

# Five Macro Challenges Facing the Lab Industry

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# Laboratory Challenges

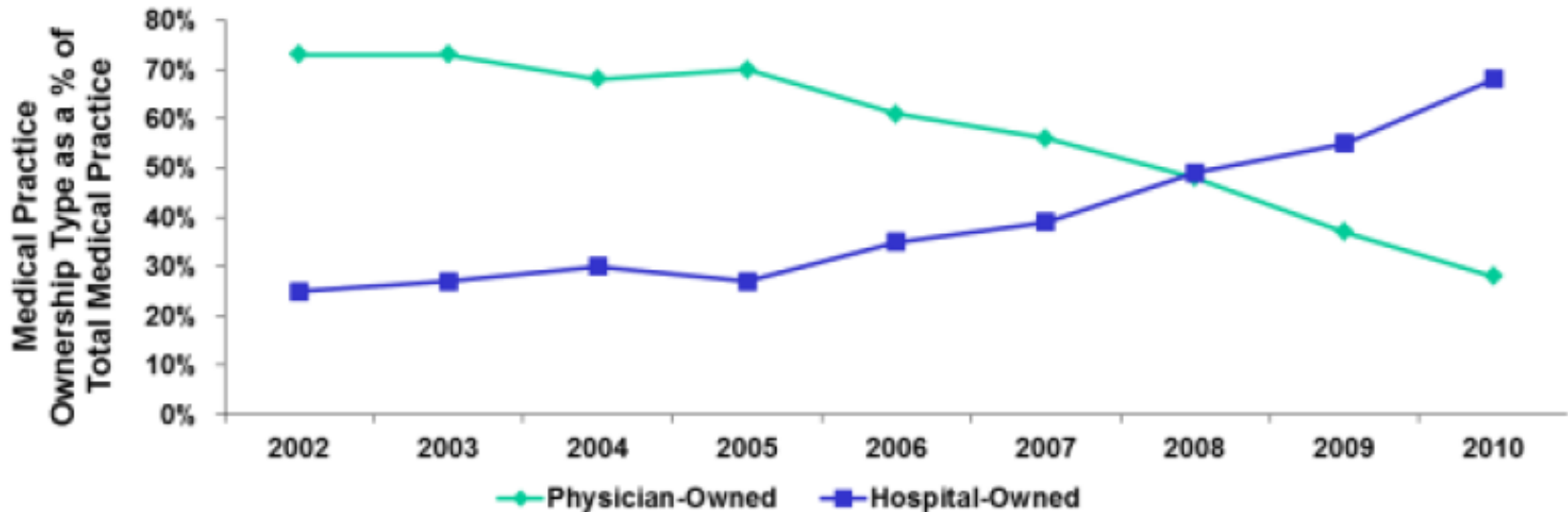


# Laboratory Challenges



# Physician Practice Ownership

*Physician-owned practices have been declining steadily since 2002.*



- In 2010, MGMA found that the share of hospital-owned practices reached 68% vs. 30% in 2004.
- Hospitals have been increasingly employing physicians, in part to position themselves to become accountable care organizations.
- Physicians are increasingly seeking employment in order to “lock-in incomes” in a declining reimbursement environment, shifting this risk from their practices to the hospital.

Source: MGMA Physician Compensation and Production Survey Report ; Organization Ownership 2011 based on 2010 data; Wall Street Journal, “Shingle Fades as More Doctors Go To Work for Hospitals,” November 8, 2010



# Impact on Laboratories

- Does your lab have leakage based on physician preference?
- How are you using your laboratory services to strengthen hospital relationships with your physicians?
- Does your laboratory have adequate connectivity solutions to meet the needs of your physician office practices?
- In what ways have you made it convenient for your physicians to use your hospital laboratory?

While hospitals have always tried to woo doctors to refer patients to them, the institutions are growing more direct in their efforts. The hospitals mine data to see which doctors have the most profitable, well-insured patients, and then they assign those doctors to a sales rep.

Hospitals hire reps to sell doctors on patient referrals  
*USA Today*  
December 13, 2011



# Anti-Leakage Strategy:

1. High service levels
2. Institutional policy

# CAP Laboratory General Checklist, GEN.41370

“The laboratory director, in consultation with the institutional medical staff or physician clients (where appropriate), is responsible for selecting referral laboratories.”





