Taking Back Control of Reference and Send-out Laboratory Testing Costs: Bay State’s Success Story

Executive War College
New Orleans, LA; April 27, 2010

Presenters:
Sharon Scott, Manager, Referral Testing & Special Contracts (BRL)
Jason Newmark, Director, Diagnostic Services (Baystate Health)

AGENDA

I. Overview
II. Strategies to Manage Costs
III. Sharing of Results
IV. Next Steps
V. Lessons Learned and Keys to Success
I. **Overview**

### A. Baystate Health and Baystate Reference Laboratories

**Baystate Health (BH):**
- 3 Hospital Integrated Delivery Network
- Mary Lane Hospital / Franklin Medical Center / Baystate Medical Center
- 800 – 950 Beds

**Baystate Medical Center (BMC):**
- Academic ‘Mothership’
- Western Campus of Tufts University School of Medicine
- Only Level I Trauma Center in region
- ~250-300 residents & fellows

**Baystate Reference Laboratories (BRL) / Laboratory Network:**
- >4.5 Million Billable Tests/Yr
- Approx 65% of volume external to hospital (Outreach)
- 480 FTE’s, >600 people
- 2300 MD’s Serviced
- 26 Patient Service Centers

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I. **Overview**

### B. A “Snapshot” of Historical Expenses

#### Analysis of 2007/2008 Statistics

**Key Statistics**
- Referral Testing Volume: 147,200 billable tests
- Outpatient/Outreach: 88% of referral volume
- Total 2007 send-out cost: $5,243,281
- 2008 estimated to be: $4,747,348
- 2008 actual spend: $5,262,794
- Average cost/send out: $35.75/test

**Other Key Findings**
- Utilized over 40 Reference Laboratories (later count was 124)
- 20 highest volume send-out tests resulted in a $518,925 loss
- Top 20 tests with greatest cost to reimbursement difference resulted in $747,098 loss
- 20 most expensive tests resulted in a $193,111 loss
II. STRATEGIES TO MANAGE COSTS

- Strategic Goal and Team Members -

**STRATEGIC GOAL**
Reduce send-out testing operating expense margin by 10%, or $440,000

**Sponsor:** VP, Medical/Diagnostic Services

**Champion:** Acting Director, Pathology

**Process Owner:** Dedicated Referral Testing Manager

**Subject Matter Experts:**
- Compliance & CDM
- Manager, Special Functions Labs
- BMLH / BFMC Liaison
- Technical staff from key service lines
- Pathology IT
- Registration and Accessioning
- Quality

**Ad Hoc:**
- Clinical Leadership – Utilization
- Purchasing and Financial Analysis
- Contracting (Managed Care)
II. Strategies to Manage Costs
- Our “Top 8” -

There are several ways to address your lab’s reference lab expenses, however, we suggest focusing on the following 8 strategies:

1. Utilization of Lean Concepts to quickly identify causes, effects and solutions
2. CPT/CDM Review
3. “Hot-List” Review
4. Fee Schedule Negotiation
5. 3rd Party Billing
6. Utilization Review/Management of Non-test menu test ordering practices
7. Make vs. Buy Analyses
8. Reference Lab Consolidation

II. Strategies to Manage Escalating Costs
- Process Flow Mapping -

Finding: Send-out testing process was not standardized across the system; many potential opportunities for improvement.
II. Strategies to Manage Costs
- Analyzing Cause and Effect -

1. Lack of management oversight of referral testing process (e.g., centralized contract review & repository)
2. “Fend for yourself” testing oversight (service lines managing send-outs differently and with lack of communication and/or standardized processes)
3. Poor coordination of reference lab CDM vs. CPT Codes
4. Lack of contracted pricing with Reference Labs
5. Questionable accuracy for CPT coding
6. Insufficient test utilization management
7. Presence of standing purchase orders vs. contracts
8. Silo mentality and poor collaboration across 3 hospitals

Key findings from cause and effect evaluation:

- Reporting results from different services at different times
- Answering calls from the office about test TAT
- Manual entry or scanning of SOX test results or reports
- Constant interfacing with SOX labs to get needs met
- Decentralized bill verification
- Coordination of CDM vs. LHS vs Ref Lab (maintaining 3 CDM’s vs. 1 CDM)
- Manual validation of test sent out to verify charge
- Problems when AP does not pay

