

# VALUING THE HOSPITAL LABORATORY: MAKING THE CASE FOR “MAKE” (VERSUS “BUY”)

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# Disclosures

- I am currently employed by ARUP Laboratories as a senior healthcare consultant.
- I am a former hospital laboratory director.

# A Bit More About Me...



# First, a public service announcement...


## Did you know that....

- Cognitive capacity and overall brain power are significantly reduced when your smartphone is within glancing distance, even if it's turned off and face down, according to a recent study.
- Anytime you (or your children) need to optimize attentional control and cognitive function, keeping smartphones out of sight helps to boost brain power and minimize brain drain.

Source: [Medscape](#)







# ■ Why Value the Hospital Laboratory?

# Learning Objectives

- Identify why some hospital executives view their laboratory as largely a commodity.
- Describe proven strategies that will establish the intrinsic and expanding value of the hospital laboratory.
- Create a plan to leverage this value for the overall improvement of patient care and for the overall success of the hospital.

# Background

- Healthcare Reform
  - » Adding value through controlling costs
- Intense pressure on hospitals and health systems to:
  - » Reduce or eliminate anything that does not add value
  - » Add revenue to meet operating expenses
- COVID-19 Pandemic has magnified these forces and created more sense of urgency

“At least 30 US hospitals entered bankruptcy in 2019—and there's no end in sight to the financial instability crisis.”



**BUSINESS  
INSIDER**

Jan 13, 2020



# Background

- Some hospital leaders see their laboratory as a “commodity.”
  - » This strategy sacrifices most long-term benefits of laboratory ownership for a short-term cash benefit.
  - » Once sold, it is VERY difficult to reobtain ownership.

# Definition of Commodity

1: an economic good: such as


 **a:** a product of agriculture or mining

 **b:** an article of commerce especially when delivered for shipment

 **c:** a mass-produced unspecialized product

2  **a:** something useful or valued

 **b:** convenience, advantage

 **3:** a good or service whose wide availability typically leads to smaller profit margins and diminishes the importance of factors (such as brand name) other than price

 **4:** one that is subject to ready exchange or exploitation within a market

Source: Merriam-Webster

Why are we thought of as a commodity?

How do we fight this misperception?

# Why Value the Laboratory?



Here are my Top 10 reasons...





# Local Economic Benefits

A robust hospital laboratory:

- » supports the local economy
- » promotes local job growth

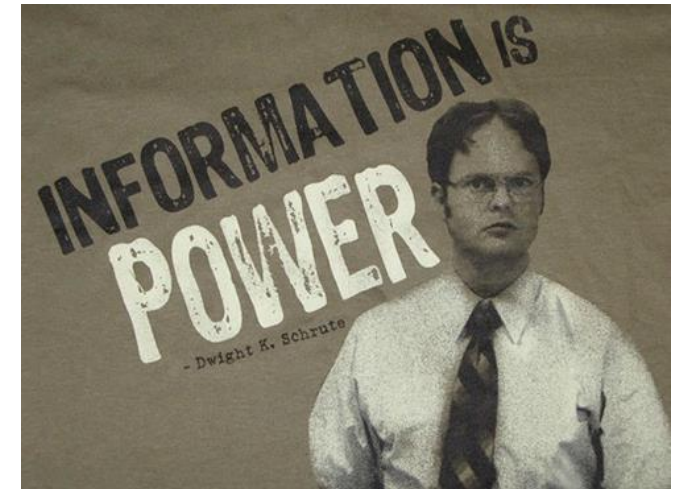


# 9

## Health Information Access

We provide (by far) the most objective health status information about our patients.

**Fact:** A large majority of healthcare decisions are based (at least in part) on laboratory test information.



# 9

## Health Information Access

Seamless, internal electronic health record

- » More effective healthcare delivery
- » Complete health information
- » Unhindered use
- » Easy access to add or change electronic solutions



# 8

## Support Population Health Improvement

- Identify those who would benefit from treatment of lifestyle interventions.
- Document population health improvement progress.
- Establish improvement goals.

