

Hospital-Based Laboratories Forming Networks to Create New Opportunities



Laboratory Networks: Leveraging Strategic Alliances to Retain Relevance in a Value-Based World

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Over the last several decades, many hospital-based laboratories have realized the potential of outpatient laboratory testing not only to generate profit, but also to provide a mechanism to secure additional testing, which helps fill excess testing capacity and lowers overall unit cost. It has also become clear that when outpatient test results are integrated into the patient's medical record, the laboratory becomes integral to the patient's complete continuum of care.

As the U.S. healthcare system moves away from fee-for-service reimbursement and toward value-based reimbursement, hospital-based laboratories may find themselves in the detrimental predicament of not only becoming a cost center, but also being further excluded from outpatient contracts by third-party payers. This challenge occurs when the hospital-based laboratory outreach program is not in a position to engage in effective health plan contracting.

An emerging trend in health plan contracting is the use of narrow networks, which limit provider choice and levy financial penalties on members who use services outside the restricted network. These financial penalties include high co-insurance, a high co-payment, or even non-payment for services provided by an out-of-network provider.¹

Due to these restrictive health plan contracts, the laboratory outreach program may not be able to provide outpatient testing services for many of their patients in the future. A lack of access to the outpatient data necessary for population management could have a profound effect on managing chronic diseases, which in turn could impact the total cost of



patient care, thus affecting the value-based reimbursement provided to the health system.

When hospital-based laboratories form a network across a geographic region, they can secure health plan contracts that allow them to provide services to a broader population of patients. By securing effective relationships with patients, providers, and health plans (payers), the hospital laboratory can contribute significantly to population health management.

In this session, Mike Hiltunen will outline how hospital-based laboratories can compete and remain relevant in new value-based reimbursement systems by belonging to a laboratory network.

Reference

1. Kliff S. Obamacare's narrow networks are going to make people furious—but they might control costs. Washington Post: Wonkblog. January 13, 2014. <https://www.washingtonpost.com/news/wonk/wp/2014/01/13/obamacares-narrow-networks-are-going-to-make-people-furious-but-they-might-control-costs/www.washingtonpost.com/blogs/wonkblog>. Accessed December 15, 2015.