How Healthcare's Transformation Is Changing Lab Management:

Understanding the Tools and Resources that Will Make You Successful Today and Tomorrow

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We are living in
a world of change


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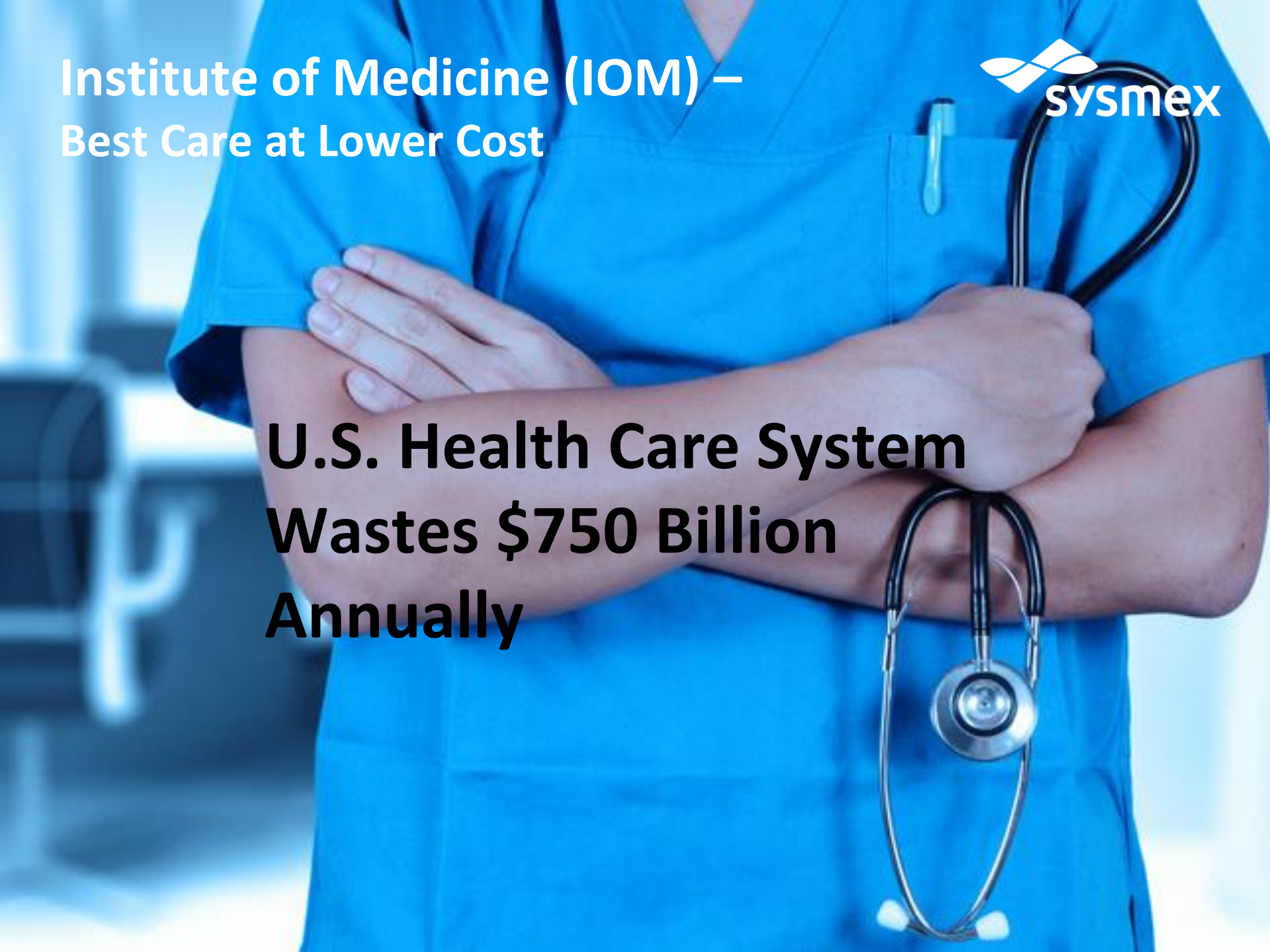
US Health Care needs to make transformational change to dramatically reduce costs while increasing the quality of our healthcare delivery.

