

Laboratory Outreach – A Continued Opportunity

Presented by:

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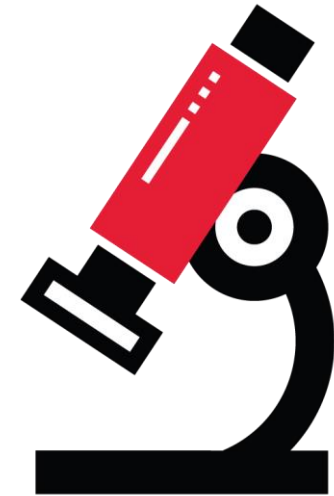
Learning objectives

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:
 - Unused analytical capacity = additional revenue \$\$\$
- Key benefits:
 - Provides continuity of care for providers and patients
 - Promotes and further develops the hospital's community brand
 - Reduces the cost per test by maximizing existing capacity
 - Adds much needed contribution margin to the hospital



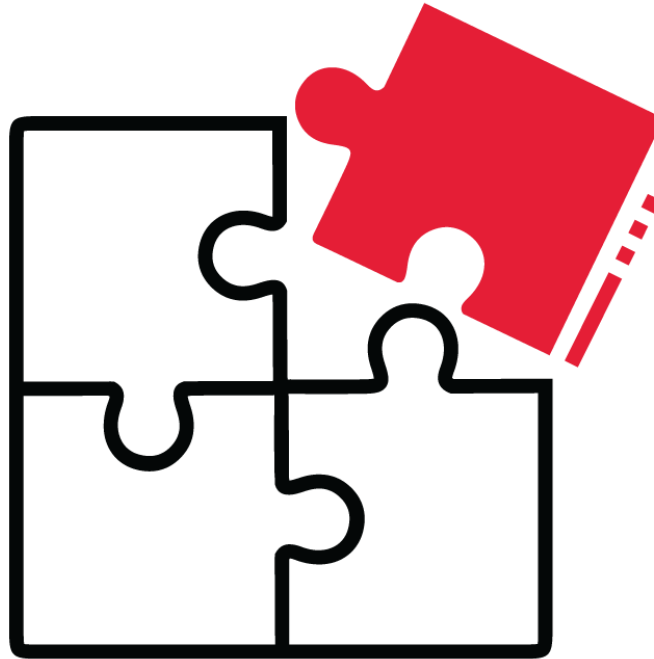
Not just a laboratory initiative...

- Requires strong organizational commitment and executive level support
 - Awareness
 - Dedicated resources
 - Goal alignment
- The Laboratory must:
 - Demonstrate value
 - Continuously tell the story
 - Celebrate successes



Logistics

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



<https://dictionary.cambridge.org/us/dictionary/english/logistics>

Logistics

- Call center
 - Customer service plan
 - Issue resolution
 - Metrics
 - Supply ordering and fulfilment
- Patient service centers (PSC)
 - Strategically placed throughout community
- Phlebotomy
 - Mobile and in-office



Dedicated resources required

Logistics

- Couriers
 - First impressions are lasting impressions
 - Technology:
 - Specimen tracking
 - Route optimization
 - Data analysis
- Different models
 - Owned
 - Outsourced



Critical link in the laboratory specimen workflow

Technology

- Third party EMR interfacing
 - Order and result interfaces
- End user support
 - Printers, interfaces
- On boarding process
 - Streamlined workflow for new clients
- Specimen tracking
 - Collection to result



Agile client support necessary

Identity Management

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



Finance

- Fee schedule:
 - Dedicated Outreach fee schedule
 - Price transparency initiatives
- Claim type:
 - UB-04
 - Required for governmental payors
 - Reimbursement based on Clinical Lab Fee Schedule (CLFS)
 - 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

In-house hospital billing

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

Outsourced Model

Advantages:

