The decrease in the number of qualified providers of laboratory services will have an adverse impact on access. For patients seeking care, it may be difficult to travel to inconveniently located “winning” laboratories. The extra costs and inconvenience of getting to the laboratory may mean the difference between obtaining or not obtaining necessary testing.

The ASCP is particularly concerned that competitive bidding systems within managed care entities that focus solely on the costs of services fail to recognize that laboratory services are a health care service, not a commodity.

Physicians often have strong preferences among laboratories because of quality and service differences. Cost should not be the sole consideration when selecting laboratory services. Value or quality and service at an appropriate cost should be emphasized. The best value for the laboratory consumer is assured by preserving high quality services provided by a variety of laboratories. Cost-driven competitive bidding plans remove the ability of physicians to choose the laboratory they believe best serves the needs of their patients. For example, a woman is best served when her Pap smear is reviewed by a laboratory with which her physician has experience and in whom the doctor has confidence. A close working relationship between the

referring physician and the laboratory professionals is important in assuring high quality patient services. It is also important to consider the full range of services offered, including the availability of consultation, timeliness of reports, and the quality of services. The continuity of patient care may be adversely affected if laboratory results on a patient are fragmented between those required immediately and performed on-site and those tests sent to a “lowest bid” laboratory.

A final concern of the ASCP regarding competitive bidding is the creation of monopoly powers. The winning laboratories would gain access to a majority of area physicians and testing. After establishing themselves in a dominant market position, the laboratories could use their monopoly power to charge higher prices for work outside the bidding system resulting in higher health care costs.

## References

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- <sup>2</sup> Clinical Laboratory Coalition. (2003, February 14). *Competitive Bidding; Competitive Bidding Threatens Laboratory Services*. Retrieved December 27, 2004 from [http://www.aacc.org/govt/images/comp\\_brief.pdf#search='clinical%20laboratory%20coalition'](http://www.aacc.org/govt/images/comp_brief.pdf#search='clinical%20laboratory%20coalition').
- <sup>3</sup> Wolman, Dianne Miller et al. Medicare Laboratory Payment Policy: Now and in the Future. Institute of Medicine at the National Academies. January 1, 2000.
- <sup>4</sup> American Clinical Laboratory Association. *Competitive Bidding for Lab Services is Not the Answer*. Retrieved January 5, 2005 from <http://www.clinical-labs.org/issues/bidding/index.shtml>.