Institute of Medicine (IOM) –
Best Care at Lower Cost

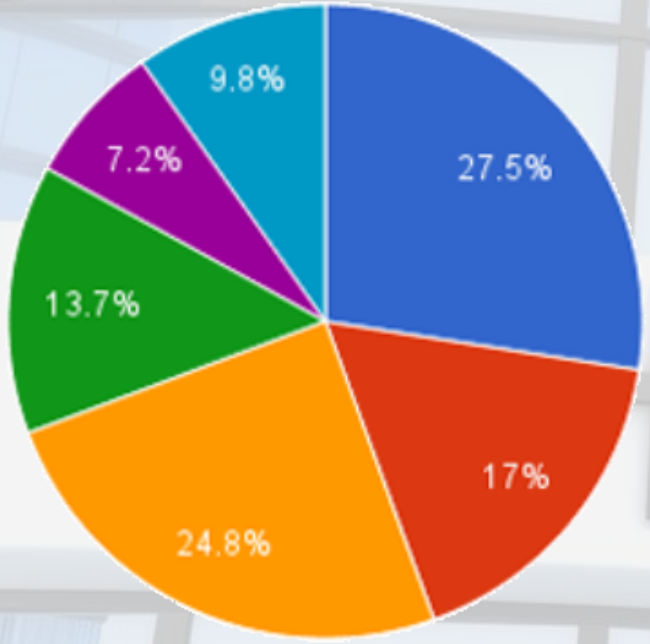


U.S. Health Care System Wastes $750 Billion Annually

Institute of Medicine (IOM)

Best Care at Lower Cost

U.S. Health-Care System Wastes $750 Billion Annually

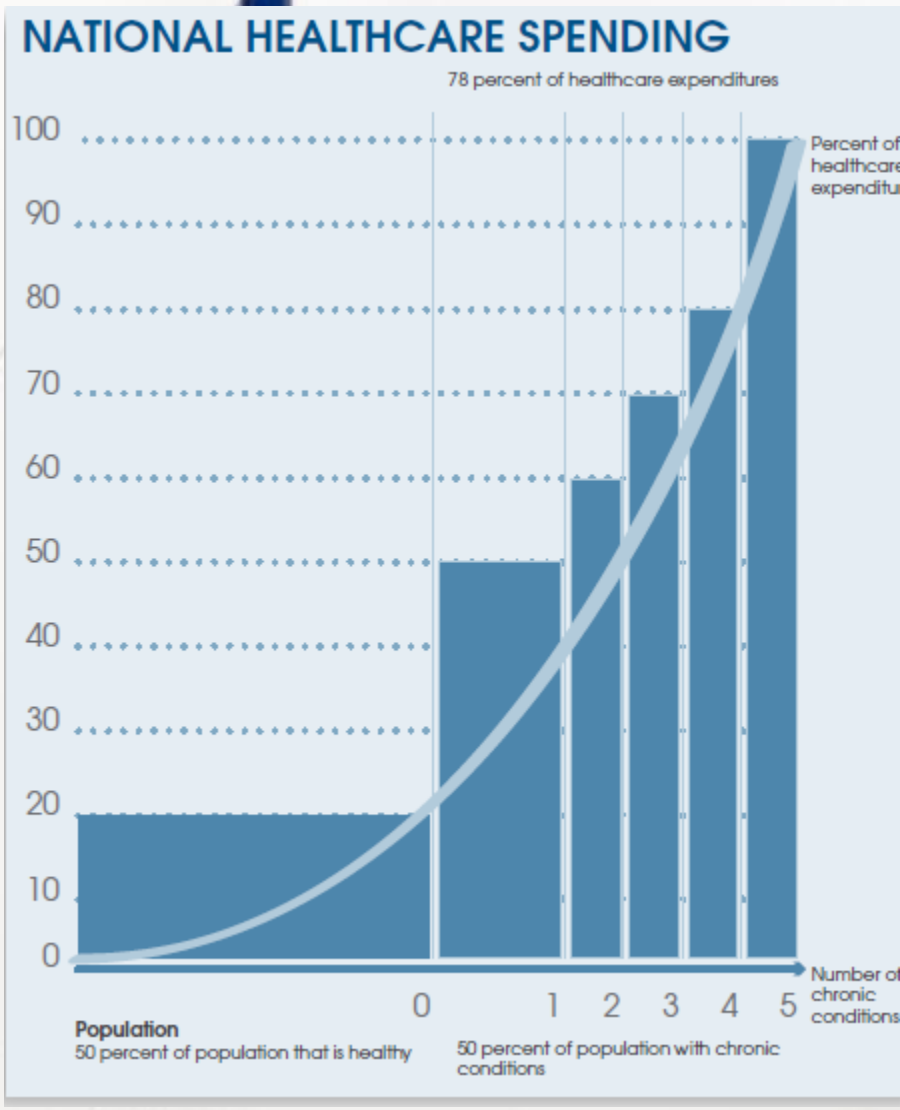


- Unnecessary services - $210 B
- Inefficient delivery of care - $130 B
- Excess administrative costs - $190 B
- Inflated prices - $105 B
- Prevention failures - $55 B
- Fraud - $75 B

Some overlap among the categories, the panel settled on an estimate of $750 B

Patients are living longer, but more patients are living with chronic conditions.

