

How to Read Your Payer Mix And Why It Matters for Reagent Budgeting

Connect reimbursement patterns to purchasing decisions

Article 22 of 22

5-minute read

Quarterly

Review frequency to catch payer mix shifts

Volume vs ReWeighted Avg

Often very different distributions

The reimbursement number that actually matters

Your payer mix—the distribution across Medicare, Medicaid, commercial, and self-pay—directly impacts revenue per test and how much you can afford to spend on reagents. Understanding it is essential for budgets grounded in reality.

1 How to Calculate Your Payer Mix

Pull 12 months of billing data. Categorize by payer type: Medicare, Medicaid, Commercial (broken down), Self-Pay. Calculate each as percentage of total claims and average reimbursement per test per category.

2 Why Volume Mix and Revenue Mix Differ

Medicare might be 40% of volume but only 30% of revenue because rates are lower. Commercial might be 35% of volume but 50% of revenue. Self-pay can be high-revenue if collected, near-zero if not.

QUICK TIP: Always look at BOTH volume mix and revenue mix.

3 Connecting Payer Mix to Reagent Budgets

Weighted average reimbursement per test sets the ceiling for total cost per test. If your weighted average is \$11.50 and total cost is \$9.00, margin is \$2.50. A shift toward Medicare shrinks that margin.

4 Watch for Shifts

Payer mix changes as your client base changes. Review quarterly. If Medicare grows from 40% to 50% of volume, recalculate your average reimbursement and adjust cost assumptions.

5 Implications for Test Menu Decisions

Some tests are profitable only with favorable payer mix. A test with good commercial reimbursement but poor Medicare rates may not be viable if your mix is heavily Medicare.

QUICK TIP: Calculate your payer mix this month. The results will reframe your thinking.

TYPICAL INDEPENDENT LAB PAYER MIX



Illustrative payer mix for a mid-size independent lab

BOTTOM LINE: Calculate your payer mix this month. If you have never done it, the results will likely reframe how you think about reagent spending and test profitability.

FREE TOOLS TO GET STARTED

Template	What It Does
Payer Mix & Reimbursement Analyzer	Calculate weighted reimbursement and track quarterly shifts

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