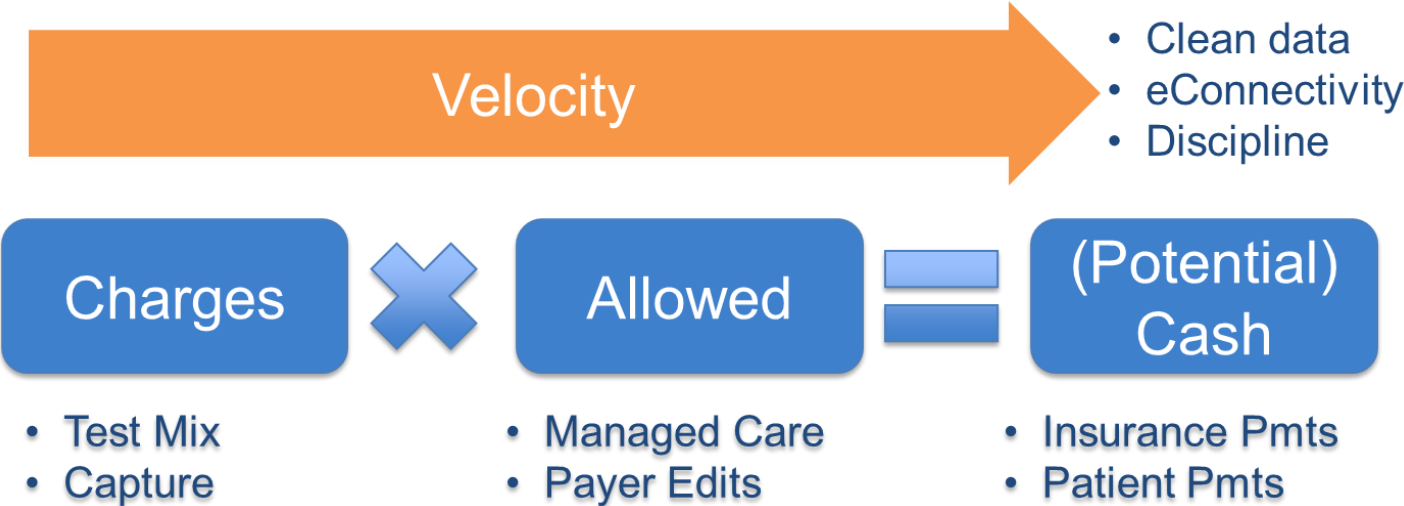
- Considered to be best practice
- Core business competency
- Billing platforms are designed for high volume
- Detailed view of the total book of business
- Extensive library of reports