Test Ordering/Utilization: Ordering of unnecessary tests; Who gets keep? (e.g., centralized contract review & repository)

Test Results: Duplicate tests sent out (HICM sent by HCRM & BFMQ)

Billing & Compliance: Miss test codes; Analyzing cause and effect

Test Handling: Increased send out costs

Management Oversight: Key findings from cause and effect evaluation
## II. Strategies to Manage Costs

### CPT/CDM Review

- **Finding**
  - $518,925 operating loss

### Top 20

#### Volume “Losers”

Largest send-out volumes with reimbursement losses

<table>
<thead>
<tr>
<th>TEST NAME CPT CODE</th>
<th>2008 CPT Loss/Gain Per Test Medicare</th>
<th>Total Loss/Gain Medicare</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANTI BOD Y B AC T. STREP. PNEUMO</td>
<td>86217</td>
<td>$910.84</td>
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<tr>
<td>TAY-SAC H MOL DX L I Q 86094</td>
<td>$13,41</td>
<td>$37,263.21</td>
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<tr>
<td>G I T S. TRANSLU T. AM NASE ABGA</td>
<td>86916</td>
<td>$13,41</td>
</tr>
<tr>
<td>BRCA 1/2 P C R AM P BY EXON 83898-0A</td>
<td>$1,004.50</td>
<td>$32,144.00</td>
</tr>
<tr>
<td>HH MUT ID BY S EQUENCE 83904-0A</td>
<td>$1,004.50</td>
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<tr>
<td>TAY-SAC H MOL DX M U L T I PLEX 83891-7E</td>
<td>$11,13</td>
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<tr>
<td>V I R U S T ISS. CULT . RES P. VIRU S 87254</td>
<td>$42.45</td>
<td>$2,463.04</td>
</tr>
<tr>
<td>G I N E C A R E F R E E B H C G 84704</td>
<td>$42.45</td>
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</tr>
<tr>
<td>HIV 1 RNA L I M I TED Q U A N T 83026</td>
<td>$5,588.19</td>
<td>$17,295.00</td>
</tr>
<tr>
<td>G E L D I F F U S I O N E A C H A N T I G E N 86331</td>
<td>$50,445.00</td>
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<tr>
<td>G I N E C A R E P A P PA 84163</td>
<td>$52,463.54</td>
<td></td>
</tr>
<tr>
<td>ORGANIC A CIDS, Q U A L ITATIVE, E A C H 83919</td>
<td>$50,445.00</td>
<td></td>
</tr>
<tr>
<td>AMINO A CIDS, 4 OR MORE, Q U A N T 82139</td>
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<tr>
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- **Finding**
  - $747,098 operating loss

### Top 20

#### Reimbursement “Loss”

Tests with greatest cost to reimbursement difference

<table>
<thead>
<tr>
<th>TEST NAME CPT</th>
<th>2008 Test $ Diff</th>
<th>Tot $ Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>HEPATITIS C AMP. PROBE QUAN 87922</td>
<td>$79,343.45</td>
<td>$79,343.45</td>
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<tr>
<td>TS ENZ CARRIER TEST, SPECTROPH 83080</td>
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<tr>
<td>GEL DIFFUSION EACH ANTIGEN 86331</td>
<td>$55,456.00</td>
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<td>GINERCARE PAPPA 84163</td>
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<td>ORGANIC ACIDS, QUALITATIVE, EACH 83919</td>
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<td>AMINO ACIDS, 4 OR MORE, QUANT 82139</td>
<td>$47,000.76</td>
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<td>TSS TRANSLU T. AM NASE ABGA 86916</td>
<td>$44,164.70</td>
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</tr>
<tr>
<td>HH INHIBIN A PRENATAL DIAG PROFILE 86336</td>
<td>$32,389.52</td>
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<tr>
<td>BRCA 1/2 PCR AMP BY EXON 83898-0A</td>
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<td>HIV 1 GENOTYPE ANALYSIS RNA 87901</td>
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<td>CMG ARRAY EVAL 251-500, EACH 83896</td>
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<td>HIP C AMP. PROBE G EN O TYPE 87902</td>
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<td>SEROTONIN RELEASE ASSAY 86022</td>
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<td>ELASTASE, FECAL 83520</td>
<td>$21,261.82</td>
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<td>HH MUT ID BY SEQUENCE 83904-7D</td>
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</table>
**II. Strategies to Manage Costs**

