

From crisis to collaboration

Lab's emerging role in post-pandemic health system strategy





The COVID-19 crisis may be over, **but challenges persist**

Even as the worst of the pandemic's impact on healthcare recedes, health systems are still facing issues with access, quality of care, reimbursement, and workforce retention. Pre-COVID challenges remain—and many were amplified by the onslaught of ER visits and reduced preventative care. Truly, this is a difficult time to run a health system in America. But there are bright spots and reasons to be hopeful.

“ **Health systems need to go beyond traditional cost levers to the harder work of bringing their core operations in line with their ambitions, strategies, and realistic expectations for the future.** ”

Boston Consulting Group

One positive outcome of the recent pandemic was the creativity and resilience healthcare teams displayed to overcome challenges. To navigate necessary operational change, healthcare teams found new ways to work together, deepening the use of data to improve decision-making quality and speed and engaging critical and creative thinking. Those invaluable approaches can now be refocused to help health system leaders move forward to solve the problems that remain. The time for robust integration and collaboration across the health system has arrived—and the methodology already exists.

The current health system environment:

Persistent health system challenges²

- Cost and margin pressures
- Declining reimbursement
- Redetermination
- Increased cost of capital
- Competition for investment dollars
- Workforce burnout, turnover, and shortages
- Insufficient data to pinpoint best opportunities to improve equity

Emerging health system strategies

- Transitioning to new payment models²
- Migrating patients and services to alternative sites of care³
- Improving workforce hiring and retention practices⁴
- Improving health equity⁵

Rethink the role of the lab

As health systems reinvent how they deliver high-quality care, everything should be on the table—especially common assumptions about the lab’s potential to deliver system-level impact.

The hidden truth is the lab sits at the leading edge of almost every care journey—and can have unseen connections to critical systems throughout the hospital.

As important as the lab is, for too long its low percentage of total system spend has caused it to be viewed as a support function, not as a driver of strategy. But the hidden truth is the lab sits at the leading edge of almost every care journey—and can have unseen connections to critical systems throughout the hospital. Given its position at the intersections of clinical practice, population engagement, and operational complexity, it’s time for administrators to consider new perspectives and forms of collaboration that will allow the lab to play a meaningful, revenue-positive role in addressing systemic challenges. Frankly, the current climate all but requires it.

Based on the lab’s unique position in any health system, there are a variety of ways it can support leadership initiatives. We’ll discuss 4 strategies:

- 1 **Transition to new payment models**
- 2 **Improve workforce hiring and retention**
- 3 **Increase health equity**
- 4 **Manage costs to improve operating margins**

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On paper, laboratory operations may make up only a small percentage of your health system or hospital budget, but as an executive with an ROI frame of mind, you will find yourself thinking of ways to get more value from that spend. You may start to ask, ‘How can lab and diagnostics broadly help us provide higher quality at a lower cost?’ That’s a very different question than ‘What’s their budget number?’

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Rehan Waheed, MD

Senior Medical Director &
Chief Medical Informatics Officer
Quest Diagnostics



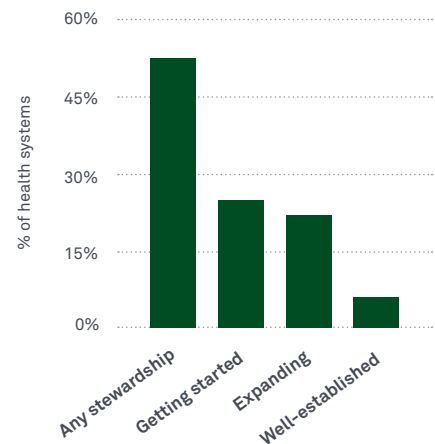
Transition to new payment models

We've known for a while risk will be a key component of reducing cost and improving quality—but success isn't a given. That's where the lab comes in. Its data can help make capitation work by illuminating practices that lead to better outcomes as well as those that don't. Identifying best practices for common conditions will help streamline care and reduce patient time in acute care and treatment. To varying degrees, systems are pursuing 3 areas of concentration, but many are not moving as aggressively as they could.

