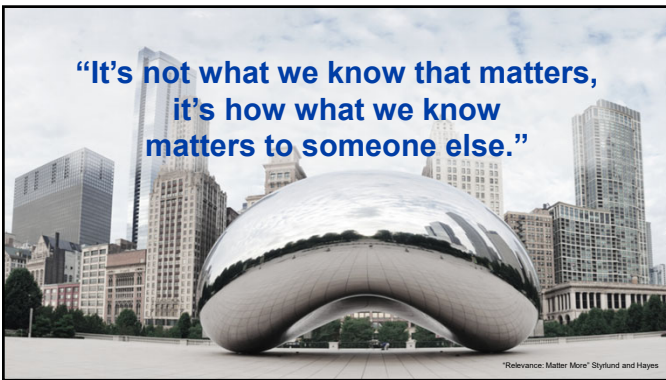


**Laboratory Value and Relevance:
Aligning for Success**

Jane M. Hermansen MBA, MT(ASCP)
Mayo Clinic, Rochester, Minnesota



Learning Objectives and Outcomes

- Assess administration’s understanding of the laboratory’s contribution to organizational mission and strategy
- Define and align laboratory relevance along three aspects: Clinical, Financial and Operational
- Communicate laboratory value beyond historical norms

Meta-Trends

- Commoditization
- Elevate, Accelerate & Sustain Profitable Growth
- How is the New What
- Create Value beyond the Product
- Rise of Risk Aversion, Stuck with Status Quo
- Bring Simplicity to Complexity
- Battle for Mindshare
- Relevance Matters More than Intelligence



The Sunbelt Group

Meta-Trends Manifest as Laboratory Industry Trends

Meta-Trend

- Commoditization
- Accelerate & Sustain Profitable Growth
- Value Beyond Product
- How is the new What
- Risk Aversion, Simplicity, Mindshare

Laboratory Trend

- Outsourcing/Sale of Laboratories
- Health System Complexity & Integration
- Value-Based Medicine
- Staffing & Complex Technology
- Leadership doesn't try to understand Laboratory



Self-Assessment

- What is your laboratory worth?
- How do you articulate laboratory value beyond financial (cash) value?



“No Money, No Mission”

~Sister Generose Gervais,
Mayo Clinic



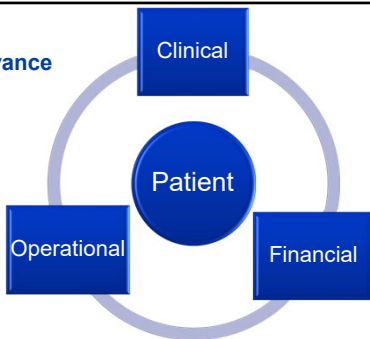
How do you Build a Picture of Laboratory Value?



Making Connections and Building the Picture



Tri-Relevance



Operational Relevance

Operational

- System integration
 - Efficiency
 - Standardization
 - Longitudinal medical record
 - Serve population
- Infrastructure alignment
- Patient access
- Patient satisfaction
 - HCAHPS score

Alignment

- ✓ Volume impact on cost
- ✓ "Franchise" consistency
- ✓ Consistency in data
- ✓ Community presence
- ✓ Coordinated health system operations
- ✓ Leverage health system locations
- ✓ Manage patient experience

MAYO CLINIC LABORATORIES

Clinical Relevance

Clinical

- System initiatives
 - Optimize clinical services
 - Support specialization
- Precision Medicine, companion diagnostics
- Proactive care
- Clinical Decision Support
 - Right test, right patient, right time and right location
- Data

Alignment

- ✓ Test menu
- ✓ Expanded support for Centers of Excellence
- ✓ Laboratory impact beyond value of test
- ✓ Health fairs, wellness
- ✓ Stewardship and enhanced patient care
- ✓ Laboratory data linked across care continuum

MAYO CLINIC LABORATORIES

EXAMPLE: Companion Diagnostics

Epidermal Growth Factor Receptor Gene Test
\$ _____

- Erlotinib (Tarceva) \$3,000/mo
- Afatinib (Gilotrif) \$8,500/mo
- Gefitinib (Iressa) \$8,000/mo

MAYO CLINIC LABORATORIES

Financial Relevance

Financial

- Net contribution (NOI)
- Cost avoidance
 - Penalties
 - Readmission
- Clinical Decision Support
 - Reduce waste
 - Manage utilization
- Payor value
 - HEDIS data
 - Total cost of care

