

# Cutting Specimens and Costs: A Pathologists' Assistant's Guide to Medicare Reimbursement and Assessing Margins In and Out of the Gross Room

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## Abstract

Although laboratory costs and specimen volumes are rising with an aging and increasing population, the Medicare conversion factor has experienced annual cuts that have decreased reimbursement for pathology services.<sup>1</sup> Pathologists' assistants (PathAs) have reported feeling burnout with increased responsibilities and no corresponding increase in staffing. While adjustment of the RVUs and annual conversion factors would require organizational lobbying and physician support, there may be avenues for pathologists' assistants and gross room staff to assist with reducing practice expenses to keep costs below reimbursement. These profits can then be used to leverage increases in staffing or purchase of technology that can help to manage the increasing workload.

This research aims to bring education to the current status of pathology reimbursement, gather information from current PathAs regarding what their departments are doing to decrease costs, and start conversation about future long-term changes that can support the profession and pathology departments.

## Introduction

Medicare, established in 1965, is a federal health insurance program regulated by the Department of Health and Human Services and is the top payer for healthcare services in the country. Physician and hospital reimbursement for services covered by Medicare is complex and is based upon a system of common procedural terminology (CPT) codes that reflect the service performed. Each CPT code is composed of resource value units (RVUs) that sum the work of the physician, practice expense, and malpractice insurance associated with each service, and these RVUs are adjusted slightly across the U.S. to account for geographic differences in costs. The monetary value for the reimbursement is calculated by multiplying the total RVU by a conversion factor that is adjusted annually to maintain budget neutrality.<sup>2</sup>

$$\text{Medicare Reimbursement (\$)} = \text{RVU} \times \text{Annual Conversion Factor (\$)}$$

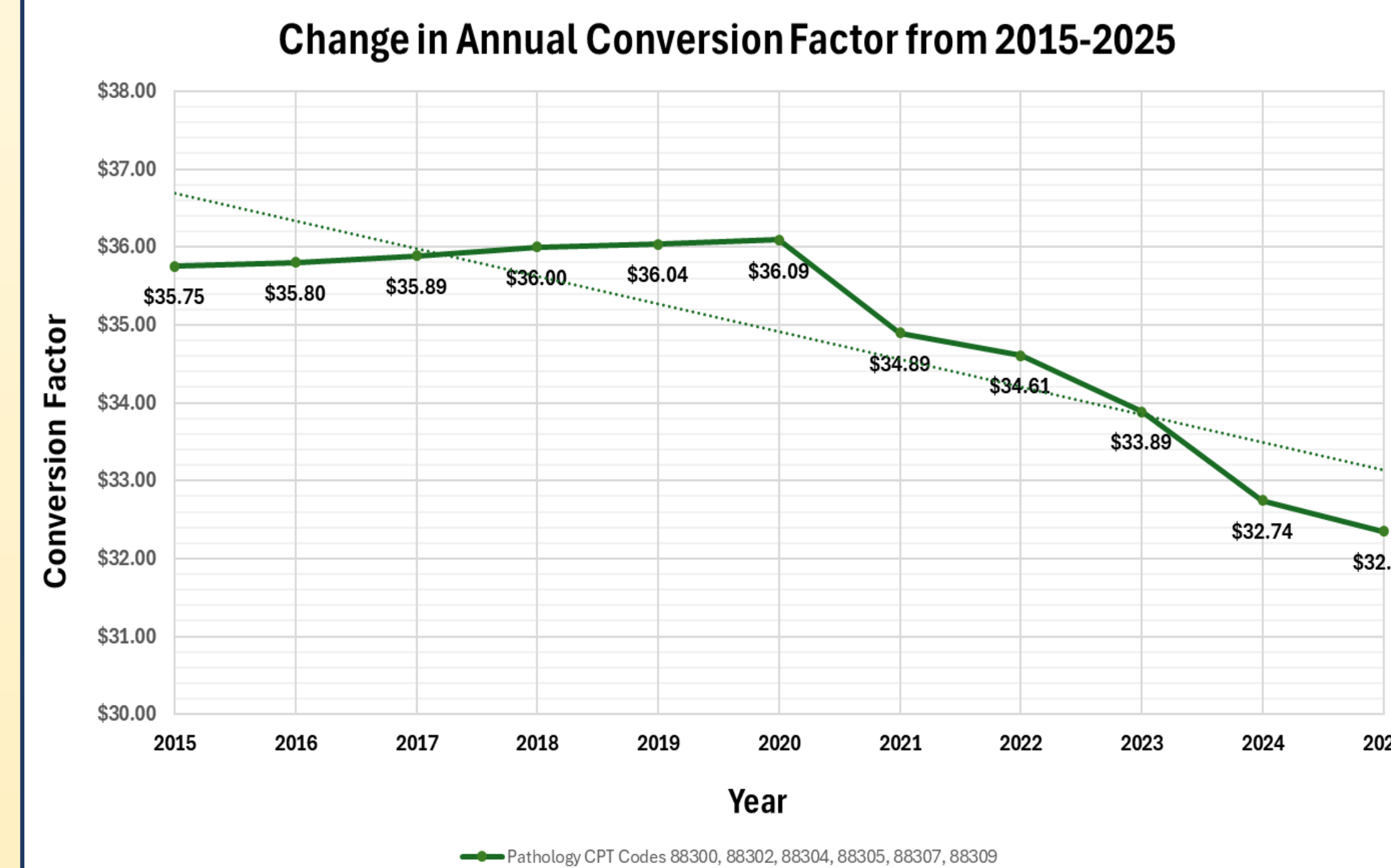
Physician Work + Practice Expense + Malpractice Insurance