- Fifty percent of the population has been diagnosed with at least one chronic illness.
- Seventy-eight percent of all healthcare expenditures are directed toward patients with at least one chronic condition.

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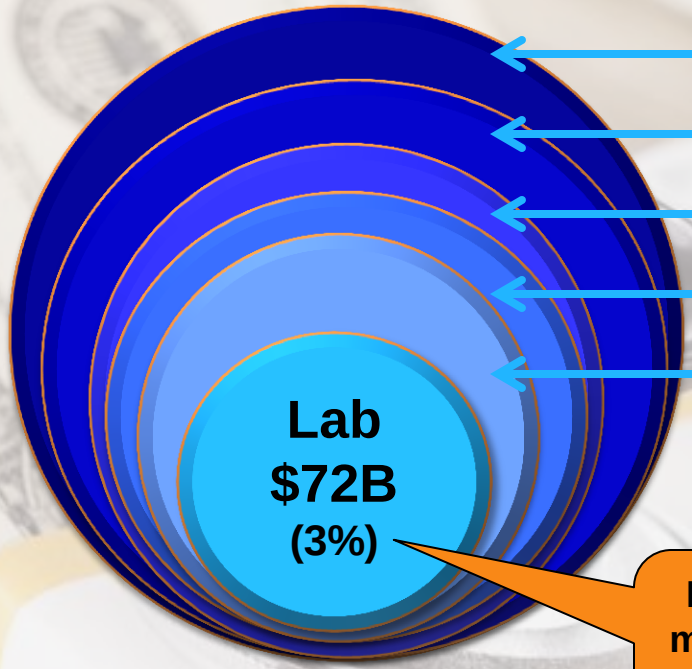
The Clinical Laboratory

Healthcare Spending - 2012

2012 Healthcare Expenditures $2.4T



- Hospital (36%)
- Professional Services (29%)
- Other (16%)
- Prescriptions (12%)
- Other Medical Products (4%)

Laboratory Testing makes up only 3% of health consumption expenditures

Lab testing attributes to 2 – 3% of the healthcare spend influences 70 – 80% of physician decisions.

Source: CMS, Thomson Reuters, Quest Diagnostics analysis

** Excludes healthcare expenditures related to administration (government and private), government funded public health activities, government-funded research, and investments in structures and equipment.*

