Laboratory Outreach – A Continued Opportunity

Presented by:
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Learning objectives

After this webinar, you will be able to:

• Identify the key infrastructure components of a laboratory outreach program
• Explore opportunities to enhance revenue and reduce costs
• Discuss strategies to overcome challenges associated with operating a laboratory outreach program in a complex health care environment
Laboratory Outreach

• Hospital based laboratory outreach programs have existed for decades

• Basic premise:
  o Unused analytical capacity = additional revenue $$$

• Key benefits:
  o Provides continuity of care for providers and patients
  o Promotes and further develops the hospital’s community brand
  o Reduces the cost per test by maximizing existing capacity
  o Adds much needed contribution margin to the hospital
Not just a laboratory initiative…

• Requires strong organizational commitment and executive level support
  o Awareness
  o Dedicated resources
  o Goal alignment

• The Laboratory must:
  o Demonstrate value
  o Continuously tell the story
  o Celebrate successes
Logistics

• “the careful organization of a complicated activity so that it happens in a successful and effective way”
Logistics

• Call center
  o Customer service plan
  o Issue resolution
  o Metrics
  o Supply ordering and fulfilment

• Patient service centers (PSC)
  o Strategically placed throughout community

• Phlebotomy
  o Mobile and in-office

Dedicated resources required
Logistics

• Couriers
  o First impressions are lasting impressions
  o Technology:
    – Specimen tracking
    – Route optimization
    – Data analysis

• Different models
  o Owned
  o Outsourced

Critical link in the laboratory specimen workflow
Technology

• Third party EMR interfacing
  o Order and result interfaces

• End user support
  o Printers, interfaces

• On boarding process
  o Streamlined workflow for new clients

• Specimen tracking
  o Collection to result

Agile client support necessary
Identity Management

• Recognizable brand
• Standardized service model
• Customer service
  o Sales and customer service representatives
  o Physician liaisons
  o Cross selling opportunities
• Voice of the customer
  o Routine visits
Finance

• Fee schedule:
  o Dedicated Outreach fee schedule
  o Price transparency initiatives

• Claim type:
  o UB-04
    – Required for governmental payors
    – Reimbursement based on Clinical Lab Fee Schedule (CLFS)
  o CMS-1500
    – Typically non-institutional individual provider claims
Billing Models

In-house hospital billing vs. Outsourced

Must include Hospital Revenue Cycle leadership in the process
Option 1

Challenges:

• High volume, low dollar claims
• Hospitals typically lack the dedicated resources to deal with volume and complexity of laboratory claims
• Lack of detailed reporting which hinders business development and profitability analysis
• Claim denials
Option 2

Advantages:

- Considered to be best practice
- Core business competency
- Billing platforms are designed for high volume
- Detailed view of the total book of business
- Extensive library of reports
Finance Must Do’s

- Understand the drivers of cash
- Build Key Performance Indicators (KPIs) around these
- Monitor
- Develop action plans

Analyze your billing and collection data
Understand the Basic Drivers of Cash

Velocity

Charges
- Test Mix
- Capture

Allowed
- Managed Care
- Payer Edits

(Potential) Cash
- Insurance Pmts
- Patient Pmts

Clean data
- eConnectivity
- Discipline

Source: Change Healthcare
Outreach Metrics

• KPIs
  o Volumes and charges
  o Collections and collections rate
  o Bad debt %
  o Accounts receivable

• Client specific reporting
  o Trending by procedures
  o Test utilization
  o Payor mix
  o Denials
### KPIs