- ① **Overutilization:** stop ordering tests that are not indicated to avoid costs that cannot be reimbursed
- ② **Underutilization:** start ordering all tests indicated to catch unknown conditions earlier
- ③ **Care variation:** reduce variances in health services that cannot be explained by differences in patient illness or preferences⁶

Robust data is required to identify care and outcome trends, so the first step in the transition should be assessing the strength of your lab stewardship. Are you using data and real-world evidence to evaluate your current state of care? Are you fostering collaboration to identify and act on potential improvements? And are you measuring success and building on it? The further along you are, the more the lab can help drive strategic decisions that bring the business of healthcare into balance. While over 50% of health systems have started the journey toward stewardship, fewer than 10% are able to extract the kind of value we're talking about.⁷

The state of lab stewardship⁷



How the lab can drive value for new payment models

Lab data on overutilization, underutilization, and care variation mapped against patient outcomes can help define optimal clinical pathways. Once defined, these routines can help ensure physicians practice with a high degree of similarity across various diagnosis codes. When you can move “right test, right patient, right time” from a goal to a systemic practice, costs will begin to fall. At the same time, the broad use of these guidelines can also help catch and reduce the progression of undiagnosed conditions. Generally, the longer it takes to diagnose a condition, the greater the need for acute care is likely to be. Pinpointing disease earlier will reduce patient stay, increase clinical staff efficiency, and ultimately lower the cost of care.

Finally, this data can help correlate diagnostic procedures with patient outcomes, helping to associate diagnostic quality with savings and cost avoidance. On the journey from volume to value, the lab can and should be a critical driver of strategy.



In my experience, identifying and reducing unnecessary testing is the lowest-hanging fruit and yields the greatest short-term savings.



Mike Lukas

Vice President &
General Manager, Health Systems
Quest Diagnostics

Improve workforce hiring and retention

Estimates suggest a shortage of up to 3.2 million healthcare workers in the US by 2026.⁸ As leaders look for ways to drive down the deficit, they should focus on the lab for part of the answer. Lab functions can easily support employee well-being and satisfaction strategies—and help make the most of existing workforce capacity by improving efficiency. Sound like a tall order? It's not. Just as the lab touches almost every care journey, it also has an impact—direct or indirect—on almost every job function within the health system.

Leadership is addressing worker burnout, but it's not solved^{2,9}



Well-being programs work¹¹

Employer: Quest Diagnostics

Employees: 60,000

Prior health costs: +5.7% per year

Program year 1: -1.0%

Program year 2: +0.3%

Annual engagement: 75%-80%

How the lab can drive value for workforce hiring and retention

Within the lab, collaborative solutions can reduce the workload, streamline operations, and improve workflows to create a more supportive laboratorian experience. Across the entire health system, the lab can help identify undiagnosed chronic illnesses to help increase worker wellness and productivity. Data shows employee screening positively impacts over 30% of workers, so there's substantial value to be discovered.¹⁰

Furthermore, extending population health strategies to the workforce can increase well-being and satisfaction the same way it works for the community. A systematic approach to screening, behavioral health benefits, incentives to promote engagement and action, consistent communication to grow awareness, and targeted consultation to help employees act on recommendations—together, these foster a sense of inclusion and care. Leveraging the lab helps make all this possible.



It's exciting we were able to see the value of the program and reduce cost per member in the first year...and a portion of savings we realize from our population health approach gets plowed back into new and more comprehensive benefits, so Quest remains competitive as an employer.



Damian "Pat" Alagia, MD, MBA, MS
Chief Clinical Officer, Health Systems
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Strategy 3

Increase health equity

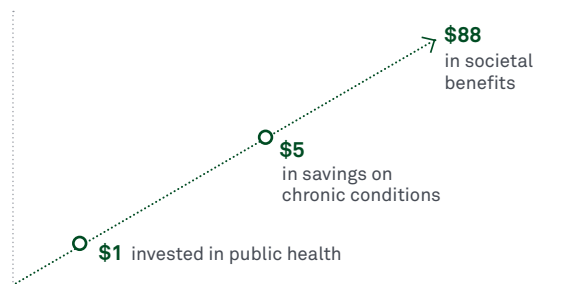
For health systems, health equity is both a moral imperative and a business requirement. Ensuring equal access to care will improve patient quality of life and outcomes as well as health system performance.¹² While there are many ways to get there, the lab could be central to your process. Effective lab stewardship supports appropriate, equitable care through the capture of social determinants of health (SDoH) data and best practices for the population you serve. Mining your data can identify not only the standard of care for your community, but where the gaps are. Once you know what care you should be giving as well as where you're falling short, your care will become more inclusive and equitable. The same data can also be used for system-level analysis and decision-making to address potential systemic bias.

Healthcare access and affordability are still an issue for many Americans,¹³ so anything health systems can do to reduce or remove barriers will have a meaningful effect.