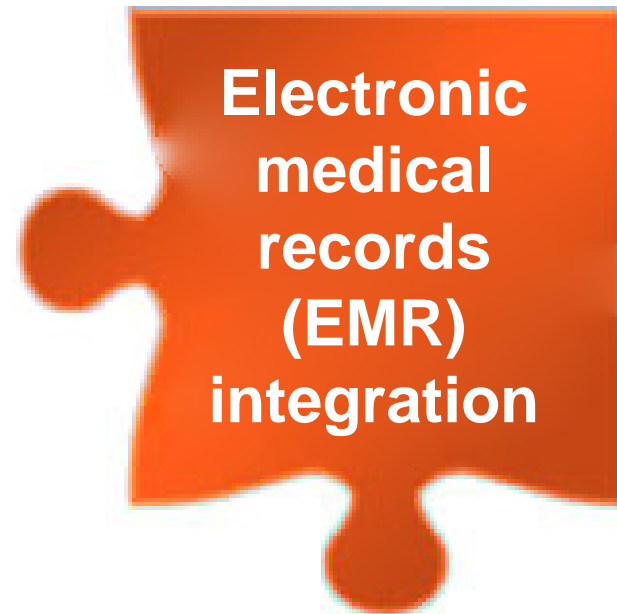
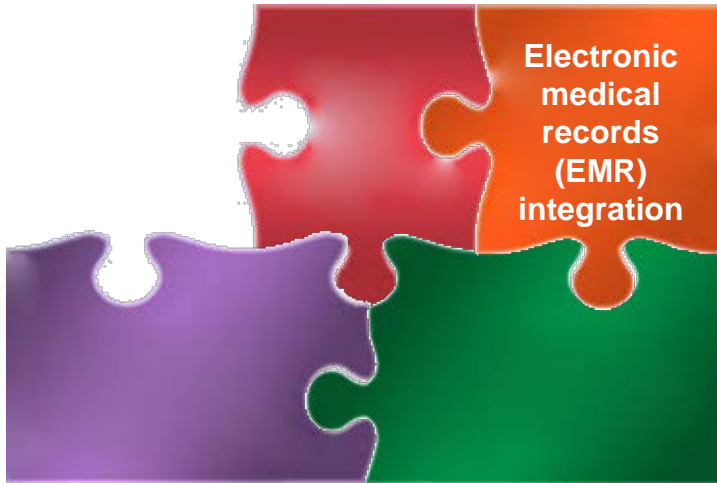
# Lab Formulary Committees

Modeled on pharmacy and therapeutics

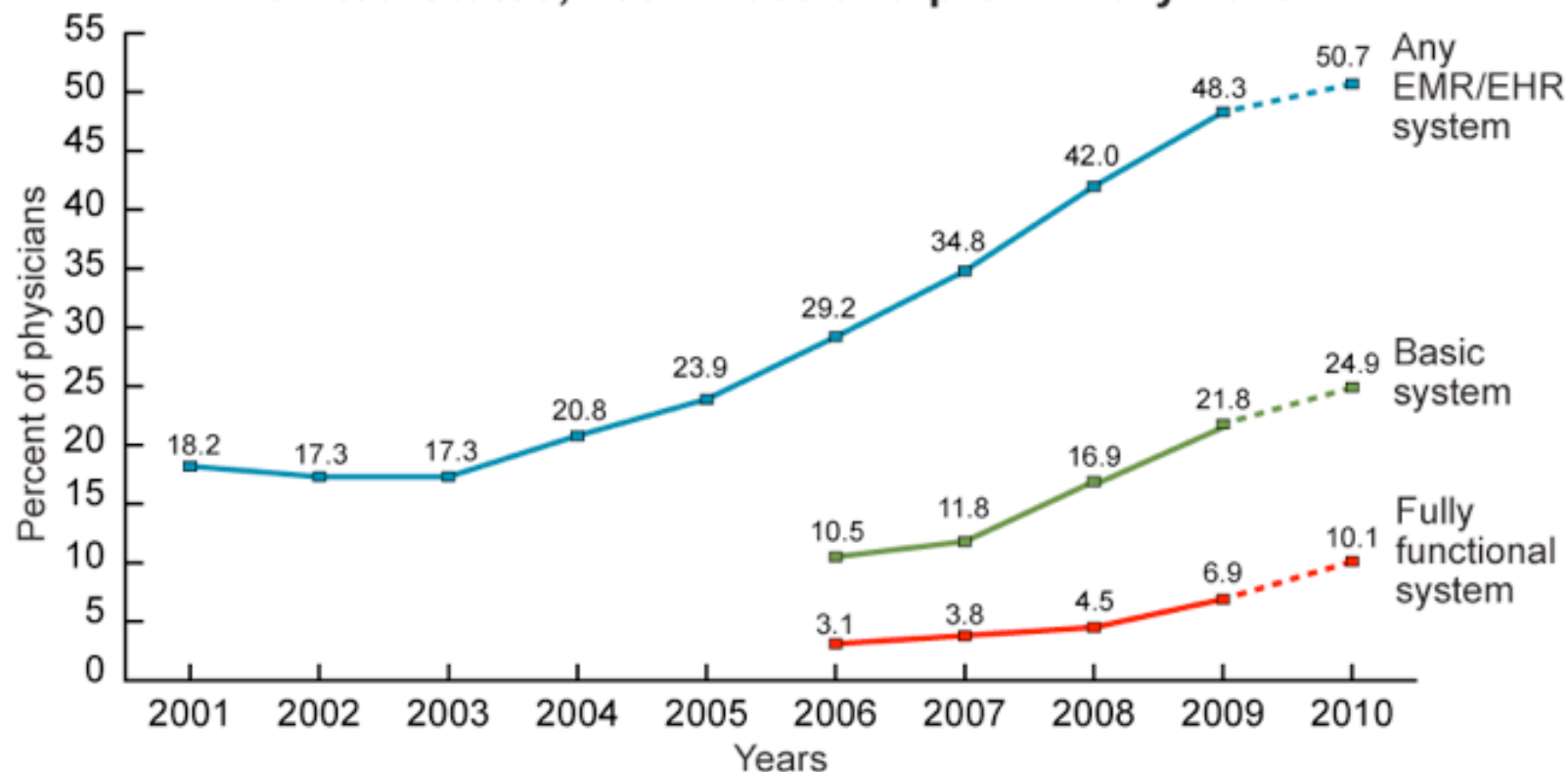
May be led by medicine and/or pathology

Set policy on acceptable orders

# Laboratory Challenges



**Figure 1. Percentage of office-based physicians with electronic medical records/electronic health records (EMRs/EHRs): United States, 2001–2009 and preliminary 2010**



