

How Hospital Executives View the Laboratory

SURVEY RESULTS



Health Care Development Services, Inc.

Hospital Laboratory Strategic Planning Since 1981

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**Survey of
How Hospital Executives
View the Laboratory**

**SURVEY ISSUES –
PART 1**

- **What resources do hospital executives use to measure laboratory “performance”?**
- **Do hospital executives view laboratory outreach programs as profitable?**
- **Will hospital executives negotiate more intensely with managed care plans for hospital-based laboratory outpatient and outreach program services?**
- **Are hospital executives satisfied with their lab’s participation in integrated laboratory systems?**
- **How do decentralized laboratory testing strategies mesh with overall hospital and health care system goals?**

**Survey of
How Hospital Executives
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**SURVEY ISSUES –
PART 2**

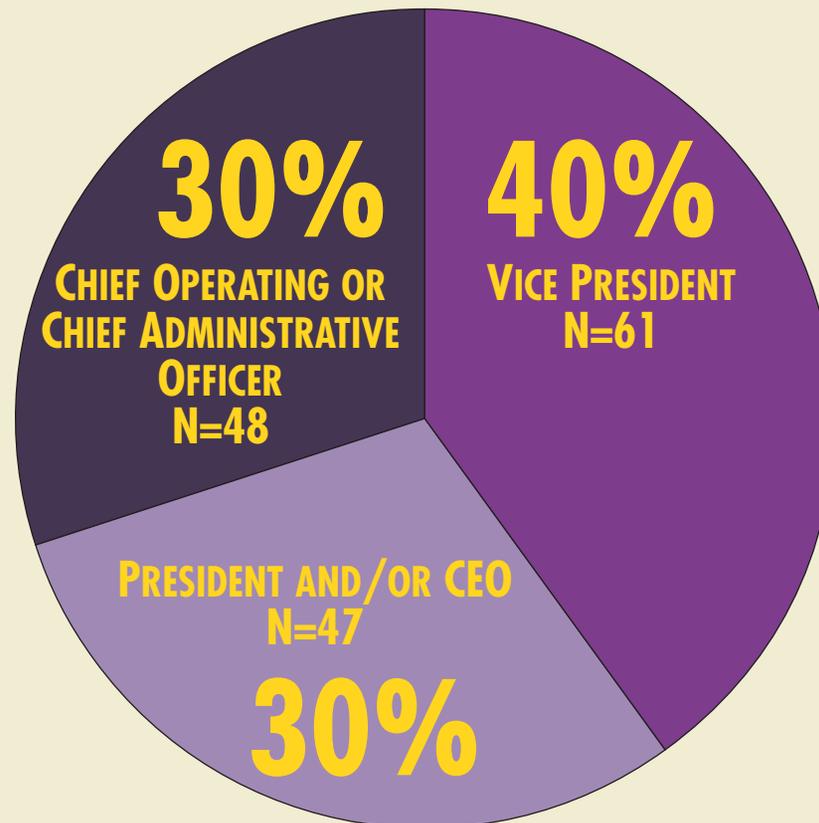
- **What plans do hospital executives have if the Medicare 20% lab co-pay provision is included in the final version of the legislation?**
- **Is “patient self ordered testing” on the radar screen of hospital executives?**
- **What resources do hospital executives use to evaluate their pathology groups?**
- **What are the most important challenges hospital executives anticipate for their labs during the next year?**
- **How do hospital executives rate their labs and pathology groups?**



**Survey of
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Survey respondents included Hospital CEO's, President's, Chief Operating/Administrative Officers, and Vice-Presidents with laboratory administrative responsibility.

