

# WhitePaper

## 3 Critical Rules for Surviving in 2017

### Your Medical Laboratory's Guide to Thriving in Today's Healthcare Landscape

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## Introduction

*A renewed dependence on technology means that it's now easier than ever for clinical laboratories and anatomic pathology groups to unlock the power of this data and in turn embrace the "new rules" for survival.*

It is no surprise that healthcare is in a state of flux. 2016 was a year of ongoing change, and there is more pressure than ever on the industry to meet the demands of savvy consumers while balancing new regulations. For clinical laboratories and anatomic pathology groups, these changes have resulted in an overwhelming need to do more with less while finding new ways to grow.

The simple facts are that:

- According to *Modern Healthcare*, new CMS rules may cut almost \$5.4 billion in Medicare lab test fees over the next 20 years.
- The Protecting Access to Medicare Act (PAMA) and Medicare Access and CHIP Reauthorization Act (MACRA) will further drive down clinical lab test prices and professional component reimbursement for pathologists.

With less revenue coming from reimbursements and more consumers footing the bill for diagnostic testing, counterbalancing lost revenue while better serving providers and patients is not optional – it is a must. The good news is that the typical medical laboratory houses an abundance of clinical and business data that will be the foundation for clinical success in 2017 and beyond.

A renewed dependence on technology and informatics means that it's now easier than ever for clinical labs to unlock the power of this data, and in turn, embrace the "new rules" for survival. This Whitepaper explores three critical rules innovative medical laboratories must take into account to combat these drastic changes and take proactive steps to thrive in 2017 and beyond.

## Rule #1:

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# Cutting Costs by Precisely Understanding Workflows

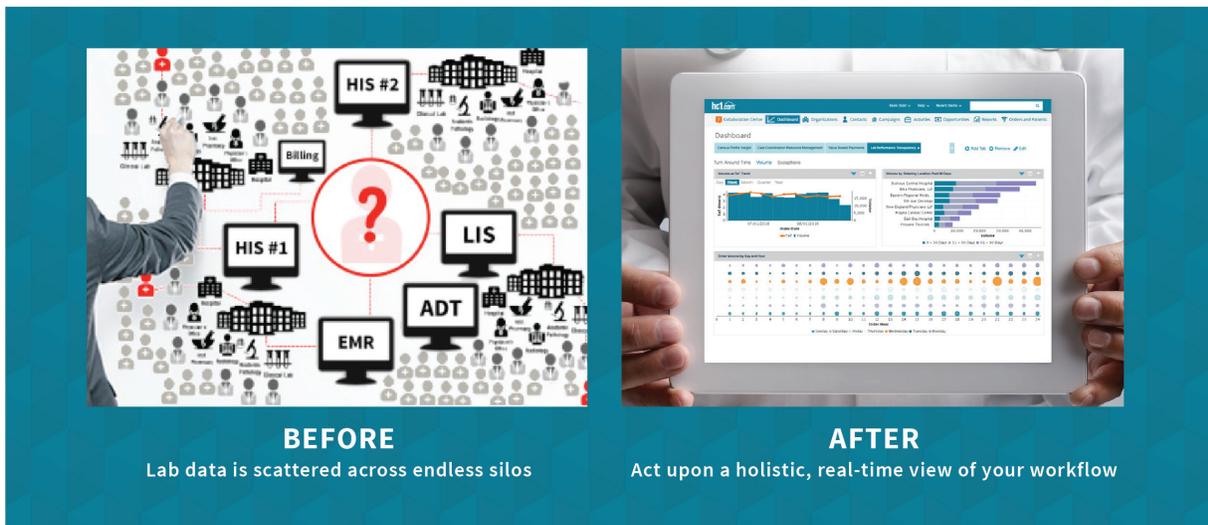
*The new rule for cost cutting requires medical labs to understand their workflows in minute detail in order to identify precisely where changes need to be made.*

While it's easy to jump the gun on cost-cutting by blindly laying off FTE's, these types of 'quick fixes' often backfire, creating service issues that only exacerbate underlying problems.