## Methods

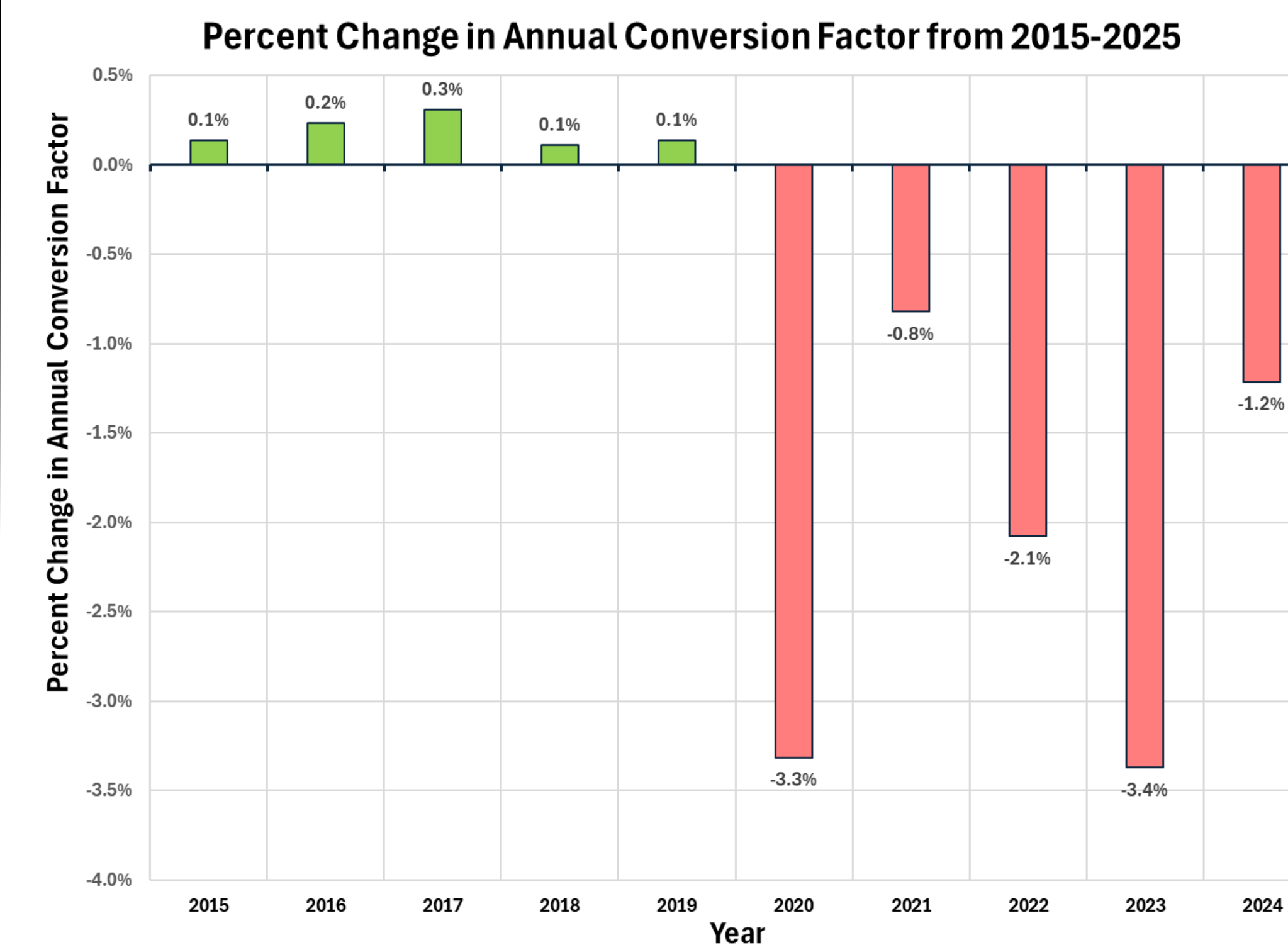
Data regarding the annual conversion factors from 2015-2025 was collected from the Center for Medicare & Medicaid Services archive to create a foundation for understanding the recent history of annual Medicare reimbursement.<sup>3</sup> This data was then analyzed in Excel to track the change in the conversion factor for pathology-related CPT codes (88300, 88302, 88304, 88305, 88307, and 88309). Further calculations were completed to show the percent change in the annual conversion factor from year to year.