#### Volumes

| Account Period | Pts | Procs | Gross | Adj | Net | Gross | Adj | Net | GCR* | NCR | GCR Lag* | Ending AR | Days in AR | %AR >120 | Credit Balance | Net Bad Debt |
|----------------|-----|-------|-------|-----|-----|-------|-----|-----|------|-----|---------|-----------|------------|---------|-------------|--------------|--------------|
| Mar-17         | 994 | 1,415 | 121,582 | 39,459 | 82,123 | (66,913) | 758 | (99,155) | 65.5% | 96.0% | 69.3% | 157,809 | 37.5 | 9.9% | (627) | 343 | 1.6% |
| Apr-17         | 890 | 1,370 | 125,790 | 31,754 | 94,036 | (83,585) | 516 | (83,059) | 67.5% | 94.0% | 70.9% | 167,775 | 39.6 | 9.2% | (451) | 1001 | 1.4% |
| May-17         | 868 | 1,341 | 117,278 | 31,176 | 86,103 | (87,859) | 1,004 | (86,855) | 66.0% | 94.2% | 63.8% | 163,440 | 40.8 | 8.7% | (680) | 5583 | 1.7% |
| Jun-17         | 958 | 1,458 | 133,812 | 30,993 | 102,219 | (107,683) | 877 | (169,205) | 73.5% | 101.0% | 92.2% | 99,670 | 24.1 | 10.4% | (321) | 404 | 1.4% |
| Jul-17         | 948 | 1,427 | 133,128 | 35,614 | 97,514 | (5,874) | 844 | (5,033) | 68.5% | 95.5% | 68.5% | 191,364 | 45.3 | 10.0% | (1215) | 800 | 1.2% |
| Aug-17         | 1,072 | 1,612 | 142,733 | 30,801 | 101,932 | (114,837) | 1,268 | (113,660) | 66.9% | 97.1% | 74.1% | 178,853 | 39.7 | 12.6% | (1497) | 1834 | 1.1% |
| Sep-17         | 954 | 1,433 | 133,906 | 36,663 | 97,043 | (80,500) | 2,262 | (78,237) | 67.7% | 93.4% | 48.0% | 166,484 | 43.7 | 11.7% | (730) | 1050 | 1.2% |
| Oct-17         | 1,100 | 1,738 | 159,841 | 60,777 | 99,063 | (106,692) | 305 | (107,197) | 67.3% | 93.3% | 73.0% | 196,889 | 41.0 | 12.3% | (1784) | 1925 | 1.2% |
| Nov-17         | 923 | 1,473 | 141,029 | 38,734 | 104,294 | (87,109) | (89) | (87,207) | 67.9% | 94.0% | 62.4% | 210,596 | 44.1 | 10.3% | (3520) | 3139 | 1.1% |
| Dec-17         | 921 | 1,446 | 137,346 | 62,620 | 84,726 | (108,589) | 2,045 | (105,944) | 68.5% | 95.1% | 69.1% | 186,418 | 39.1 | 12.3% | (4137) | 945 | 1.1% |
| Jan-18         | 1,075 | 1,630 | 141,066 | 41,905 | 99,161 | (99,542) | 1,584 | (97,977) | 63.9% | 94.5% | 68.4% | 187,238 | 40.6 | 12.0% | (3065) | 2364 | 1.3% |
| Feb-18         | 945 | 1,523 | 149,380 | 48,332 | 101,058 | (115,700) | 3,277 | (112,423) | 70.5% | 96.1% | 75.4% | 176,553 | 37.3 | 7.6% | (1541) | 319 | 1.1% |
| Mar-18         | 1,213 | 1,962 | 178,363 | 42,011 | 136,352 | (92,427) | 1,036 | (91,381) | 67.9% | 93.4% | 70.5% | 217,588 | 42.2 | 5.7% | (2023) | 2926 | 1.3% |
| **13 Mth Total** | 12,691 | 18,866 | 1,815,860 | 537,615 | 1,278,245 | (1,240,910) | 15,649 | (1,231,281) | (211,112) | 1.3% |

#### Collection Efficacy

- **Current FYTD**: 1,213, 1,962
- **Previous FYTD**: 994, 1,415
- **Current 12 Mth Avg**: 991, 1,537
- **Prev 12 Mth Avg**: 814, 1,196

| Variance % | 21.6% | 28.5% | 33.0% | 27.0% | 35.5% | 31.9% | 57.0% | 31.6% | 6.6% | 2.7% | 0.0% | 20.4% | 11.2% | 31.3% | 87.7% | 21.0% | 6.8% |

* GCR (Gross Collections / Gross Charges) and NCR (Net Collections / Net Charges) calculations are based on a maximum of 12 months of data. The Net GCR Lag (Net Collections / Gross Charges) is based on a maximum of 3 months of data with a 1 month Gross Charge Lag. The Net Bad Debt % is based on a 6 month average.