- **CPT/CDM Review (cont.)**

<table>
<thead>
<tr>
<th>TEST NAME</th>
<th>CPT CODE 83009</th>
<th>Loss/Gain $15,022.00</th>
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<td>HNPCC MUT ID BY SEQUENCE</td>
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<tr>
<td>DMD MUT ID BY SEQ, EACH</td>
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<td>($1,512.00)</td>
<td>($1,512.00)</td>
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<tr>
<td>CYP2D6 NUC ACID PROBE, EACH</td>
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<td>($1,512.00)</td>
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<td>($574.77)</td>
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<td>BETA GLUCOSIDASE  - profile</td>
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<td>($569.99)</td>
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<td>ELASTASE, FECAL</td>
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<td>$3,521.88</td>
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<td>($65,057.00)</td>
<td>($65,057.00)</td>
</tr>
</tbody>
</table>

**Top 20 “Expensive” Tests with largest reference lab charge**

**Finding**

$193,111 operating loss

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**II. Strategies to Manage Costs**

- **“Hot-List” Review**

- List can be changed to fit organization’s needs; do not have to use what the reference lab offers
- Request/review utilization and financial reports to identify tests to add to hot list; (i.e., the most volume, the most expensive, the worst reimbursement, worst cost to Medicare reimbursement, etc.)
- Meet with reference labs at least quarterly (in beginning) until you reach a point where the hotlist meets your needs
- Include all hospitals within your system as each may have specific hotlist needs based on their utilization

**Key to Success**

Full 'Hot-List’ needs to be reviewed biannually (at a minimum)
II. Strategies to Manage Costs
- “Hot-List” Review (cont.) -

Baystate Health “Hot-List” Review

- 31 tests on original hot list (July 2008)
- Only 2 are >500 volume (based on FY 07 volume)
- 1 was not a test performed or ordered
- 3 were tests performed in-house
- For 7, Ref Lab charge did not match BH CDM
- For 4, CPT coding was incorrect
- 16 were “O.K.” (BH receiving expected ‘special’ price)

Finding: “Hot-List” critically mismanaged; large opportunity for review/negotiation

II. Strategies to Manage Costs
- Fee Schedule Negotiation -

Key Points
- Reference lab fee schedules should be continually negotiated
- Frequently, hospitals/labs are unaware of reference lab fee schedules and/or do not routinely review

Baystate’s Findings
- For majority of reference labs there was no set fee schedule on file leading to inability to ensure negotiated prices were being received (had to compare charges month to month)
- No fixed pricing in place; prices kept increasing each year
- Often received list pricing or pricing just below list
- Some managers negotiated for prices and others did not

Large need for full fee schedule review and price re-negotiation
II. Strategies to Manage Costs
- 3rd Party Billing -

What Is It?
- Also known as pass through billing, process where the reference lab bills payers directly for testing expenses (on occasion, reference lab may bill patients)
- Process utilized by many hospital/health system laboratories
- Usually requires understanding and approved by hospital compliance, finance and managed care
- Some payers such as BCBS use of pass-through billing as part of terms and conditions in payment agreements in order to decrease healthcare costs¹

Why Utilize?
- Reference labs very frequently charge their clients (e.g., hospitals) more than the client will be reimbursed for tests
- Defers all expenses related to send-out tests (other than processing and handling of specimen) from client to the reference lab performing the test; almost invariably, can reduce client’s send-out testing expenses

How to Establish?
- Pilot a set of tests (recommend, most expensive and/or tests with largest, negative reimbursement to reference lab fee variance)
- Coordinate with reference labs (many have experience and even contracts to direct bill payors – you just need to ask labs to do so)

¹Current FYIs - October 10, 2009 Reminder of the Pass Through Billing Policy in Your BCBSMA Agreement(s) (PC-1405)

