Dermatopathology Billing Gets States' Attention

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A disagreement within the house of medicine over billing for dermatopathology services has spread to state legislatures around the country.

The quarrel centers on client versus direct billing. The American Academy of Dermatology supports the continuation of client billing—which allows dermatologists to send tissue samples to the best-qualified pathologist, even if that lab does not have an agreement with the patient's insurance plan, then bill the insurance company directly. The insurance company pays based on its contract with the physician. The dermatologist may mark up the charge enough to cover the cost of billing and the risk of nonpayment or underpayment by the insurance company.

"The primary motivation should be for the patient's benefit, not profit," said Dr. Dirk Elston, director of the department of dermatology at Geisinger Medical Center in Danville, Pa., and a member of the Pennsylvania Academy of Dermatology ad hoc work group on client billing.

The College of American Pathologists, on the other hand, has argued that the markup can be abusive and can lead to arrangements with labs that are not in the patients' best interest.

To date, 14 states have established laws requiring direct billing, 6 states have antimarkup laws, and 14 states require disclosure of billing arrangements, according to the College of American Pathologists.

The AAD and state dermatology societies acknowledge the potential for abuse in client billing but there is also the potential to benefit patients through fewer payment hassles and access to the best pathology experts, Dr. Elston said.

But state legislatures need to be aware of both sides of the issue and the potential benefits to patients, he said. "You don't throw the baby out with the bathwater," Dr. Elston said.

That's almost what happened in states like Nebraska and Arkansas.

In 2007, despite a lack of abuses with the client billing system, pathologists in Arkansas sought legislation to mandate direct billing, said Dr. Scott Dinehart, a Mohs surgeon in Little Rock.

But the dermatologists, along with a coalition of other physicians, came together to help defeat the bill. One reason for the support of thousands of physicians was that, in an early draft of the bill, pathologists sought direct billing not only for anatomic pathology, but also for clinical pathology. While the language was changed early on, Dr. Dinehart said other physicians were wary that pathologists were trying to create an environment where they would be the only ones able to read slides.

The Arkansas coalition ultimately prevailed in part because the pathologists didn't have the "high ground" on the issue, said Dr. Dinehart, who was active in opposing the measure. "This is really just an economic issue for them," he said. "It's really not a patient problem."

In Nebraska, pathologists wanted to mandate direct billing for anatomic pathology. Dermatologists were concerned that this would significantly limit patient access to dermatopathologists, since many patients participate in local insurance networks that won't cover out-of-state pathology labs and there are few dermatopathologists in the state, said Dr. David Watts, a dermatologist in Omaha and immediate past president of the Nebraska Dermatology Society.

During the 2007-2008 legislative session, the dermatologists tried to work out a compromise, Dr. Watts said, but when the pathologists withdrew their support for the proposal, the legislation failed.

The Nebraska Medical Association, which represents both dermatologists and pathologists, is now crafting a legislative proposal, similar to one passed in North Carolina, that would allow for client billing but would mandate transparency of the billing process to patients, he said.

The Nebraska Dermatology Society will support legislation requiring transparent billing. "We really don't want to have a public debate that looks like a couple of groups of physicians arguing about money," Dr. Watts said. "We'd rather be in public arguing about how best to help people." ■