The new rule for cost cutting requires medical labs to understand their workflows in minute detail to identify precisely where changes need to be made. For today's clinical labs, so much time is spent gathering data, receiving incoming calls, and searching through paper records that it often times becomes difficult to make it to actual operational tasks.

Additionally, while a medical laboratory may already employ several software systems such as LIS, billing, and case tracking solutions, the challenge lies in unifying this data to uncover trends and identify opportunities to improve in real-time.

For example, tracking the laboratory's workload volume and turnaround times by the hour and day of the week allows lab directors to accurately visualize the busiest times for business. Staffing directors can then use this data to increase FTEs during peak hours or when turnaround times are lacking. Rearranging FTE hours streamlines internal processes within the lab and increases efficiency across the entire team.

**BEFORE**

Lab data is scattered across endless silos

**AFTER**

Act upon a holistic, real-time view of your workflow

Lab-specific CRM solutions make it possible for clinical laboratories to:

- Integrate various data – including both clinical and business data – into a single location.
- Automate and streamline everyday internal processes.
- Quickly visualize where operational breakdowns are occurring.

By pinpointing specific areas of improvement and focus, more can be accomplished and with fewer resources. If, in fact, a medical laboratory sees that overstaffing occurs or that redundant work is taking place, informed staffing decisions can be executed rather than blind guesswork.

### Real-World Example: How a Leading Clinical Lab Overhauled Workflows and Reduced Issue Resolution Time by 60%

At a midwest leading clinical laboratory, critical and urgent test reporting was spread across ten separate laboratory campuses, resulting in communication silos. Laboratory leaders knew the only way to decrease turnaround time and shorten issue-resolution time was to optimize critical workflows across the entire organization.

- **Before:** Disconnected test reporting throughout the entire Clinical Laboratory organization resulted in time-consuming issue management processes and follow up.
- **After:** By streamlining these processes into a lab-specific CRM platform, the clinic's laboratories have decreased single case resolution from an average of 15 hours to just 5 hours with the added benefit of increased transparency, accuracy and compliance across all locations.

## Rule #2:

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# Automating Quality & Utilization Management

*Rather than relying on time-consuming, manual processes in order to understand lagging KPI's, a lab-specific CRM can automatically translate data into insight and trends that are available via real-time dashboards.*

CLIA-certified labs are not strangers to the ongoing quality inspections required to remain in operation. It is not uncommon for medical laboratories to shut down any initiatives outside of its core testing processes for a few months prior to an inspection in order to gather and report on key performance indicators (KPIs).

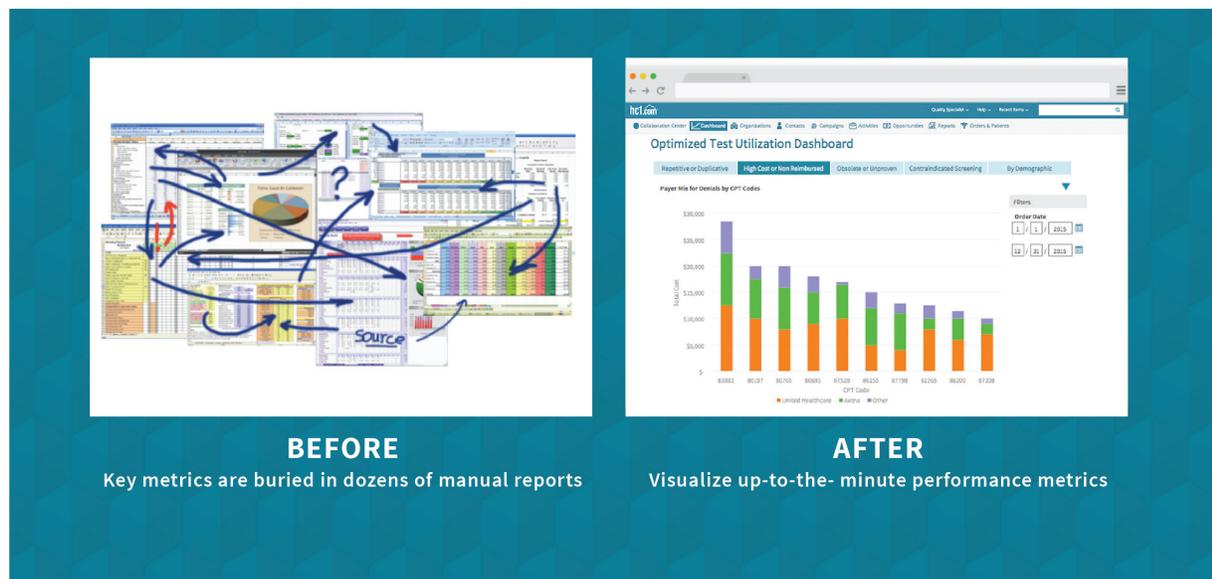
Bottlenecks often occur when IT resources or analysts are called in to sift through the immense amounts of data produced by labs as they try to develop usable reports and metrics.

