JIT4LABS | LAB OPERATIONS RESOURCE SERIES

Pricing Your Tests Cost-Plus vs Market-Based Approaches

Find the right pricing strategy for your lab

Article 7 of 22

7 min-minute read

30-50%

Typical cost-plus margin for routine tests

CMS CLFS

Medicare fee schedule sets the baseline

Annual

Minimum frequency to review your fee schedule

How you set your test prices directly impacts your revenue, your competitiveness, and how physicians perceive your lab. Two common pricing strategies exist, and most successful independent labs use a blend of both.

1 Cost-Plus Pricing

With cost-plus pricing, you calculate total cost per test and add a target margin—30–50% for routine tests, higher for specialty. The advantage is simplicity. The risk is your price may be significantly higher or lower than what the market will bear.

QUICK TIP: Good for specialty tests with less competition.

2 Market-Based Pricing

Market-based pricing starts with what payers and competitors charge and works backward. You set your price at or near the market rate and manage costs to achieve profitability. This requires knowing your cost structure cold.

QUICK TIP: Essential for high-volume commodity tests.

3 The Blended Approach

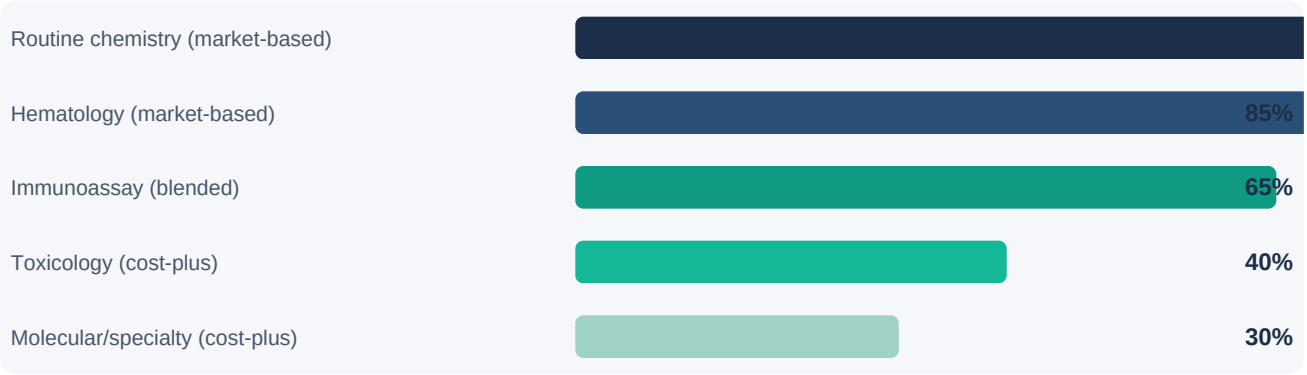
Most labs use market-based for high-volume commodity tests (CBCs, CMPs) where competition is fierce, and cost-plus for specialty or niche tests where competition is less and the market is less price-sensitive.

4 Do Not Forget Payer Mix

Your pricing strategy only matters for self-pay and out-of-network. For contracted payers, reimbursement is dictated by fee schedules. But your chargemaster still matters because some contracts pay a percentage of charges.

QUICK TIP: Review your fee schedule annually against the Medicare CLFS.

PRICING STRATEGY BY TEST TYPE



Recommended pricing approach by test category

BOTTOM LINE: Review your fee schedule annually. Compare prices against the current Medicare CLFS for your region and adjust where significantly misaligned.

FREE TOOLS TO GET STARTED

Template	What It Does
Test Panel P&L; Calculator	Understand your cost structure to inform pricing

Download the complete JIT4LABS Templates Toolkit

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