



# POWERING AFFORDABLE CARE

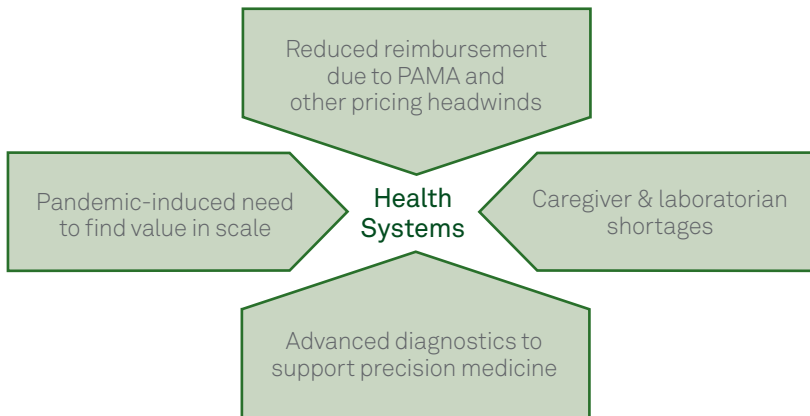
by elevating the lab from support  
function to strategic advantage



## Healthcare trends are working against your health system. It's time for new solutions.

Hospital administrators, healthcare professionals, insurance companies—and even the government—have been trying to bend the cost curve of healthcare for decades. Negotiated rates, digitalization, and incentives to move toward value-based care are making an impact but haven't yet been able to halt ever-rising costs. The strain is felt by patients and their families, insurers, and caregivers. But no group is as squeezed as health systems.

Health systems are feeling the squeeze of modern healthcare like nobody else



Your goals are clear: improve the quality and experience of care, improve the health of patient populations, and reduce the per capita cost of healthcare, while finding a sustainable position amid industry transformation. Yet many hospital systems fail to leverage one of the most effective sources of change: the diagnostic laboratory. By rethinking how the lab fits into your system's organization and objectives, you can increase its impact on operations, discover new ways to improve the patient experience, reduce overhead, and even turn a cost-center into capital to support strategic initiatives.

### 7 signs your health system would benefit from a new lab approach:

There are many reasons to rethink your lab model. If any of these common situations apply, your hospital system may benefit from a change.

1. Declining commercial and Medicare reimbursement
2. Increasing complexity and capital requirements to maintain/expand lab operations
3. Lab outreach businesses that are often below your write-off minimums
4. A need to raise capital for expansion/other growth
5. Lab cost structure currently too high
6. Insufficient progress in your transition to value-based care
7. Pressure from insurance policies

Laboratory tests guide 70% of all medical decisions,<sup>1</sup> yet up to two-thirds of lab requests may have questionable clinical significance.<sup>2</sup>

## Why consider a more strategic role for your lab? Results.

Diagnostics have a critical role to play in improving the quality of patient care. And in running a healthy hospital as well. Understanding how your lab interacts with—and supports—different departments can help reveal how it can also unlock strategic opportunities that support your quality and cost goals.

Fully leveraging diagnostics provides multiple benefits:

- Improving patient experiences through evidence-based medicine
- Driving economies of scale in supply chain and operations
- Improving population outcomes by drawing on system-wide diagnostic data
- Enhancing financial resilience by consolidating operations and freeing up capital
- Optimizing revenue by delivering new services or reaching expanded patient populations

### See what a strategic use of diagnostics looks like in action.

A hospital system that transitions from seeing the lab as a clinical support to a clinical driver integrates diagnostics throughout the care journey and sees specific advantages across the continuum of care:

#### 1. The patient's bed

- Proven clinical care pathways speed diagnoses and reduce time to appropriate treatment
- Avoiding over- or under-testing improves the patient experience

#### 2. The lab

- Lab analytics reduce unnecessary tests\* and identify patterns of variation in care
- Test orders and collections are optimized across every lab in the system

#### 3. The weekly supply chain standup

- Efforts to standardize processes and equipment purchasing improve supply levels and lower operating costs



### It's not how much you test. It's how wisely.

It used to be that adding tests added income. But with the move to value-based care, ordering more tests is likely to reduce revenue because payers won't cover anything not directly linked to a better outcome. Not only will being smarter about diagnostics reduce income risk, it can also help lead to better care and an improved patient experience.