The Role of Laboratory Medicine in Accountable Care Organizations

Joe Miles, MT(ASCP), MHS
Ronald L. Weiss, MD, MBA

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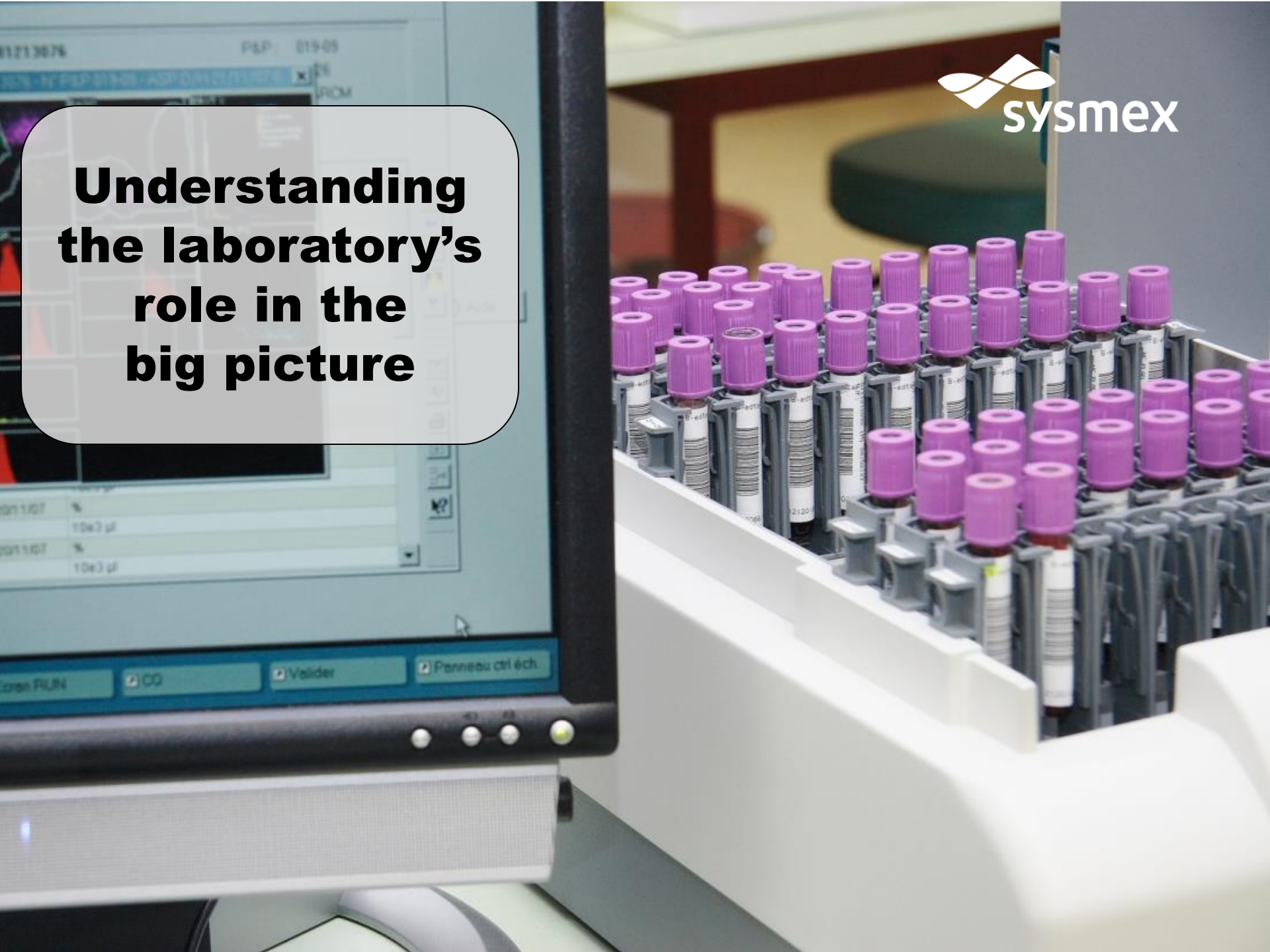
ARUP LABORATORIES

Lab Strategies that add value

1. Develop outreach
2. Build electronic connectivity solutions
3. Lean internal Laboratory processes
   - "One of the most important steps a lab can take…"
4. Develop utilization-management tools
5. Understand the laboratory's role in the big picture
   - Physician alignment strategy
   - Information technologies strategy


Understanding the laboratory's role in the big picture
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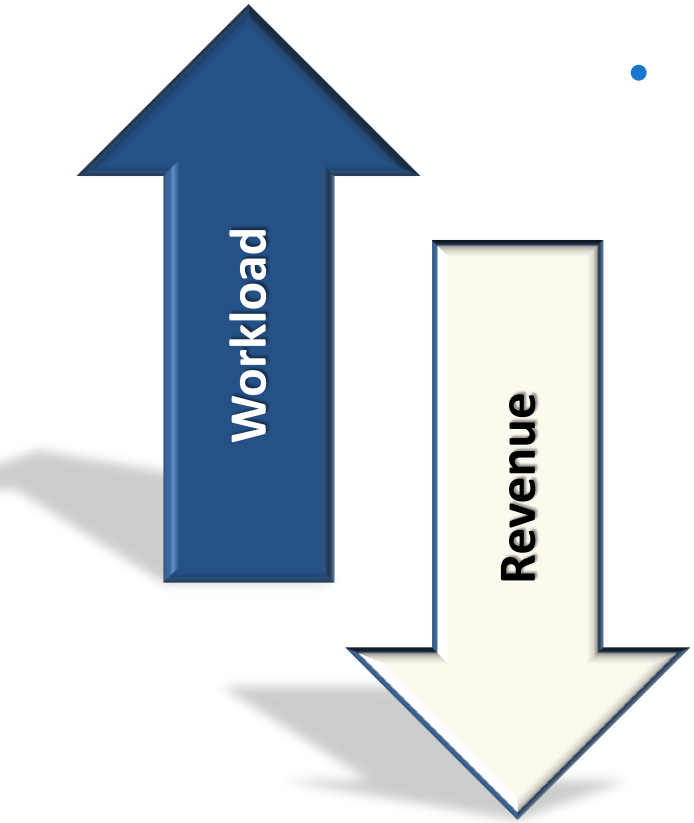
A Seat at the Table

CLARITY & ANSWERS

Cost - effective, high-quality care

So what's the big deal?



