

The Sustainable Laboratory:

Perspectives on Laboratory Outreach



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**Price is
what you
pay.**



**Value is
what you
get.**



—Warren Buffet

Demonstrating Value in New Ways

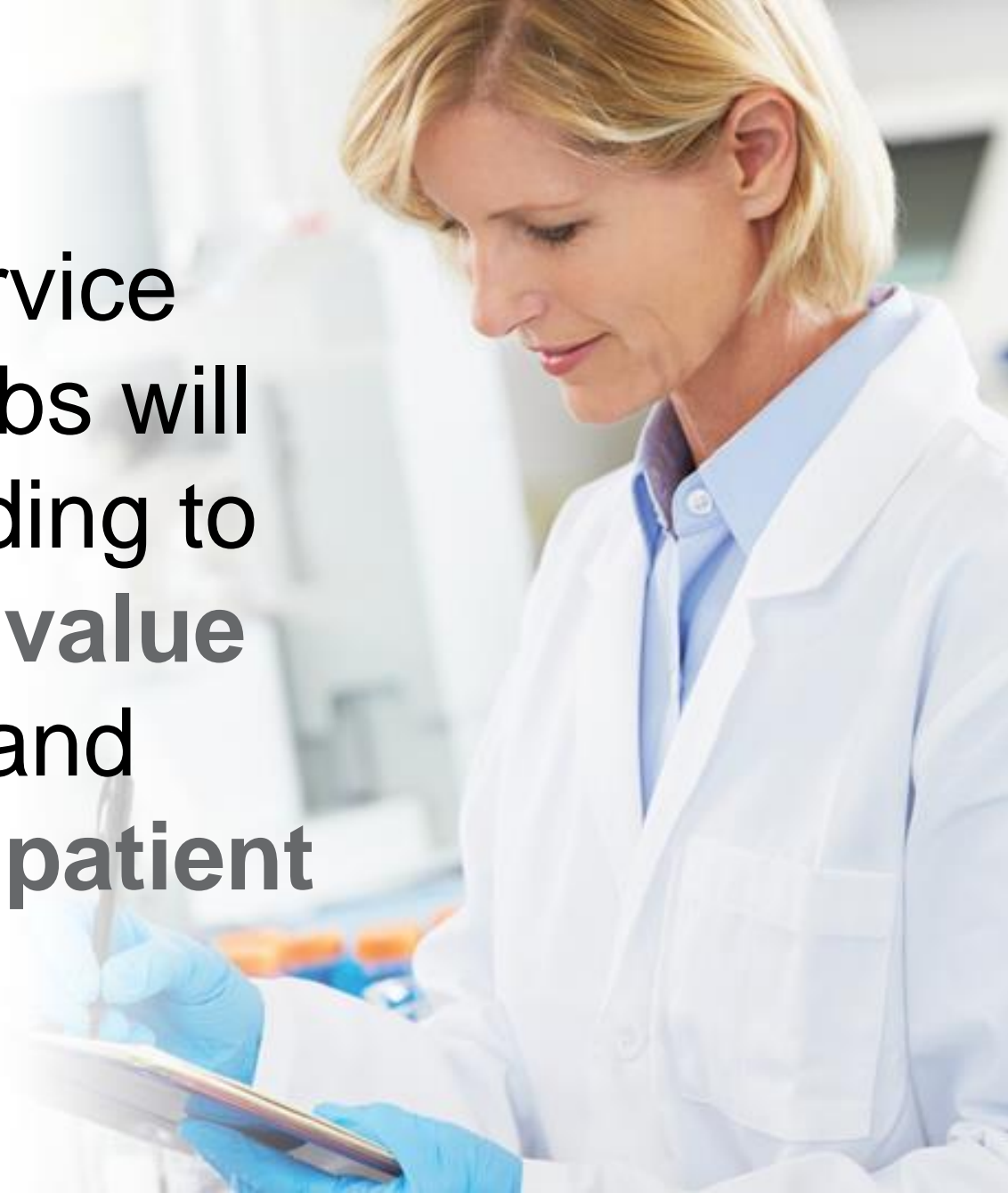


For the past decade, labs have been challenged with ongoing **reductions in reimbursement and budget cuts**. As a result, many labs today are operating with very narrow margins.

And the light at the end of the tunnel might just be a fast train moving at warp speed toward every lab in operation today...



