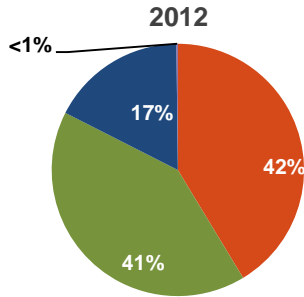


# Medicare Pathology and Lab Trends

Milliman Inc. (Milliman) was retained by the American Medical Association (AMA) to perform a trend analysis of certain Medicare ancillary services. The results of the analysis for pathology and lab services are included below:

**Distribution of Allowed Cost by Site of Service**

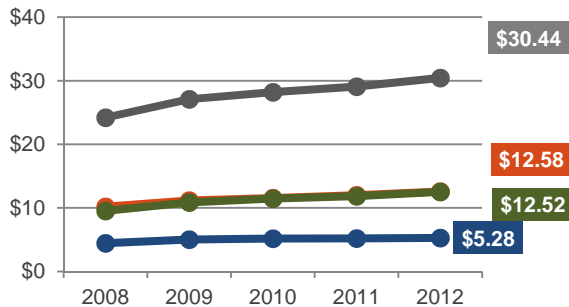


**5 Year Annualized Trends 2008-2012**

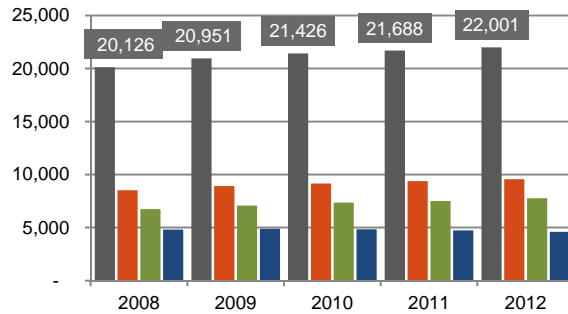
Site of Service	AMBP	Utilization per 1,000	Allowed Charges per Unit	Percentage receiving	Total Allowed Charges
Composite	5.9%	2.3%	3.6%	0.3%	6.7%
Outpatient Hospital	5.4%	3.0%	2.4%	1.2%	6.2%
Independent Lab	7.1%	3.6%	3.3%	0.5%	7.9%
Office	4.4%	(1.2%)	5.6%	(0.4%)	5.2%

**Trends in Key Measures 2008-2012**

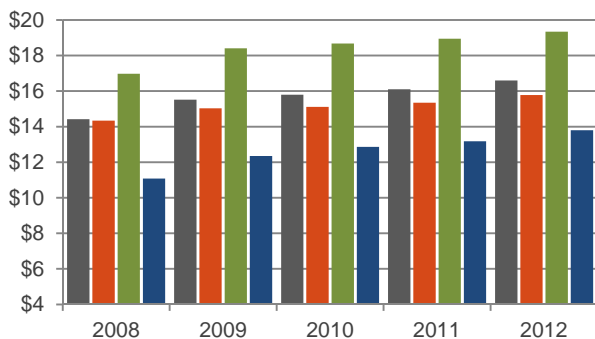
**Average Monthly Allowed Charge per Beneficiary (2008-2012)**



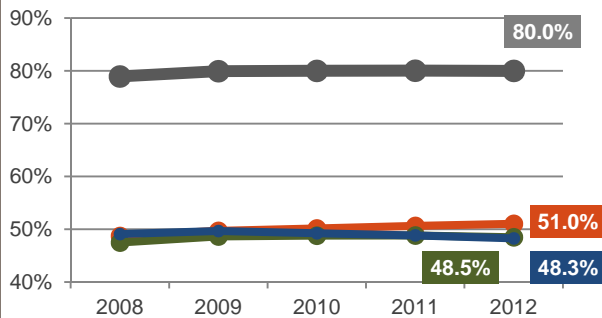
**Utilization per 1,000 (2008-2012)**



**Allowed Charges per Unit (2008-2012)**



**Percentage Receiving (2008-2012)**



**Legend:** ■ Outpatient Hospital ■ Independent lab ■ Office ■ Composite

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# Medicare Pathology and Lab Trends

