



## Quest for Excellence

Lab Quality Confab  
September 30, 2009  
Cindy Gruben



### Laboratory Sciences of Arizona Sonora Quest Laboratories

- We perform > 1,000 different clinical and anatomic diagnostic tests for > 5,000 physician practices, hospitals, long term care facilities, and employers in Arizona
- On the commercial for-profit side, Sonora Quest Laboratories will perform > 16 million ordered procedures equating to > 45 million tests, for 5.9 million Arizona patients in 2009
- On the non-profit side of the integrated laboratory network, Laboratory Sciences of Arizona manages all of the hospital laboratories for Banner Health in Arizona, performing > 7 million tests for patients in an acute care setting
- Although laboratory testing accounts for < 4% of the total healthcare spend, our results impact > 75% of the diagnostic process
- There is simply *no* greater value in healthcare than laboratory testing; the average cost per patient encounter in a commercial laboratory is < \$45

Quest for Excellence



## Sonora Quest Laboratories

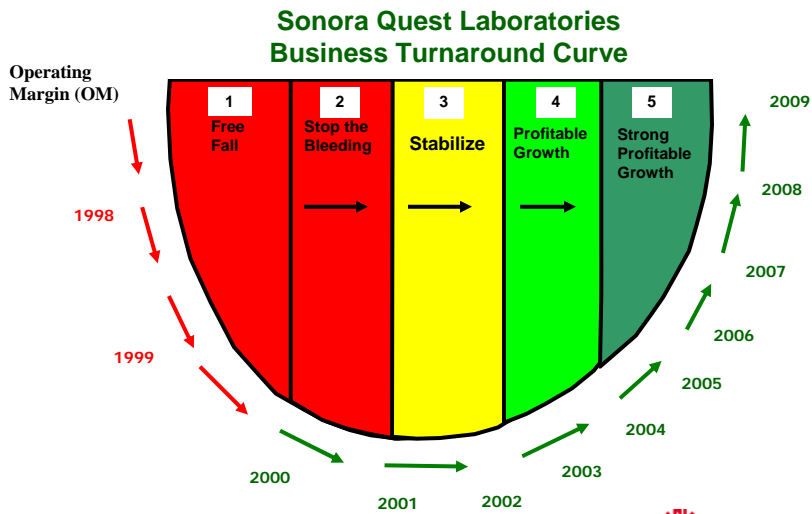
### Background:

- Sonora Quest Laboratories (SQL) is a joint venture formed in 1997 between Banner Health, the largest healthcare system in Arizona, and Quest Diagnostics, a Fortune 400 company and the largest clinical laboratory network in the world.
- Sonora Quest Laboratories is the largest clinical laboratory in Arizona, with more than 1700 employees statewide. Our integrated laboratory network with Laboratory Sciences of Arizona has a total of 2400 employees.

*“Clinical laboratory is a critical link in healthcare. It is one of the first steps that determines how the bulk of all healthcare dollars are spent.”*  
 (SG Cowan Securities)



## Situation Analysis – Business Turnarounds are *not* for the Faint of Heart



## **Situation Analysis:** **Business Turnaround**

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### **Employee Satisfaction**

- Satisfaction Survey Index of 36.5 (0-100)
- 31% Response Rate from Employees
- Voluntary Employee Attrition Rate of 38%
- Last compared to 30 Business Units within Quest Diagnostics

### **Customer Satisfaction**

- Satisfaction Survey Index of 14.8 (0-25)
- Last compared to 30 Business Units within Quest Diagnostics
- High Rate of Customers Complaints and Customer Turnover

### **Shareholder Satisfaction**

- SQL \$1M a month loss for 20 months
- Last compared to 30 Business Units within Quest Diagnostics
- Auditors listed SQL as a 'Going Concern'

## **Major Initiatives to Drive Improvement & Baldrige Category**

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- **Reorganized Senior Team to Drive Results**  
(Category 1 – Leadership)
- **Established Business Turnaround Plan – ‘The RoadMap’**  
(Category 2 – Strategic Planning)
- **Built Customer Relationships through Developing Partnerships – Voice of the Customer**  
(Category 3 – Customer Focus)
- **Established and Implemented Measures of Success**  
(Category 4 – Measurement, Analysis, and Knowledge Management)

## Major Initiatives to Drive Improvement & Baldrige Category

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### •Engaged/Aligned Employees with Critical Success Factors, Goals, and Objectives

(Category 5 – Workforce Focus)

- Built Cultural Links
- Implemented Goal\$sharing Employee Incentive Plan
- Provide Copy of RoadMap (our business plan) to Every Employee
- Focus on Employee Retention and Education
  - Accountability Training
- Implemented Pay Effectiveness Strategies
- Developed Career Ladders Tied to Quality