Source: Change Healthcare
Leverage Practice Profile Cards for Marketing Influence

ABC OBGYN

Payor Mix

Top Tests CURR FYTD

<table>
<thead>
<tr>
<th>CPT - Description</th>
<th>Volume</th>
<th>Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>36415 - Specimen Collection</td>
<td>2,824</td>
<td>28,239</td>
</tr>
<tr>
<td>80050 - General Health Panel</td>
<td>2,420</td>
<td>121,023</td>
</tr>
<tr>
<td>80053 - Comprehensive</td>
<td>1,614</td>
<td>100,046</td>
</tr>
<tr>
<td>Metabolic Panel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80061 - Lipid Panel</td>
<td>1,210</td>
<td>30,256</td>
</tr>
<tr>
<td>82607 - Vitamin B12</td>
<td>807</td>
<td>16,136</td>
</tr>
<tr>
<td>82746 - Folic Acid</td>
<td>538</td>
<td>8,068</td>
</tr>
<tr>
<td>CG0145 - Pap, Thin Layer</td>
<td>296</td>
<td>17,750</td>
</tr>
<tr>
<td>87591 - Neisseria gonorrhoeae</td>
<td>282</td>
<td>11,880</td>
</tr>
<tr>
<td>87491 - Chlamydia trachomatis</td>
<td>269</td>
<td>11,295</td>
</tr>
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Procedures

<table>
<thead>
<tr>
<th>Current Month</th>
<th>Prior Month</th>
<th>Month to Month Var</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures</td>
<td>1,921</td>
<td>1,731</td>
</tr>
<tr>
<td>Patients</td>
<td>640</td>
<td>558</td>
</tr>
<tr>
<td>Charges</td>
<td>109,731</td>
<td>99,312</td>
</tr>
<tr>
<td>Collections</td>
<td>27,433</td>
<td>23,281</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CURR YTD</th>
<th>Prior YTD</th>
<th>YTD Var</th>
<th>YTD Var %</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,447</td>
<td>12,117</td>
<td>1,330</td>
<td>11%</td>
</tr>
<tr>
<td>4,482</td>
<td>3,909</td>
<td>574</td>
<td>15%</td>
</tr>
<tr>
<td>768,117</td>
<td>695,184</td>
<td>72,933</td>
<td>10%</td>
</tr>
<tr>
<td>192,029</td>
<td>162,967</td>
<td>29,062</td>
<td>18%</td>
</tr>
</tbody>
</table>
Increasing Financial Challenges – Our Reality

Decelerating reimbursement growth

Protecting Access to Medicare Act (PAMA)

High Deductible plan growth

Deteriorating case mix

Increasing Worker’s Comp cost/decreasing payments

Shifting payor mix

Continuing cost pressure

Pressure on commercial insurance rates
Protecting Access to Medicare (PAMA) 2014

- New ruling which allows CMS the ability to create a market-based payment system for laboratory payments
- Certain laboratories reported their private payor rates on a test-by-test basis along with associated test volumes.
- CMS calculated a "weighted median" for each Clinical Lab Fee Schedule billing code
- Effective January 2018 the weighted medians became the new CLFS
PAMA

• CMS stated that the lab price cuts would total $670 million in 2018
• 10 year projected fee cuts total $7 BILLION
• Reductions are to be phased in over a six-year period:
  o Capped at a cumulative 10% per year for each of CYs 2018-2020, and 15% per year for CYs 2021-2023
  o For hospital laboratory services, these reductions will only apply to those services paid separately, and will have no effect on those that are part of a bundled payment (including packaged APC payments)

Major threat to laboratory outreach
PAMA Reporting Challenges

• Nationally, the commercial labs were a disproportionate reporter of data
• Hospital labs largely were not required to report data during initial reporting period
• Effective January 2019, Hospital Outreach labs must start collecting data
• Monetary penalties for failure to report or misreporting
• New Medicare CLFS rates to be posted in November 2020 that will take effective January 1, 2021.
PAMA Strategies

• Explore new technologies (molecular)
• Reduce operating expenses
  o Renegotiate with current vendors
  o LEAN
  o Automation
• Standardize where appropriate to leverage purchasing power
• Review test menus and explore centers of excellence for testing
  o Internal reference lab development
• Continue to expand Outreach programs
Vendor Relationships

- Continue to move away from $$$ transactional relationships
- Develop an understanding of the organization’s clinical and financial objectives
- Share risk
- Technology – must improve quality, outcomes and efficiency
Additional Strategies

