Survival of the Fittest: Transforming Your Lab From Cost To Value Center

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Learning Objectives

Identify industry trends driving the transition from volume to value-based healthcare.

Discuss key metrics associated with inappropriate test utilization.

Describe five components of the utilization management roadmap.

Cite successful strategies, beyond laboratory formulary, to optimize test utilization.

Define ways in which laboratories operate as value centers.
“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.”

—Charles Darwin, 1809
Demonstrating Value in New Ways
Price is what you pay.

Value is what you get.

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

—Robert Michel, Editor In Chief, The Dark Report
Physicians reported:

- their patients ask for an unnecessary test or procedure at least once a week (47%)
- the average medical doctor prescribes an unnecessary test or procedure at least once a week (72%)
- that even if they know a medical test is unnecessary, they order it if a patient insists (53%)
- the frequency of unnecessary tests and procedures is a very or somewhat serious problem (73%

Utilization Management Context

test utilization

over

inappropriate

under
Downstream Impact of Inappropriate Utilization

Operational

Patient Care

Financial
Test Utilization Management

Make it *easy* for clinicians to order the right test and *hard* to order the wrong test.
Consulting

UM+ Roadmap

Concept
Vitamin D Benchmarking

- **Vitamin D, 1,25-Dihydroxy**
  - Academic Institution in the Eastern US: 2.321 (30%)
  - Academic Institution in the Western US: 1.058 (13%)

- **Vitamin D, 25-Hydroxy**
  - Academic Institution in the Eastern US: 5.368 (70%)
  - Academic Institution in the Western US: 7.312 (87%)

per 1,000 patient days
Governance

 UM+ Roadmap

Governance
Objectives
Planning committee
Steering committee

Analytics
Methods for data extraction
Analysis of test data
Cost-savings projections

Communication

Concept
Governance

Planning Committee

4 to 6 members (including champion)

Key stakeholders

Develop mission statement, scope and objectives

Determine Steering Committee membership

Meet two to four times

Review utilization analysis and determine priorities
Governance

12 to 15 members (including champion)

Oversee implementation of policies and formulary

Create and execute communication plan

Develop lab ordering policies

Oversee formulary development

Govern new tests, retired tests, reference labs, etc
Governance

Executive Leadership

Chief Medical Information Officer
Chief Medical Officer
Chief of Accountable Care Organization
Chief Communications Officer
Senior Vice President, Corporate

Pathology supported, not driven

Director of New Technology
Senior IT Director
Director, IT
Director, LIS
EMR Informaticist

IT Specialists

Hospitalists
Cardiology
Infectious Disease
Transplant Medicine
General Medicine

Clinicians
Formulary Development

UM+ Roadmap

Governance
- Objectives
- Planning committee
- Steering committee

Communication

Analytics
- Methods for data extraction
- Analysis of test data
- Cost-savings projections

Concept

Formulary Development
- Formulary criteria
- Overview of draft formulary
Tier 1
- 80% of test menu, 95-97% volume
- Mostly Inexpensive
  examples: CBC, BMP

Tier 2
- Sendout tests
- Analytes that never change/change slowly
  examples: EBV Quant PCR, Blood ($375)

Tier 3
- More sensitive/specific replacement test available
- Little clinical utility
  examples: rT3 uptake, T3, Free

Obsolete Tests
High-Cost Low-Volume Tests
Common Tests
Consider a Formulary Subcommittee

Formulary Subcommittee Members

- Working committee
- Project manager
- Heavily comprised of clinicians
- IT representative from EMR/CPOE
Maintenance

UM+ Roadmap

Governance
- Objectives
- Planning committee
- Steering committee

Communication

Formulary Development
- Formulary criteria
- Overview of draft formulary

Measurement

Implementation
- Most common test utilization management opportunities
- Best practice interventions

Analytics
- Methods for data extraction
- Analysis of test data
- Cost-savings projections

Maintenance
- Project Management
- Metrics

Concept
Measurement
Effectiveness of Change in Vitamin D Orders

Ratio of D 25 to D 1,25

D 1,25 Drop

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Utilization Management Cycle

01 analyze
02 discuss
03 decide
04 implement
05 measure
Other UM Strategies

Formulary is an excellent strategy, but *it isn’t the only strategy.*
### Basic Metabolic Panel

<table>
<thead>
<tr>
<th>Ion</th>
<th>Symbol</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Na+</td>
<td>Cl⁻</td>
<td>BUN</td>
</tr>
<tr>
<td>K⁺</td>
<td>HCO₃⁻</td>
<td>Glucose</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creatinine</td>
</tr>
</tbody>
</table>

### BMP Orders

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMP Orders</td>
<td>12,706</td>
</tr>
<tr>
<td>Orders cancelled</td>
<td>5,204</td>
</tr>
</tbody>
</table>

**Cost Savings:** $63,875
Other UM Strategies:
Test Price Transparency

“Most doctors have no idea what these tests cost, so they have no way of knowing they are contributing to the astronomical cost of health care.”

—Leonard S. Feldman, Assistant Professor of Medicine
John Hopkins University School of Medicine
Other UM Strategies:
Simplify the Test Menu
Other UM Strategies:
Reducing Unnecessary Testing

- # Total Tests: 15,002
- # of Unnecessary Tests: 4,098
- % Unnecessary Tests: 27%
- Potential Cost Savings: $12M
Case Study Overview

Objective:
Leverage data analysis to improve test ordering patterns and identify cost savings opportunities.
## Case Study Data

<table>
<thead>
<tr>
<th>Inpatient data set:</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient lab tests:</td>
<td>707,000</td>
</tr>
</tbody>
</table>
Case Study Outcomes

**Annual Estimated Charge Savings:** $392,000

**Cost Savings/Year:** $78,000
“If the misery of our poor be caused not by the laws of nature, but by our institutions, great is our sin.”

—Charles Darwin
Questions?

The information in this presentation is provided for educational purposes only and is not legal advice. It is intended to highlight laws you are likely to encounter, but is not a comprehensive review. If you have questions or concerns about a particular instance or whether a law applies, you should consider contacting your attorney.
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Thank you