NOTES: Any EMR/EHR is a medical or health record system that is either all or partially electronic (excluding systems solely for billing). The 2010 data are preliminary estimates (as shown by dashed lines), based only on the mail survey. Estimates through 2009 include additional physicians sampled from community health centers; prior 2008 combined estimates were revised to include those physicians (4). Estimates of basic and fully functional systems prior to 2006 could not be computed because some items were not collected in the survey. Fully functional systems are a subset of basic systems. Some of the increase in fully functional systems between 2009 and 2010 may be related to a change in survey instruments and definitions of fully functional systems between 2009 and 2010 (see Table for more details). Includes nonfederal, office-based physicians. Excludes radiologists, anesthesiologists, and pathologists.  
SOURCE: CDC/NCHS, National Ambulatory Medical Care Survey.

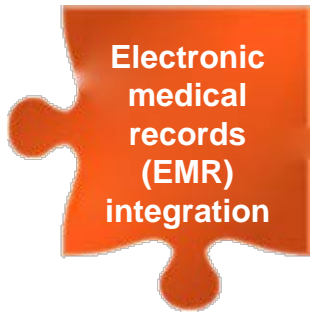
# Impact on Laboratories

Individual health records:

60–90 percent clinical laboratory data

Lab impact on decision-making:

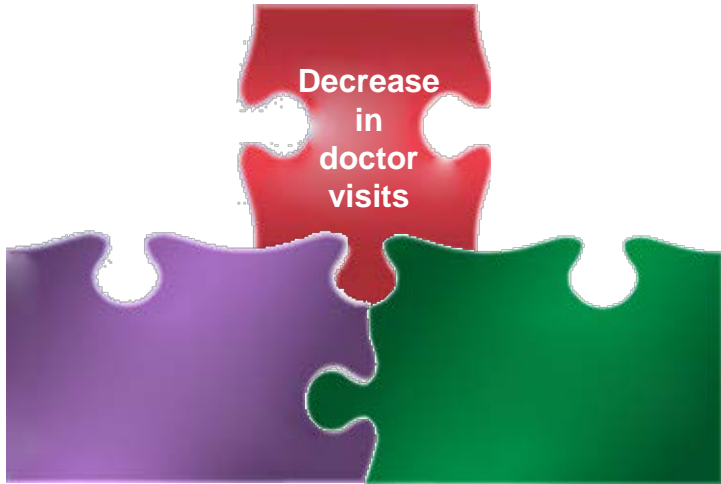
60–70 percent of all medical decisions



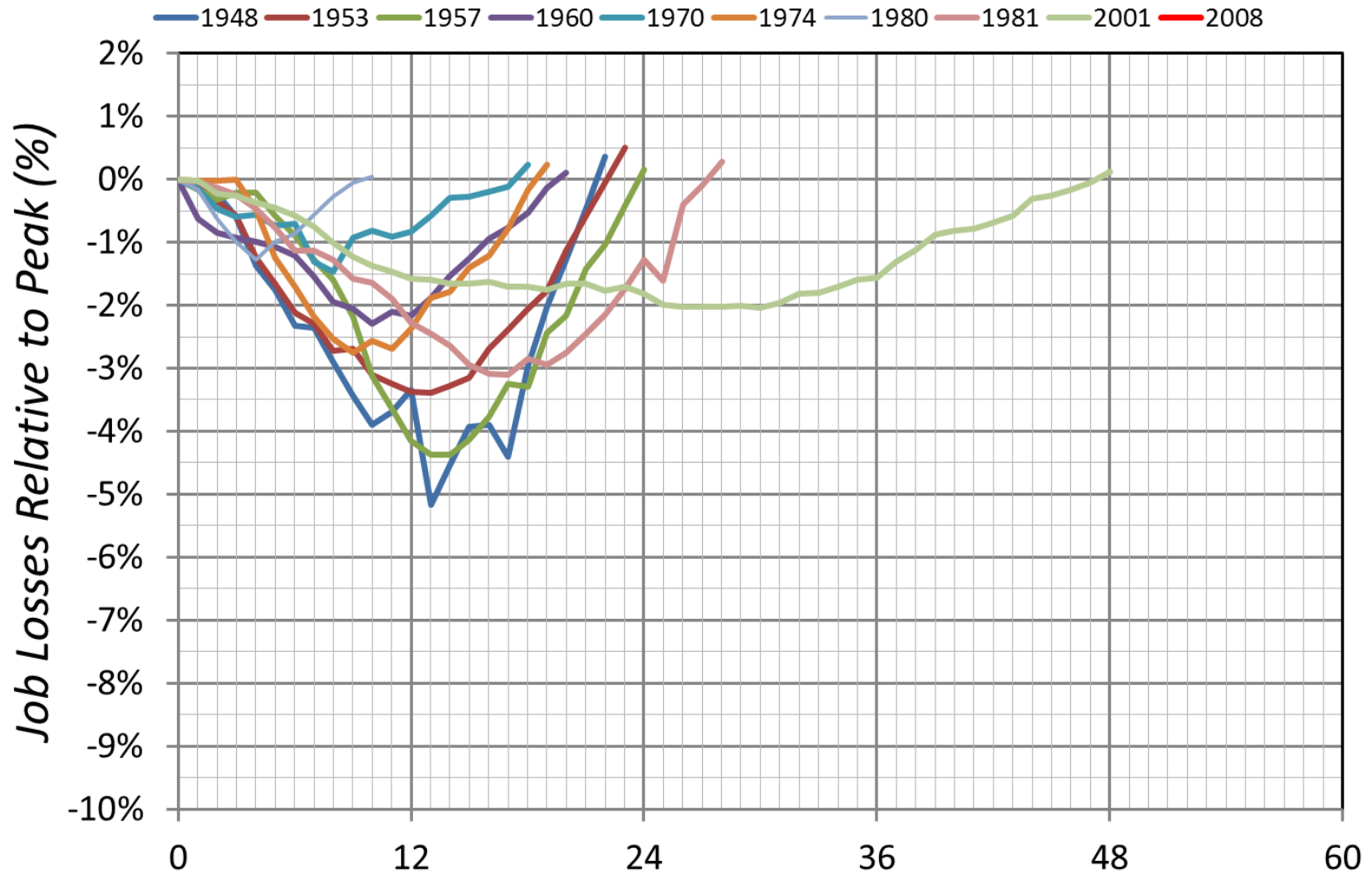
# Laboratory Challenges

- How can we integrate lab operations and data?
- Can we balance cost efficiencies and process modifications with high-quality care and enhanced patient safety?
- How do we create an environment that effectively communicates lab capabilities?
- Is there a role for your laboratory as a “gatekeeper” in test utilization?