“As fee-for-service disappears, labs will be paid according to how they **add value** to physicians and help **improve patient outcomes.**”



Outreach: The Historical Perspective

Volume-centric

Run like a 'Mom and Pop' business



Outreach: The Perspective Today

Revenue-centric

With the right management and access to capital, outreach programs today are recognized as **one of the most profitable business units** in the laboratory industry.

Outreach Programs Vs. Commercial Laboratories			
Financial Metric	Outreach Program	Quest Diagnostics	LabCorp
Revenue per Requisition	\$58.33	\$44.34	\$44.28
Revenue Growth	5.3%	-4.3%	-1.0%
Profitability	28.0%	18.9%	15.8%

Source: Chi Solutions Comprehensive National Outreach Laboratory Survey, 2014;
Executive Brief: Fifteenth Annual Outreach Survey Findings, 2016.

Outreach: The Perspective Today

Revenue-centric

In spite of strong outreach profitability, **many programs lack essential infrastructure** to operate as a competitive business unit.

Did you know?

74% do not receive periodic profitability reports.

43% do not have full-time sales representatives.

57% state the average net new sales/month is \$2,000 or less.

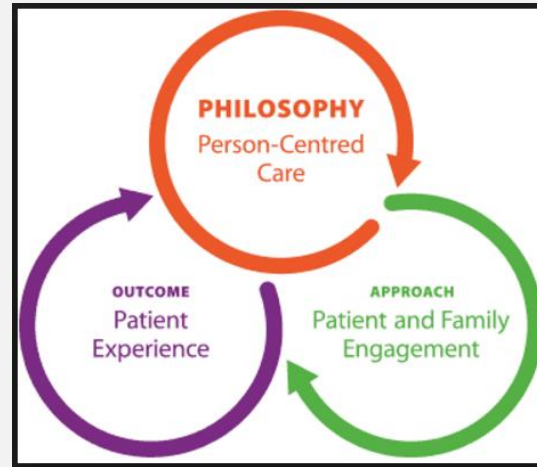
35% do not have connectivity to client EMRs.

59% are not using or planning to use a CRM system.

56% use the hospital finance department for outreach billing.

Outreach: Going Forward

Patient-centric



“Evidence is accumulating that ‘patient-centric’ medical laboratory testing services are poised to become one of the most important new paradigms to reshape the house of pathology and clinical laboratory medicine in decades. Better yet, patient-centric lab services will earn more revenue for those labs that move fastest to incorporate these capabilities into their service mix.”

-Robert Michel, Editor-in-Chief, The Dark Report

The best way
clinical laboratories
benefit their parent
organizations is by
reducing the cost of
the overall patient
interaction.