These 'hindsight' metrics often include:

- Total number of resolved customer issues
- Average time-to-resolution
- Overall policy adherence
- Clearly documented defect occurrences

Rather than relying on time-consuming, manual processes in order to understand lagging KPI's, a lab-specific CRM can automatically translate data into insight and trends that are available via real-time dashboards. This helps lab staff rapidly identify problems. Additionally, it is now possible to take immediate action based on findings. Those actions can then be tracked within the lab-specific CRM so that all stakeholders are able to view exactly what steps are being taken to tackle the issue.

The benefit is that, instead of sifting through large data files or stagnant Excel sheets, quality managers can quickly export real-time trend reports. These dashboards can help clinical laboratories and anatomic pathology groups streamline documentation processes across departments, proactively track issues and red flag events, and increase efficiency and productivity. Labs are now armed with the data necessary to prepare for, and pass, regulatory events or inspections — without needing to put other aspects of business on hold.



Another significant aspect of quality is reducing operational waste. According to *Harvard Business Review*, clinical waste accounted for over 14% of total healthcare spending in 2015 — spending that could be easily reduced with cost-effective processes or procedures. Utilization is a strategy that many clinical labs know they should embrace but are unsure where to start.

Utilization practices measure over-utilized, under-utilized, antiquated, or unreimbursed tests to guide labs and their ordering physicians towards new ordering practices. This helps cut back on sub-optimal ordering, while making it easier to deliver the right test to the right patient at the right time.

For example, test and blood utilization practices can have a dramatic impact on the overall patient experience. When patients have to be called in multiple times for multiple tests and draws, the patient sentiment drops. Using real-time utilization insight, laboratories can raise patient sentiment by educating providers on an individual level, while helping to establish themselves as an accredited, valued partner to physician clients.

### **Real-World Example: How Sonora Quest Laboratories Eliminated Four Hours each Day in Performance Tasks While Optimizing Utilization Practices**

For Sonora Quest Laboratories (SQL), located in Tempe, Arizona, lab leaders knew that in order to provide the highest level of service to their clients they had to embrace new business practices.

*With automated processes and procedures in place, clinical laboratories can finally focus on critical quality checks and important workflows.*

- **Before:** Data had to be manually entered, retrieved, analyzed, and distributed across multiple platforms and solutions — resulting in hours of work. Clients were ordering duplicate tests and stand-alone assays instead of pre-defined screens, resulting in high volumes of under-reimbursed tests.
- **After:** SQL ingested multiple data sources into their healthcare-specific CRM which then create detailed, real-time dashboards. This visibility enabled SQL to reduce the labor necessary to pull their daily performance report from five hours a day to just 45 minutes a day, increasing overall employee efficiency by 85%. These holistic dashboards were also instrumental in tracking provider ordering patterns and utilization metrics. SQL was able to identify providers with the highest under-reimbursed test volume and work with these accounts individually to educate them on more cost-effective test ordering processes. This increased the revenue SQL collected from these claims.