# Laboratory Challenges



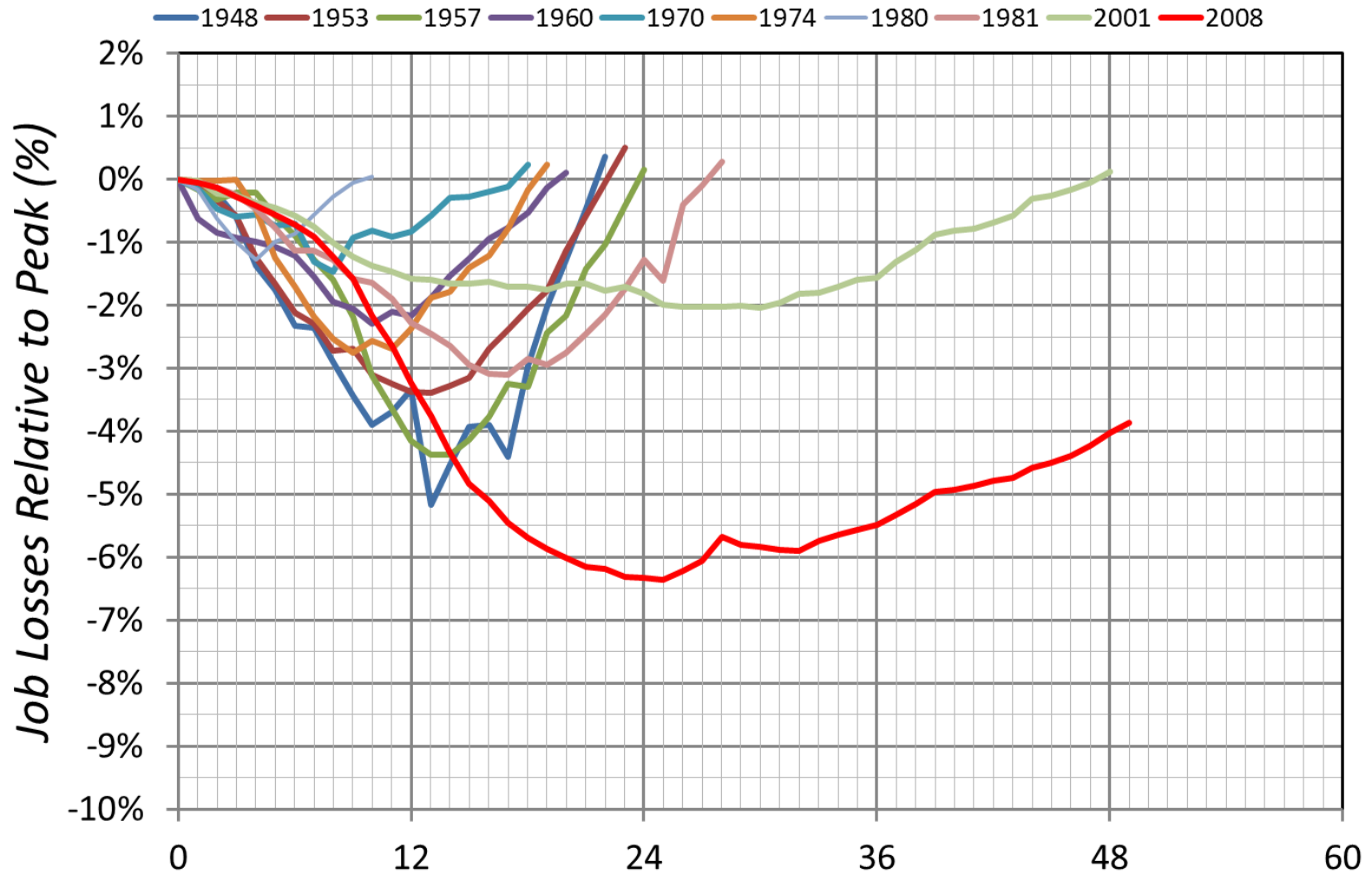
# Employment Recessions post WWII



Months to Recover to Peak Employment

Data from USA Bureau of Labor Statistics

# Employment Recessions post WWII



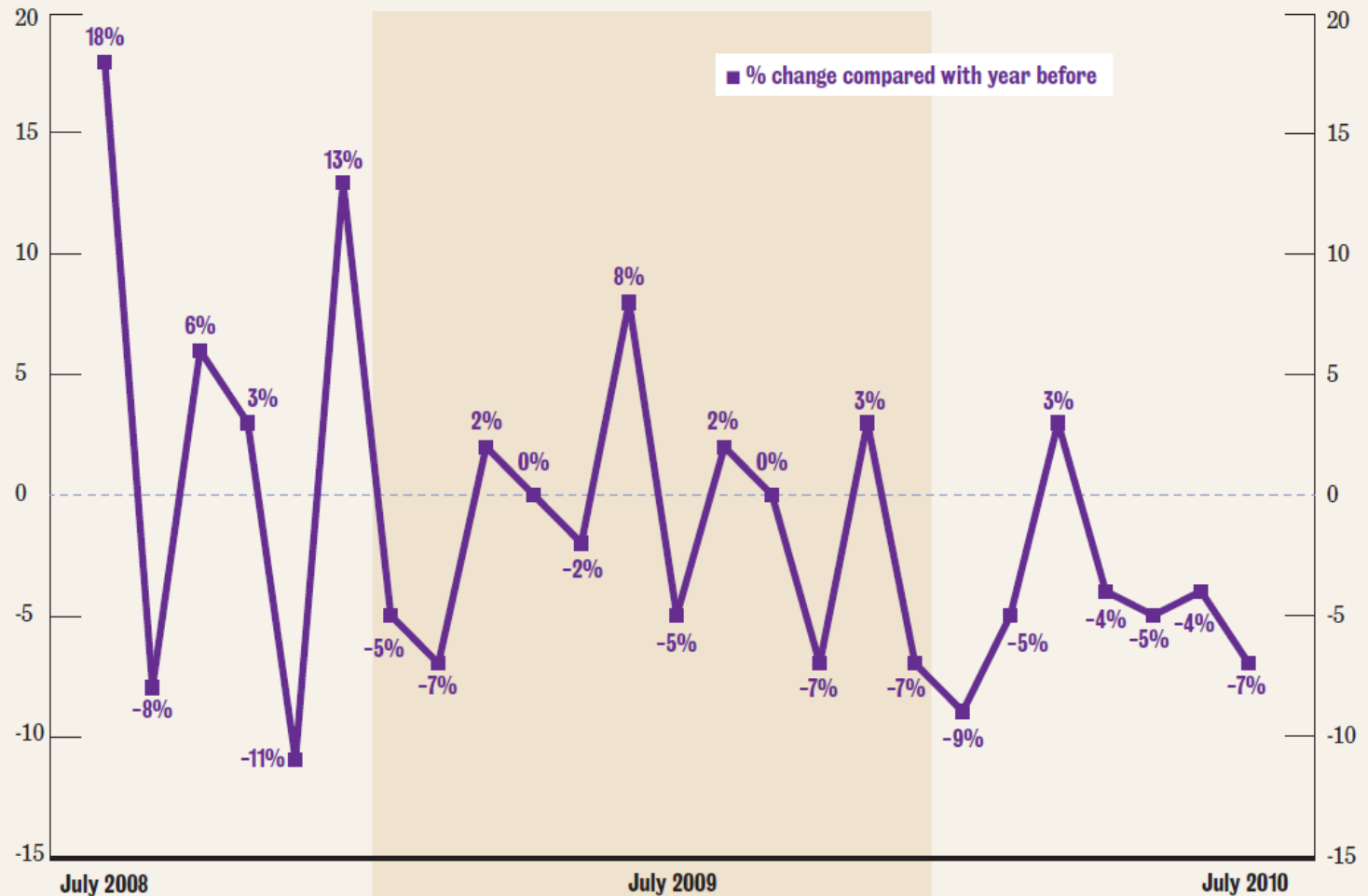
Months to Recover to Peak Employment

Data from USA Bureau of Labor Statistics



# FEWER THROUGH THE DOORS

The number of patient visits to physician offices has declined as the economy has faltered, with eight out of the 10 most recently measured months recording a year-over-year drop.



SOURCES: "HEALTH CARE PROVIDERS, JULY PHYSICIAN OFFICE VISIT SURVEY DATA REMAIN SOFT," DEUTSCHE BANK SECURITIES, AUG. 31; LATEST EMPLOYMENT FIGURES FROM THE BUREAU OF LABOR STATISTICS, SEPT. 3 ([HTTP://WWW.BLS.GOV/NEWS.RELEASE/EMPSIT.NRO.HTM](http://www.bls.gov/news.release/empsit.nro.htm))

PUBLISHED SEPTEMBER 20, 2010 IN AMERICAN MEDICAL NEWS. [WWW.AMEDNEWS.COM](http://WWW.AMEDNEWS.COM)