Table 1

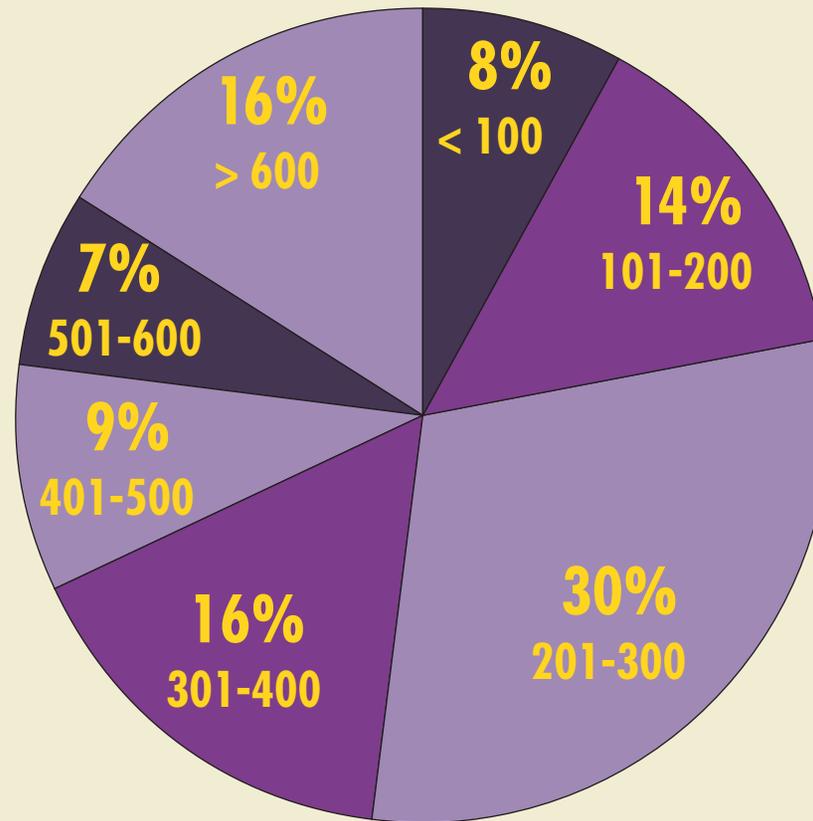


**Survey of
How Hospital Executives
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**The majority
of survey
respondents
work in
hospitals with
more than 200
staffed beds.**

Table 2

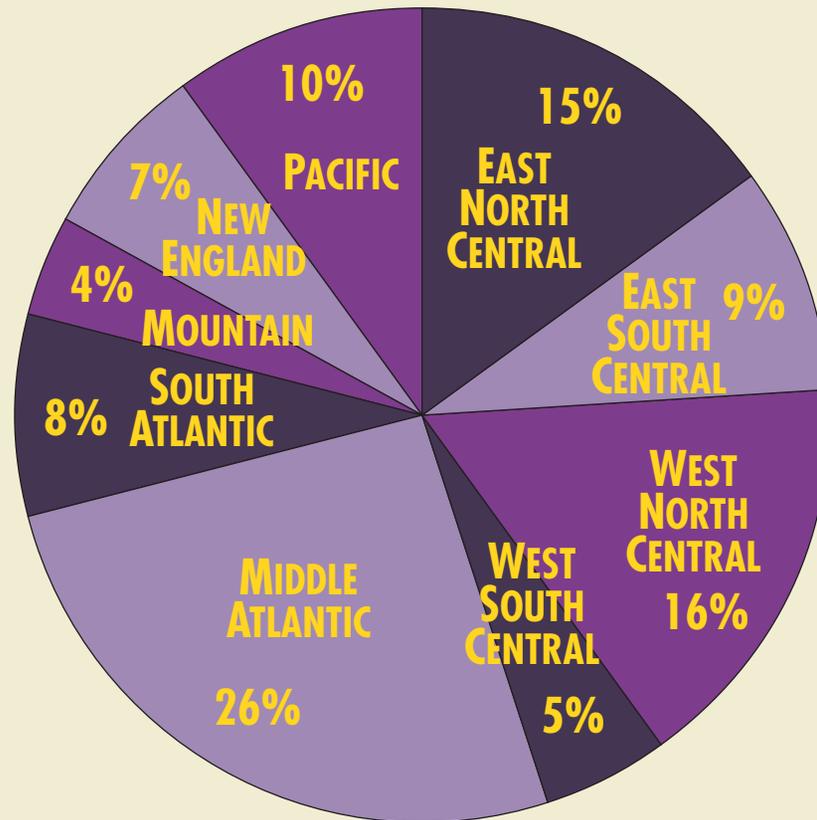
Number of Staffed Beds



**Survey of
How Hospital Executives
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**Respondents
represent a fair
geographic
distribution of
U.S. hospitals.**