Additionally, an anonymous survey was administered through a digital link to gather information from current PathAs in the field regarding their understanding of insurance reimbursement. This survey queried impacts of reimbursement changes on the labs, current methods to improve efficiency and cut costs, and ideas for long-term improvements. A total of 23 responses were recorded.

## Annual Conversion Factor Compilation



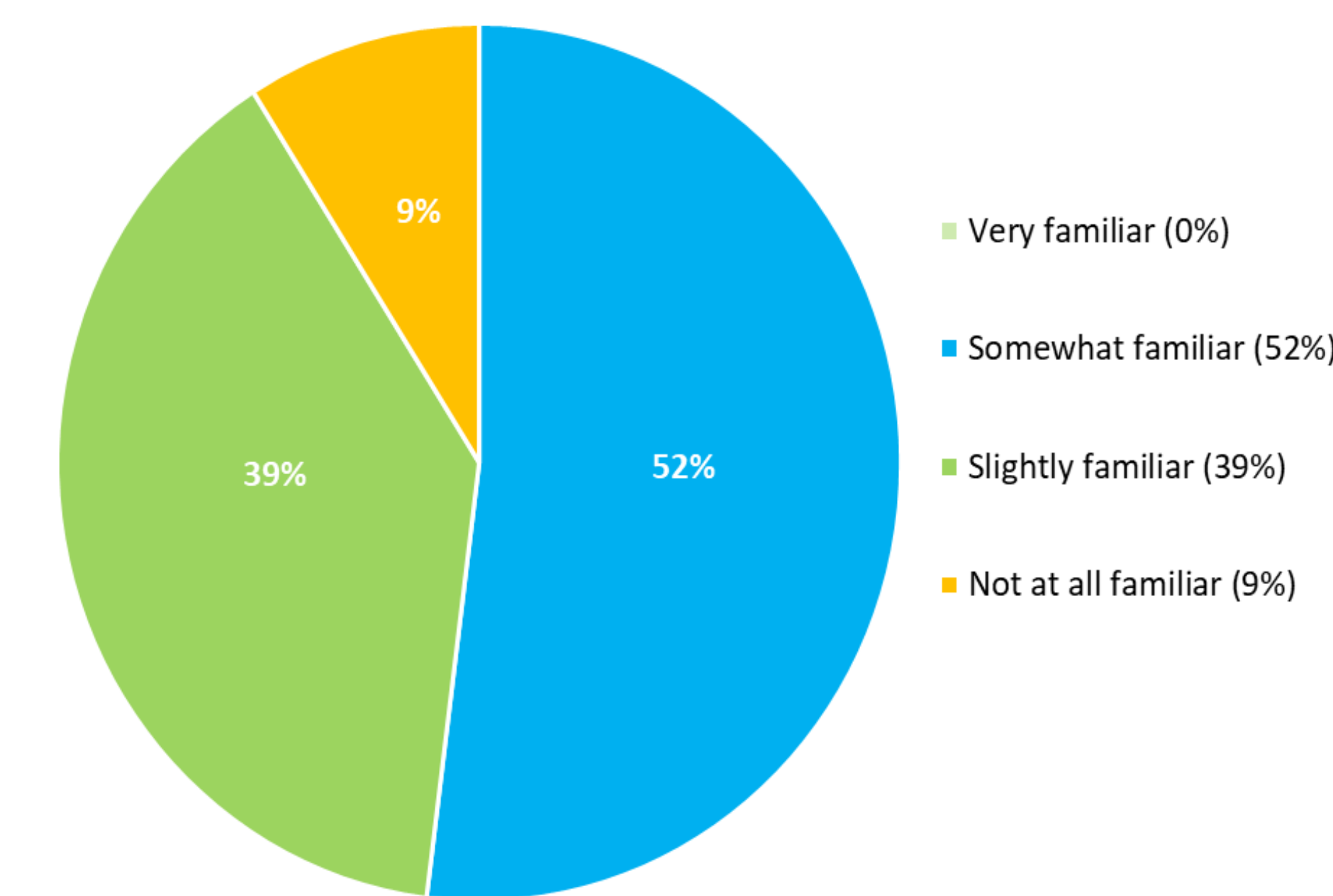
**Figure 1:** Compilation of the annual conversion factors from 2015-2025 shows a downward trend.<sup>3</sup>



