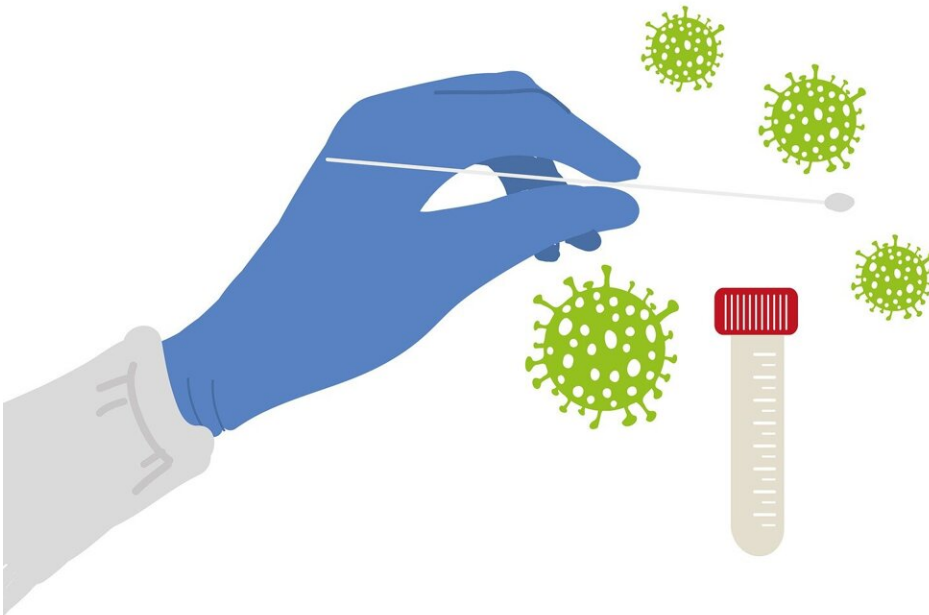


# Those 'free' COVID tests you take? Labs are raking in millions in tax dollars, study says

June 13 2022, by Ken Alltucker

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For more than two years, Americans have been able to get COVID-19 tests, often with no costs to themselves.

At least, no out-of-pocket costs. A new study from the University of Hawaii and Johns Hopkins University hints at just how great those costs might really be for taxpayers and those paying for private insurance. And it shows how the private labs conducting the tests are probably raking in millions of dollars more a year.

Ge Bai, a Johns Hopkins University professor of accounting and [health policy](#) and management, said the study published Thursday in the *Journal of General Internal Medicine* highlights mounting costs of COVID-19 testing paid by taxpayers through federal health programs or consumers and employers who purchase [private insurance](#).

"The misconception most people have is 'I don't pay out of pocket,'" Bai said. "We are literally witnessing the government channel money from taxpayers, from patients, from (insurance plan) sponsors to labs."

Because of a lack of testing to keep pace with the coronavirus in the early months of the pandemic, Congress wanted to remove barriers to ensure people had access to testing. Medicare, the federal health program for older adults and some disabled people, pays \$51 for a COVID-19 [test](#). Insurance companies must pay the amount labs charge without making consumers pay when they take the test.

The study analyzed revenue collected by 21 independent labs in Hawaii because researchers were able to secure figures from the state's department of taxation. The study found that from March 2020 to November 2021, the labs performed 2.8 million tests. That helped drive a revenue increase from a range of \$19 million to \$22 million a month before the pandemic to \$28 million to \$36 million per lab after November 2020.

The study doesn't speak to how much labs charged for tests. And researchers did not have access to labs' costs for machines, supplies and

additional staffing to process tests. Even if labs' per-test cost equaled Medicare's rate of \$51, the Hawaii labs would have earned a minimum profit of \$28 million from March 2020 to November 2021, the study said, or about \$10 a test.

Bai, whose previous work showed some private labs charged as much as \$14,750 for tests, said labs that process large volumes of tests likely can do so for less than \$20 a test. In other words, efficient labs collect a larger profit for each test they run because the government requires a set reimbursement amount.

Although the study's data was limited to labs in Hawaii, Bai said, the findings apply throughout the country where labs are collecting revenue and profit from continual testing.

"We are bearing all the [costs](#) without even knowing it," Bai said.