Table 3



**Survey of
How Hospital Executives
View the Laboratory**

**What Resources
Do Hospital
Executives Use
To Measure
"Performance"
of Their
Laboratories?**

Table 4

<u>RESOURCE RANKED #1 IN IMPORTANCE</u>	<u>OVERALL</u>	<u>CEO</u>	<u>COO</u>	<u>VP</u>
Medical Staff Satisfaction	33%	40%	28%	28%
Timeliness of Reports	31%	32%	41%	25%
Effective Test Utilization	17%	13%	16%	23%
Efficient Operations	16%	11%	14%	20%
Nursing Staff Satisfaction	3%	4%	1%	4%

COMMENTS



Medical staff satisfaction and timely test result reports ranked high as tools to measure laboratory performance. Respondent comments indicate that annual satisfaction surveys of medical staff do not always provide adequate feedback, and they want more quantitative information. Several respondents commented on trying to find the right balance between service levels and cost efficient operations.



**Survey of
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**Do Hospital
Executives View
Outreach
Programs As
Profitable?**

Table 5

- 79% of respondents have laboratory outreach programs
- For respondents with outreach programs, have you validated outreach program profitability?

YES 62%

NO 38%

- If profitability has been validated, what is operating margin before indirect expenses?

<u>% PROFIT</u>	<u>% RESPONDENTS</u>
0-10%	39%
11-20%	43%
21-30%	15%
>31%	3%



**Survey of
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**Do Hospital
Executives View
Outreach
Programs As
Profitable?**

Table 6

*Bed size impacts hospital executive views
of outreach program profitability*

	<u>OVERALL</u>	<u><100 BEDS</u>	<u>100-300 BEDS</u>	<u>301-500 BEDS</u>	<u>>500</u>
<u>Validated outreach program profitability and program is profitable</u>	62%	38%	52%	65%	78%
<u>No profitability analysis, but believe program is profitable</u>	34%	50%	41%	32%	22%
<u>Analyzed outreach program profitability, and program is not profitable</u>	4%	12%	7%	3%	0%

Almost two-thirds of respondents who have validated the profitability of the laboratory outreach programs found the programs were profitable before application of indirect expenses. The majority of respondents indicated that profitability ranged from barely breakeven to 20%. Only 4% of respondents who validated laboratory outreach program profitability found their programs were not profitable. Interestingly, one-third of respondents have not validated outreach program's profitability, but believe that their programs are profitable. No explanations were provided for this point of view.



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**Will Hospital
Executives
Negotiate More
Intensely With
Managed Care
Plans for Hospital-
Based Outpatient
and Outreach
Program Services?**

Table 7

Which strategies do you believe are appropriate for contracting with managed care plans in the future?

<u>RANKED #1 IN IMPORTANCE</u>	<u>OVERALL</u>	<u>CEOs</u>	<u>COOs</u>	<u>VPs</u>
<u>Strongly negotiate to have hospital lab perform testing</u>	56%	60%	58%	48%
<u>Organize hospital lab network for coverage/services provided by commercial labs</u>	15%	15%	21%	12%
<u>Focus on other non-laboratory managed care plans issues</u>	29%	25%	21%	40%

Based on survey responses, it seems that interest in strongly negotiating with managed care plans on behalf of hospital-based outpatient and outreach laboratory services is substantially higher with CEOs and COOs than with VPs. This may represent an opportunity for VPs with lab administrative responsibility to take a more active role during the negotiating process with representatives of managed care plans. Many respondents commented on their frustration in not being able to effectively compete for that element of the laboratory outreach market.



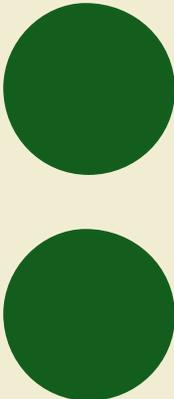
**Survey of
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**Are Hospital
Executives
Satisfied With
Their Lab's
Participation in
Integrated
Laboratory
Systems?**

Table 8

- **Integrated lab system is successful 85%**
*Service, cost effectiveness, and communication
are the three most important success factors*
- **Integrated lab system *NOT* successful 15%**
*Poor communication between central lab
and hospital #1 cause of dissatisfaction*

COMMENTS



Participation in integrated laboratory systems was judged successful by the majority of survey respondents. Poor organizational communications between the Central Lab and individual hospital labs was noted as the number one cause of significant problems.



