

# GAO Highlights

Highlights of [GAO-13-445](#), a report to congressional requesters

## Why GAO Did This Study

Questions have been raised about self-referral's role in Medicare Part B expenditures' rapid growth. Self-referral occurs when providers refer patients to entities in which they or their family members have a financial interest. Services that can be self-referred under certain circumstances include anatomic pathology—the preparation and examination of tissue samples to diagnose disease. GAO was asked to examine the prevalence of anatomic pathology self-referral and its effect on Medicare spending. This report examines (1) trends in the number of and expenditures for self-referred and non-self-referred anatomic pathology services, (2) how provision of these services may differ on the basis of whether providers self-refer, and (3) implications of self-referral for Medicare spending. GAO analyzed Medicare Part B claims data from 2004 through 2010 and interviewed officials from the Centers for Medicare & Medicaid Services (CMS) and other stakeholders. GAO developed a claims-based approach to identify self-referred services because Medicare claims lack such an indicator.

## What GAO Recommends

CMS should identify self-referred anatomic pathology services and address their higher use. The Department of Health and Human Services, which oversees CMS, agreed with GAO's recommendation that CMS address higher use of self-referral through a payment approach, but disagreed with GAO's other two recommendations to identify self-referred services and address their higher use. GAO believes the recommended actions could result in Medicare savings.

View [GAO-13-445](#). For more information, contact James C. Cosgrove at (202) 512-7114 or [cosgrovej@gao.gov](mailto:cosgrovej@gao.gov).

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## MEDICARE

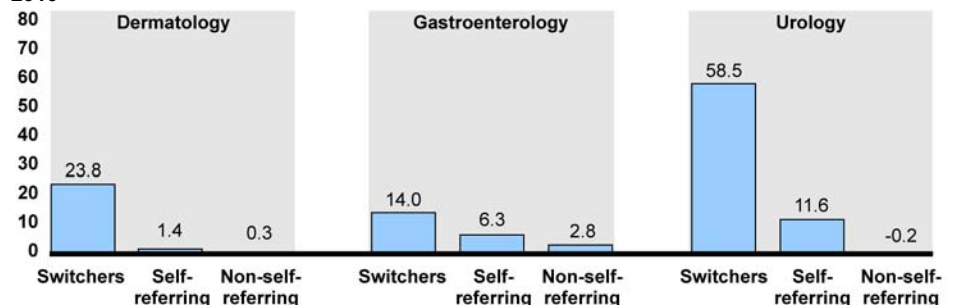
### Action Needed to Address Higher Use of Anatomic Pathology Services by Providers Who Self-Refer

## What GAO Found

Self-referred anatomic pathology services increased at a faster rate than non-self-referred services from 2004 to 2010. During this period, the number of self-referred anatomic pathology services more than doubled, growing from 1.06 million services to about 2.26 million services, while non-self-referred services grew about 38 percent, from about 5.64 million services to about 7.77 million services. Similarly, the growth rate of expenditures for self-referred anatomic pathology services was higher than for non-self-referred services. Three provider specialties—dermatology, gastroenterology, and urology—accounted for 90 percent of referrals for self-referred anatomic pathology services in 2010.

Referrals for anatomic pathology services by dermatologists, gastroenterologists, and urologists substantially increased the year after they began to self-refer. Providers that began self-referring in 2009—referred to as switchers—had increases in anatomic pathology services that ranged on average from 14.0 percent to 58.5 percent in 2010 compared to 2008, the year before they began self-referring, across these provider specialties. In comparison, increases in anatomic pathology referrals for providers who continued to self-refer or never self-referred services during this period were much lower. Thus, the increase in anatomic pathology referrals for switchers was not due to a general increase in use of these services among all providers. GAO's examination of all providers that referred an anatomic pathology service in 2010 showed that self-referring providers of the specialties we examined referred more services on average than non-self-referring providers. Differences in referral for these services generally persisted after accounting for geography and patient characteristics such as health status and diagnosis. These analyses suggest that financial incentives for self-referring providers were likely a major factor driving the increase in referrals.

Percentage Change in Medicare Anatomic Pathology Services by Provider Specialty, 2008 to 2010



Source: GAO analysis of CMS data.

Note: Switchers are providers that did not self-refer in 2007 or 2008, but did self-refer in 2009 and 2010.

GAO estimates that in 2010, self-referring providers likely referred over 918,000 more anatomic pathology services than if they had performed biopsy procedures at the same rate as and referred the same number of services per biopsy procedure as non-self-referring providers. These additional referrals for anatomic pathology services cost Medicare about \$69 million. To the extent that these additional referrals were unnecessary, avoiding them could result in savings to Medicare and beneficiaries, as they share in the cost of services.