**Figure 2:** Analysis of the annual conversion factors from **Figure 1** to show shows large negative percent changes in the past 5 years, larger than the positive percent changes observed initially.

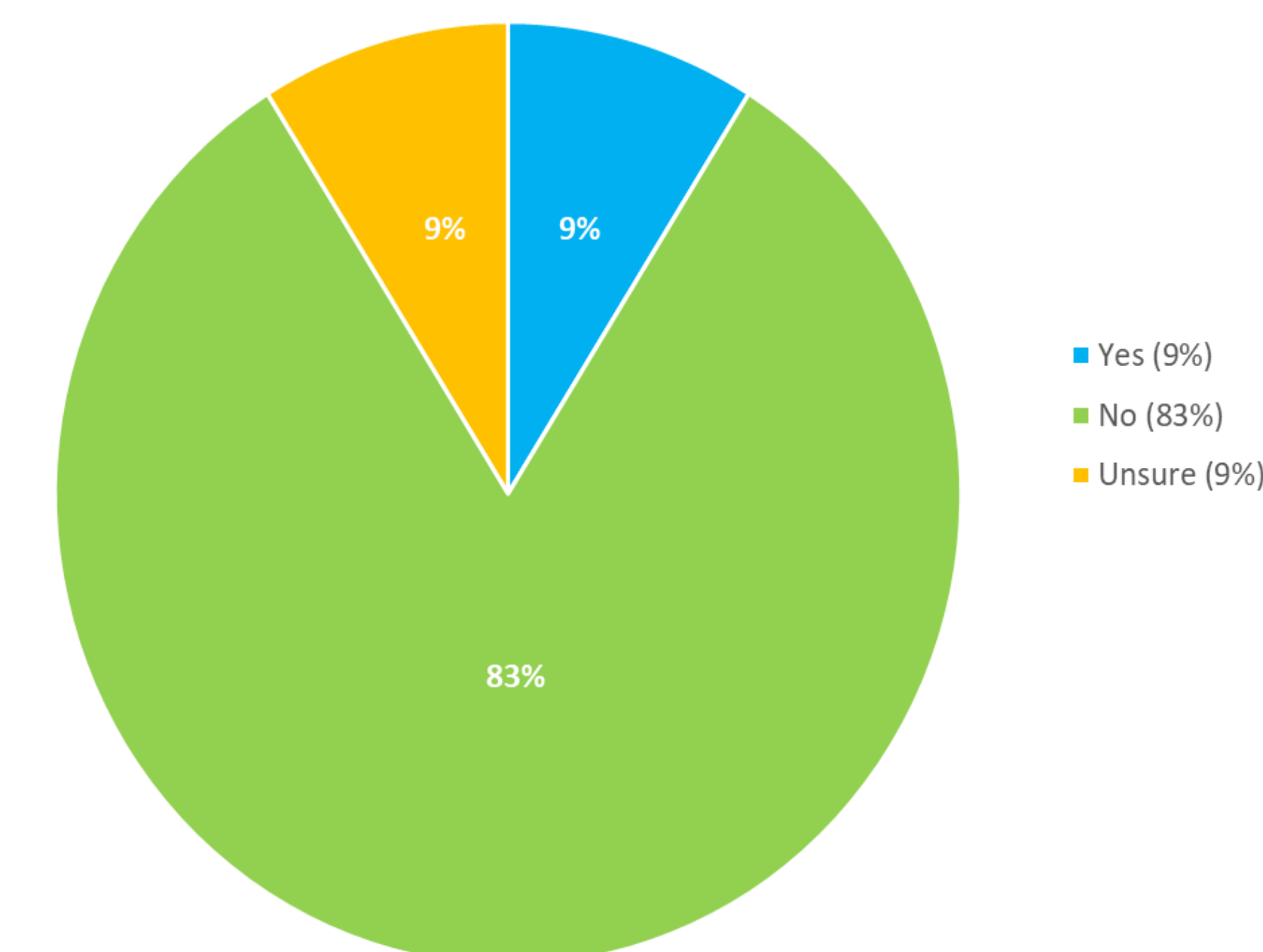
## Survey Results

**How familiar are you with Medicare reimbursement policies as they relate to pathology services?**



**Figure 3:** This survey question was designed to gauge the baseline familiarity of the recipients with Medicare policies.

**Do you stay informed about the annual proposed reimbursement changes affecting pathology services?**



**Figure 4:** This survey question was designed to understand if the recipients stay up to date on Medicare policies.

**How have reimbursement cuts impacted your department?**



**Figure 5:** Survey recipients were provided a list of options and asked to select all that applied.

**In your experience, what are the biggest sources of lab-related expenses?**



**Figure 6:** Survey recipients were asked to provide a free text response regarding the largest lab-related costs. "Equipment" was the most frequently used word across all responses.

## Discussion

Data extracted from the Center for Medicare & Medicaid Services was analyzed to show a decreasing trend in the annual conversion factor over the past 10 years (Figure 1). The conversion factor was \$35.75 in 2015, rose to \$36.09 by 2020, and then experienced a sharp decrease that coincided with the COVID-19 pandemic. This decline has continued in recent years with large negative percent changes during 2020 and 2023 (Figure 2) and has culminated in a conversion factor of \$32.35 in 2025. These decreases have occurred despite a national average inflation rate of 2.84% during the same period.<sup>4</sup>

Of the 23 PathAs surveyed regarding their familiarity with Medicare policies, 52% reported being somewhat familiar, 39% only slightly familiar, and 9% not familiar at all (Figure 3). Additionally, 83% of participants reported that they do not stay informed regarding changes to reimbursement (Figure 4).

When asked about the impact of reimbursement cuts on their laboratories, participants cited issues including reduced staffing, hiring freezes, increased workloads, decreased morale, and difficulty in receiving approval for equipment purchases (Figure 5). Equipment was the most common response regarding the highest source of lab-related expenses (Figure 6). Equipment for anatomic pathology laboratories includes cassette printers, cryostats, saws, and more. This is a difficult dilemma for labs to face as equipment can greatly improve efficiency and lessen the workload, which is increasing, for laboratories across the country.

