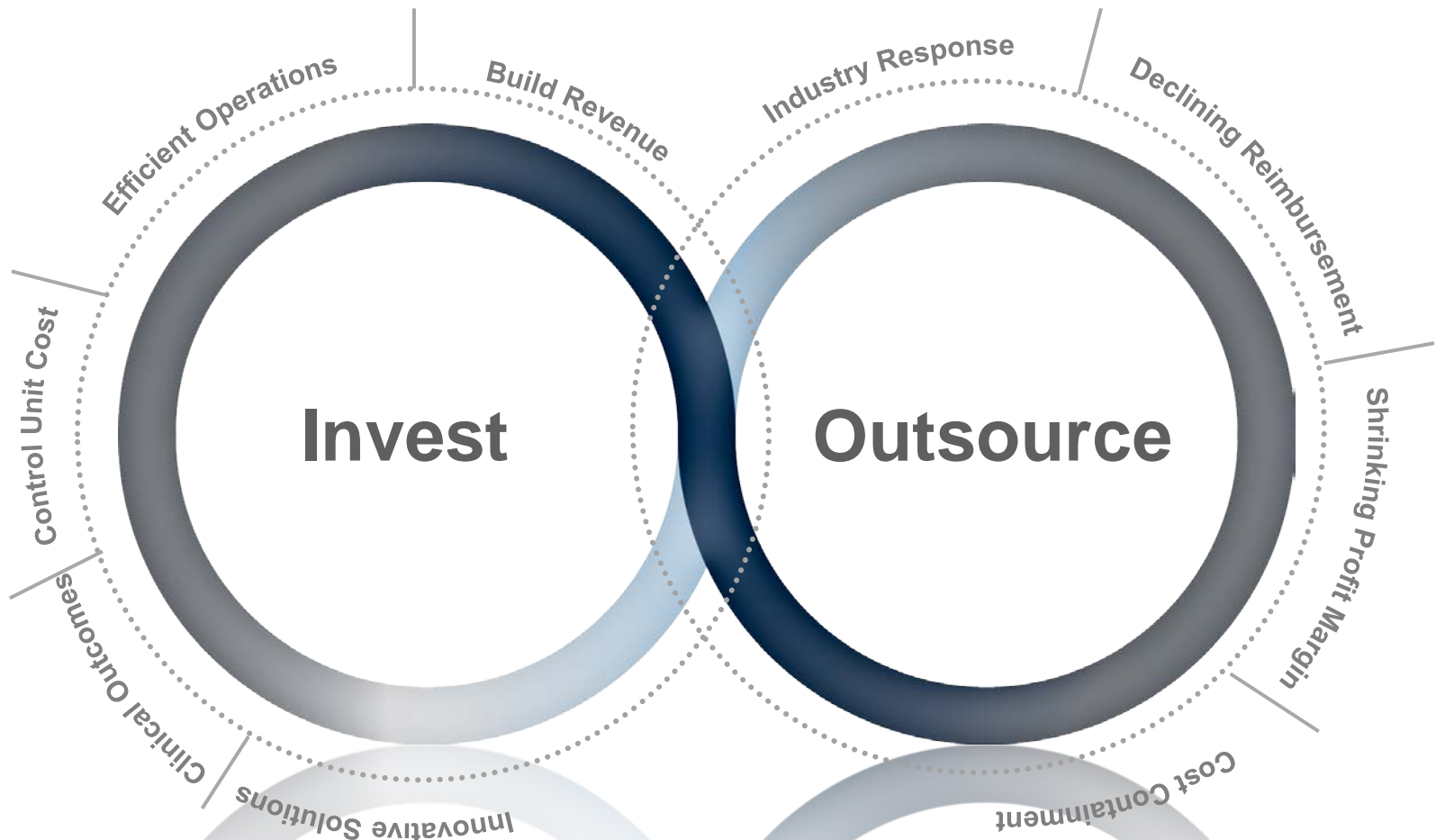


# The **Value** of the Laboratory



# Learning Objectives

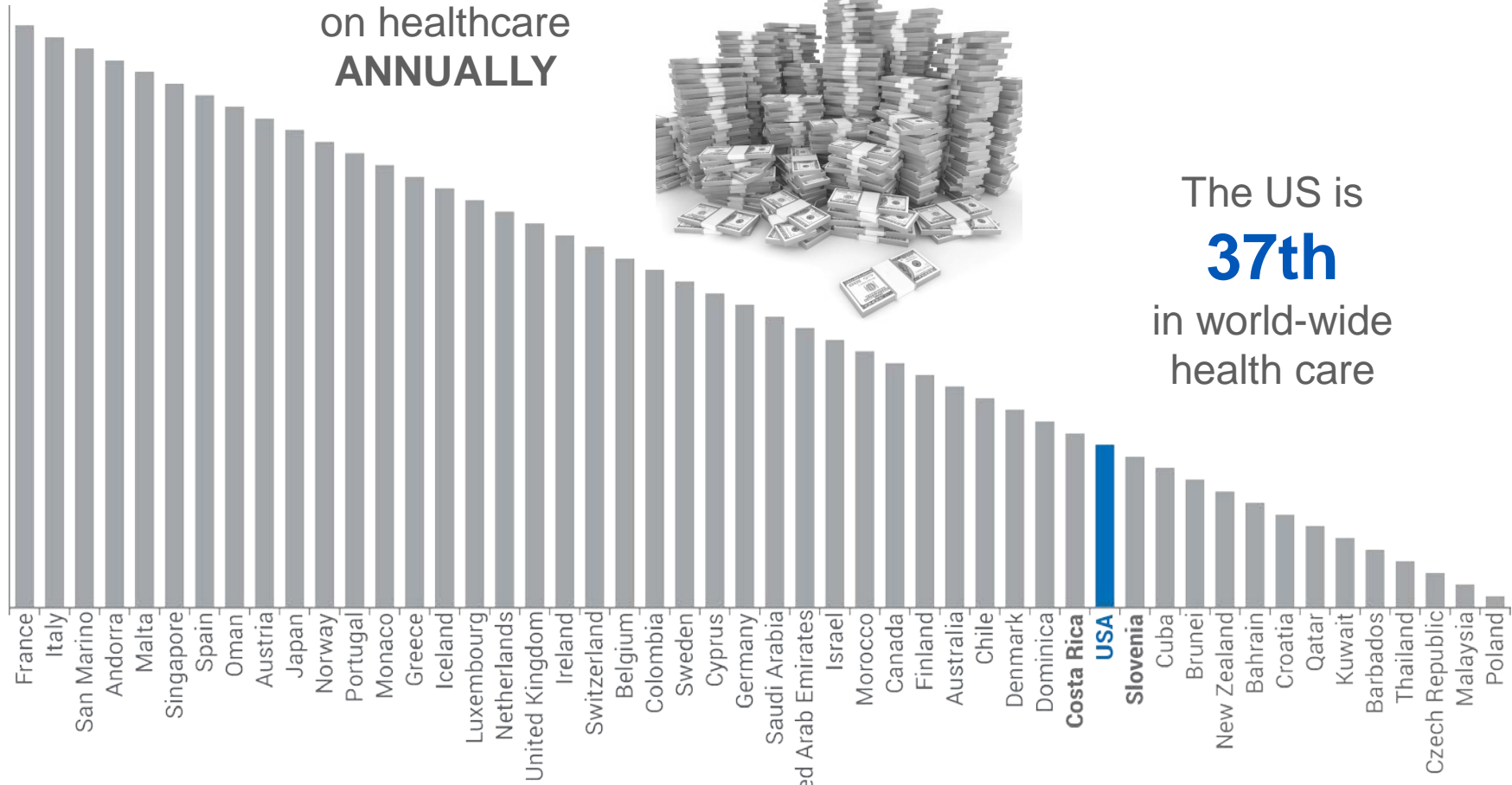
- 1** discuss the state of healthcare in the U.S.
- 2** understand trends driving interest in outsourcing
- 3** identify various laboratory models
- 4** evaluate benefits and risks of outsourcing
- 5** identify the laboratory's most important asset
- 6** leverage this asset to demonstrate lab value, contain cost, and improve outcomes
- 7** define the steps to develop a laboratory value proposition
- 8** communicate your lab's value

