

Send Out Test Optimization

Sharon Scott, Process Owner,

Referral Testing & Special Contracts Manager

Poster Presenter:

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Define: Project Charter

Business Case: In order to fund BHS ongoing operations and the Master Facility Plan, all departments are expected to incorporate at minimum, a 3% cost reduction into their 2009 budgets. Within the Department of Pathology, send out testing accounts for over 5% of the entire non-salary budget.

Problem Statement: An average cost of send out testing for a 500+ bed hospital is \$2,925,617. In 2007, BRL spent over \$5,200,000. In March of 2008, due to a change in contract pricing with major reference laboratories, the total expense is estimated to be \$4,800,000.

Goal: Reduce send out testing operating expense margin by 10% or \$440,000

In Scope: All send-out tests/procedures not performed within a Baystate Health facility and low volume in-house testing.

Out of Scope: Tests that are mandated by regulatory bodies to be performed at a specific testing facility; physician consult specimens.

Define: Project Team

Team Members:

Sponsor: Jonathan Pine, VP

Champion: Anne Daley, Acting Director

Process Owner: Sharon Scott, Manager

Subject Matter Experts:

Cheryl Ingalls, Compliance & CDM

JoAnn Blanchette, Special Functions Labs

Kris Lindberg, BMLH / BFMC Liaison

Jill Mazzaferro, Microbiology,

Bill Lareau, IT

Karen Murley-Kells, Micro, CDM, Compliance, BMLH/BFMC

Sharon Perry, BRL/LCRI Registration & Accessioning

Ginny Blake, Quality, BFMC

Ad Hoc:

James Nichols, PhD, Test Utilization

Carol Jaciow, Purchasing

Kelly Baker, Financial Analysis

Peter Gazda, Senior Contract Administrator

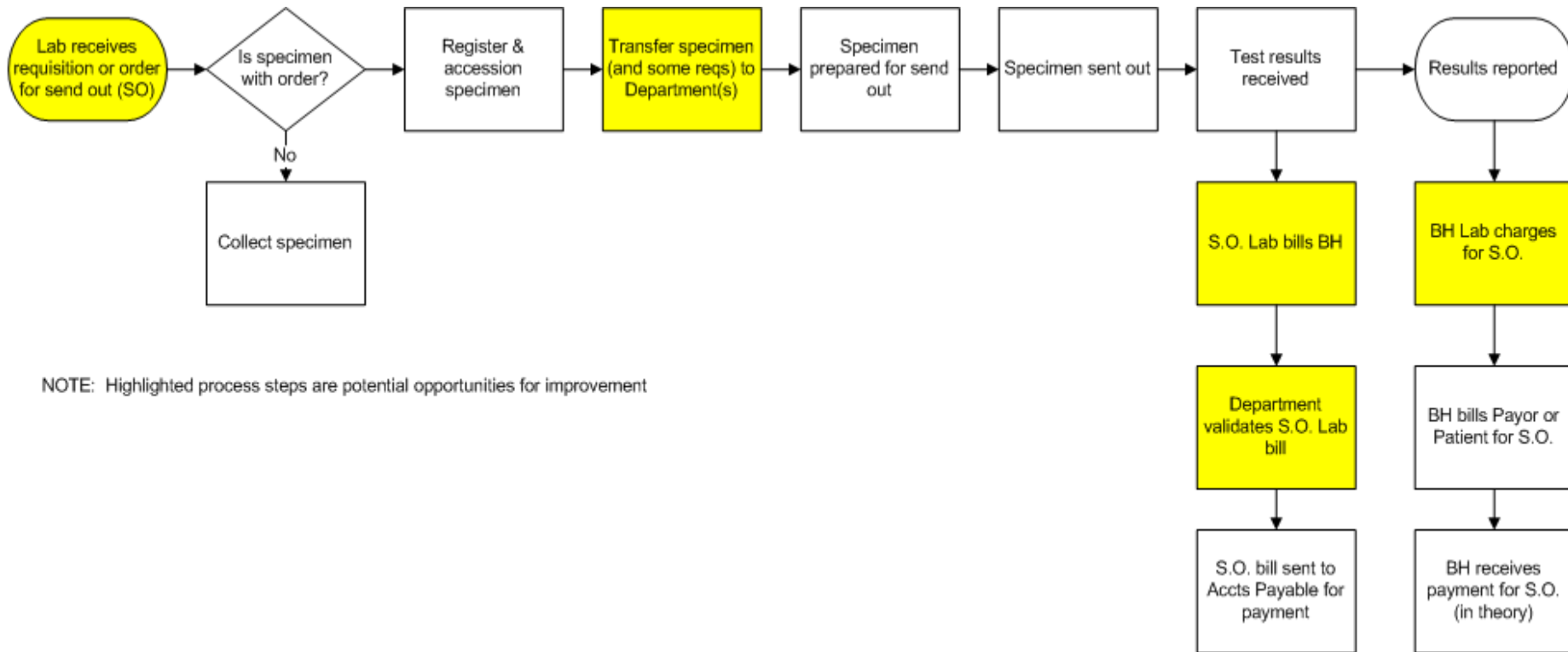
Estimated Timeline:

Project Start Date: April, 2008

Initial Kaizen Event: June 26, 2008

Target End Date: September 30, 2008

Define: Send Out Process Map



Impressions: Primary opportunities for improvement are within handling of Send Out Lab contracts and bill verification process steps

Measure:

Calculating the Gap between Expense & Reimbursement

Top 20 “Loser” Send Outs by Volume:

Baseline loss of \$544,289, as of 9/16/08, implemented solutions have reduced to \$462,937

Top 20 Send Outs by Reference Lab Charge:

Baseline loss of \$194,639, as of 9/16/08 implemented solutions have reduced to \$193,111

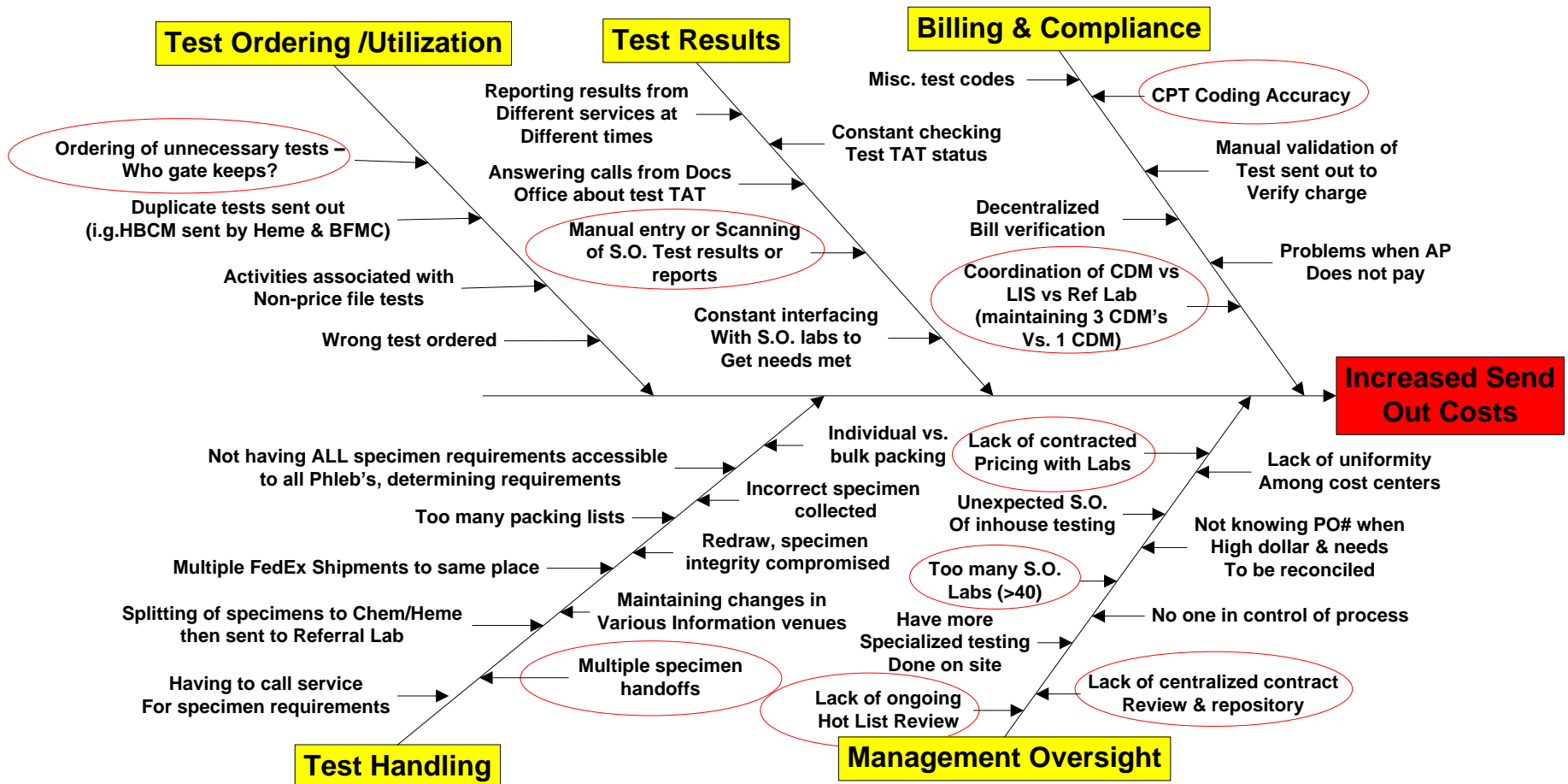
Top 20 Send Outs by Reimbursement Loss:

Baseline loss of \$956,103, as of 9/16/08 solutions implemented have reduced to \$747,098

Note: Reference Laboratory charges were compared to Medicare pricing to calculate the expense and reimbursement gaps.