II. Strategies to Manage Costs
- 3rd Party Billing (cont.) -

Key Considerations for Implementation:
- Provider, patient, lab manager and hospital department (finance, managed care, patient accounting, etc.) education/communication regarding billing policies are essential
- Front-end processes need to be efficient and effective (e.g., collecting pre-authorizations when necessary) as patient could end up being balanced billed for tests
- Reference lab must have contracts and ability to 3rd party bill (Not all laboratories will provide third party billing)
- Be cognizant of federal and state regulations regarding which patients can or cannot be billed by the outside laboratory
- Some insurers require third party billing unless waivers are in place
- Contractual agreements with some insurers consider all labs outside of hospital to be out of network and will deny claims
- Process can be very manual; automating via interfaces would be very helpful

CAUTION: Prepare for budget impact of 3rd party billing
Will realize a loss of volume and gross revenue along with reduction of expenses
--- true positive impact will be seen in the margin
II. Strategies to Manage Costs
- 3rd Party Billing (cont.) -

III. Strategies to Manage Costs
- 3rd Party Billing (cont.) -

Third Party Billing Tracking

<table>
<thead>
<tr>
<th></th>
<th>Gross Revenue &quot;lost&quot;</th>
<th>Expense not incurred</th>
<th>&quot;lost&quot; Reimbursement</th>
<th>Net Gain</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$453,635</td>
<td>$177,783</td>
<td>$275,852</td>
<td>16441</td>
</tr>
</tbody>
</table>

Reference Lab Expense Tracking

<table>
<thead>
<tr>
<th></th>
<th>Actual ref lab expense</th>
<th>Budget ref lab expense</th>
<th>Difference</th>
<th>Actual Volume</th>
<th>Budgeted Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2010</td>
<td>$393,439</td>
<td>$279,345</td>
<td>-$114,094</td>
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<td>Feb 2010 YTD</td>
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<td>FY 10 Annualized</td>
<td>$3,787,154</td>
<td>$3,591,912</td>
<td>-$195,241</td>
<td>254952</td>
<td>244019</td>
</tr>
</tbody>
</table>

Findings:
- Organization unaware of revenue lost with current reference lab billing arrangements
- Compliance, managed care, and medical leadership extremely conservative and wary of 3rd party billing
- Multiple reference labs have ability to 3rd party bill and have actually asked repeatedly to do so
- There may be payment programs available through your state; check with your reference labs for details

3rd party billing practices not being utilized
II. Strategies to Manage Costs

- Utilization Review/Management of Non-Test Menu Ordering Practices-

**Issues:**
- What is the process for managing the ordering of high dollar non-test menu tests on inpatients?
- For outpatients, how do you guide physician test ordering practices without appearing to tell doctors how to practice medicine?
- When a non-test menu test is ordered, who approves to do the test? Who pays? Should the lab be responsible for the cost of the test?
- What if the test is for Research or Investigational use only?
- What do you do when one service within lab will order test from a ref lab and another service refuses use of tests from same lab?

II. Strategies to Manage Escalating Costs

- Utilization Review (cont.) -

**Strategies:**
- Provider Education Critical: what can you offer providers in terms of test algorithms, in-services, quick guides and new test offerings?
- Create necessary policies for monitoring all test utilization; especially for tests ordered ‘off’ menu
- If the test ordered is for Research or Investigational use only:
  - Follow federal and state regulations when offering these tests
  - Search for other labs that may be able to offer a similar test that has been approved for usage and billing
  - Discuss policy with provider to come to agreement about how he can manage his patient without the test or with tests currently offered
II. Strategies to Manage Escalating Costs
- Utilization Review (cont.) -

**Baystate Findings:**
- Departments monitored utilization of tests differently
- Duplicate tests frequently sent from different labs within the system
- 'Off-menu’ tests could be ordered, but there was no central monitoring or approval process in place
- We have research use/investigational use tests on the menu; are losing dollars because we will not bill for these tests

Lack of utilization review processes and protocols

II. Strategies to Manage Costs
- Make vs. Buy Analysis -

- Develop a process for determination of which tests should be performed in-house and what tests should be sent out to reference labs — (ROI)
- Be knowledgeable of what it really costs to perform tests in-house vs. sending the test out *(Can sending out the test be less expensive and vice versa?)*
- Strive to bring tests in-house when appropriate/possible:
  - Education and research (e.g., residency programs)
  - Expense savings and revenue generation
  - Expansion of testing menu and outreach business
  - Improve patient care/ patient satisfaction and provider satisfaction
- Monitor unexpected send out of in-house testing (due to instrument or reagent problems or flu epidemic)