# The State of Healthcare in the United States

The US spends  
**\$3.8 trillion**  
on healthcare  
**ANNUALLY**

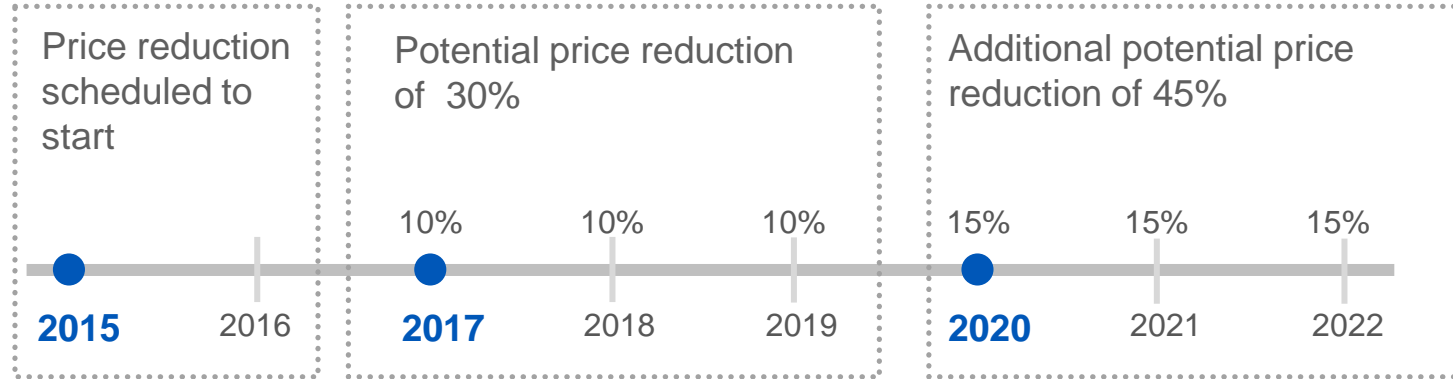


The US is  
**37th**  
in world-wide  
health care



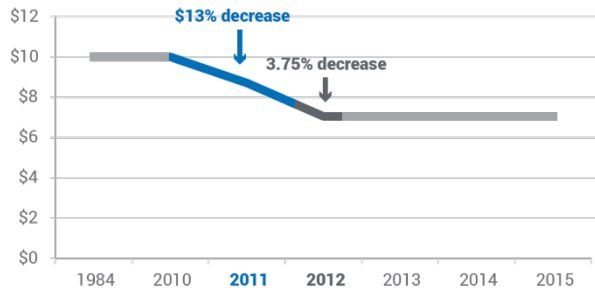
# Healthcare Industry Trends

## Medicare Price Cuts to the CLFS



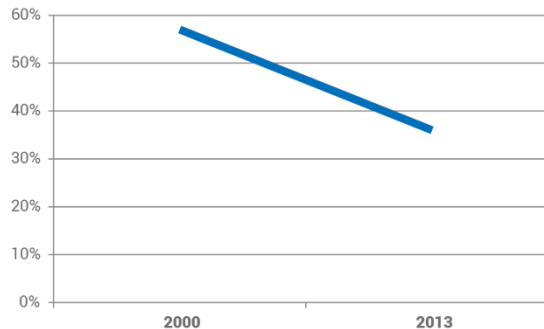
## Shrinking Reimbursement

Example of a lab test reimbursed at \$10 in 1984 has decreased to \$7.05 in 2012



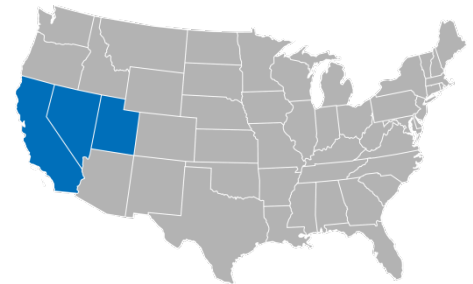
## Healthcare Consolidation

Independent physicians dropped from 57% to 36%



## ACO Growth

14% of the US population is served by an ACO

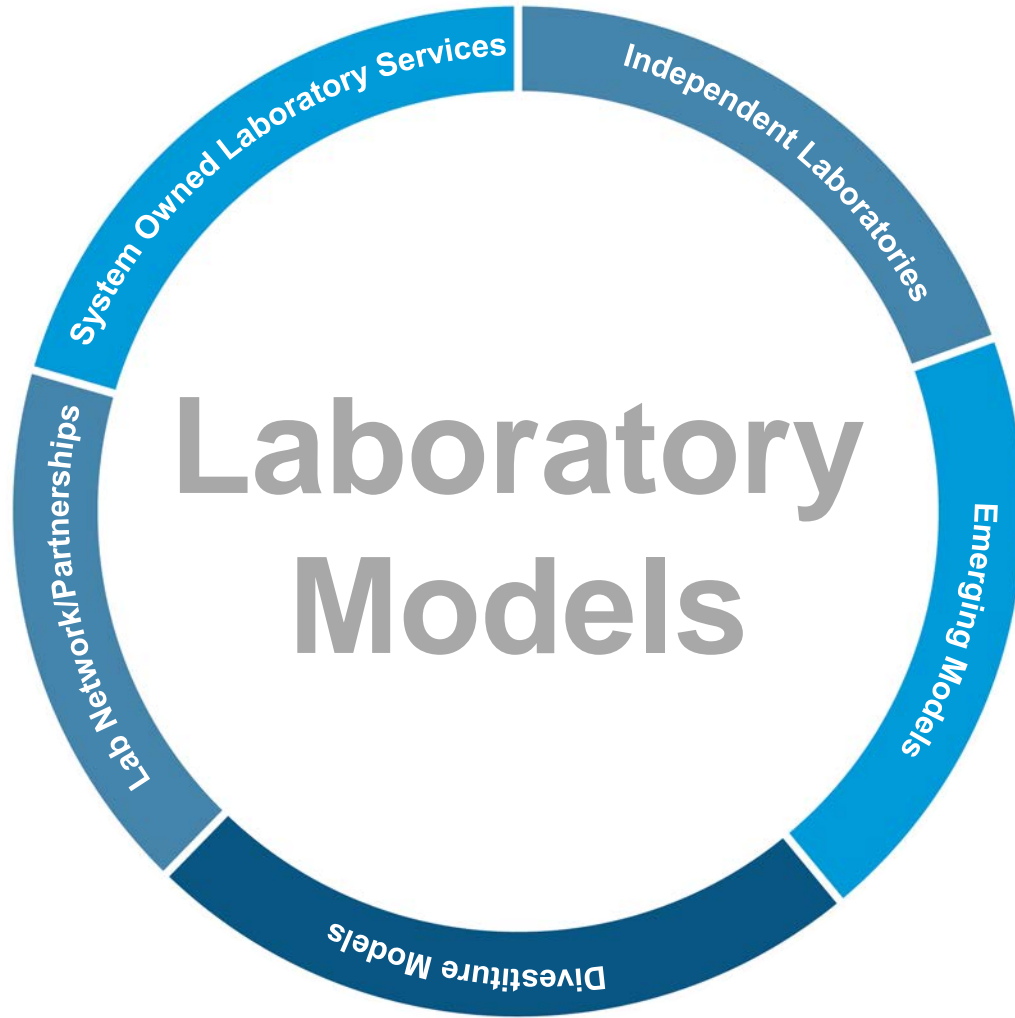


# The **Value** of the Laboratory



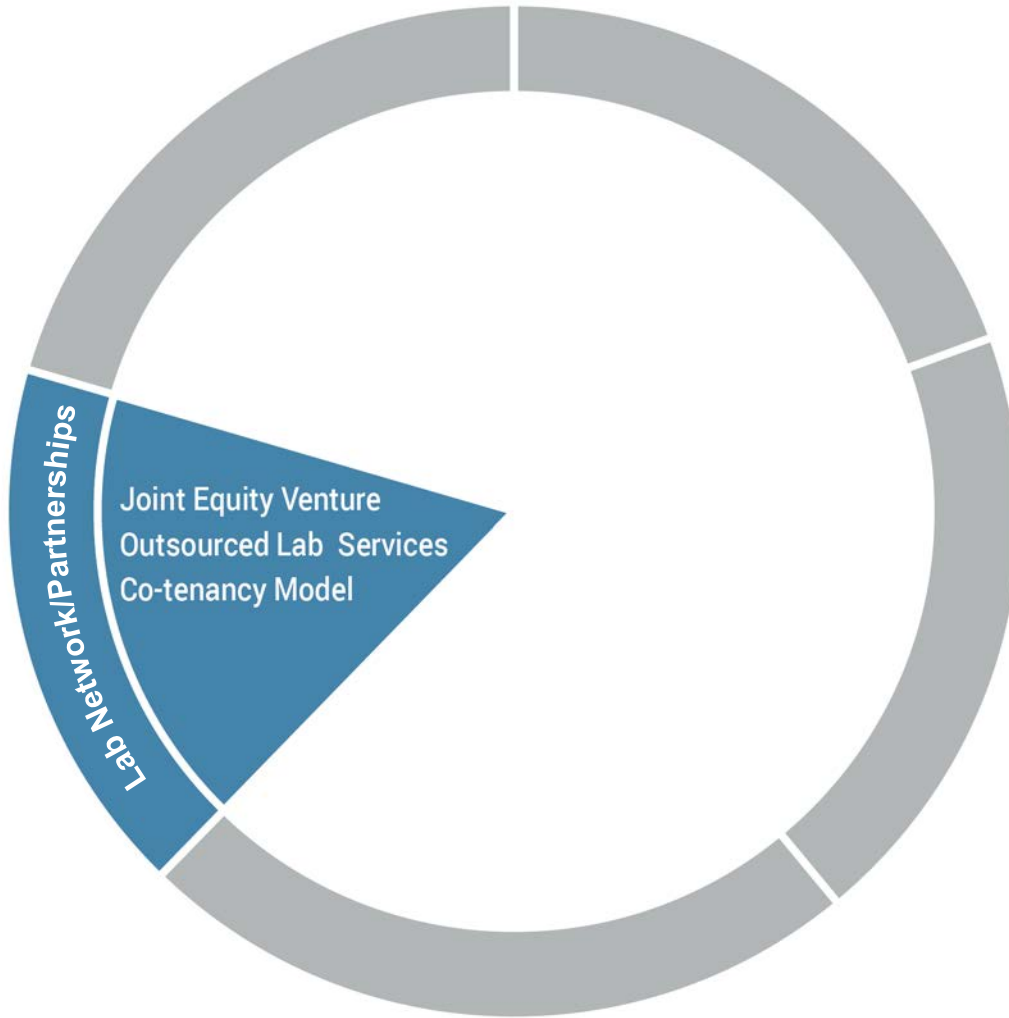
*Life-Saving Medicine Starts Here*

*Love it or Leave it?*



# Outsourced Laboratory Services Model

In an outsourced model, **the commercial lab generally performs about 30% of the tests** usually performed in a hospital lab.



# Primary driver of outsourcing is **economics**

“Hospital **budgets are becoming increasingly constrained** as a result of declining Medicare reimbursements, less funding and a struggling economy. Because of these dynamics and in efforts to **protect their bottom line**, many hospital CEOs are turning to outsourcing various services.”

<http://www.beckershospitalreview.com/hospital-management-administration/9-thoughts-on-outsourcing-when-to-outsource-and-how-to-do-it-successfully.html>