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

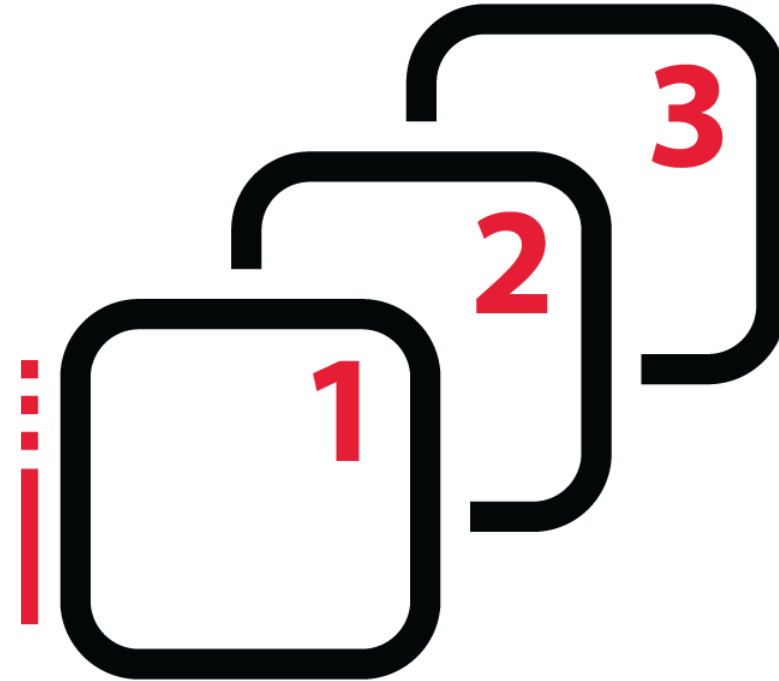


Source: Change Healthcare

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Outreach Metrics

- KPIs
 - Volumes and charges
 - Collections and collections rate
 - Bad debt %
 - Accounts receivable
- Client specific reporting
 - Trending by procedures
 - Test utilization
 - Payor mix
 - Denials