## Major Initiatives to Drive Improvement & Baldrige Category

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### •Re-established Commitment to Quality

(Category 6 – Process Management)

*We have a moral and ethical responsibility to perform  
error free work, on time, every time.*

- Implemented Six Sigma Process Improvement Methodology to design, manage, and improve key processes
- Hired and Trained Dedicated Resources (Six Sigma Black Belts)
- Trained All Employees in Six Sigma
- Trained over 60 Six Sigma Green Belts
- Deployed Lean Techniques and Concepts
- Standardized Key Processes and Measures
- Align Project Pipeline with RoadMap and Market Strategy

## RESULTS - Category 7

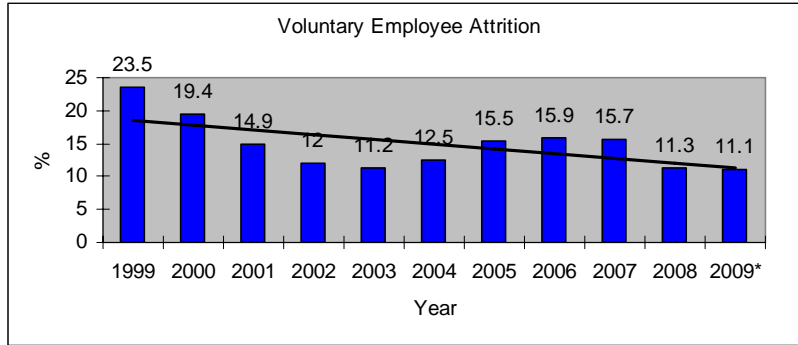
### It's all about Results!

- If you *don't* measure it, you *can't* manage it.
- Commitment to Continuous Improvement.