# How does outsourcing impact hospital operations?

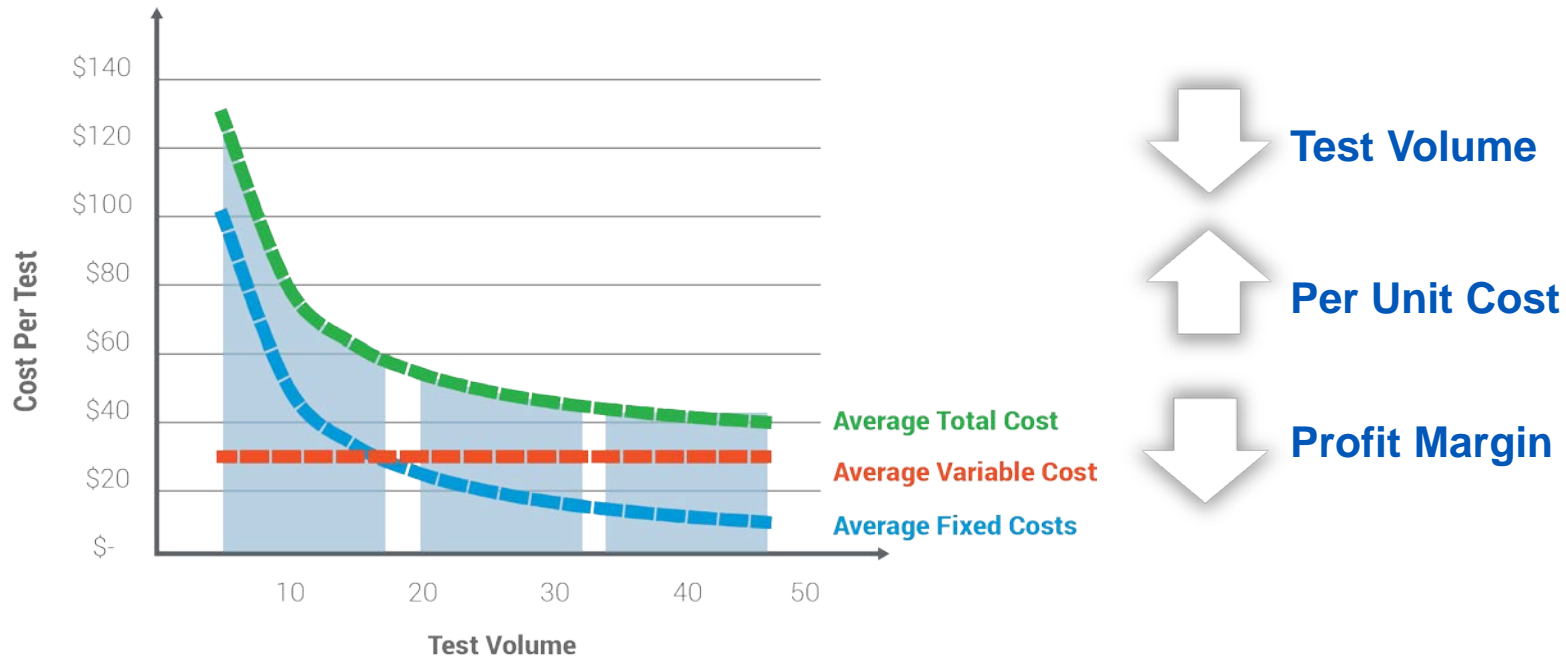
## Quality of services

**Table 1** Examples of Errors Committed at Outsource Laboratories and Their Consequences

Test Ordered	Outsource Laboratory Report	Consequences of the Error and/or Comments
Any blood or urine test	Specimen improperly collected, inadvertently discarded, request overlooked, and results not communicated in timely fashion	Commonplace mistakes; these errors lead to repeating the test, cancellation of a scheduled outpatient visit, and/or delaying or interfering with therapy
Specific examples		
Viral culture for Herpes simplex	Collection date not noted at outsource laboratory site, therefore, culture discarded	Lesion disappeared and consequently there was no definitive diagnosis
Brucella serology	Test not performed; inappropriate specimen	Patient never had the test performed; refused to drive 90 miles to repeat it
HIV-1 RNA	Wrong test performed; sometimes HIV-1 DNA or HCV RNA are erroneously performed	Physician must recognize the problem and reorder the test
Nitroblue tetrazolium assay	Test not performed; technician unfamiliar with test and unable to identify test code	Diagnosis of chronic granulomatous disease delayed by 2 months due to inability to perform tests at outsource laboratory (test finally performed elsewhere)

Medical Errors Arising from Outsourcing Laboratory and Radiology Services. *Am J Med.* 2007 Sep;120(9):819.e9-11.

# Will outsourcing produce **anticipated cost savings**?



According to hospital consultants and market analysts, **outsourcing reduces lab costs up to 20%.**

Outsourcing lab services can save money, but it's not that simple. 2014.  
[/www.modernhealthcare.com/article/20140830/MAGAZINE/308309895](http://www.modernhealthcare.com/article/20140830/MAGAZINE/308309895)

# Will outsourcing produce **anticipated cost savings**?

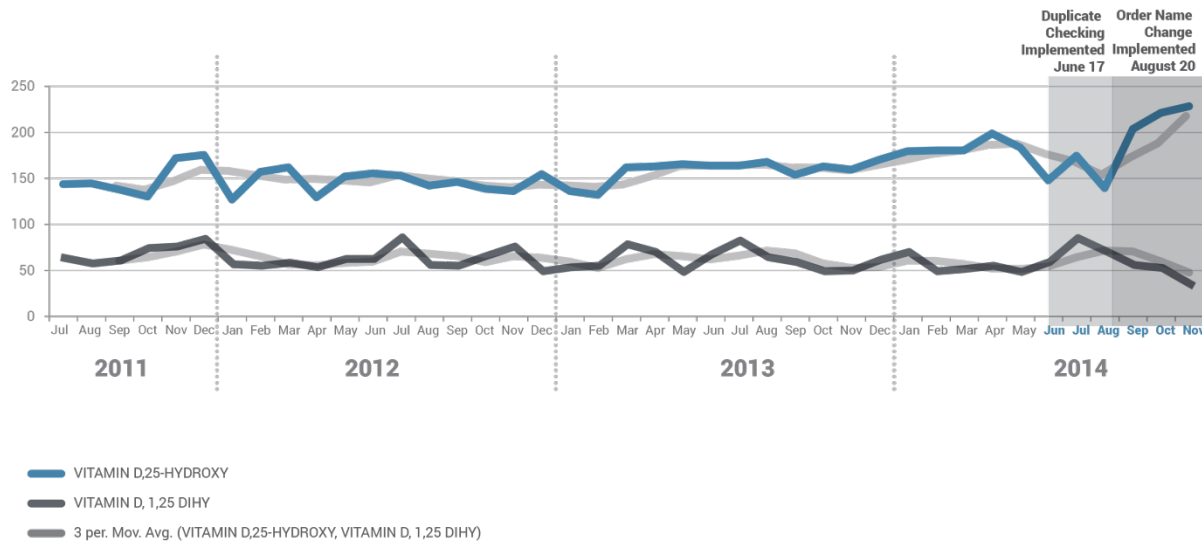
“What labs need to do is take the next step. Right now, we often just throw results over the wall, whereas if we **take that continuum of data, transform that data into knowledge, and that knowledge into actionable intelligence, then we have a new product**. The hard thing is convincing folks that hospital labs should do this, rather than just scooping up those results and letting someone else do it for them.”