- Changes in health care have caused:
  - Decreased workload with greater decreased revenue
  - Survival of the fittest – best run labs
  - Consolidation of:
    - hospitals
    - laboratories
    - management
  - Wait and see what happens
  - Knee-jerk reactions

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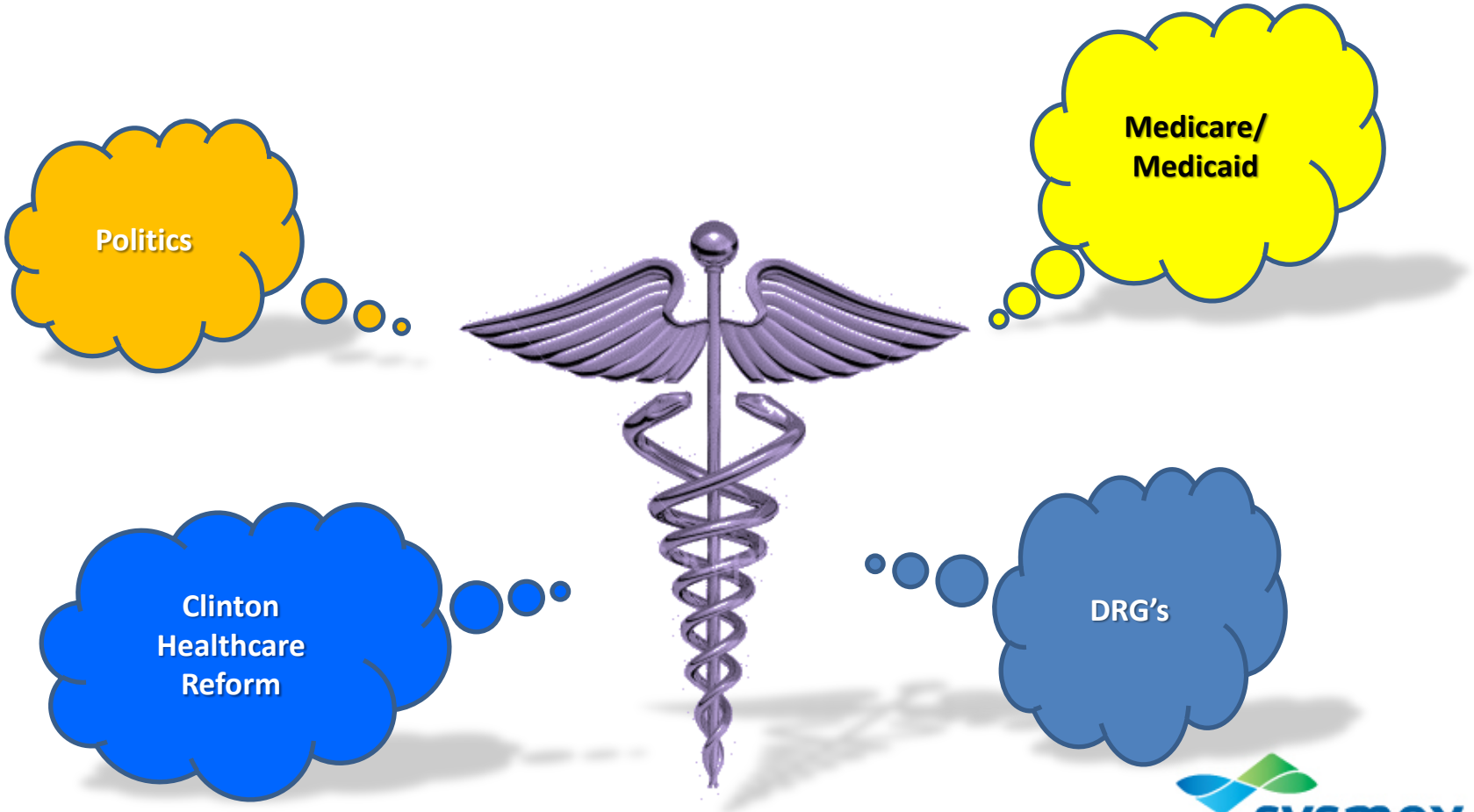
So what's the big deal?