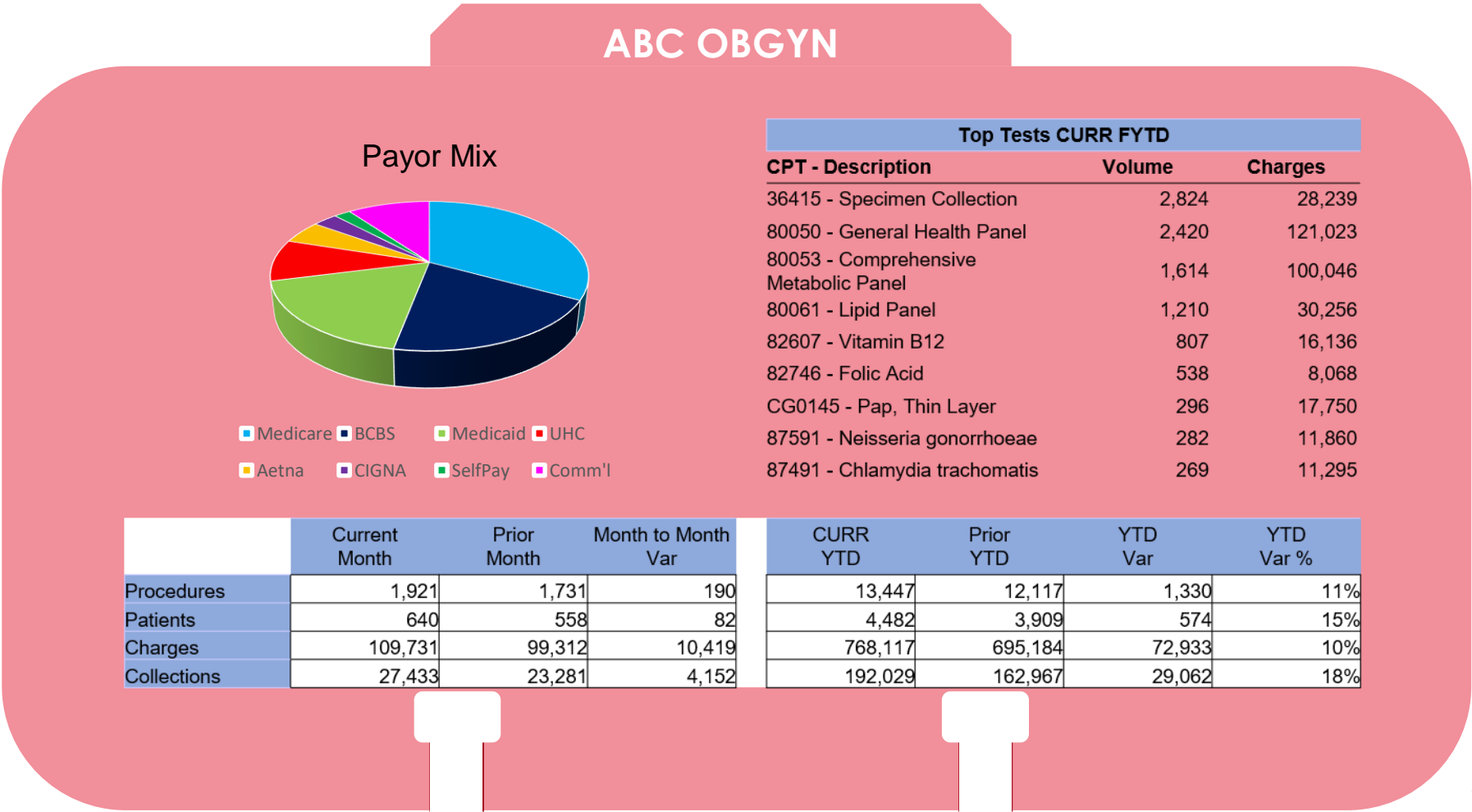


KPIs

Volumes						Collection Efficacy						AR Health					
Account Period	Volume		Charges			Collections			Collection Rates			Accounts Receivable			Credit Bal	Net Bad Debt	
	Pts	Procs	Gross	Adjs	Net	Gross	Adjs	Net	GCR*	NCR*	GCR Lag*	Ending AR	Days in AR	%AR >120	Credit Balance	Amount	% *
Mar-17	994	1,415	121,582	(39,459)	82,123	(96,913)	758	(96,155)	68.5%	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	(83,069)	67.5%	94.0%	70.9%	167,775	36.6	9.2%	(461)	(1,001)	1.4%
May-17	898	1,341	117,278	(31,176)	86,103	(87,859)	1,004	(86,855)	68.0%	94.2%	63.8%	163,440	40.8	8.7%	(689)	(3,583)	1.7%
Jun-17	958	1,458	133,812	(30,563)	103,249	(167,083)	877	(166,206)	73.5%	101.9%	92.2%	99,679	24.1	19.4%	(931)	(804)	1.4%
Jul-17	948	1,427	133,128	(35,614)	97,514	(5,874)	844	(5,030)	68.5%	95.5%	68.5%	191,364	45.3	10.0%	(1,215)	(800)	1.2%
Aug-17	1,072	1,612	142,733	(39,801)	102,932	(114,837)	1,268	(113,569)	69.8%	97.1%	74.1%	178,893	39.7	12.6%	(1,497)	(1,834)	1.1%
Sep-17	954	1,433	133,906	(36,863)	97,043	(80,500)	2,262	(78,237)	67.7%	93.4%	48.0%	196,648	43.7	11.7%	(730)	(1,050)	1.2%
Oct-17	1,100	1,736	159,941	(50,777)	109,163	(106,892)	(305)	(107,197)	67.3%	93.3%	73.0%	196,689	41.0	12.3%	(1,784)	(1,925)	1.2%
Nov-17	923	1,473	141,029	(36,734)	104,294	(87,109)	(99)	(87,207)	67.8%	94.0%	62.4%	210,586	44.1	10.3%	(3,520)	(3,190)	1.1%
Dec-17	921	1,446	137,346	(52,626)	84,719	(108,589)	2,645	(105,944)	68.5%	95.1%	69.1%	188,418	39.1	12.3%	(4,137)	(943)	1.1%
Jan-18	1,075	1,630	141,096	(41,905)	99,191	(99,542)	1,564	(97,977)	68.3%	94.5%	66.4%	187,238	40.6	12.0%	(3,065)	(2,394)	1.3%
Feb-18	945	1,523	149,390	(48,332)	101,058	(115,700)	3,277	(112,423)	70.5%	98.1%	75.4%	175,553	37.3	7.6%	(1,541)	(319)	1.1%
Mar-18	1,213	1,992	178,363	(42,011)	136,352	(92,427)	1,036	(91,391)	67.9%	93.4%	70.5%	217,588	42.2	5.7%	(2,023)	(2,926)	1.3%
13 Mth Total	12,891	19,856	1,815,393	(517,615)	1,297,777	(1,246,910)	15,648	(1,231,261)	-	-	-	-	-	-	-	(21,112)	1.3%
Current FYTD	1,213	1,992	178,363	(42,011)	136,352	(92,427)	1,036	(91,391)	-	-	-	-	-	-	(2,023)	(2,926)	1.3%
Previous FYTD	994	1,415	121,582	(39,459)	82,123	(96,913)	758	(96,155)	-	-	-	-	-	-	(627)	(343)	1.6%
Current 12 Mth Avg	991	1,537	141,151	(39,846)	101,305	(95,833)	1,241	(94,592)	67.9%	93.4%	69.3%	181,156	39.7	10.6%	(1,799)	(1,731)	1.3%
Prev 12 Mth Avg	814	1,196	106,106	(31,234)	74,872	(72,655)	790	(71,865)	68.5%	96.0%	69.3%	150,444	44.6	15.5%	(959)	(1,430)	1.3%
Variance%	21.9%	28.5%	33.0%	27.6%	35.3%	31.9%	57.0%	31.6%	(0.8%)	(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. Net Bad Debt % is based on a 6 month average.