Michael Snyder, principal of Clinical Lab Business Solutions

From Outreach to Outsourcing: Are Hospital Outreach Programs Vulnerable to Buyouts?.  
[www.aacc.org/publications/clin/articles/2013/february/outreach](http://www.aacc.org/publications/clin/articles/2013/february/outreach)

# What's the downstream impact on **patient care**?

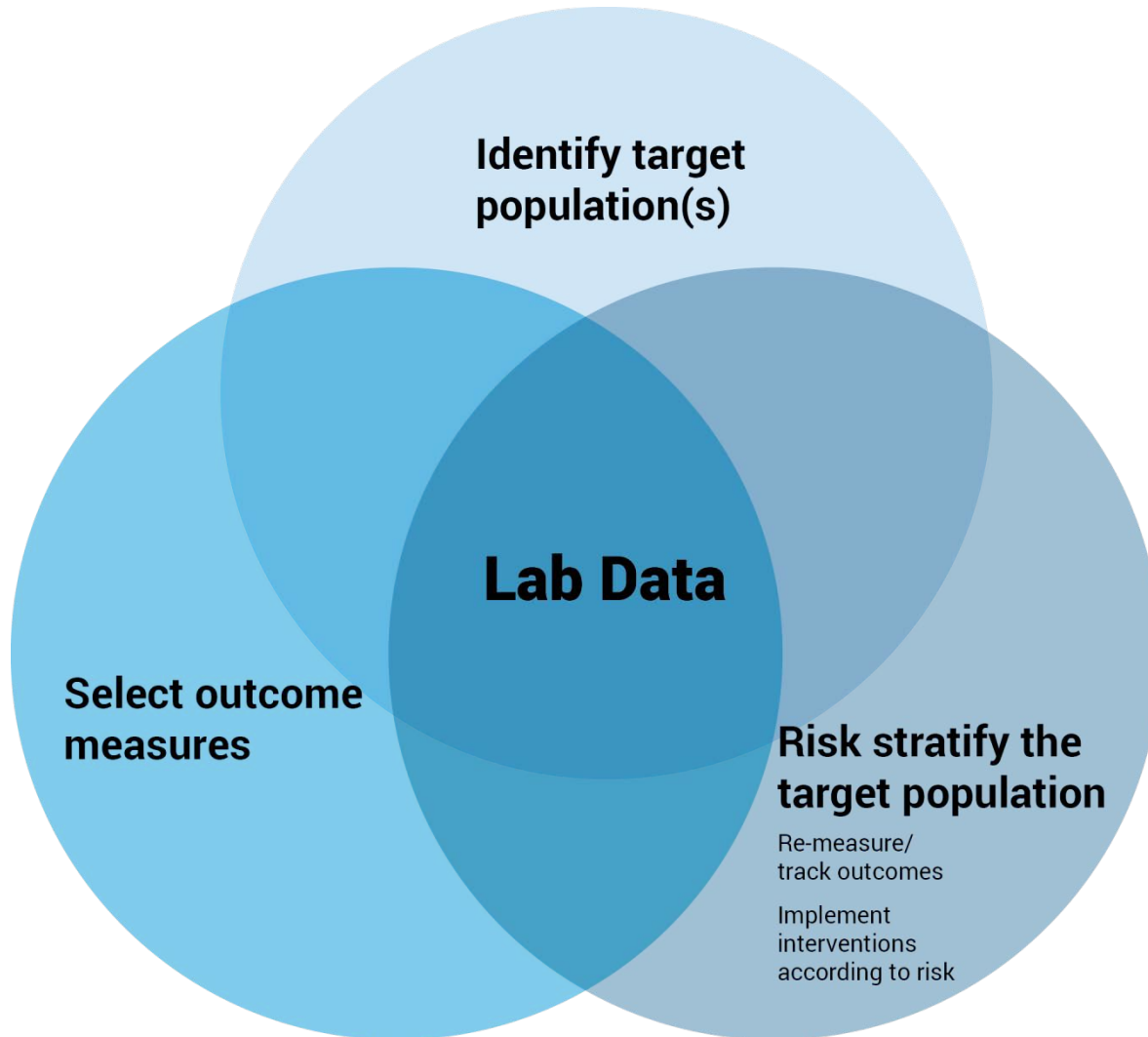
## Right test at the right time on the right patient



# What is the lab's most important asset?

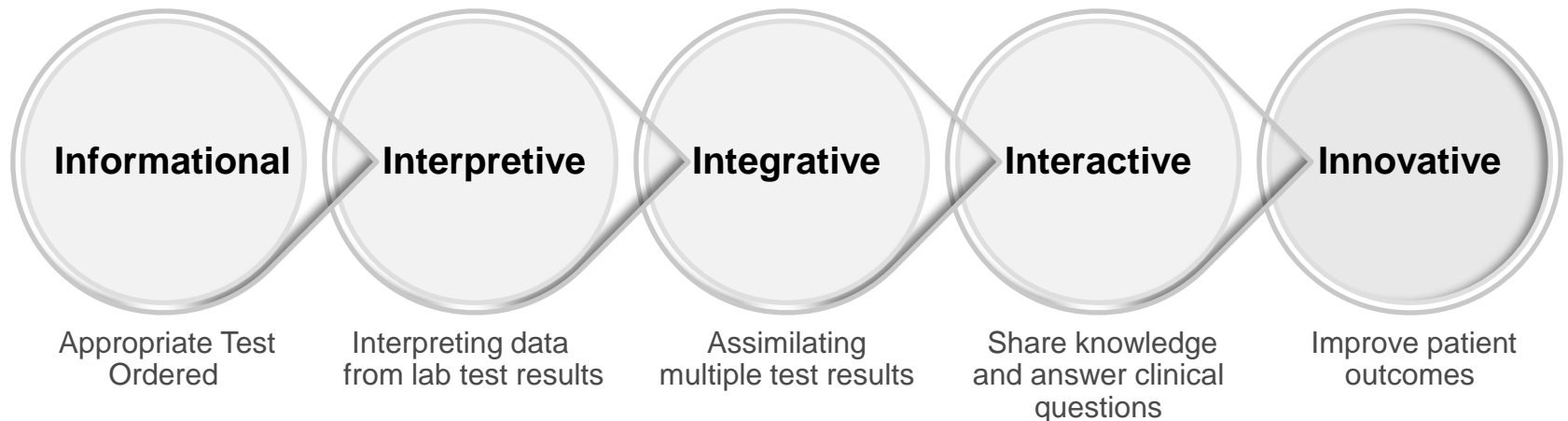
- A Revenue
- B Skilled Medical Technologists
- C Test Data
- D Customer Service
- E Outreach Operations