We've gone through this before…



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What do you need to do?
Have a strategy (1 of 2)

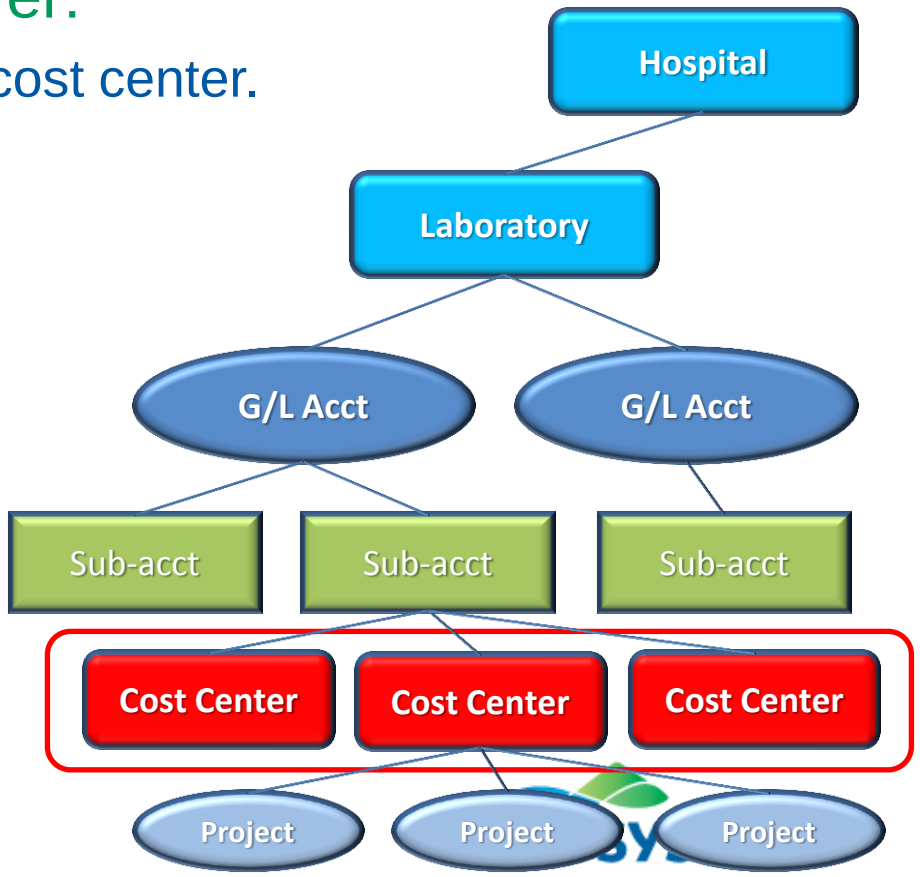
- Run your lab as a business that you own.
- Understand your expenses:
  - Micro-cost analysis
  - Utilization
  - Payer mix
- Be prepared – you are in the lab because
  - you understand how to collect and interpret data.

What do you need to do?
Have a strategy (2 of 2)

- Use outside sources for information:
  - Lab/hospital management media
    - Dark Report, CAP Today, Advance, MLO, Laboratory Industry Report
  - Vendors – especially corporate account executives
  - Consultants will cost you.
    - What has been their success rate?
  - Modeling after other labs:
    - Risky, since each lab is not the same

What do you need to do?
Develop a Tactical Approach (1 of 2)

- Hospital Management sees the lab as a cost center.
- You are a cost center, however:
  - You are a revenue generating cost center.
  - Don't lose sight of this.
- Do you have a production lab model or a coverage lab model?
  - Production models achieve 85% productivity measures – 8-16/5-6/260
  - Coverage models achieve 40% at best – 24/7/365



What do you need to do?
Develop a Tactical Approach (2 of 2)

- Need to understand hospital / IHN 2, 5 and 10 year plans
  - How does this impact the lab?
    - Expand, remain the same, decline
  - Was a true market analysis performed?
    - Hospital VPs, CFO, and above
- Risk Assessment
  - MT's in short supply
  - How can we meet service level demands with declining technical staff?
  - How do we grow with less staff?
  - What are the limitations of my current physical plant?

Supervisor/Lead Tech

Technical Competencies

- Strong technology background
- May be ASCP specialist
- Subject matter expert on procedures and instrumentation
- Generally 2 – 5 years of lab background
- Understands regulatory compliance
  - Proficiency Testing
  - Daily QC

Operational Competencies

- Day-to-day / minute-to-minute operation
- Interacts with end-users of data/information

Managerial Competencies

- Staffing / scheduling
- Participate in capital & staffing decisions
- May hire
- May do performance reviews

Usually strong in one to two disciplines

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Manager

Technical Competencies

- Strong technology background
- May be ASCP specialist
- Subject matter expert
- Short term (3-6 mo.) to Long term (5 yr)
- Generally 5 – 7 years of lab background
- Understands regulatory compliance
  - Proficiency Testing – handles failures
  - Daily QC m- reports monthlyQA