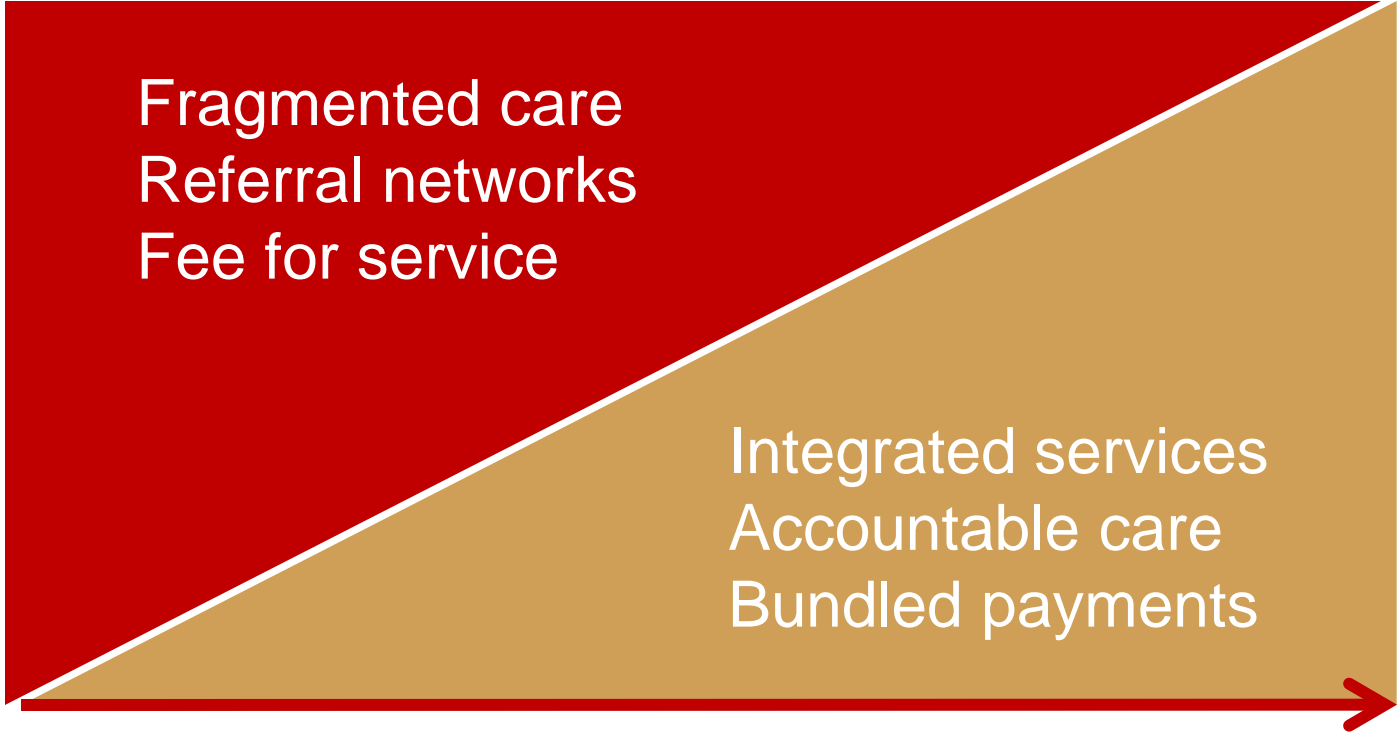


## Impact on Laboratories

- Do we have tests that can be in-sourced rather than sent out?
- Is our laboratory positioned to manage utilization effectively?
- Is our laboratory aligned with our physicians and assisting in outreach to increase volume?

# Laboratory Challenges





Fragmented care  
Referral networks  
Fee for service

Integrated services  
Accountable care  
Bundled payments

## Bundled payment decreases spending:

- Reduction of unnecessary services during hospitalization
- Cautious use of healthcare resources during the hospital stay
- Reduction in post-discharge costs



## Impact on Laboratories

Can < 3 percent of the administrative budgets asset help the C-suite manage 70–80 percent of the downstream expenses?

# Impact on Molecular Pathology

- American Medical Association proposed CPT codes for molecular pathology will not be used by Medicare in 2012.
- Molecular Diagnostic Services (MoIDx) Program
- McKesson Z-code™



# Molecular Pathology Impact

- Local coverage determination
- Confirm CPT codes with Medicare Administrative Contractor (MAC)
- Work with professional laboratory agencies to make concerns known





# Federal Government

In mid-February, Congress suddenly cut Medicare lab fees (CLFS) by 2% for 2013 (to help pay for a temporary Medicare physician fee fix).

