PERFECTING YOUR LAB PROFITABILITY AND ORDERING PROCESS

APRIL 2019
Executive Overview

Commercial and hospital-based laboratories are approaching a tipping point in the evolution to a tech-enabled, data-driven industry in the current value-based care environment. As healthcare providers implement value-based care programs to earn incentive payments for measurable outcomes, orders management must become an integral part of workflow to enable sustainable lab profitability.

Just as important, retaining multiple system vendor relationships is a top business challenge to uphold as payer reimbursements decrease and higher denial rates mount, financially impacting the revenues of labs nationwide.

To tackle these initiatives and more while remaining a viable business, hospital-based and commercial labs must accomplish two objectives using the right technology:

1. improve the quality and accuracy of data, and
2. better manage orders on the front end as well as optimize collections on the back end.

More efficiency throughout the entire order management process will drive revenue.

Challenges Affecting Lab Profitability

Hospital-based and commercial labs face declining reimbursements and a need to increase the certainty of income for services provided. Providers and payers are scrutinizing lab services as part of the implementation of value-based care initiatives to reduce costs. Many insurance agencies are building sophisticated claims tools using artificial intelligence and algorithms to ensure labs are billing appropriately on services rendered. Labs will need to demonstrate the value they contribute to improved patient outcomes or total cost reduction as part of the future global payment shared by the provider community.

Lisa Jo Abbo is director of payment integrity for OptumInsight Laboratory Services, Genomics & Diagnostic Testing. Abbo manages approximately 10 different commercial payer relationships for Optum, including United Healthcare and Blue Shield of California. She offers insights to help laboratories succeed transitioning to new billing practices.

“It’s incredibly important for labs to maintain a strong partnership with payers and to keep lines of communication open,” says Abbo. “Billing is complex. It’s hard for labs to keep up with all of the different coding changes, and we, in the payer community, can help. Payers can’t tell you how to code but they can advise on the proper way to bill.”

“We have a saying in the industry that ‘pre-authorization is king,’ meaning when in doubt, call and get prior authorization so that claims are not denied. We know you need answers quickly,” Abbo continued, “If you are not in-network with a commercial payer, reach out to discuss acceptable payment rates for physicians to use your lab, keeping the member’s best interest in mind. Don’t be afraid to communicate with your payers or your providers. Equally as important is maintaining good relationships with ordering providers. Labs can bill the ordering provider for the service provided if a payer denies a claim.”
“Payers are really focused on CLIA Certification,” she added. “This has been a requirement since the late 1980s but is becoming increasingly important as labs run more and more tests that require specific accreditation. Labs aren’t permitted to simply run a drug test without being certified in toxicology, for example.” CMS regulates all laboratory testing (except research) performed on humans in the U.S. through the Clinical Laboratory Improvement Amendments (CLIA), which ensures quality laboratory testing.

Chief among the payment challenges is that too many labs still receive orders on paper from providers. Despite the fact that practices have adopted electronic medical records (EMRs) over the years (primarily due to Meaningful Use mandates), many physicians are not using them. Even if they are using EMRs, many still rely on paper charting proven by the efficiency and simplicity it affords. Practitioners interviewed by Medical Economics in 2018 report being willing to leave reimbursement “money on the table” in order to complete charts before going home. Since many technologies continue to lack interoperability, some physicians using EMRs still rely on paper to exchange patient data with other providers or institutions via fax.

“Most labs process 20 percent electronic orders, which means 80 percent are still managing paper requisitions,” explains Gregg Church, President, 4medica. “Paper records are inefficient when it comes to managing data. Missing, inaccurate information leads to billing issues.”

The laboratory is a major source of healthcare data. Manually entering paper orders into the laboratory information system (LIS) is inefficient and can potentially introduce additional errors into the patient record as well as contribute to the persistent issue of duplicate patient records and overlays.

Multiple records for each patient result from data that is not standardized or normalized. Data discrepancies also occur as orders originate from multiple providers with disparate EMR systems, all with different formats for patient records. Busy physicians desire to use their own familiar EMR to order lab tests. Yet interoperability among systems becomes an issue for the lab when disparate systems also present problems with data compatibility. While many institutions have chosen to interface EMRs to the LIS, labs still manage multiple applications and different point solutions that complicate the ability to normalize and standardize data.

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Paying less for tests and denying services more often is becoming the new normal. As a result, labs should no longer assume that all ordered services are covered. An understanding must be embraced by all of the liability and risk inherent in the patient encounter and practice transparency from the start. The increased emphasis on value-based care also means that more payers require pre-authorization for higher-cost diagnostic tests. This in turn puts labs in a relatively new position facing unique obstacles to obtain pre-authorization for services and take responsibility for collecting copays upfront from their patients. When errors are present in the pre-authorization process, more claims are denied.

In parallel, another issue affecting lab profitability is the **trend for payers to shift costs to patients.** Patients with commercial insurance plans have experienced a 67 percent increase in their financial responsibility over 5 years, paying 12.2 percent of the total bill in 2017 as compared to 8 percent in 2012, with out-of-pocket costs rising from $1,630 in 2016 to $1,813 in 2017, according to a TransUnion news release³. Dark Daily⁴ also reported that more uncompensated care means more unpaid balances for clinical laboratories.

Higher deductibles and co-pays increase the burden on patients, yet most labs do not have front-end pricing transparency. Moreover, poor customer service and communication with patients may make upfront collections overly complex, difficult and costly after the fact.

“Many labs have never had to collect out-of-pocket payments from patients. Today, millions of dollars go uncollected and are left on the table.”

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Three areas for improvement

In a report published by Project Santa Fe following its inaugural March 2016 meeting, the stakeholders proposed the creation of “Clinical Lab 2.0,” an initiative that calls for programmatic leadership by laboratory professionals to help shape future healthcare delivery programs, and advance innovation to create business models that are less transactional and more integrative.

