



The Value of Data in The New Healthcare Model

Data: The New Currency
in the Future of Healthcare

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How to Win in the New Healthcare Business Model

As healthcare reform efforts continue to evolve and we transition from fee-for-service reimbursement models to value-based payment models, there will be winners and there will be losers. Which side of this divide your organization falls on will be based on the ability to gather and analyze clinical data to reduce episode-of-care costs and establish and implement evidence-based, standardized care processes.

In this paper we will point out three potential cost-saving areas: eliminating waste, using risk stratification to support population health, and monitoring test utilization practices to develop best-decision practices. Don't overlook the role your laboratory data can play in controlling waste, curbing excess utilization, and supporting quality patient outcomes.

Eliminate Waste

As established by Don Berwick in his article, *Eliminating Waste in U.S. Healthcare*, “the opportunity for waste reduction in healthcare is enormous.” He goes on to explain that, in fact, the opportunity is so enormous that if we were to eliminate even a small fraction of healthcare waste, our currently unsustainable spending growth in healthcare could make great strides towards gaining stability without any harm to patients. Waste reduction—removal of non-value added practices—has been earmarked as one of the best cost-saving strategies.¹

The key to greater efficiency is the reduction of waste. Waste in healthcare has been defined by The New England Healthcare Institute (NEHI) as “healthcare spending that can be eliminated without reducing the quality of care.”² According to the NEHI analysis, much of the waste in healthcare comes from failure to comply with established and accepted clinical practices.³

Because of our fragmented healthcare system, lab tests are often improperly ordered and poorly utilized. Getting an accurate diagnosis as soon as possible reduces waste and improves quality by eliminating unintended negative consequences and/or inappropriate testing that may have occurred due to a delayed or inaccurate diagnosis.

Under a fee-for-service reimbursement model, ordering more lab tests means higher reimbursement, so there is little incentive to be concerned about over-ordering laboratory tests. In a value-based reimbursement model, this practice is no longer lucrative because efforts to reduce costs and eliminate unnecessary testing are essential. In the new reimbursement models, ordering tests that have little-to-no clinical value becomes unnecessary waste that increases costs yet provides minimal diagnostic value. In order to be successful in a value-based system, waste must be addressed and providers need clear guidance towards the minimum level of testing that creates maximum patient care value. Providers will need to shift focus from “more care” to “best care.”



Eliminate Waste To-do List

- Determine scenarios that justify expensive tests.
- Eliminate obsolete testing.
- Reduce non-value added testing.
- Create testing formularies.
- Develop reflex algorithms or sequential protocols for test orders.
- Provide peer-to-peer data to monitor and ensure compliance.

Figure 1: Eliminate Waste

Support Risk Stratification & Population Health Management

A large portion of the data necessary for clinical diagnosis (up to 70%) feeds into the EHR from the laboratory.⁴ In a Patient-Centered Medical Home (PCMH), Accountable Care Organization (ACO), or other value-based reimbursement model, the sharing of that data to support analytics needed for certification, and adding to the compilation of data for patient risk stratification and population health management becomes essential.

Michael Ashanin, COO at Central Ohio Primary Care, explains, “Lab data is key in nearly all of our contracts for shared savings, population management, and risk contracting. This clinical results data is our starting point for risk navigation. When you have the data in your own house, you’re not relying on payor claims data or other third-party information; you have actual in-house data that no one can modify for a different gain. As you start to determine risk pools and bid amounts, knowing the acuity level and the subsequent risk level is imperative; this is the key in developing our contracts. Payors, employers, and health systems are thirsty for this data.”

To take that a step further, Summit Health Solutions in Knoxville, Tennessee, a Medicare Shared Saving Program (MSSP) ACO owned by Summit Medical Group, is also working with Optum on risk stratification and predictive modeling, and combining current clinical data from their EMR and the community HIE for a more real-time approach to their data analysis. Kimberly Kauffman, Executive Director at Summit Health Solutions, explains, “We are working with Optum on risk stratification and predictive modeling based on paid claims data, but that’s looking at it through the

rearview mirror because the service has already been rendered. Predicting future behavior based on past behavior is fine. However, what is more exciting is Optum's capacity to mine our EMR and the community HIE (East Tennessee Health Information Network or ETHIN), along with the paid claims data to complete predictive modeling and risk stratification. Now we are looking through the front windshield. To me, this view is really exciting and is the direction we all need to be going.”⁵

Monitor Test Utilization to Quantify Provider Variation

In order to meet the changing needs of our healthcare system, variation between providers needs to be monitored and evaluated. Beyond the sharing of laboratory data, laboratory professionals have extensive knowledge of clinical testing purpose and function that can be tapped into to more actively contribute to positive patient outcomes by enabling appropriate test orders and reducing redundant or unnecessary test utilization.⁶