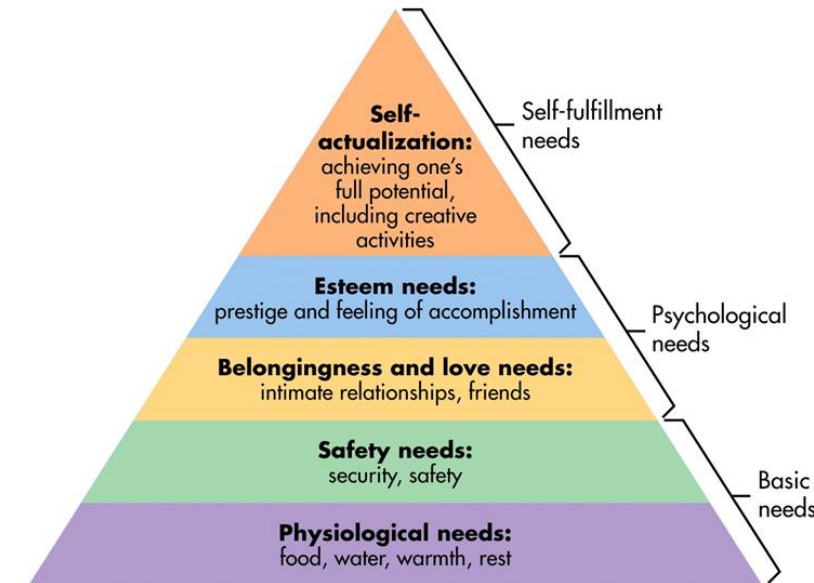


# 7

## Employee Engagement

A robust hospital laboratory offers increased opportunities for:

- Employee development
- Internal promotion
- Career ladders
- Building trust and company loyalty





# 6

## Reduced Patient Length of Stay

A robust hospital laboratory can:

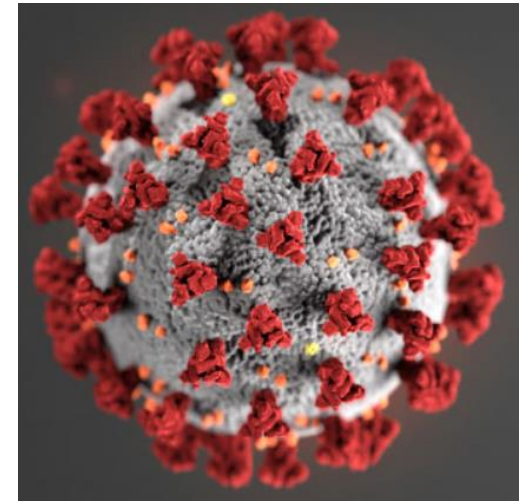
- Expand their test menu and technical capabilities.
- Provide more testing onsite or near the patient.
- Engage the medical staff in the laboratory.
- Promote shorter inpatient and ED lengths of stay.



# A COVID-19 lesson in TAT...

“Arizona starts its own testing for coronavirus, allowing for faster response...”

- Arizona's State Public Health Laboratory began testing for 2019 Novel Coronavirus in-house on 3/2/20
- **Processed and tested samples locally vs. relying on CDC**
- Eventually, many hospitals and independent laboratories enabled their own SARS-CoV-2 testing capability, with the help of laboratory industry vendors
- **Testing delays have been a consistent factor in compromising the quality of decisions related to the pandemic**



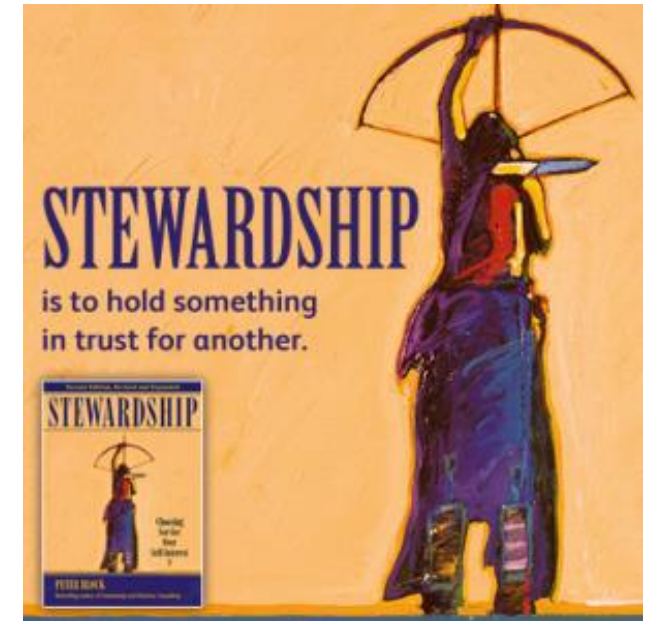
Source: [Arizona Republic](#), March 3, 2020

# 5

## Laboratory Stewardship

Direct control of laboratory and hospital leadership teams:

- Ensures that the interests of the patient (not shareholders) come first



# 5

## Laboratory Stewardship

### Stewardship interventions:

- Tests under review/approval process
- Reference lab consolidation
- Formulary/outdated test retirement
- Misordered tests
- Daily orders
- Cost guidance (\$\$\$)
- Best practice alerts
- MANY others

# 4

## Additional Revenue Source

We offer a unique and increasingly rare opportunity for the hospital to augment its revenue stream.