Finding: Analysis not being performed on a routine basis (or at all!)
II. Strategies to Manage Costs

- Make vs. Buy Analysis (cont.)-

Review all current reference laboratories and workflow (specimen acquisition, processing, packaging, resulting, billing, etc.)
Our goal is to move from over 120 laboratories to just several key laboratories wherever possible
Pros
- Reduce costs by taking advantage of volume or tier pricing
- Take advantage of direct (third party billing) for off-menu tests
- Decrease shipping costs
- Improve patient safety and TAT (Via interfacing and specimen tracking – less errors)
- Improved staff productivity, quality (less errors), and satisfaction (Decrease in complexity; less rules to remember)
Challenges
- Medical Directors’ Perceptions and Realities
- "We have always done it this way"
- Space and staffing (training, dedicated FTEs, etc.)
Centralized Oversight (Process Flow Mapping/Cause and Effect)
- Created new position to manage reference lab processes (review contracts, monitor costs, negotiate pricing, implement cost savings strategies, etc.)
- Formed a send-out lab contract negotiation team with representatives from Purchasing, Finance, Lab Director, Referral Testing Manager, Lab Cost Center Manager (when applicable)
- Monitored usage of referral testing charges by cost center
- In process of consolidating number of reference laboratories utilized: comparative price quotes and quality reviews
- Ensured appropriate signature authority for purchase of ref lab services

Administrative Oversight (Make vs. Buy Analysis/Utilization)
- Reviewed capabilities/needs/wants for in-house testing with medical leadership and lab managers
- Began extensive investigation into test cost accounting and ROI
- In process of creating system-wide test utilization/off menu test ordering policies and communication/education plans
### III. Sharing of Results
- **CDM and CPT Code Revisions**
  - Adjusted charges (not CPTs) on 26 tests in 2008
  - Added 44 new tests; deactivated 152 test codes
  - Added 18 'charge-back' codes to BMLH and 10 to BFMC
  - Changed CPT coding on 37 tests resulting in positive impact on reimbursement of $37,990

- **Reference Lab Negotiations and 'Hot-List' Management**
  - $60,000 owed from Primary Ref Lab due to change in GPO contract
  - $53,405 savings from new Primary Ref Lab hotlist menu
  - $21,148 savings from new Secondary Ref Lab hotlist & Fee Schedule
  - $ 6,700 savings from switching from specialty to Primary Ref Lab
  - $ 3,600 savings due to 5% fee schedule reductions with Genetics Lab
  - $ 80,814 from Primary Reference Lab from tests moved to GPO pricing

**Realized Savings without Third Party Billing:** $263,657

### III. Sharing of Results
- **Tracking Improvements (FY 2009) cont.**

#### 3rd Party Billing
**Estimated Pilot Program Savings**

<table>
<thead>
<tr>
<th>Genetic Lab #1</th>
<th>Genetic Lab #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of tests:</td>
<td>Total cost of tests:</td>
</tr>
<tr>
<td>$396,591</td>
<td>$189,050</td>
</tr>
<tr>
<td>Reimbursement*:</td>
<td>Reimbursement*:</td>
</tr>
<tr>
<td>$225,582</td>
<td>$ 83,699</td>
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<tr>
<td>Potential Savings:</td>
<td>Potential Savings:</td>
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<tr>
<td>$171,009</td>
<td>$105,351</td>
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</table>

<table>
<thead>
<tr>
<th>Genetic Lab #2</th>
<th>Genetic Lab #4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of tests:</td>
<td>Total cost of tests:</td>
</tr>
<tr>
<td>$162,420</td>
<td>$ 93,540</td>
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<tr>
<td>Reimbursement*:</td>
<td>Reimbursement*:</td>
</tr>
<tr>
<td>$ 51,833</td>
<td>$ 20,523</td>
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<tr>
<td>Potential Savings:</td>
<td>Potential Savings:</td>
</tr>
<tr>
<td>$110,587</td>
<td>$ 73,017</td>
</tr>
</tbody>
</table>