With automated processes and procedures in place, medical laboratories can finally focus on critical quality checks and important workflows. With sophisticated test utilization measures in place, labs can truly establish themselves as credible partners to their physician and patient clients.

## Rule #3:

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# Maximizing Reimbursements with Data-backed Insight

*Many clinical labs now know exactly which tests will never be reimbursed.*

There are two ways medical laboratories can approach declining reimbursement rates:

1. Watch helplessly while trying to reactively build a client base or patch holes in faulty processes.
2. Proactively use data-backed analytics to maximize the reimbursements coming in from existing accounts.

Sometimes it seems as though insurance payers spend a majority of their time figuring out how not to pay for tests. Many labs now know exactly which tests will never be reimbursed. So why do some labs still let their providers order these tests?

Maximizing reimbursements for clinical lab test claims is possible by:

- Visualizing metrics such as overall reimbursed test volume, which physicians are ordering which tests, and the frequency of unreimbursed tests. A lab-specific CRM can bring this data to life and represent it using real-time analytics and dashboards.
- Communicating with and educating providers around which lab tests to order in which situations, effectively eliminating unreimbursed tests.
- Flagging errors in real-time and assigning actionable follow-up so the appropriate lab stakeholder can intervene before it's too late.

**BEFORE**

Disconnect between tests ordered and reimbursements

**AFTER**

See exactly where to impact provider behavior and boost reimbursement rates

Sometimes the problem may lie with incorrect coding or labeling of tests. This is a quick fix, but only if the error is caught early on. Clinical labs can leverage analytics to automatically flag critical errors that need attention. This gives lab employees the resources necessary to quickly reach out to physicians, explain the problem, and come to a resolution.

Another area where reimbursements can be recovered is genetic testing. Modern genetic tests are notoriously expensive and, although they uncover an amazing amount of patient and genomic data, these tests influence treatment plans very little. It's easy for physicians to accidentally fall into the habit of ordering these high-cost tests as a 'catch all' option, and labs can use this knowledge to establish themselves as value-based consultative partners to their physician clients.

### Real-World Example: How Incyte Diagnostics Increased Reimbursement Rates By Leveraging Data-Backed Reports

Decision makers at Incyte Diagnostics, a leading clinical pathology laboratory based in Spokane, WA, realized that the only way to proactively combat nation-wide reductions in reimbursement rates was to proactively put ordering and reimbursement data into the payers' hands.

*The key for any medical lab seeking to maximize reimbursements is to be proactive, not reactive.*

- **Before:** Ordering physicians were sending unnecessary, antiquated tests that were costing the pathology laboratory – and the physicians – an immense amount of money.
- **After:** Incyte used the actionable reports housed in their healthcare-specific CRM to identify areas of overutilization. Reps worked directly with ordering physicians to train and educate on new, efficient ordering processes. Armed with data and documentation, Incyte delivered up-to-the-moment reports outlining this training and education to their top payors. Incyte's insurance providers worked directly with the internal team to retroactively authorize reimbursements and payments – creating a new process for reimbursements across the entire lab.

The key for any medical lab seeking to maximize reimbursements is to be proactive, not reactive. Labs now have the technology and informative tools available to instantly identify where errors or areas of missed opportunity are occurring and take action accordingly.

## Final Thoughts

*The right technology is a critical aspect of the success equation for every clinical lab and pathology group.*

As medical laboratories look for ways to grow and thrive in 2017, these 'new rules' are the foundation for building a profitable business that is capable of operating at the highest level. While reimbursement slashes and government regulations continue to create an upward battle for clinical and pathology labs, it is possible to make it through to the other side by using real-time knowledge to build stronger provider relationships.

