

The Tough Question about Office-Based Laboratories

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As reimbursement trends continue downward, many physician practices consider adding an office-based lab with the hope that they will increase practice profits and offer greater convenience for their patients. When they are well-managed, office-based labs can definitely offer a new revenue stream, increase patient satisfaction and give greater control over the testing process to the physicians and office staff. However, if poorly set-up or run, an office-based lab can spell disaster for a physician practice. Cost overruns, time consumption, billing problems and patient complaints can mount quickly. The key to developing an office-based lab and reaping the benefits is planning, preparation and knowing the steps to success.

The first step: Ask the Tough Question

Do the physicians have the skills to build and run a laboratory on their own or could the practice benefit from outside help?

Setting up and running an office-based laboratory requires a deep understanding of the laboratory business. It is important to ask the tough question to see if your practice has enough experience to develop and operate a lab on your own or if you could benefit from outside expertise. POLESTAR has been able to develop our SMARTLabSM business because physicians have come to us seeking outside counsel for developing and managing their lab. Often times, laboratory instrument manufacturers may offer support or advice but it should be understood that their main objective and business is selling equipment not ensuring your long-term success. Moreover, the advice most physicians' need is in the areas of cost management, operational efficiency and policies and procedures. These are long-term needs that persist each and every day the lab is open. Buying the right instruments is only the initial step. Greater challenges come later as ongoing management is required to monitor supply ordering and usage, update policies and procedures, maintain regulatory compliance and generate accurate billing.

Once a decision is made to proceed with the establishment of an office-based lab, there are a number of pitfalls to be avoided whether you manage the lab on your own or with the assistance of outside help. The following steps can help determine if your lab will be operating at its highest potential.

Step Two: Analyze volume and workflow

A thorough feasibility analysis is needed to determine equipment needs, space and staff planning and how this new service will fit into the current practice workflow. Identifying which instruments to purchase and how to configure a lab for effective space utilization can be a challenge to physicians and administrators who lack previous lab experience. Often new instruments are launched with many more bells and whistles than an office-based lab could economically use. The most efficient labs identify which instruments can deliver the tests needed for the practice's patient mix.

Step Three: Make sure you have the right staff

Staffing is a major challenge for office-based labs. The phlebotomist and laboratory technologist are the central figures in the lab. The phlebotomist is the critical person to draw blood and keep samples flowing to the technologist. The phlebotomist is also the face of the lab and can make or break patient satisfaction.

The technologist is the critical player who can make or break the lab's contributions to the practice. The best candidates are those who are as sharp at the business management of the lab as they are at running samples. They need to manage costs in the lab and serve as the physicians' advisor on issues related to supply management and cost-effective operations. Finding the right candidate can be difficult in today's tight job market. It is only the rare technologist who can serve the role of technologist as well as laboratory manager. Physicians often have unrealistic expectations that technologists will possess both clinical and financial management competencies, resulting in a gap in the economic management of the lab's daily operations.

Step Four: Getting Ready to Serve Patients

The transition from planning to lab operation has many critical steps. Chemistry analyzers and other instruments require precise set-up, calibration and verification testing. Getting more than one piece of equipment up and running and then creating connectivity among the instruments and the laboratory information system doesn't always go smoothly. Additionally, policies and procedures must be in place for everything from patient contact to sample processing and billing. Creating all of these materials requires specific-laboratory knowledge so that the laboratory not only operates well but also passes critical regulatory inspections.

Step Five: Getting Paid for the Services

Mistakes in coding and billing are a significant risk to physician practices. Within the lab, there are many specific requirements that must be met to ensure payment for services. Errors can turn a profitable service into a profit drain. Additionally, improper coding and billing can have implications for fraud and abuse. Many office-based labs unknowingly get into trouble in this area. More often than not, it is a case of misinformation or lack of clarity on policies and procedures among staff. But, obviously the implications and threat to the practice could be disastrous. Drafting policies from scratch can be a time-consuming process, especially if the service is new to the practice, and sufficient time

must be devoted to this task in order to have the lab run smoothly and be in compliance with state and federal mandates regarding patient care, testing and referrals.

Plan for Success and You Will Find It

Office-based laboratories should not be looked at as an easy source of new revenue. However, they should also not be viewed as “not worth the hassle” for practices with a sufficient volume of testing. For many practices, sending their testing out can be a significant missed opportunity for revenue, increased patient satisfaction and improved physician control of patient care. In fact, as the healthcare system continues its shift to consumer-directed care, patients willing to pay for their care and services such as direct access testing may seek physician practices that can provide laboratory services in a convenient manner.

The first step is the most critical. Determine upfront if you can do the lab on your own or if you will need additional expertise. Too often physician practices bring in help for functions such as accounting, space planning or other non-medical needs but fail to realize that even for patient care services, there can be knowledge or experience gaps that need outside support to augment the physician expertise.