**Survey of
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**Are Hospital
Executives
Satisfied With
Their Lab's
Participation in
Integrated
Laboratory
Systems? (cont.)**

- Consolidation of non-time dependent laboratory testing
- Coordinated materials management
- Repatriation of selected referred testing
- Blood/blood product utilization and expense management
- Effective connectivity of LIS's
- Standardization of major clinical instrumentation
- System-wide negotiated reference testing contracts
- Coordinated outreach programs

COMMENTS



Many respondents commented on what they believe are important elements of integrated laboratory systems.



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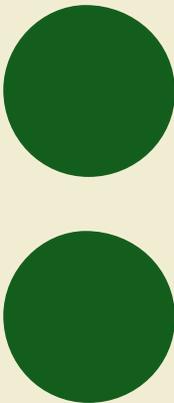
**How Do
Decentralized
Laboratory
Testing
Strategies Mesh
With Overall
Hospital and
Health Care
System Goals?**

Table 9

- **Have decentralized testing* 54%**
- **Do not have decentralized testing and are *NOT* considering this approach 30%**
- **Do not currently have decentralized testing, but are considering it for ER, OR, ICU, and near patient sites 16%**

**Does not include bedside Glucose testing*

COMMENTS



When bedside glucose testing is removed from the equation, more than two-thirds of respondents indicated they have or are considering decentralized testing for their institutions. The ER, OR, and ICU were the most commonly listed sites for decentralized testing. The menu of decentralized tests seems to be growing as a result of new instrumentation defined by CLIA as either waived or moderately complex. Under federal CLIA regulations, that technology does not require a Medical Technologist to perform tests in those categories, even though all quality control for decentralized testing is usually the responsibility of the laboratory.



**Survey of
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**What Plans
Do Hospital
Executives Have
If the Medicare
20% Co-Pay
Provision Is
Included in the
Final Version of
the Legislation?**

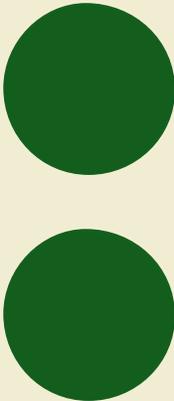
We noted that the Congressional conference committee may legislate a 20% co-pay for Medicare outpatient laboratory tests after the deductible is met. Projections suggest that additional work and costs for lab and hospital will result. What response(s) have you planned for this contingency?

Table 10

- **Beef up billing and collection departments 69%**
- **Consider outsourcing billing and collection services . . . 13%**
- **Other comments 18%**

*Collect co-pay at time of service • Increase write-offs
Suck it up and handle with existing resources • Not sure*

COMMENTS



The majority of respondents indicated that they would add staff to their billing and collection departments. Only 13% of respondents commented that they would consider outsourcing laboratory outpatient and outreach billing and collection processes. Some respondents indicated that, if the proposed co-pay legislation actually becomes regulation, they would direct their patient registration staff to work more diligently to collect the co-pay at time of service. Other respondents commented that tracking payments from Medicare secondary payors would add significant expense to the process.



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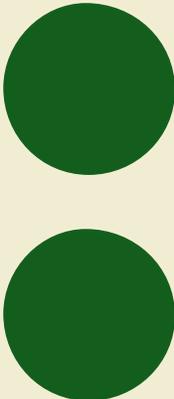
**Is "Patient
Self Ordered
Testing"
On The Radar
Screen Of
Hospital
Executives?**

We asked that if your hospital is in a state that allows self ordered lab testing, how do you view its prospective impact on hospital outpatient laboratory services?

Table 11

- Only modest impact 16%
- No impact 32%
- Too early to tell 34%
- No opinion 21%

COMMENTS



The responses are from 60% of executives whose hospitals are in states that allow self ordered testing. More than half of respondents believe that it's either too early to tell whether there will be an impact on outpatient testing, or do not yet have an opinion.