How the lab can drive value in health equity

Gathering SDoH data and associating it with other screening data in the electronic health records will aid in identifying risk factors and planning early interventions. Not only can this improve health outcomes for your patients, it can also dramatically decrease the cost of care by avoiding the higher costs that come with later diagnosis. Improved equity can also help increase patient satisfaction among Medicaid customers, significantly advancing progress toward Quadruple Aim goals—including equity metrics that are becoming more common in payer contracts.

Health equity provides meaningful results¹⁴

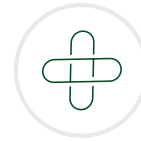


Strategy 4

Manage costs to improve operating margins

The lab sits at the leading edge of almost every care journey, creating a steady, significant stream of expenses for consumables, capital equipment, and oversight. The opportunities for cost efficiencies are also significant—and ongoing. Utilization controls can help reduce supply costs associated with non-reimbursable tests, but that's just one strategy. The lab can present many more.

The state of cost control in the lab¹⁵



Many system labs pay up to 15% too much for supplies



Misperception that lab staff positions are threatened by management contracts

How the lab can drive value by improving operating margins

It's understood how the lab can increase the quality of care. But there's less awareness of how effectively it can help reduce the cost by simply partnering with a large reference lab provider. Since the typical health system contracts with 100 or more labs, reducing the number of relationships can help reduce complexity, standardize processes, improve logistics and quality assurance, and improve inspection readiness. Furthermore, this singular relationship also has the potential to reduce costs for supplies and materials beyond GPO pricing. Many health systems can see savings of up to 15%.¹⁶ And there's more.

Consolidating reference lab testing can jumpstart your lab stewardship program by:

- Improving your lab's throughput and scalable capacity without increasing fixed costs
- Extend improved management to nursing and phlebotomy
- Displace capital equipment costs to partners
- Help bridge staffing gaps
- Increase productivity per lab employee

Finally, this type of relationship can also model lean processes for other parts of the hospital, driving further efficiencies and cost reductions.

In short, a collaborative lab partnership can help you reduce operational costs, improve lab throughput and morale, and simplify management and oversight.



Labs routinely identify quality metrics at the test panel level, but they can also demonstrate to leadership how quality contributes to expense savings or even cost avoidance.



Tammy Germini

Executive Director, Health Systems Operations
Quest Diagnostics



Unlock the potential of your lab with high-performing collaboration

With so much attention being given to the clinical and technical aspects of medicine in the transition to value-based care, it's easy to overlook the power of people. But, sometimes the best answer to a problem is teamwork. Collaboration is often the key to unlocking greater strategic value, but the lab is frequently a marginal player in these conversations. Administrators who offer a seat at the table will be rewarded as meaningful connections between the lab and system strategies are often “hiding in plain sight” and reflected in data that can link lab contributions to system outcomes.

Establishing an effective framework for collaboration can help you move farther faster, which is why Dr Rehan Waheed, our Senior Medical Director & Chief Medical Informatics Officer for Healthcare Analytics, identified elements that can be shared among system leaders and lab management to facilitate strategic innovation.

A simple collaboration framework

- ① **Care genuinely**
Get to know the people working for you and what matters to them. Then let them in on what you're trying to do. If they feel understood, they'll dig in with you.
- ② **Communicate transparently**
Be truthful about the level of work required and open about what it means for you, the team, the department, and the health system. This makes it easier for everyone to commit.
- ③ **Focus on data, not debates**
Rather than spending time trying to change people's minds, let the data do the talking. Focus on your volumes, turnaround times, and quality metrics. Data provides a foundation—and clear proof of progress.

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If we think and operate with a sunk-cost perspective, lab can't really do anything for us, and we can't ask the right questions. On the other hand, if we go in asking, 'What can our lab do for us?' the possibilities will open up. As we know, asking the right questions almost always provides better answers.

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Rehan Waheed, MD

Inviting the lab into provider-led committees such as pharmacy, quality, risk management, infection control, nursing, and administration will help lab leaders better understand organizational needs and create greater awareness of the relationship between clinical practice and laboratory utilization across the health system. Just as the lab is critical to delivering the best quality care, it's also critical to running the most efficient health system.

While you work on increasing collaboration within and across departments, you may also want to consider working with an experienced partner who can connect their own experts with your leaders to identify growth opportunities. Our 600+ MDs, PhDs, and genetic counselors can not only help your clinicians provide high-quality care, but they can also help you reveal your lab's hidden connections to the strategy guiding your system's future.



Discover how we can help you meet your goals. **Schedule a meeting at [QuestDiagnostics.com/SupplyChain](https://www.questdiagnostics.com/SupplyChain)**

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