# Laboratory Test Results Database



# The Value of Lab Data: Test Utilization Management

## 5 The five 'I's of value



# The Value of Lab Data: Public Health

- At higher blood levels, lead can damage
- the kidneys
  - blood and nervous system
  - preventable exposure lead to coma
  - to lead convulsions or death
- Almost **\$51 billion** in lost economic productivity in the U.S. from children's





# The Value of Lab Data: Public Health

According to the CDC, “**no safe blood level of lead in children has been identified**” and exposure to lead poisoning “**can affect nearly every system in the body.**”

250  
with

Data from the 1976–1980 cycle indicated that an estimated **88% of children aged 1–5 years had BLLs  $\geq 10 \mu\text{g}/\text{dL}$**

**1971**

is transferred to the Office of maternal and Child Health, limited emphasis is placed was placed on data collection and analysis

Since then, the percentage has **fallen sharply** to :

**4.4%** during 1991–1994

**1.6%** during 1999–2002

**0.8%** during 2007–2010

**1988**

# The Value of Lab Data: Diagnosis, Treatment, and Management of Chronic Disease

“From early detection and diagnosis of disease to individualized treatment plans based on a person’s unique genetic makeup, clinical lab testing is **key to improving healthcare quality** and **containing long-term health costs.**”

Alan Mertz, President, American Clinical Laboratory Association

# Chronic Kidney Disease

## 26 million

American adults have CKD and millions of others are at increased risk

- Early detection can help prevent the progression of kidney disease to kidney failure.
- Heart disease is the major cause of death for all people with CKD.
- Two simple tests can detect CKD: blood pressure, urine albumin and serum creatinine.
- Persistent proteinuria (protein in the urine) means CKD is present.

**Guide to CKD Testing Frequency**

This heat map grid highlights in numbers and increasing color intensity (from green to deep red) how many times per year CKD patients should be tested for GFR and albuminuria.

			Persistent albuminuria categories		
			Description and range		
			A1 Normal to mildly increased	A2 Moderately increased	A3 Severely increased
GFR categories in mL/min/1.73m <sup>2</sup>			<30 mg/G	30–300 mg/G	>300 mg/G
Description and range					
G1	Normal or high	≥90	1 if CKD	1	2
G2	Mildly decreased	60–89	1 if CKD	1	2
G3a	Mildly to moderately decreased	45–59	1	2	3
G3b	Moderately to severely decreased	30–44	2	3	3
G4	Severely decreased	15–29	3	3	4+
G5	Kidney failure	<15	4+	4+	4+

*Reprinted with permission from Kidney International Supplements.*

# The Value of Lab Data: Personalized Medicine

“It’s far more important to **know what person the disease has** than what disease the person has.”

-Hippocrates

with the  
**right drug**

the  
**right patient**

at the  
**right dose**

at the  
**right time**



# How many of you

believe your lab provides value?

have a lab value proposition?

think of your lab as a business?

run your lab as a business?

# The Laboratory **Value Proposition**

*"In God we trust, all others bring data."*

Dr. W. Edwards Deming  
American Statistician

# *The Ten Commandments for Building a Value Proposition*

## **Commandment #1**

Thou shalt not crash and burn when asked, "What do you do?"

## **Commandment #2**

Thou shalt not think of thy value proposition as a statement.

## **Commandment #3**

Thou shalt focus on the outcomes, not the mechanics.

## **Commandment #4**

Thou shalt stop thinking about and positioning thyself as a commodity.

## **Commandment #5**

Thy value proposition shall resonate.

**Commandment #6**

Thy value proposition shall differentiate.

**Commandment #7**

Thy value proposition shall substantiate.

**Commandment #8**

Thou shalt craft value proposition positioning statements.

**Commandment #9**

Thou shalt remain true to thyself.

**Commandment #10**

Thou shalt get thy value proposition on the agendas of decision makers.



# Value Proposition Template

## **Headline.**

What is the end-benefit you're offering in one or two attention-getting sentences.

## **Sub-headline or a 2-3 sentence paragraph.**

A specific explanation of what you do/offer, for whom and why is it useful.

## **3 bullet points.**

List the key benefits or features.

# Example Value Proposition

## Headline

We help large companies reduce the cost of their employee benefits programs without impacting benefit levels. With the spiraling costs of health care today, this is a critical issue for most businesses.