## Metrics

Medical trend is driven by the cost of the service (fee), the number of people receiving the service, and the frequency of the service. The Medicare 5% Sample was analyzed to prepare data metrics that depict each trend component:

- **Estimated total allowed cost.** Allowed cost is the portion of the total billed charge that Medicare covers or “allows” the provider to collect from all sources prior to the application of member cost sharing;
- **Annualized utilization per 1,000 members.** This is the average number of units used by 1,000 enrollees in a year;
- **Allowed charges per unit.** This is the average allowed amount per unit;
- **AMPB.** Average monthly allowed charges per beneficiary, based on the allowed amount on the claims;
- **Percent receiving.** Percentage of beneficiaries receiving the service, which is calculated as the number of unique beneficiaries receiving the service as a percentage of the total Part B fee-for-service enrollment.

## Methodology

The Medicare 5% Sample files from calendar years 2008 through 2012 were used to perform the analysis. The 5% Sample contains de-identified publicly available data for the Medicare fee-for-service population. The results are multiplied by a factor of 20 to extrapolate to the entire Medicare FFS population.

The results of this analysis exclude any services performed while a Medicare beneficiary was enrolled in a Medicare Advantage plan. The scope of this analysis is limited to outpatient services.

It should be noted that allowed charges per unit may be influenced by service mix and the setting where the service was provided.

## Supporting Data

Site of Service	AMPB (2008-2012)					Utilization per 1,000 (2008-2012)				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Pathology and Laboratory Composite	\$24.19	\$27.10	\$28.21	\$29.09	\$30.44	20,126	20,951	21,426	21,688	22,001
Pathology and Laboratory Outpatient Hospital	\$10.18	\$11.16	\$11.53	\$12.00	\$12.58	8,516	8,911	9,159	9,381	9,567
Pathology and Laboratory Independent Lab	\$9.53	\$10.86	\$11.46	\$11.85	\$12.52	6,735	7,079	7,361	7,505	7,767
Pathology and Laboratory Office	\$4.44	\$5.03	\$5.18	\$5.19	\$5.28	4,808	4,889	4,834	4,726	4,590

Site of Service	Allowed Charges per Unit (2008-2012)					Percentage Receiving (2008-2012)				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Pathology and Laboratory Composite	\$14.42	\$15.52	\$15.80	\$16.10	\$16.60	78.9%	79.9%	80.0%	80.0%	80.0%
Pathology and Laboratory Outpatient Hospital	\$14.34	\$15.03	\$15.11	\$15.35	\$15.78	48.7%	49.7%	50.2%	50.6%	51.0%
Pathology and Laboratory Independent Lab	\$16.98	\$18.41	\$18.68	\$18.95	\$19.34	47.5%	48.6%	48.8%	48.8%	48.5%
Pathology and Laboratory Office	\$11.08	\$12.35	\$12.86	\$13.18	\$13.80	49.1%	49.7%	49.2%	48.8%	48.3%

Site of Service	Total Allowed Cost (2008-2012)				
	2008	2009	2010	2011	2012
<small>(Value in millions; extrapolated to 100% of fee-for-service population)</small>					
Pathology and Laboratory Composite	\$9,088	\$10,128	\$10,673	\$11,124	\$11,777
Pathology and Laboratory Outpatient Hospital	\$3,823	\$4,170	\$4,360	\$4,589	\$4,869
Pathology and Laboratory Independent Lab	\$3,579	\$4,057	\$4,334	\$4,533	\$4,845
Pathology and Laboratory Office	\$1,668	\$1,879	\$1,959	\$1,985	\$2,042

Composite values include some lower volume sites of service not highlighted in this analysis.

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