* based on Medicare Reimbursement

**Potential Savings:** $459,964

**FY09 YTD actual approx $216,000 or $432,000 (annualized)**
III. Sharing of Results
- Tracking Improvements (FY 2009 cont). -

3rd Party Billing expected to reduce total expenses 5% to 10%

III. Sharing of Results
- Tracking Improvements (FY 2009 cont). -

Actual Reference Lab Expenses FY09
III. Sharing of Results
- Tracking Improvements (FY 2009) cont. -

Summary Results
- Goal $440,000 or 10% Reduction of Expense
- Actual $620,000 or 141% of Goal
- Overall 12% savings from FY 2008

Summary Notes
- Number of billable send out tests: 244,108
- 78% outpatient/outreach (189,224)
- Lowest send out costs since at least 2006
- Surpassed goal of reducing expenses, yet volume increased
- Cost per send out test in 2009: $19.02 (change of $16.73 and now below industry std)

III. Sharing of Results
- Current Activities/Status FY2010 -

Molecular/Genetics Service Expansion
- FY10 strategic goal to expand ‘in-house’ testing menu
- Several tests have been brought in house as of January 2010 and we have already realized reductions in expenses (e.g., net expenses saved when comparing cost of send-out vs. performing in-house)
- Expected additional ref lab expense savings
- Investigating state programs to reduce expenses further
Bringing Testing In-House

- Ref Lab #1: Test A
  - Ref lab total expense FY09: $40,176
  - Cost to perform in house: $5,400
  - Net Expense saved: $34,776

- Ref Lab #2: Test B
  - Ref lab total expense FY09: $13,968
  - Cost to perform in house: $1,800
  - Net Expense Saved: $12,168

- Ref Lab #1: Test C
  - Ref lab total expense FY09: $168,000
  - Cost to perform in house: $3,150
  - Net Expense Saved: $164,850

- Ref Lab #2: Test D
  - Ref Lab total expense FY09: $18,768
  - Cost to perform in house: $3,400
  - Net expense saved: $15,368

Total Expense Saved: $227,162

NOTE: Capital and operating expenses associated with bringing testing ‘in-house’ not included in these savings calculations.
III. Sharing of Results
- Current Activities/Status FY2010 (cont.) -

Fees, Lab and Clinical

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Budgeted</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>2006</td>
<td>5,064,217</td>
<td>5,262,794</td>
</tr>
<tr>
<td>2007</td>
<td>6,243,294</td>
<td>6,431,271</td>
</tr>
<tr>
<td>2008</td>
<td>5,262,794</td>
<td>5,463,042</td>
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<tr>
<td>2009</td>
<td>3,591,913</td>
<td>3,813,725</td>
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<tr>
<td>2010</td>
<td>4,431,211</td>
<td>4,106,202</td>
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</table>

Budgeted vs. Actual

III. Sharing of Results
- Current Activities/Status FY2010 (cont.) -

Third Party Billing Tracking

<table>
<thead>
<tr>
<th></th>
<th>Gross Revenue &quot;lost&quot;</th>
<th>Expense not incurred</th>
<th>&quot;lost&quot; Reimbursement</th>
<th>Net Gain</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2010 YTD</td>
<td>$323,925</td>
<td>$191,923</td>
<td>$75,216</td>
<td>$116,707</td>
<td>6,866</td>
</tr>
<tr>
<td>FY 10 Annualized</td>
<td>$756,640</td>
<td>$453,635</td>
<td>$177,783</td>
<td>$275,852</td>
<td>16441</td>
</tr>
</tbody>
</table>

Reference Lab Expense Tracking

<table>
<thead>
<tr>
<th></th>
<th>Actual ref lab expense</th>
<th>Budget ref lab expense</th>
<th>Difference</th>
<th>Actual Volume</th>
<th>Budgeted Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2010</td>
<td>$393,439</td>
<td>$279,345</td>
<td>-$114,094</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb 2010 YTD</td>
<td>$1,577,981</td>
<td>$1,438,943</td>
<td>-$139,038</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 10 Annualized</td>
<td>$3,787,154</td>
<td>$3,591,912</td>
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<td>244019</td>
</tr>
</tbody>
</table>
IV. Next Steps

With Reference Labs
- Continue price negotiations and “Hot-List” amendments
- Consolidate reference lab testing to less number of labs via price comparisons, testing management, and price negotiation

Internal Management
- Streamline processes across system
- Use ROI when bringing new testing on menu that will be sent out
- Evaluation of creation of centralized send out department to decrease overall expenses due to redundancies (same tasks performed in several departments)
- Enhance processes to better manage test utilization
- Monitor payor requirements and actions
  - BCBSMA’s Billing Rule
  - Pre-Authorization Requirements
  - Managing Government Payors
IV. Next Steps (cont.)