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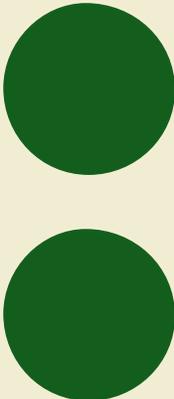
**What Resources
Do Hospital
Executives Use
To Evaluate
Their Pathology
Groups?**

Table 12

Medical staff comments are #1 predictor of hospital executive views of pathology group performance

<u>RANKED #1 IN IMPORTANCE</u>	<u>OVERALL</u>	<u>CEOs</u>	<u>COOs</u>	<u>VPs</u>
Medical staff comments	53%	52%	51%	56%
External benchmarks of performance	27%	30%	31%	21%
Interactions with pathology group spokesperson	11%	11%	11%	16%
Laboratory technical staff comments	5%	5%	4%	6%
Involvement in hospital committees	4%	2%	3%	1%

COMMENTS



No surprise here. Medical staff comments rank as the #1 predictor of hospital executive views of pathology group performance. While external benchmarks ranked as the second most important source of evaluating pathology group performance, many respondents commented that they did not feel comfortable that available benchmarks provide adequate comparative information.



**Survey of
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**What Are the
Most Important
Challenges
Hospital
Executives
Anticipate For
Their Labs During
the Next Year?**

Table 13

Labor issues and managing blood costs are most important challenges to hospital executives

<u>#1 CHALLENGE</u>	<u>OVERALL</u>	<u>CEOs</u>	<u>COOs</u>	<u>VPs</u>
Labor shortages: retention/recruitment	36%	41%	33%	31%
Managing blood costs	29%	27%	33%	30%
Lab space constraints	14%	16%	9%	16%
Clinical technology replacements	12%	9%	16%	12%
Outreach program competition	9%	7%	9%	11%



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**What Are The
Most Important
Challenges
Hospital
Executives
Anticipate For
Their Labs During
the Next Year?**

Table 14

Hospital bed size influences hospital executive perspectives of challenges facing their laboratories

<u>#1 CHALLENGE</u>	<u>OVERALL</u>	<u><100 BEDS</u>	<u>100-300 BEDS</u>	<u>301-500 BEDS</u>	<u>>500</u>
Labor Shortages	36%	46%	43%	22%	31%
Blood Costs	29%	18%	22%	36%	40%
Technology Replacement	12%	18%	13%	11%	9%
Space Constraints	14%	9%	11%	22%	14%
Outreach Competition	9%	9%	11%	9%	6%

COMMENTS



The majority of respondent comments reflect significant frustration regarding the rising cost of blood and blood products. While few alternatives seem to be available, some respondents indicated that multiple hospital blood bank services that include shared donor programs, testing, and administration seem to be successful in reducing the rate of increase in rising blood and blood product costs.



Executives from larger hospitals that spend significant portion of their lab's budget on blood and blood products believe that managing blood costs is their number one challenge, and labor shortage issues are second in importance. Respondents in the 301-500 bed category indicated that space constraints are equally as challenging as labor shortages



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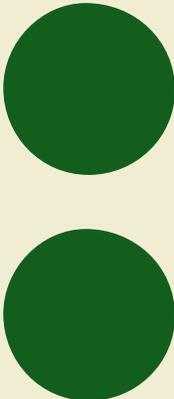
**How Do
Hospital
Executives Rate
Their Labs and
Pathology
Groups?**

Table 15

Respondents ranked laboratory and pathology group performance based on measurement tools described in tables 4 and 12 (1 = very good, 5 = poor)

<u>LABORATORY PERFORMANCE</u>					<u>PATHOLOGY GROUP PERFORMANCE</u>				
<u>RATING</u>	<u>OVERALL</u>	<u>CEOs</u>	<u>COOs</u>	<u>VPs</u>	<u>RATING</u>	<u>OVERALL</u>	<u>CEOs</u>	<u>COOs</u>	<u>VPs</u>
1	57%	50%	58%	62%	1	51%	59%	53%	48%
2	29%	30%	36%	22%	2	31%	16%	33%	34%
3	5%	4%	2%	10%	3	10%	14%	7%	9%
4	6%	9%	4%	9%	4	6%	4%	4%	9%
5	2%	7%	0%	0%	5	2%	7%	3%	0%

COMMENTS



More than half of the senior hospital executives responding to the survey believe that their laboratory is doing a very good job. Interestingly, the closer the Administrator is to laboratory operations (VP versus CEO), the greater proportion of respondents believe the lab is performing very well. Pathology group performance is also rated as very good by the majority of COO's and CEO's responding.



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**Survey
Follow-up is
Continuing
Next Steps**

- Detailed comments on survey questionnaires will be reviewed with respondents
- Specific concerns will be addressed in focus groups
- We will initiate a consensus process to develop new, improved measurement tools to evaluate pathology group performance
- Findings will be published in Spring, 2004