The participants in Project Santa Fe represent major regional health systems tasked with providing thought leadership and helping develop the evidence base for the valuation of clinical laboratory services as American healthcare evolves.

The industry is shifting into a new era in which clinical stakeholders, laboratory professionals and pathologists should work together, leveraging the value of the information maintained in the clinical laboratory. The lab data is “often very structured, quantifiable and classifiable, ergo, the data are amenable to multiple retrievable and analytical methods. Thus, it is not surprising that the very field of clinical informatics found a firm footing in the clinical laboratory, in the form of laboratory information systems, representing the first home of the electronic medical record.”

Clinicians, laboratory professionals, pathologists and administrators alike are unable to make informed, knowledge-based decisions when they have inaccurate data. Erroneous information can also create problems that extend throughout the entire revenue cycle. Now more than ever, data stewardship impacts the cost and quality of care. The top operational insights and advice from some of the nation’s leading experts indicate that in order to positively impact profitability and interoperability, labs must focus on three areas of improvement:

1. **Efficiency** using electronic orders

2. **Data integrity** with patient matching technology

3. **Collections** through better patient engagement

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**Improve efficiencies with electronic orders**

Patient safety relies on data integrity in every electronic transaction, starting with the laboratory order and ending with the test result for each potential end user. Duplicate and unmatched patient records are costing labs more than they realize. “As data sharing grows and challenges in connectivity are tackled, resolving patient record matching issues has become more urgent and complex,” said Doug Brown, Managing Partner of Black Book Research, in a press release. Black Book™ surveyed 1,392 health technology managers from Q3 2017 to Q1 2018 and found that 18 percent of an organization’s patient records are duplicates, prior to administering an EMPI tool.

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Improve data integrity with patient matching technology

Although the HITECH Act mandated the adoption of EMRs and health data exchange, a group of stakeholders banned together including the American Medical Association, American Health Information Management Association and Blue Cross Blue Shield Association to write a May, 8, 2018 letter to Congress that the lack of a consistent approach to patient matching strategy is one of the most significant challenges to ensuring safe and secure data exchange.

Thirty-three organizations called for taking the necessary steps to aid the private sector by clarifying the unique patient identifier ban to enable patient matching. According to a recent report by the Pew Charitable Trusts, enhanced patient matching will help ensure that records “contain complete, accurate, and up-to-date medical information—thus improving safety, reducing costs, and better coordinating care for individuals who see multiple medical professionals.”

Once records are electronic, labs can use a master patient index (MPI) database to link together patient health records from different providers and healthcare systems. MPI technologies help labs compare demographic data (name, address, birthdate, etc.) from two or more electronic patient records and determine whether different identities are likely to belong to the same person. Then, the MPI will create a single view of each patient selecting the best and most current demographic information for use to create the best record. Labs need to deploy the right patient identity matching solution because everything from strategic initiatives to day-to-day laboratory testing is only as good as their data.

More sophisticated MPI algorithms use a “referential matching” approach to patient matching technology. Instead of basically comparing patient records to determine if they match, referential matching technologies match electronic records to a comprehensive database of demographic data that may include name changes, old addresses and other information collected over a period of more than 10 years. Such an approach takes patient matching to the next level of standardization.

Improve collections with better patient engagement

Certainly, more accurate records will improve the billing and collections process. But labs will increase their probability of getting paid by initiating discussions of payment options with patients—before tests are even performed. Informing patients about their financial responsibility beforehand and pre-authorizing payments can help submit cleaner claims to payers.

Streamlining the process of patient eligibility verification before submitting and processing orders, collecting co-pays upfront and offering alternative forms of payments such as credit cards or other financing options are effective billing services that contribute to helping patients decide whether to complete a test. Importantly, these services also support helping patients on how best to address increasing out-of-pocket costs. This increase in pricing transparency that fully engages the patient will result in a return visit to the laboratory for additional services—thus keeping patients in the network.

Conclusion

For sustainable growth, labs must focus on improving the quality and usability of data, increasing efficiency in the orders management process, and initiating payment discussions with patients upfront. A logic-driven platform that streamlines the entire order management process and integrates with disparate EMRs is an essential foundational technology that will advance the mission of Clinical Lab 2.0 and sustain lab profitability.

The 4medica Perfect Order for Perfect Payment

The perfect claim starts with the perfect order. When every order is electronic and fully scrubbed for medical necessity, patient identity, insurance eligibility and pre-authorization when required, a laboratory reaps tremendous cost savings in accessioning and support services.

The 4medica Perfect Order for Perfect Payment™ solution addresses the aforementioned challenges to help labs improve profitability. Labs can receive 100 percent of their requisitions as electronic orders using a revolutionary patented process to convert paper requisitions to electronic orders. Next, the patented orders management platform uses a highly sophisticated rules-based engine to validate patient demographics with patient matching in real-time, assists with insurance eligibility, and handles pre-authorizations as part of the upfront ordering process to streamline workflow. Labs no longer need to implement expensive EMR interfaces at low volume practices.

The 4medica Perfect Order platform provides one logic-driven platform for data management and real-time clinical interoperability spanning the entire revenue cycle. In addition to the orders management workflow, 4medica helps labs reduce denials and improve their overall payer reimbursements by offering unique integrated collections management modules to help labs collect patient co-pays, deductibles and out-of-pocket requirements at the time of service. These tasks typically require solutions from four or five different vendors. Reducing the number of vendor relationships required for revenue cycle management helps labs become more operationally efficient.

To learn more about the 4medica Perfect Order for Perfect Payment solution, visit www.4medica.com.