## Satisfied Employees

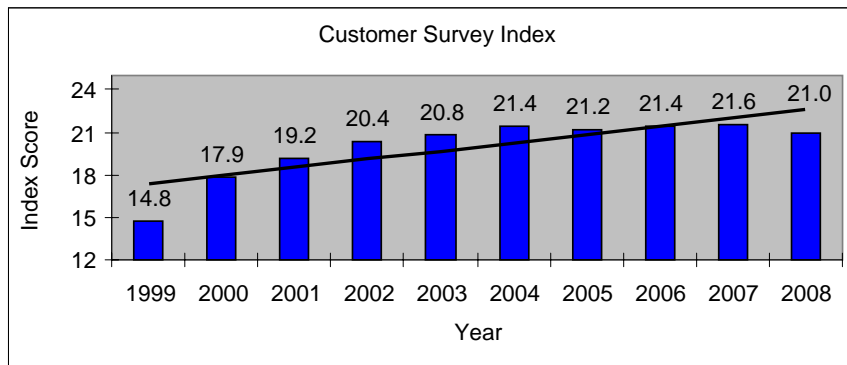


## Satisfied Employees

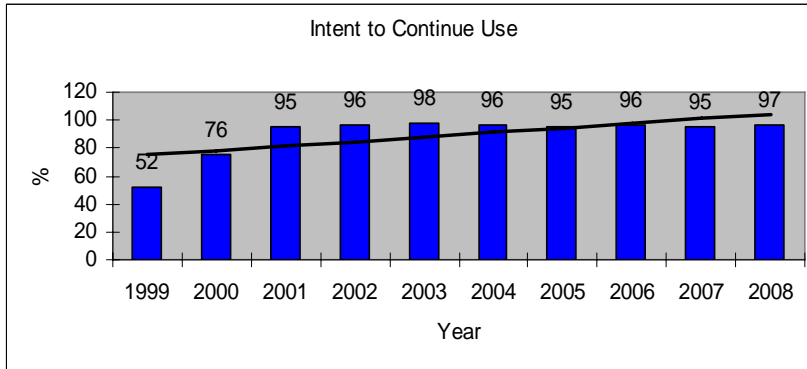


\* 2009 YTD

## Leads to Satisfied Customers



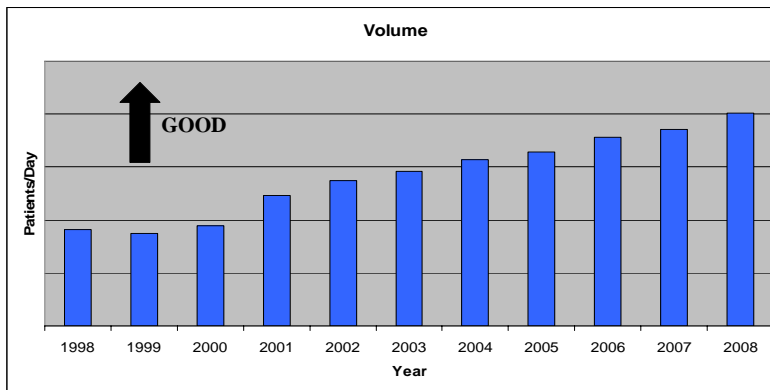
## Satisfied Customers



## Leads to Satisfied Shareholders

### "The Sling Shot": Strong Profitable Growth

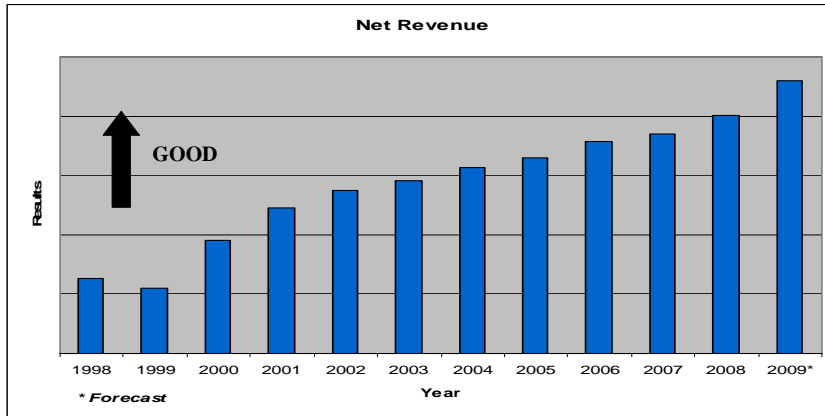
Volume has increased by 2.3x in 10 yrs. **2009 > 5.9 Million Patients**



## Satisfied Shareholders

### "The Sling Shot": Strong Profitable Growth

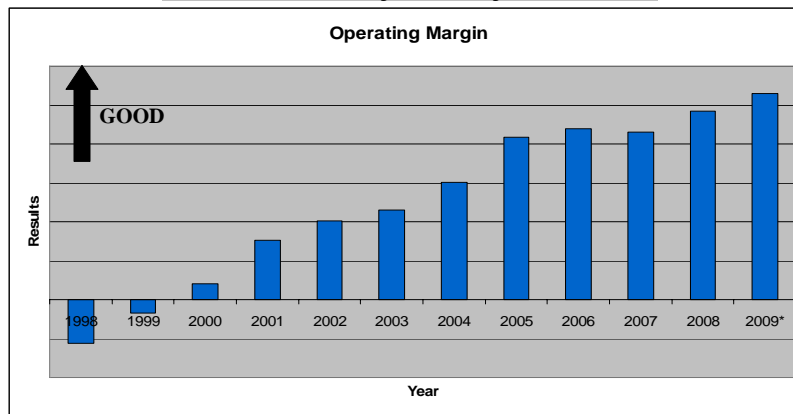
Revenue has increased by 4.2x in 10 yrs



## Satisfied Shareholders

### "The Sling Shot": Strong Profitable Growth

OM has increased by 13x in 9 yrs





## Recognition for Quality 'Building a Brand'

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- 2003 recipient of the Arizona Pioneer Award for Quality
- 2004 recipient of the Arizona Quality Alliance Showcase In Excellence Awards recognizing:
  - Customer Problem Resolution Process
  - Employee Survey Action Planning Process
- 2005 recipient of Arizona Governor's Award for Quality
- 2007 recipient of the Arizona Quality Alliance Showcase In Excellence Awards recognizing: Goal\$sharing
- 2004, 2005, & 2008 Best Places To Work
- 2007 (27<sup>th</sup>) & 2008 (17<sup>th</sup>) Top 50 Private Companies in Arizona

## Develop a Business Plan

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- Our business plan is called The RoadMap. It's one page front and back, and we share it with every employee, because we're all in it together.
- LSA/SQL's business plan is focused on the Critical Success Factors for our business: Employee Satisfaction, Customer Satisfaction, Quality, Process Excellence, and Market Strategy
- Each year, we develop business objectives and specific measurable targets for each of our 5 Critical Success Factors
- Measure everything that you do, because if you don't measure it, you can't manage it, and measures *drive* continuous improvement, performance, and competitive advantage
- To realize outstanding results, you must *align* and *engage* your employees with your business plan.

## Closing Thoughts

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- We accomplish alignment and engagement with our employee based incentive plan, which we call Goal\$sharing – the program has been recognized with a state quality award.
- In 2008, in the face of a severe economic recession, we experienced our best performance year ever, driving double digit growth in revenue, volume, and profitability.
- Great Companies give back . . . by supporting charitable organizations and community service.
- As part of the Senior Leadership Team’s development, the CEO requires each member to lead a major charitable event and/or participate on charitable boards

## Quote from Wyatt Earp

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Fast is fine, but accuracy is *everything*.



Thank You!

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***QUESTIONS?***