• Outreach profitability
  o Review cost per test information
  o Perform a comprehensive review of existing and potential clients
  o Evaluate revenue per practice/provider
  o Develop strategies to prevent internal leakage

• New business development
  o Research/clinical trials
  o Community screening events – sickle cell and PSA
  o Special collections

• Alternative models of lab management
Business Development

• Market Analysis Report (MAP)
  o Detailed “boots on the ground” analysis of a local market
  o Comprehensive survey of physician database in a geographic region
  o Clinical lab, Cytopathology, Anatomic Pathology segments included
  o Market specific information related to:
    – Phlebotomy and Patient Service Centers
    – Couriers, reporting and EMR interfacing
    – Insurance and patient billing
    – Client service and business development

Determine the revenue potential
Market Analysis Report

- Collect Data During Face to Face Surveys
  - Referral Patterns for Path and Lab
  - Services Provided Impacting Referrals
  - Database of Referring Physicians

- Referral Patterns for Physicians
  - Pathology, Cytopathology, Laboratory
  - Specialty, Volume, Ownership
  - Detailed Charts on Market Area

<table>
<thead>
<tr>
<th>Specialty Provider Distribution</th>
<th>DEF Pathology</th>
<th>National Lab</th>
<th>Local Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Practice</td>
<td>47%</td>
<td>41%</td>
<td>6%</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>54%</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>43%</td>
<td>38%</td>
<td>3%</td>
</tr>
<tr>
<td>OBGYN</td>
<td>53%</td>
<td>38%</td>
<td>2%</td>
</tr>
<tr>
<td>Oncology</td>
<td>32%</td>
<td>32%</td>
<td>22%</td>
</tr>
<tr>
<td>Plastic Surgery</td>
<td>52%</td>
<td>26%</td>
<td>17%</td>
</tr>
<tr>
<td>Urology</td>
<td>60%</td>
<td>37%</td>
<td></td>
</tr>
</tbody>
</table>

Average Annual Number of Pathology CPTs per Referring Physician

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Anatomic Pathology</th>
<th>GYN Cytology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Practice</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>230</td>
<td>230</td>
</tr>
<tr>
<td>OBGYN</td>
<td>125</td>
<td>1125</td>
</tr>
<tr>
<td>Oncology</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Plastic Surgery</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Urology</td>
<td>400</td>
<td></td>
</tr>
</tbody>
</table>

GYN Cytopathology and Clinical Provider

<table>
<thead>
<tr>
<th>GYN Cytopathology</th>
<th>Clinical Pathology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Lab &lt;1%</td>
<td>National Lab 57%</td>
</tr>
<tr>
<td>Reference Lab 21%</td>
<td>Hospital Lab 56%</td>
</tr>
<tr>
<td>Hospital Lab 33%</td>
<td></td>
</tr>
<tr>
<td>Reference Lab 8%</td>
<td></td>
</tr>
<tr>
<td>National Lab 23%</td>
<td></td>
</tr>
<tr>
<td>National Lab 21%</td>
<td></td>
</tr>
</tbody>
</table>

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System Integration

- Managed Care Contracting
- Population Health
- ACO
- Cost of care initiatives
- Internal physician alignment
  - Standard onboarding practice from an logistical and IT perspective
  - Patient friendly Outreach fee schedule that is market competitive
  - Continuity of care

Having a seat at the table is vital
Eliminating Kickbacks in Recovery Act of 2018

- Part of a new law intended to combat the Opioid crisis
- Confusion exists
- Applies to all laboratories and not just substance abuse/toxicology labs
- Includes private payors and not just federal programs
- Previous Safe Harbor protections greatly reduced
- Changes how laboratory sales staff are compensated

A new threat emerges
Outreach Evolution for Enduring Success

✓ Utilize existing laboratory capability/capacity
✓ Refine and improve existing laboratory processes
✓ Develop a differentiated level of service
✓ Create a consistent level of service
✓ Establish outreach metrics that demonstrate program effectiveness
✓ Use outreach contribution margin to justify purchases
✓ Integrate outreach laboratory services into the overall health system
✓ Extend services fully into the community served by the hospital or health system
✓ Integrate outreach data to be applied to managing population health initiatives

Source: Jane Hermansen, Mayo Clinical Laboratories
In closing...

- Revenue cuts are a fact of life
- Laboratory diagnostics will continue to play a crucial role in the health care continuum
- Outreach is still profitable
Questions?

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