- Medicare reimbursement for lab work has been **decreasing for 10+ years**<sup>3</sup>
- **70% of requested tests** have questionable clinical significance<sup>2</sup>
- **77% of physicians** say the frequency of unnecessary tests\* and procedures is a very or somewhat serious problem<sup>4</sup>

#### 4. The executive suite

- The impact of decreasing unnecessary test orders\* (and associated downstream care costs) shows up on spreadsheets
- More value-based incentives are captured due to enhanced care and reduced costs
- Improvements in population health are causally linked to increased access and reductions in care variation

#### 5. The physician's office

- Streamlined clinical decision support helps improve care—and clinician satisfaction

\* The term "unnecessary" refers to testing ordered for a patient whose symptoms and/or condition may not support the need for the testing under generally accepted third-party clinical guidelines. Quest Diagnostics identification of potential unnecessary testing is intended as a guide to assist providers in identifying potentially problematic ordering patterns and is not intended to replace a treating provider's medical judgment, based upon evaluation of the patient.

## Explore the power of stewardship

At their core, health systems are stewards of patients' health and insurers' and employers' money. Every day you make decisions to protect the health and well-being of the people in your care, as well as the payers who fund that care. Lab stewardship is a natural extension of your role because it helps align your lab's objectives with the rest of the system—but lab stewardship systems are just one way health systems can benefit from the broader application of a healthcare stewardship mindset.

**Healthcare stewardship embraces 3 basic principles to serve the higher goal of powering high-quality, affordable, equitable care by:**

### 1. Using data/real-world evidence to evaluate the current state of care

Putting more emphasis on data is an opportunity to remove ego and manage the relationship of lab, clinicians, supply chain experts, and system administrators in a way that improves the quality of patient care, while simultaneously reducing costs to patients and your organization. Starting by bringing your lab professionals and caregivers together with new insights from clinical data can drive understanding and facilitate change.

### 2. Fostering collaboration to identify and act on potential improvements

Broadening collaboration across your system and beyond your walls can unlock additional opportunities. External partners can offer a variety of benefits that address many of the common challenges facing health systems today. In fact, if any of the 7 signs mentioned earlier resonates with you, this kind of lab partnership could be a meaningful way to address operational challenges.

### 3. Measuring success and building on it

Finally, measuring the outcome and building on it is critical to this approach. You're never done being a steward, so continuous improvement should be built into your approach.



Those 3 principles are brought to life in 5 basic ways, but the right partner can customize any of them to create a solution that works best for your system:

**Lab stewardship** — The technology platform and supporting advisory services provide actionable data that can lower costs through volume and spend dashboards. Deep utilization analysis can identify trends in test selection and care variation that allow you to make changes that improve outcomes. Similarly, data aggregation provides actionable population health insights.

**Lab operations** — This approach usually provides a variety of options, such as in-house vs send-out lab testing optimization, standardizing core inpatient testing requirements, avoiding capital equipment costs, and leveraging lab economics through shared or fully outsourced lab management.

**Shared services** — With cost-optimizing shared services, your health system continues to perform and bill certain ambulatory work from your physicians, while an outside source provides logistics and phlebotomy services.

**Outreach monetization** — By arranging the sale of your outreach business assets to an outside source, which may include the client list, patient service space leases and related assets, you can free up valuable capital while still addressing clinical requirements and optimizing physician and patient experiences.

**Population health** — Build on the impact of lab stewardship by expanding the dataset to hospitals across the nation for expanded insights, tools for closing gaps in care, extended care solutions, and preventive care and wellness solutions.