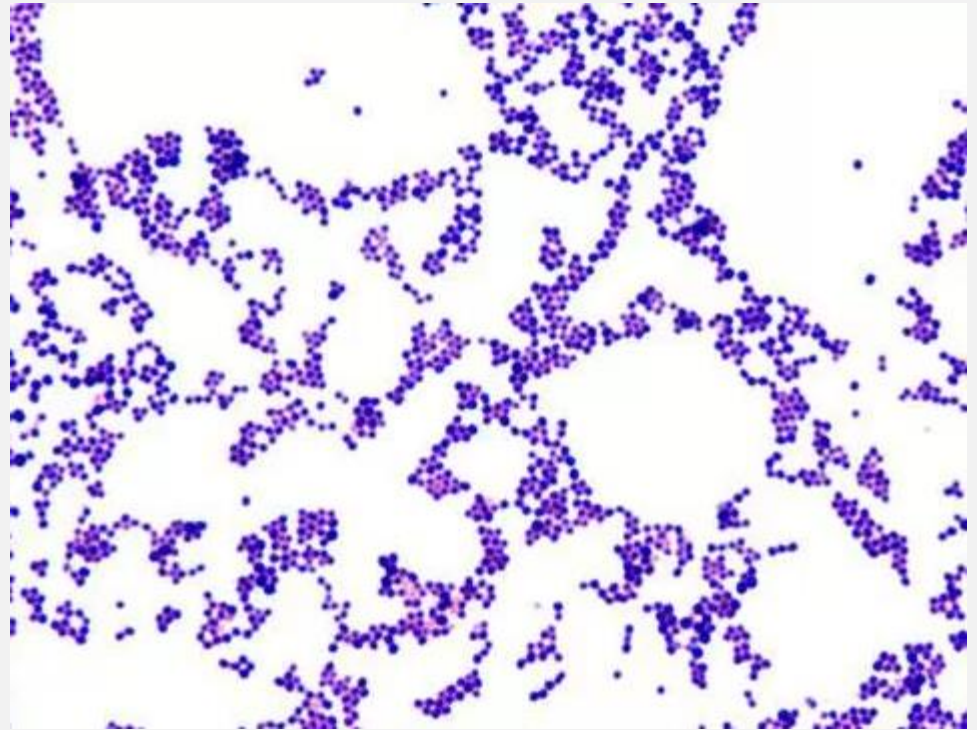


Driving Cost Down & Improving Outcomes

-a case study

Objective:

Improve patient outcomes while driving down the **cost per episode of care.**



**Methicillin-resistant
Staphylococcus aureus
(MRSA)**

Driving Cost Down & Improving Outcomes

-a case study



Results:

Number of high-risk patients screened:

8,968


Reduction in MRSA infections from 2007 – 2012:

56

Driving Cost Down & Improving Outcomes

-a case study

MRSA costs about \$10 billion a year to treat
in the U.S., averaging about
\$60,000 per patient.

Savings  **\$2.9 million**

Increasing Revenue and Profitability

Labs that offer patient-centric services in ambulatory and outreach settings **increase revenue** in two primary ways:

Increase **net collected revenue**

Improve **managed care reimbursement**



Net Collected Revenue

Improve the accuracy of test orders

Some labs are improving net collected revenue by **working with patients at time-of-service** to collect co-pays, deductibles, and out-of-pocket fees.



What One Organization Did...

Who:

941-bed non-profit hospital in southern U.S.

Objective:

Increase accuracy of test orders from outreach clients to improve efficiency and revenue.

Requirements:

IT resource to interface with LIS and existing software systems to enable and support patient-centric algorithms.

Outcomes:

- ❖ A single repository containing all lab test orders, regardless of which system originally captured the order.
- ❖ Less patient wait times in the PSCs.
- ❖ Real-time feeds with the hospital's EHR.
- ❖ Fewer patient call-backs.

Managed Care Reimbursement

The Facts:

Commercial labs have negotiated steeply discounted, exclusive agreements with private payers that rule out independent labs, **but not hospitals.**



As long as a hospital has a contract for inpatient services, the laboratory can provide **outreach laboratory services.**

Managed Care Reimbursement

What You Can Do:

Build a relationship between your lab and the hospital's managed care contracting team. **Share a compelling value proposition** that describes what your lab offers and make sure the message is delivered to payers at the contracting table.

Potential Options:

Accept the independent laboratory fee schedule with an **agreement to offset the loss** in other parts of the contract.

Accept the same reimbursement as the national labs without the offset in order to **access the pull-through business**.

Cut prices on routine, high-volume tests while charging higher prices on lower volume esoteric tests.

What One Organization Did...

Who:

Incyte Diagnostics

The Problem:

Clinicians ordering unnecessary and outdated tests that cost a significant amount of money.

Action Taken:

1. Incyte Dx leveraged data housed in the laboratory CRM to identify areas of overutilization; then worked to educate and train providers on efficient and appropriate ordering processes.
2. Then delivered the training and education information to their top payers.

Outcome:

Payers worked directly with the Incyte internal team to authorize retroactive payments, thereby creating a new process of reimbursement for the company.

On Becoming A Patient-centric Laboratory

-putting it all together

It's estimated that about two million people die each year as a result of **Acute Kidney Injury**.

This condition costs the U.S. health system **\$10 billion annually**.

On Becoming A Patient-centric Laboratory

-putting it all together

Objective:

Increase the number of AKI cases detected over a 12-month period.

Actions:

Implemented a system-wide clinical decision support alert for AKI.

Results:

Diagnosis of AKI increased from 615 (2014) to 930 (2015).

On Becoming A Patient-centric Laboratory

-putting it all together

Outcomes:

This early-warning system for AKI helped physicians intervene in a more timely fashion.

Using literature estimates of a two-day drop in length of stay per case for patients treated quickly for AKI, the imputed annual savings alone were \$875,000 based on 2,190 avoided hospital days.

Sustainability is no longer
about doing less harm.
It's about doing more
good.

-Jochen Zeitz



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