## **Medicare rate 'seems pretty reasonable'**

Lab experts dispute the suggestion facilities are making windfall profits on testing. Hospitals and labs spent millions to purchase equipment, acquire sites and hire [health workers](#) to administer tests. During surges when long lines of Americans sought tests daily, labs struggled to secure equipment needed to complete tests, such as swabs, as well as to hire enough trained and qualified workers to process tests in a timely manner.

Labs were motivated to get the nation's testing capability in place quickly to match the speed of the virus, said Dr. Emily Volk, a pathologist and chief medical officer of Baptist Health Floyd in Indiana.

"The cost of getting that test up and running was not at the top of the agenda," said Volk, also president of the College of American Pathologists.

Volk said profits are limited by other factors. The cost of petroleum-based plastic containers and tubes used in labs has skyrocketed with the price of oil. Another hidden, non-reimbursed cost includes validating testing machines before using them on the public.

"Frankly, to pay \$51 to find out incredibly critical information about whether or not somebody has a deadly virus ... seems pretty reasonable," Volk said.

The number of tests done by U.S. labs and other sites averaged fewer than 1 million a day during the first week of June, far below early January's peak of more than 3 million daily tests, according to Johns Hopkins University's testing tracker.

The Johns Hopkins data does not include the increasingly popular 15-minute home tests people take often without reporting results to their doctors or local health departments.

The Biden administration has required private health insurers and Medicare to cover a monthly allotment of eight free home tests. The administration also has allowed Americans to order three rounds of home tests through the government-run website [CovidTests.gov](https://www.covidtests.gov); the free test kits are delivered to a person's home address by the U.S. Postal Service.

Private insurers and Medicare must pay the cost of testing through the duration of the public health emergency, which isn't likely to end before mid-October.

The federal government has bolstered testing by spending billions for schools, community health centers, labs, doctors, telemedicine companies and entrepreneurs to provide COVID-19 testing and related services. One initiative, called the COVID-19 Uninsured Program, has

authorized \$4 billion to reimburse for testing, administering vaccines and other COVID-19-related care.

But with COVID-19 funding running out without relief from Congress, the Biden administration said Thursday that it will divert \$10 billion in coronavirus relief from testing and other programs to maintain stockpiles of vaccines and treatments for Americans heading into the fall and winter.

The Biden administration has been warning for months of the potential for rationing and other tough trade-offs if Congress doesn't provide additional funding. Lawmakers in March appeared near a deal for \$10 billion of the \$22.5 billion that President Joe Biden has requested, but negotiations broke down.

The health insurance industry has called for tighter controls on COVID-19 testing during the public health emergency.

A November 2020 survey by America's Health Insurance Plans, an industry group representing private health insurers, reported the average COVID-19 test cost \$130. Nearly half of tests performed by out-of-network labs that had no negotiated rates with health insurers cost more than \$185, the survey said.

Kristine Grow, a spokeswoman for the industry group, said insurance premiums are closely tied to the cost of medical care. Among other cost-conscious reforms, Grow said, her organization has called for federal action to hold "testing labs accountable for the prices they charge for COVID tests."

Bai's study did not track whether insurers are beginning to raise premiums to pay for the cost of COVID-19 testing.

The Hawaii Medical Service Association, the state's largest health insurance provider, said it has not raised premiums to cover the cost of testing.

"HMSA continues to waive member cost shares for all medically necessary treatment and services for COVID-19 at least through the end of the public [health](#) emergency," said HMSA President and Chief Executive Officer Mark Mugiishi. "We are not raising premiums to do so. ... We take co-payments out of our reserves to ensure the safety and security of our members as we work to eliminate this threat from our entire community."

**More information:** Timothy Halliday et al, Financial Implications of COVID-19 Polymerase Chain Reaction Tests on Independent Laboratories, *Journal of General Internal Medicine* (2022). [DOI: 10.1007/s11606-022-07676-1](https://doi.org/10.1007/s11606-022-07676-1)

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Citation: Those 'free' COVID tests you take? Labs are raking in millions in tax dollars, study says (2022, June 13) retrieved 24 April 2024 from <https://medicalxpress.com/news/2022-06-free-covid-labs-raking-millions.html>

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