Operational Competencies

- Day-to-day / minute-to-minute operation – concern is with 'problems'
- Interacts with end-users of data/information

Managerial Competencies

- Has one or more supervisors as direct reports
- Staffing problems / HR issues
- Gathers technical & financial data for planning
- Hires & may terminate
- Does performance reviews
- Interacts with other managers and departments
- May have signature authority

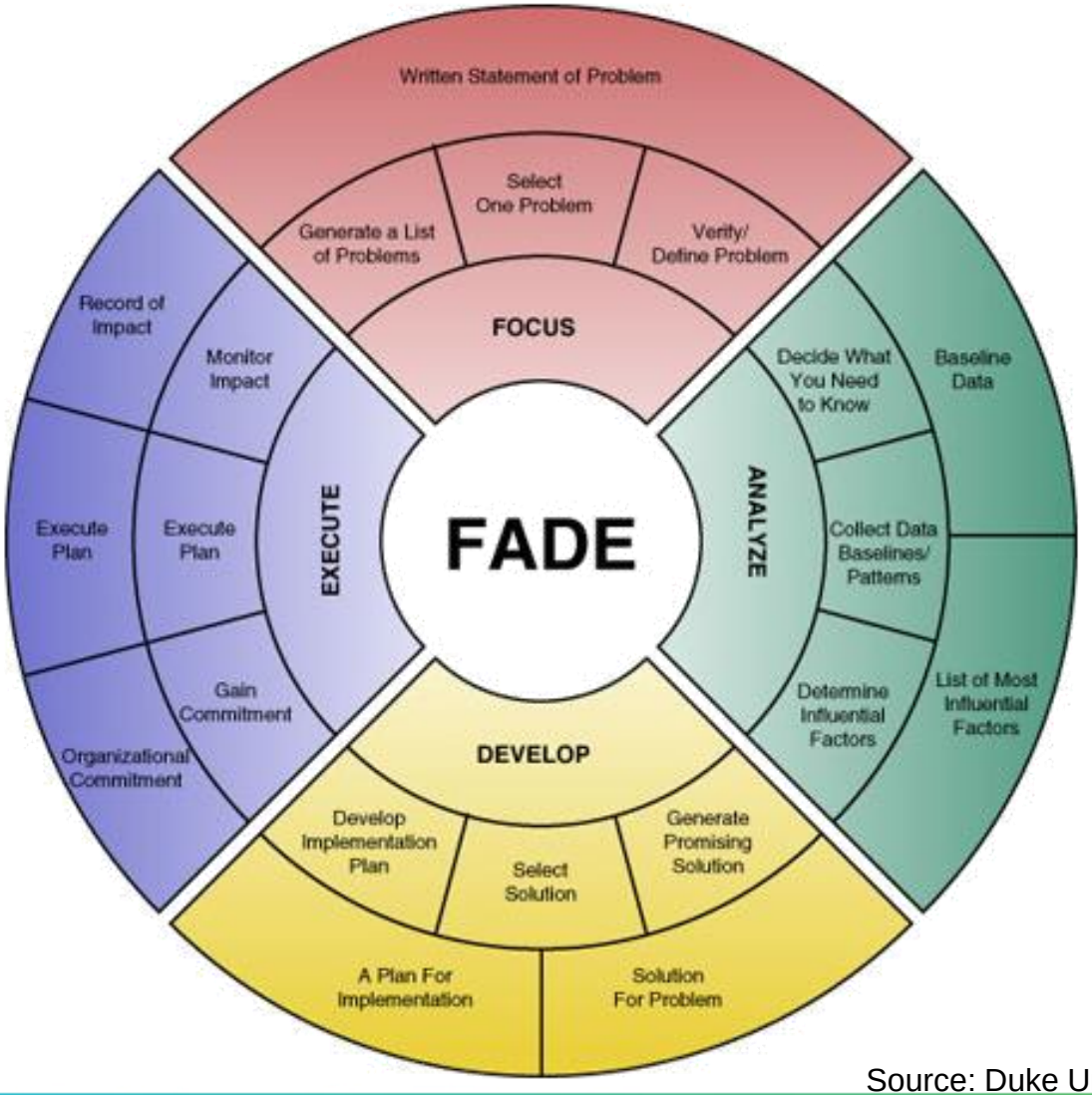
Has one or more supervisors as direct reports