**Internal Management**
- Streamline processes: cost of third party billing created cumbersome processes
- Use ROI when bringing new testing on menu that will be sent out
- Evaluation of creation of centralized send out department to decrease overall expenses due to redundancies (same tasks performed in several departments)
- Monitor payor requirements and actions
  - BCBSMA’s Billing Rule
  - Pre-Authorization Requirements
  - Managing Government Payors

V. Lessons Learned and Keys to Success
V. Lessons Learned and Keys to Success

When a large, complex process is divided among multiple cost centers and locations without centralized oversight, you will lose control of expenses.

Reference labs are your ‘partner’, but it is up to you to proactively manage your relationships.
II. Strategies to Manage Costs

- Dedicated Lead -

“A person dedicated to managing the overall reference testing processes and administrative support is **THE key element** for successful referral testing expense reduction.”

V. Lessons Learned and Keys to Success

Achieving and sustaining a **significant** reduction in reference testing expenses **IS achievable**
Management of reference lab expenses must be an active and continual process

V. Lessons Learned and Keys to Success

Top 10 Keys to Success

1. Promote open internal and external communication and collaboration
2. Dedicate a person to manage reference lab contracting and overall send-out testing processes
3. Garner senior leadership support of cost saving efforts
4. Ensure data is readily available (and easily collected) for active and continual analysis and review
5. Foster strong relationships with your reference labs (they are your ‘partner’)
6. Review ‘hot-lists’, fee schedules, and test utilization a minimum of 2x/year
7. Consolidate reference labs for less complexity and additional cost savings
8. Develop policies and procedures for managing tests ordered ‘off-menu’ and for overall test utilization
9. Ensure CDM is up-to-date with accurate CPT codes and fee schedules
10. Utilize 3rd party billing practices whenever appropriate and available
Questions, Comments, or Experiences to Share?

Jason Newmark, BA, MHA, CRA

Jason Newmark is currently the Director for Diagnostic Services at Baystate Health. He is responsible for the day to day management of inpatient, outpatient, and outreach pathology and radiology/imaging services and has a complement of more than 700 FTEs or 800+ individuals.

Prior to joining Baystate Health, Mr. Newmark was the Director for Ambulatory Services / Operations Manager for Radiology at Stamford Hospital. He earned a Masters in Health Administration from the Washington University School of Medicine in St. Louis, Missouri, completed an administrative fellowship at the University of Texas M.D. Anderson Cancer Center in Houston, Texas and then spent 5 years as a healthcare management consultant.

He has extensive experience focusing on operations improvement, financial analysis, interim management, and systems selection and implementation. Mr. Newmark has presented several presentations at the National level, on performance improvement and budget/financial management.

Email Jason at jason.newmark@bhs.org
Sharon Scott, MT(ASCP)SH, JD:

Sharon Scott is the Referral Testing and Special Contracts Manager for Baystate Reference Laboratories (BRL). Her primary responsibilities include negotiation of fee schedules and contracts for reference laboratory services, monitoring of referral testing expenses and implementing other strategies such as third-party billing and reference-lab consolidation to reduce overall reference lab test expenses. Ms. Scott has administrative oversight, in conjunction with the laboratory director, of all contracts that BRL has with clients.

Ms. Scott graduated from Michigan State University, East Lansing, MI, with a B.S. in Medical Technology. She earned her Juris Doctor degree from Western New England College, School of Law and is a member in good standing of the Massachusetts Bar.

Before taking her current position, Ms. Scott was the BRL hematology laboratory manager. She has 30+ years clinical laboratory experience with technical expertise in several disciplines, including hematology, chemistry and blood bank. She worked in various hospital laboratory settings before coming to Baystate in 1989.

Email Sharon at sharon.scott@baystatehealth.org