### The economics of stewardship

The savings from collaborations that include a diagnostics partner can be bigger than you might think:

**\$15 million  
over 5 years**

for 300- to 500-bed hospitals that outsource lab services<sup>5</sup>

**10-20%  
on lab services**

from aligning with a large lab services provider<sup>6</sup>

**~\$48,000/month**

from using commercial lab genetic counselors to help with test selection and interpretation<sup>7</sup>

## What's right for your system?

Your approach to the more strategic use of diagnostics depends on where your system is now and what you're looking to accomplish. Success requires an honest assessment of your organization's maturity and progression on key factors such as "systemness", cost-cutting, progress from fee-for-service to value-based care, your need for investment capital, and your track record of building effective collaborations with external partners. Another common key to success is having a partner with the experience of multiple transitions to help your health system leaders establish achievable goals that can be met without undue stress to your system. Trying to accomplish too much—or too little—can sour key stakeholders and decision-makers on the idea before it has a chance to succeed.

**To find the right model for your system, select the status level that best describes your system's progress toward these goals:**

### IF YOUR CURRENT STATUS IS

### THEN YOU'RE READY TO

#### Foundational

- Minimal system integration
- Seeking additional cost reductions
- Making progress toward fee-for-value

#### Optimize your reference lab model to ...

- Increase operational advantage by driving reduced costs with consolidation of send-out testing
- Improve test utilization management
- Deepen clinical collaboration

#### Cost optimization

- Successful at external collaboration
- Minimal system integration
- Seeking additional cost reductions
- Investing in quality programs
- Making progress toward value-based care

#### Implement lab management to ...

- Expand services
- Increase access to advanced diagnostic tests and equipment without capital investment
- Help to retain skilled lab professionals amid an increasing shortage of qualified laboratorians

#### Growth-oriented

- Soliciting capital for expansion/other needs
- Seeking additional cost reductions
- Minimal system integration
- Successful at external collaboration

#### Divest ownership of outreach business to ...

- Increase physician satisfaction and patient access to diagnostic services
- Improve financial health
- Free investment capital for other uses

#### System-level integration

- Investing in quality programs
- Making progress toward value-based care
- Seeking additional cost reductions

#### Launch a lab stewardship partnership to ...

- Improve quality of patient care
- Further reduce clinical variation and support high-value care initiatives
- Reduce or eliminate over- or under-utilization

## Don't make the journey alone. Here's how to find the right partner.

A critical step in moving to a more strategic use of diagnostics is finding the right partner. You need a company with the right mix of planning skills (helping you determine the right approach, defining new business models), diagnostics (meeting your need for a broad menu of routine and advanced diagnostics, helping clinicians determine the right test), and support (analytics, dashboards, and personal attention). Above all else, your partner needs to demonstrate the ability to drive respectful peer-to-peer collaboration that clinical, operational, and business management teams find valuable.

### Consider this checklist a guide to finding the right companion for your journey:



#### Planning

- Understand and, as necessary, help clarify your definitions of “better outcomes” at a system level
- Identify new opportunities to address goals and interdependencies necessary to deliver on them
- Build a roadmap with steps connected to clinical, operational, and business workstreams
- Support respectful collaboration that helps shift internal mindsets about the potential role and impact of the lab



#### Operational and business support

- Clear understanding of health system economics and key drivers of profitability
- Ability to show how to help your system transition
- Demonstrated approach to delivering operational transformation in health systems similar to yours
- Track record of delivering substantial improvements in financial performance



#### Clinical support

- Offer a full mix of diagnostics across specialties, including routine and esoteric test offerings in neurology, oncology, genetics, and infectious disease and immunology
- Offer proven capabilities and logistical strengths to deliver the highest-quality diagnostics at scale
- Provide access to medical and scientific experts, genetic counselors, and pathologists on staff to support clinical decision-making
- Integrate guideline-based offerings that provide useful insight
- Experience driving precision medicine, including FDA-cleared and/or -approved companion diagnostics
- Offer opportunities for clinical education and academic collaboration across a broad range of specialties



#### Account support

- Local account management for quick, relevant help
- 24/7 national service center
- IT connectivity support professionals
- Specialized performance reporting

## Let's power affordable care by turning your lab into a launch pad.

As the largest diagnostics company in the world, you know us. And you may already be working with us. But now it's time to consider taking the relationship to a new level. Quest Diagnostics is uniquely positioned to help you realize your vision of clinical and operational excellence through a more strategic use of diagnostics.