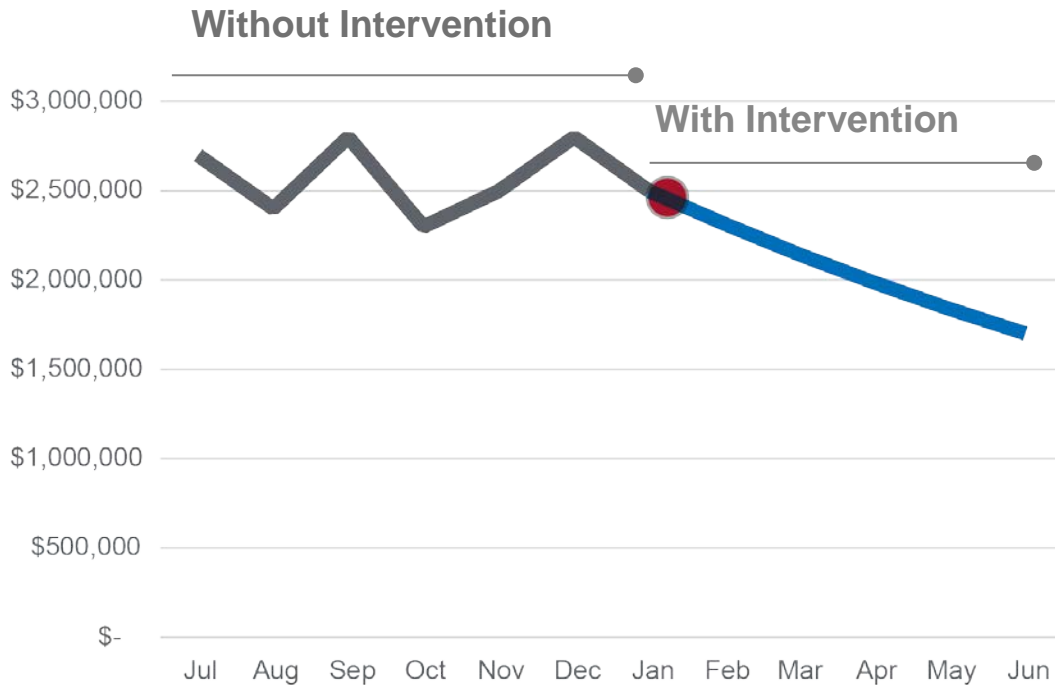
## Sub-headline

Recently we worked with a large manufacturing company similar to yours. They were struggling with how to reduce spending in this area. We saved them over \$800,000 in just six months. Plus, they didn't cut any services to their employees, nor did their employees have to pay more."

## Bullet Points

- Substantial cost savings
- No cut in employee services
- No increase in employee expenses

# Visual Value Proposition



**\$800,00** savings

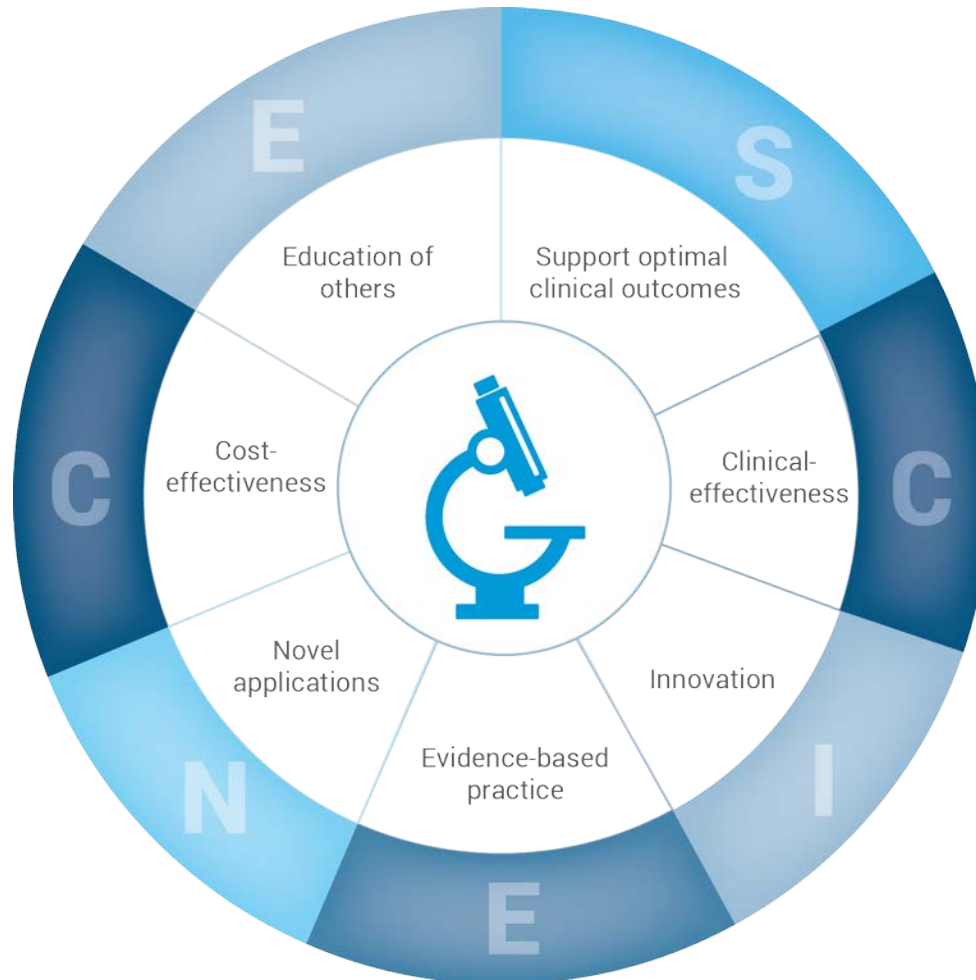
**37%** overall decrease in spending

**8%** decrease/month

**0%** increase for employees

**0** employees cut

# The **Value** of the Laboratory



# Communicating **Value**

*"The problem with communication...  
is the illusion that it has been accomplished."*

George Bernard Shaw