



Advancing Excellence

# Advocacy Issue Brief

College of American Pathologists

## Direct Billing of Pathology Services

### CAP Position

**The College of American Pathologists supports direct billing for anatomic and clinical pathology services for all payers, public and private.**

### Background

The CAP believes payment for anatomic and clinical pathology services should be made only to the person or entity who performed or supervised the service, except for referrals between laboratories independent of a physician's office. This policy, known as "direct billing," is consistent with American Medical Association ethics principles and has been a Medicare requirement since 1984.

In a practice known as client billing, a treating physician realizes a profit by charging a patient full price for a laboratory service the physician received at a discount. The physician may even mark up the price of the service to widen the profit margin. Client billing gives providers an incentive to choose a laboratory based on price, rather than quality. It also creates an incentive to order more tests than necessary, as each service ordered results in an incremental increase in profit.

Direct billing helps ensure that financial considerations do not influence physicians' choice of pathology services for their patients. With direct billing, ordering physicians can focus on quality alone when choosing laboratory services for their patients.

It is important to understand that direct billing does not restrict who may perform a service-only who may bill for it. Any qualified physician who performs or directly supervises a pathology service may bill for it, the CAP believes.

Ordering physicians also benefit from direct billing, which helps ensure compliance with federal laws that prohibit certain unlawful economic arrangements between physicians and the clinical laboratories to which they refer patient testing.

Some states have passed anti-mark up and disclosure laws, an alternative but less enforceable approach to direct billing. Under these laws the referring physician is allowed to bill the client, but is prohibited from marking up the pathology service, and required to disclose each charge to the patient, or patient's insurer.

Additionally, some states have strictly passed disclosure laws that require the ordering physician to disclose to patients or the patient's insurer the actual charges for all pathology/laboratory services. A list of states with direct billing, anti-markup/disclosure, and disclosure laws is available on the CAP Advocacy Web site under ["States with Direct Billing-Related Laws."](#)

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