Director

Technical Competencies	Operational Competencies	Managerial Competencies
• Strong technology/Management background • May be ASCP specialist • Generally 7 +years of lab background • Understands regulatory compliance - Utilizes continuous process improvement (CPI) through Total Quality Management (TQM) • Proficiency Testing – reports risk assessment to hospital administration • QA – error reduction – may use six sigma and lean practices	• Concern with problems and focusing on improvement	• Staffing development & retention • Hires & may terminate • Does performance reviews • Interacts with other managers and departments • Handles short term problems across system • Long range planning – business plans, op's strategy, ROI, P&L

Has one or more managers as direct reports

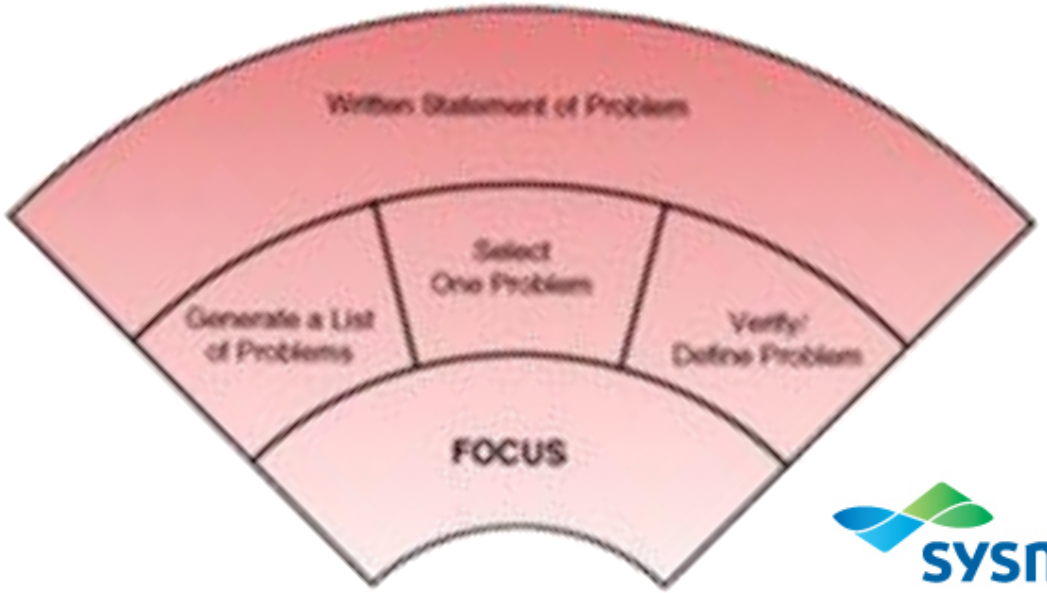
F.A.D.E. Method



Source: Duke University Medical Center

F.A.D.E Method *p. 1 of 4*

- Focus – define your goal
  - Example – develop an outreach program – your strategy
  - Example – develop a core lab - your strategy



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F.A.D.E Method *p. 2 of 4*

- Analyze – What it takes to reach your goal
  - Perform a SWOT analysis
    - Strengths – Name, space, operating costs, staff, TAT, location, community, IT, logistics
    - Weaknesses – Name, space, operating costs, staff, TAT, location, community, IT, logistics
    - Opportunities – better TAT, courier service, marketing
    - Threats – competition, mergers, acquisitions
  - Will this generate revenue?
    - **Need to understand a Profit and Loss statement**
    - **What is the projects ROI?**
    - **Are there other options**?
  - Will this reduce cost?
    - **Are there short term expenses to achieve long term savings?**
    - **Is labor reduction out of the question?**
    - **Are there other options?**

F.A.D.E. Method *p. 2 of 4*

- Develop – necessary steps to achieve goals
  - Must be time-bound
    - If the project drags on you lose:
      - Enthusiasm
      - Support
      - Savings
    - Be realistic – use SWOT analysis to help.
  - Must be a flexible plan
    - You only know what you know.
    - Alternative pathways will allow you to keep the project on time.

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F.A.D.E. Method *p. 2 of 4*

- Execute – follow the plan
  - Use a project manager
    - Gantt chart
    - Necessary skills to bridge multiple entities involved in the project
  - Provide the necessary resources
    - Committed staff
    - Funding

F.A.D.E. Method

- Additional Steps
  - Measure success, or ‘lack of’
    - Without measuring your outcome, how do you know you where successful?
    - If the project isn’t as successful, go back and analyze the data, develop an alternative pathway, and execute it.
  - Celebrate
    - Reward those who have vested the time and effort.
    - Let others know – promote your success.
    - Use this success to build on future changes.

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THANK YOU
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