According to Dr. Carl van Walraven, “Appropriate laboratory utilization is a cornerstone of optimal medical practice. Patients benefit from accurate diagnoses, proper therapeutic monitoring, and precise prognostications, all of which result from the use of sensible diagnostic technologies. Inappropriate laboratory utilization can not only harm patients, it is also expensive.”⁷

Crystal Run Healthcare, a multi-specialty group practice in Middletown, New York, one of the first ACOs in the nation to participate in the MSSP, has closely examined their provider ordering patterns to achieve the cost savings and efficiency needed to excel in an accountable care environment. Crystal Run performed and presented to providers specific variation data by diagnosis (see Figure 2). Using the data generated by the variation analysis, they were able to standardize care and reduce costs while still maintaining high levels of quality by comparing provider ordering patterns and their associated costs to actual patient outcomes. This led to the development and propagation of best-practice guidelines for common chronic diseases and preventive services.



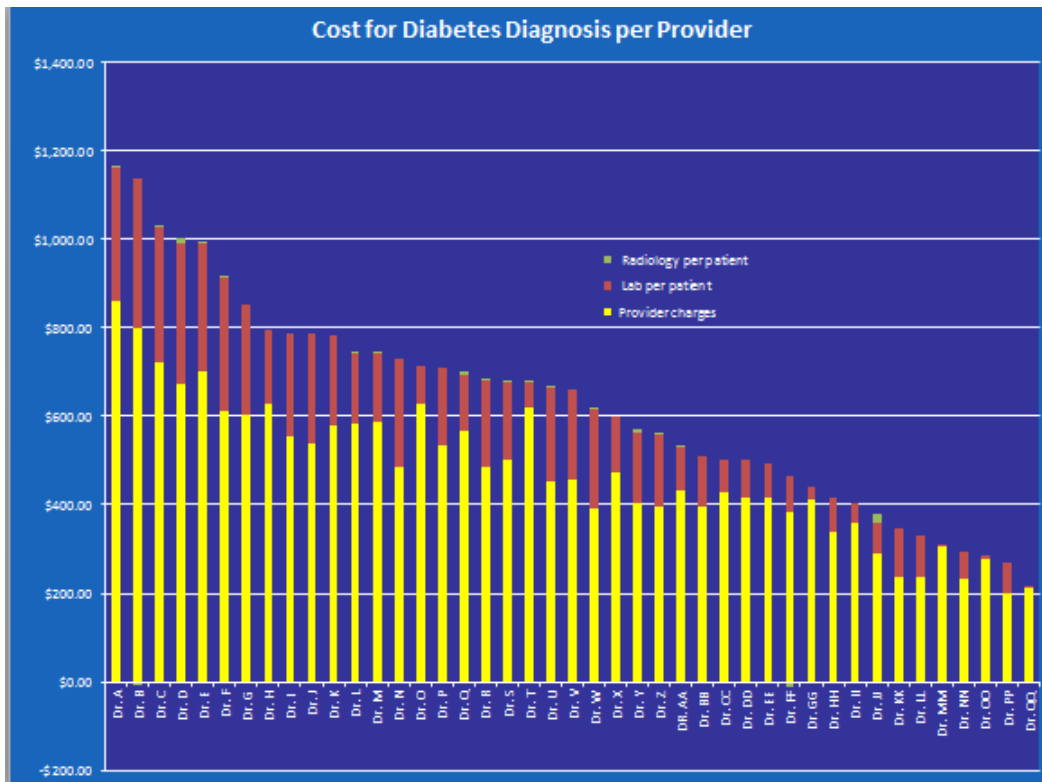


Figure 2: Crystal Run Variation Analysis

After six months of following these best-practice guidelines for ordering lab tests on diabetic patients, Crystal Run saw a 9% reduction in the overall cost of care and a 15% reduction in lab costs. Dr. Scott Hines, Co-Chief Clinical Transformation Officer at Crystal Run, explains, “What we found is that by adopting and circulating best-practice standards, physicians ordered less tests while maintaining quality. Some physicians could even argue that quality was improved and cost was reduced. That’s the real bottom line to accountable care—best quality, best patient experience, at the lowest possible costs.”⁸

Importance of Diagnostic Information

Because of the dire need to reform our healthcare delivery system, new reimbursement models are being implemented across the U.S. Savvy healthcare administrators are looking for ways to reduce costs, eliminate waste, and increase efficiency. In this drive for greater efficiency, don’t overlook the value of the data generated by the laboratory. Healthcare administrators may not see the lab as top priority because it is not a large cost; however, it can be a huge factor in improving patient outcomes as diagnostic information becomes ever more important in the future of healthcare.

This paper is an excerpt from a larger document entitled *The Value of the Laboratory in the New Healthcare Model*. If you would like additional details and information, download the white paper in its entirety at www.orchardsoft.com/whitepapers.

Notes

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