**Fact:** Virtually all of a hospital's traditional resources for revenue are under downward pressure from payers, patients, government regulatory efforts, and more.





# Breaking News...

## UnitedHealthcare Commercial

### **Non-Patient Lab Reimbursement Limitation**

Changes are being made May 1, 2020, to UnitedHealthcare's non-patient lab reimbursement requirements.

#### **Hospital Reference Lab Protocol**

For claims paid on or after May 1, 2020, hospitals acting as a Reference Laboratory or conducting diagnostic testing for non-patients cannot bill for such non-patient diagnostic laboratory tests under that hospital's Facility Participation Agreement. Hospitals wishing to participate in UnitedHealthcare's commercial network as a Reference Laboratory may apply with UnitedHealthcare to be credentialed and contracted as a Reference Laboratory.

# Breaking News...

## Definitions

- **Reference Laboratory:** A laboratory that performs diagnostic testing on specimens it receives from other referring laboratories or care providers.
- **Non-patient:** Is a member that is neither an inpatient nor an outpatient of a hospital, but for whom a specimen is submitted for laboratory testing to a hospital.

## What Hospitals Need to Do

To contract your hospital as a Reference Laboratory, please contact your network representative to begin the credentialing and contracting process.

Claims submitted for non-patient diagnostic laboratory tests, or claims where a hospital is acting as a Reference Laboratory, will be denied for failure to comply with this protocol in the event a hospital is billing under its Facility Participation Agreement.

# A related topic...

Laboratory cost accounting is still highly relevant.

Know your costs!

## Laboratory cost analysis: a practical approach.

Carpenter RB<sup>1</sup>

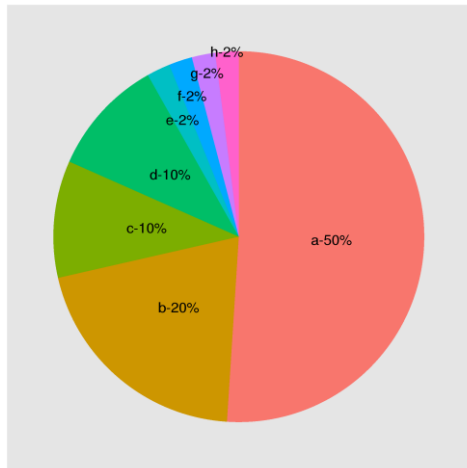
[Author information ►](#)

Clinical Laboratory Management Review : Official Publication of the Clinical Laboratory Management Association, 30 Apr 1990, 4(3):168-177

PMID: 10183412

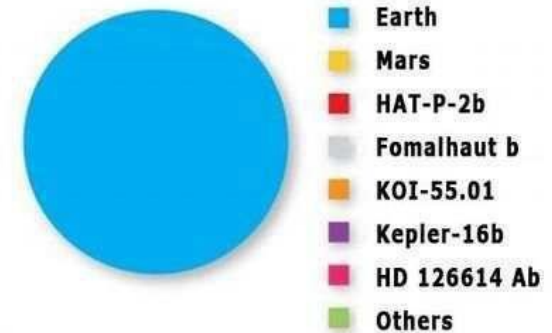
# Would you rather have...

50% of something...



or 100% of nothing?

**Miss Universe winners by planet**



# 3

## Quality Improvement

### Diagnostic Errors—An Epidemic

- IOM estimates that most Americans will suffer from a diagnostic error sometime in their lifetime.
  - 10% of hospital deaths
  - 5% of ambulatory patients
  - One of the most common causes of death

Source: “The Value Proposition: Actionable Strategies for Enhancing the Value of Laboratory Medicine”, Michael Kanter MD, AACC Annual Convention 2019



# 3

## Quality Improvement

- Pioneers for quality improvement in healthcare
  - Reduced cost and waste
- Local control of the laboratory ensures that quality improvement efforts focus on what is most important to the **patient** and to the **hospital**.