Alignment

- ✓ Profitable revenue stream via outreach
- ✓ Continuum of care support
- ✓ SNF, etc
- ✓ Provider relationships
- ✓ Consistency in test menus
- ✓ Reduce duplicate testing
- ✓ Laboratory data integrated with non-laboratory clinical data



Organizational Culture and Leadership View

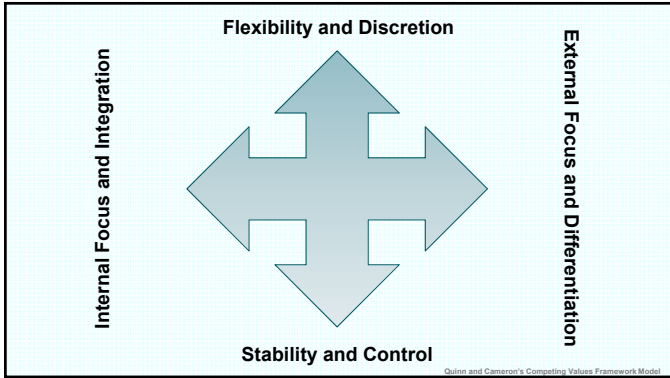


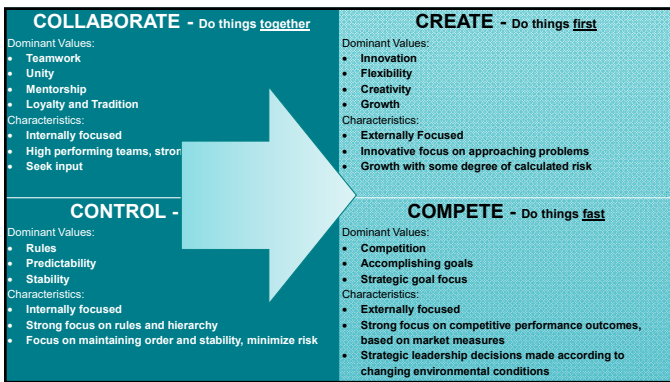



“Be number one or number two in every market, and fix, sell or close to get there.”

~Jack Welch









"...move away from businesses that were being commoditized toward businesses that manufactured high-value ... products or sold services instead of things."

~Jack Welch

Prioritizing Revenue Growth over Cost-Cutting

- "Revenue growth overtook cost control as executives' top priority...While administrators still aim to develop nuanced strategies to cut costs, their focus is now on improving ambulatory access, minimizing clinical variation, boosting primary-care alignment and adapting to population health."
- "They still haven't taken their foot off cost-cutting, but they can't cut their way out of this economic challenge. they need a balanced margin-management strategy."

-Modern Healthcare, June 12, 2019

<https://www.modernhealthcare.com/operations/revenue-growth-overtakes-cost-cutting-hospital-executives-top-priority>



From Commoditization to High Value

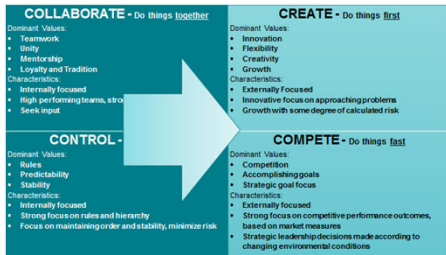


Keep a Long-Term View

- Own and Retain Laboratory Data
- Focus on Patient Needs and Outcomes
- Support the Continuum of Care
- Manage Utilization, Drive out Waste
- Leverage Clinical Knowledge and Expertise
- Demonstrate Impact on Total Cost of Care

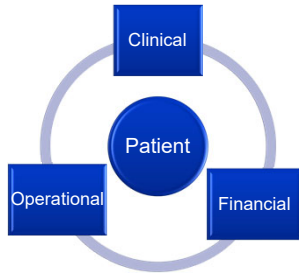


Transform (or Adapt to) your Culture



Transform your Laboratory

- Clinical
 - Centers of Excellence
- Operational
 - Optimize staffing, technology
- Financial engine
 - Outreach NOI >30%
 - Monitor KPIs and metrics
- Value-Based Initiatives
 - Control costs
 - Retain revenue



SO HOW?

“When you become the person who answers that, you also become the person who turns theory into practical application. That’s adding real value.”

Steve Rosster

Next Steps

1 Focus on the Patient

2 Retain and Use your Data

3 Drive toward Relevance

- Clinical
- Operational
- Financial

4 Deliver and Communicate your Value

- Immediate
- Near-Term
- Long-Term



Acknowledgements

• Contact

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- <https://www.modernhealthcare.com/operations/revenue-growth-overtakes-cost-cutting-hospital-executives-top-priority>