Cutting costs, automating internal quality processes, and maximizing incoming reimbursements are all ways labs can take proactive steps in the right direction. The right technology is a critical aspect of the success equation for every clinical lab and pathology group. Lab-specific CRM enables each department to take the guesswork out of decision-making.

You can continue reading how the midwest clinic, Sonora Quest, and Incyte Dx have all started down this road to success at <https://www.hcl.com/resources/case-studies/>.

# Appendices

## A-1

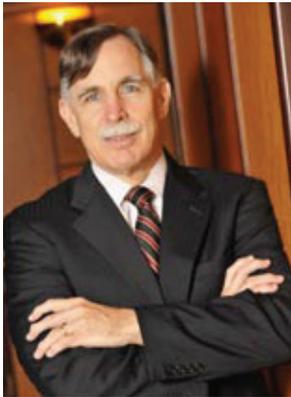
### About hcl.com

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## A-2

### About Robert L. Michel, Editor



Robert L. Michel is a respected commentator, consultant, author, editor, speaker, and entrepreneur. He is a leading expert on the management of clinical laboratories and anatomic pathology group practices.

Michel is Editor-In-Chief of *The Dark Report* and President of The Dark Intelligence Group, Inc. Over the past three decades, he has provided strategic and tactical management services to a wide variety of companies, ranging from Fortune 100 firms like Procter & Gamble and Financial Corp. of America to leading laboratories ranging from Nichols Institute to hospital and health system laboratory organizations. He has a special talent for spotting new business opportunities in clinical diagnostics and identifying winning strategies to pursue them.

Some of his current and past clients include: Meridia Health System (Cleveland, OH), PACLAB Regional Laboratory Network (Seattle, WA), Consultants in Laboratory Medicine (Toledo, OH), PAML, Inc.(Spokane, WA), UMASS Healthcare Reference Laboratories (Worcester, MA), Ortho-Clinical Diagnostics (Raritan, NJ), Pathology Service Associates (Florence, SC), DIANON Systems, Inc, (Stratford, CT), Beaumont Health System (Detroit, MI), MedTox Laboratories, Inc. (St. Paul, MN), Joint Venture Hospital Laboratory Network (Detroit, MI), Bayer Diagnostics (Tarrytown, NY), Bio-Reference Laboratories, Inc. (Elmwood Park, NJ), Specialty Laboratories, Inc., (Santa Monica, CA), National Health Service-Pathology Services (London, England), Doctor's Laboratory (Valdosta, GA), Sysmex Corporation (Mundelein, IL), Pathologist's Medical Laboratory (La Jolla, CA), Abbott Laboratories (Abbott Park, IL), St. John Clinical Laboratory Pathology Laboratory (Detroit, MI), Esoterix, Inc.(Austin, TX), Beckman Coulter Corporation (Fullerton, CA), Health Care Systems, Johnson & Johnson (Atlanta, GA), ARUP Laboratories, Inc. (Salt Lake City, UT), Institute for Quality in Laboratory Medicine (Atlanta, GA), and American Society of Clinical Pathology (ASCP-Chicago, IL).

## A-3

### About DARK Daily

*Dark Daily is a concise e-news/management briefing on timely topics in clinical laboratory and anatomic pathology group management. It is a solution to the dilemma facing anyone in the laboratory profession.*

DARK Daily is a concise e-news/management briefing on timely topics in clinical laboratory and anatomic pathology group management. It is a solution to the dilemma facing anyone in the laboratory profession. New developments, new technology, and changing healthcare trends make it imperative to stay informed to be successful. At the same time, the Internet, cell phones, Blackberries, laptop computers and wireless devices are overwhelming any one individual's ability to absorb this crushing Tsunami of data.

DARK Daily is a quick-to-read, easy-to-understand alert on some key development in laboratory medicine and laboratory management. It has no counterpart in the lab world. Why? Because it is produced and written by the experts at THE DARK REPORT and The Dark Intelligence Group, who know your world, understand your needs and provide you with concise, processed intelligence on only those topics that are most important to you!