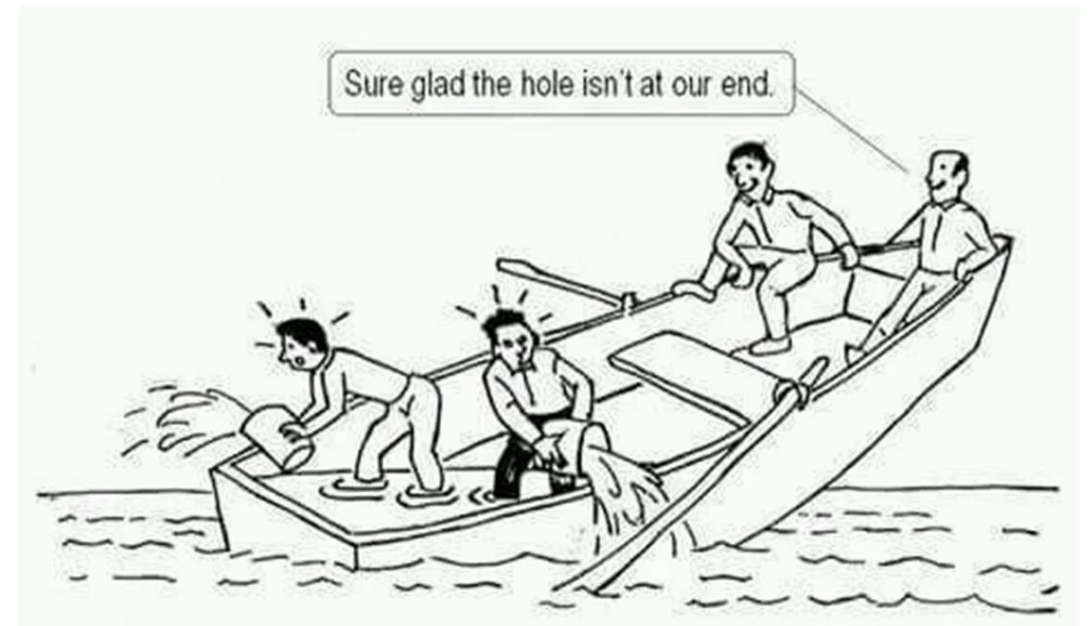
**Plan-Do-Check-Act Cycle (PDCA)**



# 2

## Mission Alignment

We can help build and continuously strengthen an ongoing link to the hospital's medical staff to promote loyalty, unity, and common purpose.





The hospital laboratory is part of your  
hospital's core business!

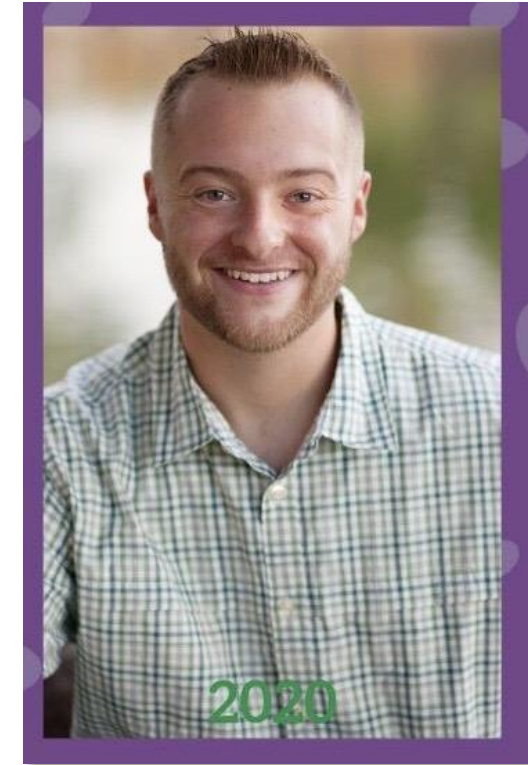
# The Top Ten Reasons

Hospital laboratory staff make amazing differences in the lives of their patients every day, one patient at a time.

Is this really something you want to outsource?



# Garrison's Story...





# The REAL Bottom Line...

## The Patient Experience



“Great athletes find a way to concentrate and be at their best every single day. In medicine, it's with every single patient. It doesn't matter how wonderful you may have been in the past. **Everything depends on how you're going to be with the next patient you see.**”

The effort to improve patient experience is really about creating a context in which caregivers feel supported and motivated to be at their best with every single patient.

It's about the future, not the past. It's about being highly reliable at being empathic.”

—Thomas Lee MD, CMO/Press Ganey

Source: [Becker's Hospital Review](#), February 5, 2020

# Summary

- The laboratory is a key part of your hospital's core business.
- Our value is intrinsic and expanding.
- Our story won't tell itself. We must tell it at every opportunity.
- Our patients deserve our very best efforts, EVERY time!



# Thank You for Your Attendance!

We welcome your questions or comments!  
Please see email addresses below...

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...and take good care!