Since the annual conversion factor is set by the government, the best method for individual labs to increase their reimbursement would be to minimize internal costs. In the survey, pathologists' assistants shared a variety of cost-saving strategies that their laboratories have implemented. These strategies included purchasing lower-cost consumables, staggering shifts to share benches rather than purchasing new ones, and restructuring staff responsibilities to better utilize each staff member's time according to their skills and knowledge. Additionally, many labs focused on minimizing waste by autoclaving certain materials as opposed to incineration, recycling certain solutions such as alcohol, and avoiding the submission of redundant sections. Finally, one response recommended an annual buying budget to manage spending and plan for large expenses.

## Future Prospects

A significant amount of work occurs behind the scenes in the steps leading to a diagnosis. Reimbursement cuts force laboratories to sacrifice quality in order to continue operating.

An optional survey question allowed PathAs to share their ideas for more sustainable solutions on a larger scale. Reimbursement could be improved if the current billing structure were revised to allow for the work of PathAs to be billed under the professional component, rather than being grouped in the technical fee. Achieving this would require greater awareness of pathology operations among policymakers. Broader change will depend on advocacy through legislative engagement, collaboration with professional organizations, and educating local representatives about how these cuts impact patient care.

## Acknowledgements

1. *Prevent Medicare Cuts for Pathology Services*. College of American Pathologists.
2. *How Pathologists Get Paid: What Every Pathologist Should Know*. College of American Pathologists.
3. Center for Medicare and Medicaid Services. (n.d.). *PFS Relative Value Files*. CMS.gov. <https://www.cms.gov/medicare/payment/fee-schedules/physician/pfs-relative-value-files>
4. CoinNews Media Group LLC. (2025, May 13). *Average Inflation Rates*. US Inflation Calculator.