Leverage Practice Profile Cards for Marketing Influence



Increasing Financial Challenges – Our Reality

Decelerating reimbursement growth

Protecting Access
to Medicare Act
(PAMA)



*Increasing Worker's Comp
cost/decreasing payments*

*Shifting payor
mix*

*Continuing
cost pressure*

Pressure on commercial insurance rates

*High Deductible plan
growth*

*Deteriorating case
mix*

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:
 - Capped at a cumulative 10% per year for each of CYs 2018-2020, and 15% per year for CYs 2021-2023
 - 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
 - Renegotiate with current vendors
 - LEAN
 - Automation
- Standardize where appropriate to leverage purchasing power
- Review test menus and explore centers of excellence for testing
 - 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

Redefine the term “relationship”

Additional Strategies

- Outreach profitability
 - Review cost per test information
 - Perform a comprehensive review of existing and potential clients
 - Evaluate revenue per practice/provider
 - Develop strategies to prevent internal leakage
- New business development
 - Research/clinical trials
 - Community screening events – sickle cell and PSA
 - Special collections
- Alternative models of lab management



Business Development

- Market Analysis Report (MAP)
 - Detailed “boots on the ground” analysis of a local market
 - Comprehensive survey of physician database in a geographic region
 - Clinical lab, Cytopathology, Anatomic Pathology segments included
 - 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

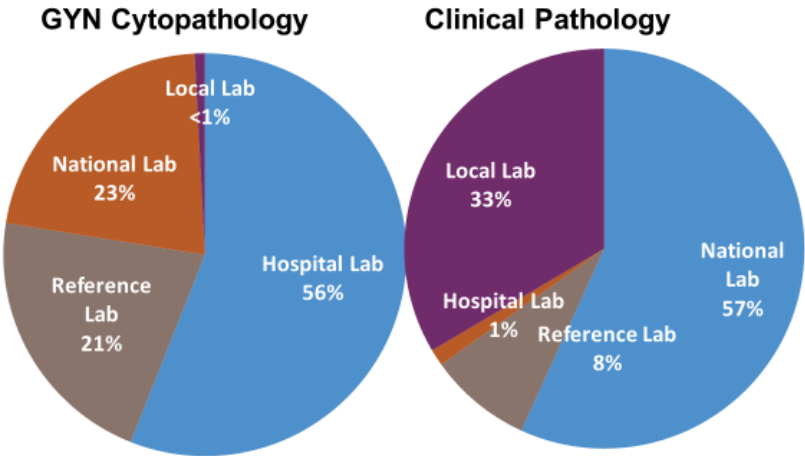
Market Analysis Report

- 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

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

Average Annual Number of Pathology CPTs per Referring Physician		
Specialty	Anatomic Pathology	GYN Cytology
Family Practice	250	250
Gastroenterology	700	
Internal Medicine	230	230
OBGYN	125	1125
Oncology	500	
Plastic Surgery	400	
Urology	400	

GYN Cytopathology and Clinical Provider



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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