

Cost Recovery for Lab Testing

Fiscal Impact (\$000s)	FY 2014	FY 2015	FY 2016	FY 2017
State Government Special Rev				
Expenditures	(147)	(147)	(147)	(147)
Revenues	(140)	(140)	(140)	(140)
Special Revenue Fund				
Expenditures	300	300	300	300
Revenues	300	300	300	300
Net Fiscal Impact	(7)	(7)	(7)	(7)

Summary

This proposal requests changes to Minnesota Statutes, section 144.123, to allow the Commissioner of Health to enter into contracts to recover costs incurred for diagnostic analysis.

Background

The Infectious Disease Laboratory (IDL) within the Public Health Laboratory at the Minnesota Department of Health (MDH) performs microbiological testing for a number of different purposes including:

- **Diagnostic testing.** This is laboratory testing that leads to or rules out diagnosis of disease for an individual patient.
- **Reference testing.** This testing includes identification of bacteria, viruses, fungi, or parasites that are sent to the IDL by other laboratories that were not able to identify the pathogen using the test methods available to them. The IDL has the capability to perform both standard reference methods as well as more highly advanced technology that allows the IDL to identify a broad range of pathogens that may represent a public health threat. This testing may also contribute to

diagnosis of disease for an individual patient.

- **Monitoring infectious disease threats.** The IDL analyzes bacterial, fungal, viral, and parasitic pathogens that are sent to the IDL as a requirement of the Minnesota Disease Reporting Rule (4605.7040). Results of this testing are essential to the work of the MDH Infectious Disease Epidemiology, Prevention, and Control (IDEPC) Division, which investigates and responds to disease outbreaks and cases of unusual or highly significant pathogens. In the event of an infectious disease outbreak, the IDL performs testing to provide data that is used by IDEPC to identify cases and to evaluate outbreak control measures.

Under Minnesota Statute, section 144.123 the MDH IDL is permitted to charge only a \$25 handling fee for each diagnostic specimen submitted for testing and not for the actual cost of testing. However, diagnostic submissions from certain facilities and specimens that are required by law to be submitted are exempt from the handling fee. IDL currently

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receives the fee on only approximately 30 percent of diagnostic specimens it processes.

submitters to bill third insurers should they choose to utilize the diagnostic services offered by the IDL.

In addition to the handling fee, the IDL also receives limited state general fund and federal grant monies. Federal grant funding is typically targeted to specific activities and is not available to subsidize general capacity for diagnostic laboratory testing.

Proposal

The proposal involves a change in Minnesota Statute 144.123 to allow the Commissioner of Health to enter into contracts to enable MDH PHL to recover the full cost of diagnostic laboratory testing. The changes will discontinue the current \$25 handling fee and allow diagnostic laboratory tests to be charged at a level that fully recovers the cost of performing the test. The proposed language retains exemptions for specimens submitted under the disease reporting rule and any other exemptions deemed necessary by the Commissioner in order to protect public health.

Rationale

The cost of maintaining a highly sophisticated laboratory (i.e., skilled scientists, instrument maintenance, IT support, cost of laboratory certification, and required proficiency testing) and performing the testing (instrument and laboratory supply costs) has increased over time. The current \$25 handling fee does not fully cover the cost of diagnostic testing performed by the IDL. Increasing the fee is not feasible because the cost of the various tests performed by the IDL varies widely depending on what is requested by the submitter. In addition, third party insurers typically do not reimburse submitters for the handling fee. Changing from a handling fee to a reimbursement model would enable the laboratory to recover the cost of diagnostic testing performed and would enable

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