You will find DARK Daily to also be an exceptionally valuable resource in laboratory and pathology management. Some of the lab industry's keenest minds and most effective experts offering their knowledge, their insights and their recommendations on winning strategies and management methods. Many of these experts are unknown to most lab directors. As has proven true with THE DARK REPORT for more than a decade, DARK Daily serves as your invaluable—and unmatched—resource, giving you access to the knowledge and experience of these accomplished lab industry professionals.

## A-4

### About The Dark Intelligence Group, Inc. and THE DARK REPORT

*Membership is highly-prized by the lab industry's leaders and early adopters. It allows them to share innovations and new knowledge in a confidential, non-competitive manner.*

The Dark Intelligence Group, Inc., is a unique intelligence service, dedicated to providing high-level business, management and market trend analysis to laboratory CEOs, COOs, CFOs, pathologists and senior-level lab industry executives. Membership is highly-prized by the lab industry's leaders and early adopters. It allows them to share innovations and new knowledge in a confidential, non-competitive manner. This gives them first access to new knowledge, along with the expertise they can tap to keep their laboratory or pathology organization at the razor's edge of top performance.

It offers qualified lab executives, pathologists and industry vendors a rich store of knowledge, expertise and resources that are unavailable elsewhere. Since its founding in 1996, The Dark Intelligence Group and THE DARK REPORT have played instrumental roles in supporting the success of some of the nation's best-performing, most profitable laboratory organizations.

The Dark Intelligence Group (TDIG) is headquartered in Austin, Texas. This location makes it very accessible for any laboratory organization seeking input, insight and support in developing their business operations, creating effective business strategies and crafting effective sales and marketing programs that consistently generate new volumes of specimens and increasing new profits. The Dark Intelligence Group, Inc. owns and operates two Web sites in the TDIG Website network:



<http://www.DarkReport.com>



<http://www.DarkDaily.com>

## A-5

### About the *Executive War College* on *Laboratory and Pathology Management*

Every spring since 1996, the lab industry's best and brightest gather at the *Executive War College on Laboratory and Pathology Management* to learn, to share and to network. Many consider it to be the premier source of innovation and excellence in laboratory and pathology management.

Each year, a carefully selected line-up of laboratory leaders and innovators tell the story of how their laboratories are solving problems, tackling the toughest challenges in lab medicine and seizing opportunities to improve clinical care and boost financial performance. The *Executive War College* is the place to get practical advice and solutions for the toughest lab management challenges. A unique case study format brings participants face-to-face with their most successful peers. They tell, first hand, how their laboratory solved intractable problems and successfully used new technology.

Many lab management secrets are shared, along with specific "what-not-to-do's" gained from hard-won experience! It's not pie-in-the-sky theory, but useful knowledge that can be put to use in any lab. The *Executive War College* offers superlative networking, with lab administrators and pathologists attending from countries as far away as the United Kingdom, Germany, Brazil and Australia. It makes the *Executive War College* a melting pot for all the best ideas, new lab technologies and management strategies now reshaping the laboratory industry. It's also become a recruiting ground used by headhunters and major lab organizations.

In the United Kingdom, The Dark Intelligence Group and the Association of Clinical Biochemists (ACB) have co-produced a meeting every February since 2003. Known as *Frontiers in Laboratory Medicine* (FiLM), it attracts laboratory leaders and innovators in the United Kingdom. Also featuring a case study format, this meeting pioneered the international laboratory side-by-side case study, where a North American laboratory and a United Kingdom laboratory prepare a comparison of best practices and an operational assessment of their two organizations.

In September 2005, a laboratory management meeting called *Executive Edge* was conducted in Toronto, Ontario, Canada, by The Dark Intelligence Group and QSE Consulting. It provided pathologists and lab directors in Canada with a customized meeting devoted to the strategic and operational issues of laboratory management in Canada.









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