Analyze:

Cause & Effect (Fishbone) Results



Impressions: Management oversight most significant issue identified

Analyze: Top 6 “Cause” Areas for Further Review

1. Lack of centralized contract review & repository
2. Coordination of Reference Lab CDM vs. LIS vs. CPT Codes (verify billing, etc.)
3. Lack of contracted pricing with Reference Labs
4. Lack of accurate CPT coding
5. Ordering of unnecessary tests / gatekeeper
6. Multiple specimen hand offs

**Send Out Test Optimization Project to focus on the ‘Top 5 Causes’
Cause #6 to be placed in the Parking Lot for future follow up.**

Analyze: Review of Reference Laboratories Hot Lists

Hot list (specials): tests where BH should receive additional discounts, generally based on volume and selected by BH; reviewed list obtained from primary Reference Lab

31 tests on list

- Only 2 are on our >500 volume list (based on FY 07 volume)
- 1 is not on our CDM (not a test we do or send out)
- 3 are in house tests
- For 7, what Ref Lab has as a charge is not what we have
- For 4 our CPT coding was wrong and has been modified/corrected
- 15 are “okay”(i.e., ref lab is charging us special price)
- One still is a mystery (oral fluid drug analysis)

Impressions: Hot list needs to be reviewed at minimum biannually

Implementation Plan

[illegible]

Improvements as of 9/16/08

1. Adjusted charges (not CPTs) on **26 tests**
2. Added **44 new tests**; deactivated **152 test codes**
3. Added **18 billback** codes to BMLH and **10** to BFMC
4. Changed CPT coding on **37 tests**; positive impact on reimbursement: **\$37,990** (fy 07 volume x new reimbursement)
5. **\$60,000** Reference Laboratories billing discrepancies
6. **\$54,990** Revised Reference Laboratories hotlist savings
7. **\$6,700** savings from consolidation of Reference Laboratories

Total Positive Financial Impact as of 9/16/08: \$159,680

(36% of goal); another \$50,000 is pending current negotiations with vendors)

Improvements, continued as of 9/16/08

9. Consolidation of the number of Reference Laboratories utilized:

Determined potential tests from other S.O. labs to request Ref Lab provide comparative price quote (Cheryl, Jill)

Developed Primary Reference Lab Top 40 Tests (Cheryl, Jill)

Develop top 40 Tests of all send outs

10. Formed a send-out lab contract negotiation team:

Purchasing (Carol)

Finance (Kelly)

Lab Director (Anne)

Referral Testing Manager (Sharon)

Lab Cost Center Manager (when applicable)

11. Monitoring usage of Referral Testing Cost Center Charges

Non reference lab expenses bill to line item

Review mandated testing (i.e., Patient Safety committee, etc.)

Temporary send outs and Manual (miscellaneous) charges

Improvement: Negotiate Temporary Send Out Pricing

Temporary Test Send Out Worksheet

Department Submitting: Example Lab Dept

Cost Center: 123

Contact Person: Example Lab Dept Supervisor

Extension: 12345

Instructions: Cost Center Manager to complete left section and forward information to Referral & Special Contracts Manager for completion of information and negotiation of special pricing with Reference Laboratory.

Department Provided Information:

Referral & Special Contracts Manager Section

BH Order Code	Test Name	Begin Date Test Referred	Estim. # of Mos. Referred (1 = 1 mo, .5 = 1/2 mo)	Estim. Vol./Mo	Estim Vol to be Referred	CPT Code(s)	In-House \$/Test (omit FTE \$)	Current Ref Lab \$/Test Charge	Estim. Budget Impact	Referral Lab Used	Referral Lab Code	Reason for Temporary Referral (include if BH supply vendor will reimburse expense difference)	Ref Lab Temp \$/Test	Adjusted Budget Impact	Comments
12345678	Example Test A	9/1/08	0.5	1,000	500	12345	\$ 10.00	\$ 25.00	\$ 7,500.00	NewLab	123456	Vendor reagent issue, no reimbursement	\$ 15.00	\$ 2,500.00	Reduced overall expense by \$5,000 with new special pricing.
2222	Example Test B	5/9/08	0.25	1,300	325	54321	\$ 22.00	\$ 64.00	\$ 13,650.00	OldLab	654321	Flood in lab, instrument needs replacing	\$ 50.00	\$ 9,100.00	Reduced overall expense by \$4,550 with new special pricing.
ABC22	Example Test C	3/9/08	5.00	1,050	5,250	53215TC	\$ 32.28	\$ 30.00	\$ (11,970.00)	NewLab	BCUNME	Methodology & Quality improvement	\$ 29.50	\$ (14,595.00)	
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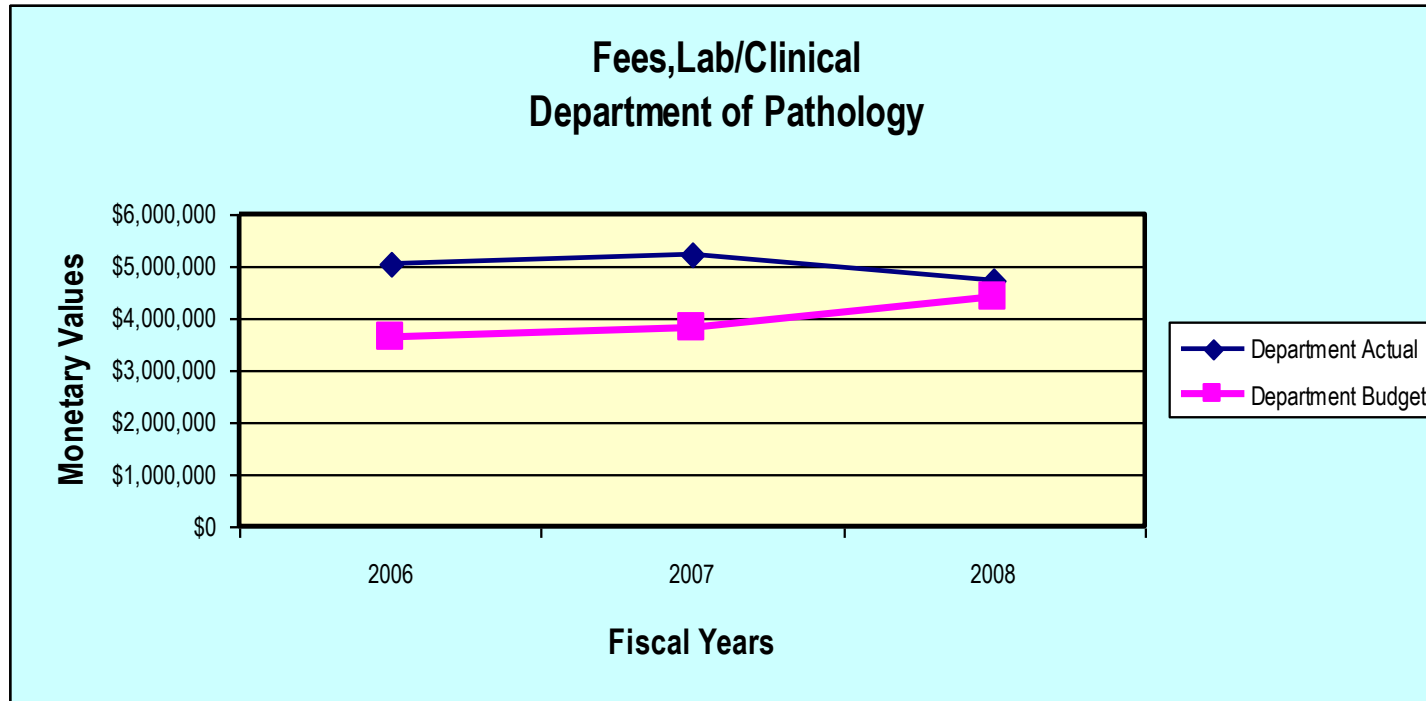
Estimated Total Budget Impact (before special price): \$ 9,180.00

Overall Estimated Budget Impact (after special price): \$ (2,995.00)

Expense Reduction due to Special Pricing: \$ 12,175.00

Opportunity: Recent temporary send out Serology testing resulted in an estimated additional \$40,000 in operational expense – special pricing to be negotiated with Reference Laboratories within 48 hours.

Improvement: Send Out Testing Expense Trending



Improvements: FY06 expense was \$1.4M over budget, FY07 expense was \$1.4M over budget, FY08 estimated to be \$300K over budget with an overall \$500K reduction in expense compared to FY07

Project Team Lessons Learned

- When a large expense is divided among multiple cost centers without centralized oversight, we lose control of expenses
- Importance of comparison shopping
- Send out testing contracts and bill reconciliation will reduce overall cost per unit of service
- People from all areas of lab and health system work well together
- Cost Center Managers need education on price file management & billing processes
- Consensus on how to attack problem
- That 17% of our charges from our primary reference lab are discrepant (100 out of 585), whether it is the Ref Lab's mistake or ours, we CAN do something about this
- You can ask and get a discount
- Making a lot of little changes add up to one big change