# Laboratory Challenges



Early signs of  
ACO  
development

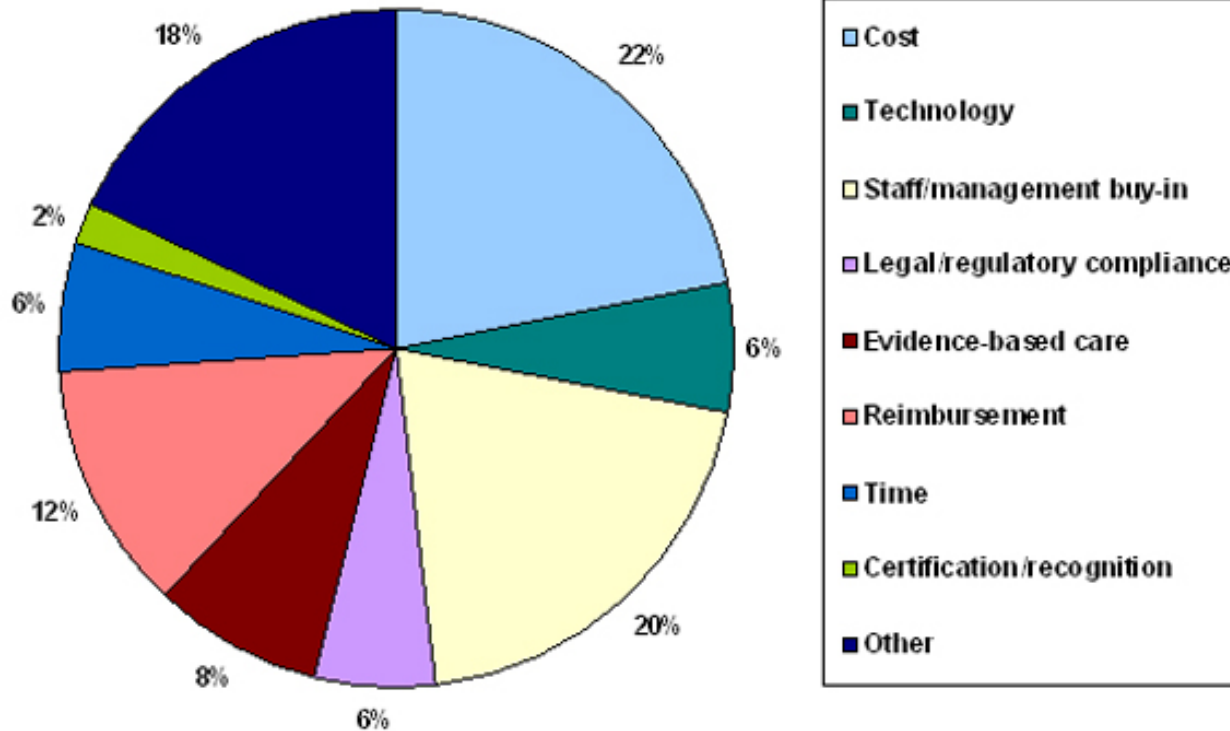


Early signs of  
ACO  
development

# ACO Operating Model



# Top Challenges of ACO Creation



Source: HIN Accountable Care Organizations Survey  
February, 2011

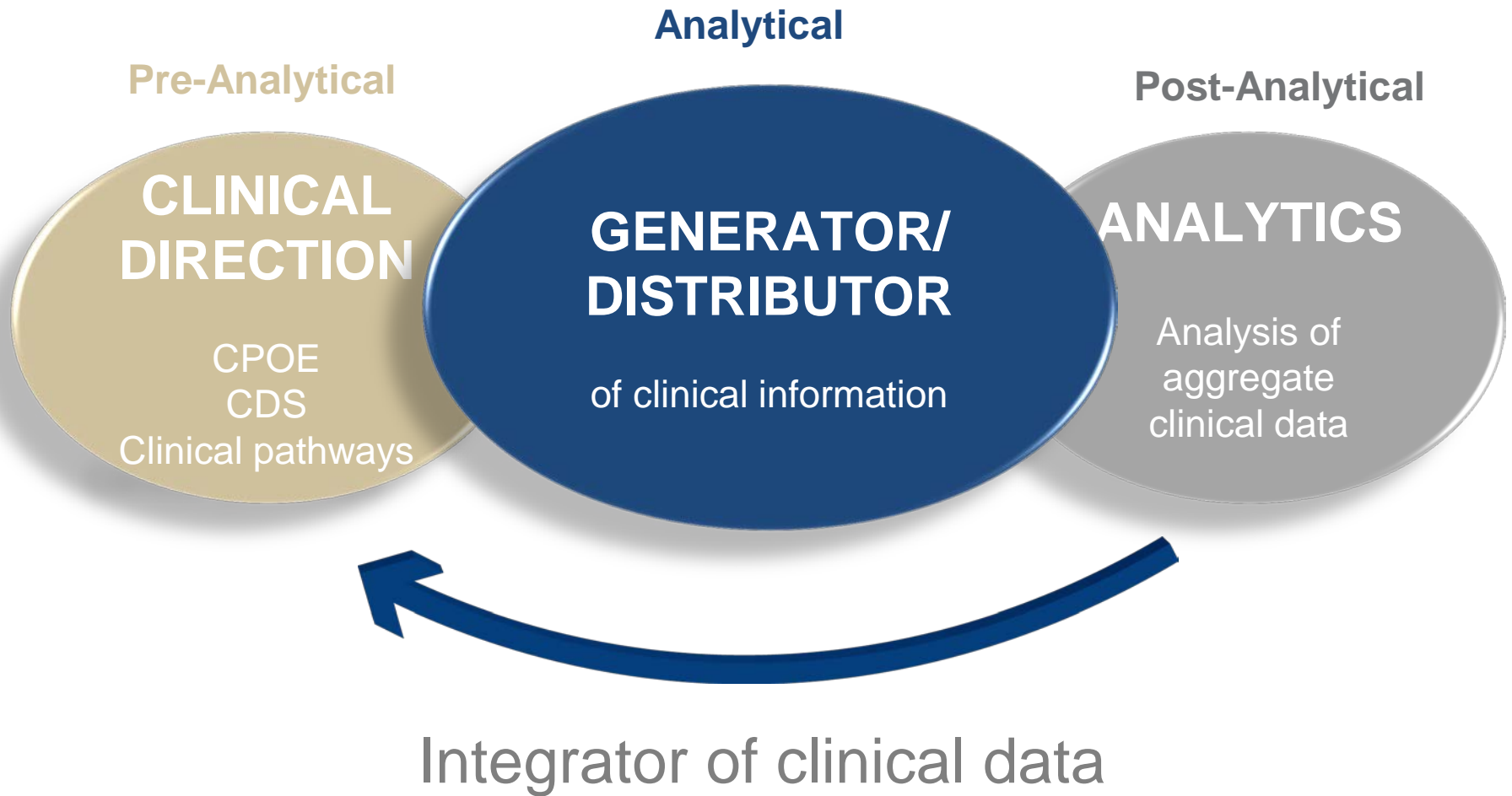
HIN © 2011

# Impact on Laboratories



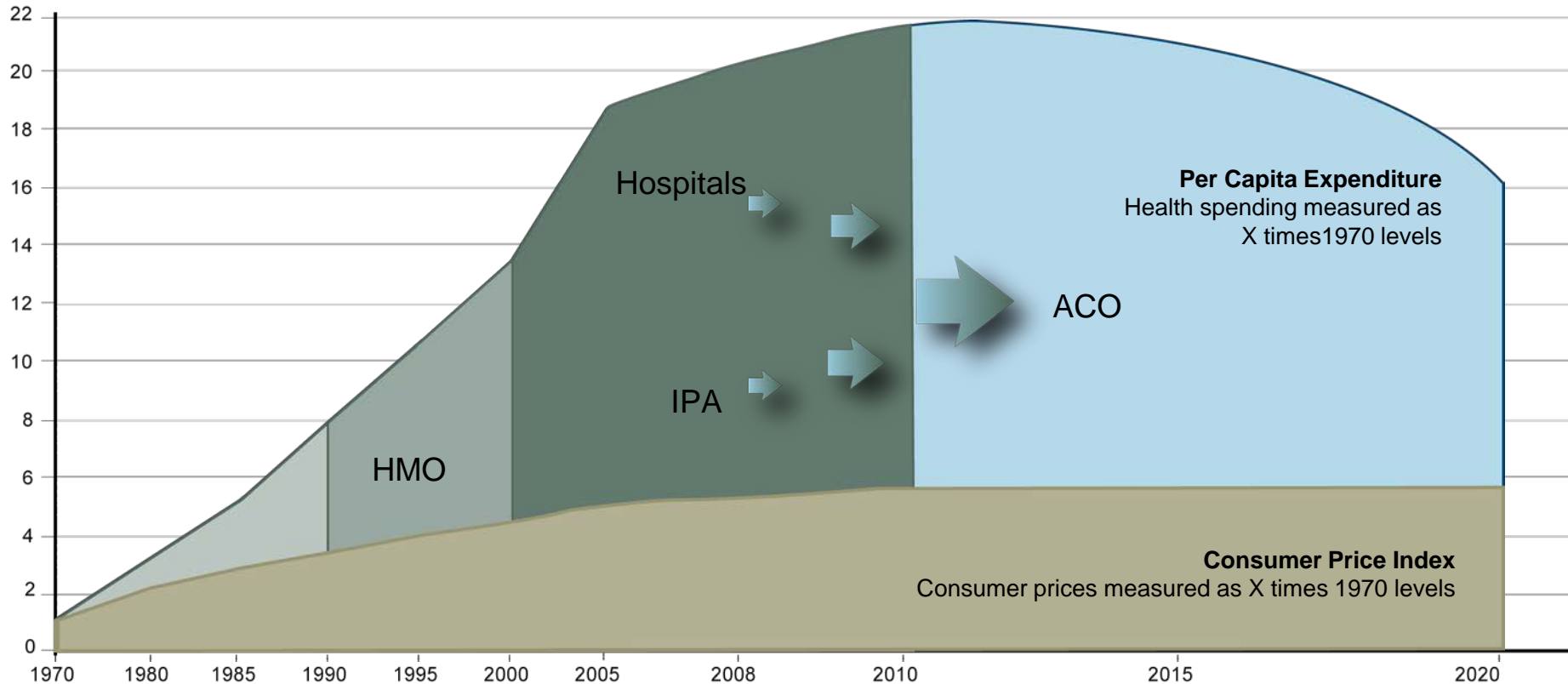
- Lab testing performed near the patient is best for the care of the patient.
- Performing the right test at the right time is fundamental to quality outcomes.
- Labs must align with physicians and organizational leaders.
- Laboratory medicine has a critical role in meaningful clinical information.

# Lab Opportunities



# Impact of Integration on Cost Curve

Times More Expensive Than In 1970



\*Selected rather than continuous years of data shown prior to 2005

Sources: Center for Medicare and Medicaid Services (CMS), Office of the Actuary;  
Bureau of Labor Statistics (CPI-U, U.S. city average, annual figures).

“The real voyage of discovery  
lies not in seeking new  
landscapes, but in seeing with  
new eyes.”

Marcel Proust



# Economies of Scale vs. Economies of Integration

## **Economies of scale:**

- The increase in production efficiency as the number of goods being produced increases.

## **Economies of integration:**

- Coordinating services across a spectrum of like-minded organizations and/or service providers will result in more efficient operations, reduced waste, and, ultimately, increased revenues.



# Strategies to Strengthen Labs

- ➔ Watch the competition.
- ➔ Tell the story of your lab's value.
- ➔ Develop outreach.



# Strategies to Strengthen Labs

- ➔ Build connectivity.
- ➔ Lean processes.
- ➔ Create cost effectiveness.



# Strategies to Strengthen Labs

- ➔ Understand the big picture.
- ➔ Engage pathologists.
- ➔ Develop utilization-management tools.



Institute for  
Learning



UNIVERSITY OF UTAH  
SCHOOL OF MEDICINE

Department of Pathology

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