### People

Access to 650+ MDs, PhDs, and genetic counselors via medical account specialists, providing expertise and thought leadership to inform clinical decision-making.

### Perspective

40+ Quest Lab Stewardship medical laboratory guidelines, sourced by clinical societies, support identification of under- and over-utilization of lab testing and optimized patient outcomes by ensuring the right test for the right patient at the right time.

### Potential

An extensive esoteric testing menu with 1,500+ options including a comprehensive genetic testing portfolio; performed across 6 Quest Diagnostics Centers of Excellence.

### Integration

Extensive health plan coverage (92% access to insured patients) so patients don't need to compromise when it comes to their health.



### Timing your transformation

Unlike other initiatives intended to rebalance the cost and quality of care, moving to a more strategic role for diagnostics can be achieved in increments. This makes it much easier to test your way to success, increasing chances of shared wins across departments and building goodwill for further efforts.

#### Improve the physician and patient experience

- Optimize reference testing
- Simplify esoteric and advanced diagnostics

#### Grow and support your hospital outreach business

- Leverage shared services
- Launch a purchase testing agreement

#### Optimize supply chain and free up capital

- Structure a lab management collaboration model
- Reconsider outreach business model



## We have the experience.

We've been helping health systems get more out of their lab for years. Our work with thousands of hospitals across the country helps us create new workflows based on a deep understanding of clinical and operational best practices. And our culture of collaboration helps us align with your values and goals and drive change everyone can agree with. But don't take our word for it. Reach out to hear how we helped Memorial Hermann, Hackensack Meridian and PeaceHealth, just to name a few.

Ready to unleash diagnostics to do more for the health of your patients and health system?

Email [HealthSystems@QuestDiagnostics.com](mailto:HealthSystems@QuestDiagnostics.com)



<sup>1</sup> Strengthening Clinical Laboratories. Centers for Disease Control and Prevention. Updated November 15, 2018. Accessed August 5, 2021. <https://www.cdc.gov/csels/dls/strengthening-clinical-labs.html>

<sup>2</sup> Cadamuro J, Gaksch M, Wiedemann H, et al. Are laboratory tests always needed? Frequency and causes of laboratory overuse in a hospital setting. *Clin Biochem*. 2018;54:85–91. 10.1016/j.clinbiochem.2018.01

<sup>3</sup> The Future for Hospital and Independent Labs in the U.S. Clinical Testing Market. *Kalorama Information*. Jan 28, 2014. Accessed on June 12, 2017. <https://www.kaloramainformation.com/Content/Blog/2014/01/28/The-Future-for-Hospital-and-Independent-Labs-in-the-US-Clinical-Testing-Market>

<sup>4</sup> Research Report. Choosing Wisely: An Initiative of the ABIM Foundation. Updated 2017. Accessed August 20, 2021. <https://www.choosingwisely.org/getting-started/resource-library/research-report/>

<sup>5</sup> Lee J. Outsourcing lab services can save money, but it's not that simple. *Modern Healthcare*. August 30, 2014

<sup>6</sup> Scott K. To Outsource or Not to Outsource. *Clinical Laboratory News*. April 1, 2017. and Lee, J. Outsourcing lab services can save money, but it's not that simple. *Modern Healthcare*. August 30, 2014

<sup>7</sup> Miller CE, Krautscheid P, Baldwin EE, et al. 2014. Genetic counselor review of genetic test orders in a reference laboratory reduces unnecessary testing. *Am J Med Genet Part A* 9999:1–8

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