

Should Your Lab or Hospital Form or Join a Laboratory Network? (Article 2)

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This presentation by three hospital laboratory administrators addresses the advantages and disadvantages of hospitals and laboratories joining a laboratory network. We discuss our experiences and why the decisions and partnerships we made worked best for our organizations.

The Network in which we are members formed in 1996, after a year of research and site visits by some of the managers, pathologists and hospital administrators. The original mission of the group was to form a network independent of any commercial laboratories, where the labs could share test, as well as bid on some managed care contracts. One of the important issues that the group realized from the site visits, was the expense associated with the forming of a network, particularly for a computer system needed to link the labs together. This cost was one of the main reasons the group began to look for additional partners. Other hospital labs joined the network and now the group has 10 members, covering the western and southern parts of Connecticut.

The large expense was the other reason the group began looking at a commercial partner. Even though, originally, we did not want to partner with a commercial lab, we found that there were some benefits to this. These benefits as well as the disadvantages are discussed in the program. The advantages of having a commercial partner include: their extensive resources, their marketing and outreach expertise, the large informatic systems, their nationwide visibility, and their experience with HMO contracting. The disadvantages include: the philosophical differences between hospital and commercial labs, the potential competition by the commercial lab, contractual obligations and participation agreements that could impact the decisions that the hospital has to make. We then discuss why we chose the commercial partner that we did (Mayo Medical Labs).

The second speaker discusses the Esoteric Test Exchange Program. The main purpose of this program is to allow the labs to exchange tests amongst themselves and not send them to a reference lab, thereby keeping the testing and revenue within the hospital labs and the state. The program is set up so that there are set criteria established for the tests to be exchanged. Some

considerations are the volume, turn around time, and cost. That lab wishing to participate sends a sealed bid to the commercial lab rep, via the "Messenger Model". The points are added up based upon the criteria and the winner is notified by the commercial lab's representative.

Other things to think about in the esoteric exchange program are: pathology involvement, the diversity of the tests being offered, the computer system needed to link the hospitals and store the data, the courier system, the routes, turn around time, the process for billing the other labs, and an internal manager of the program to track the revenue and costs for each hospital.

The other major reasons for forming a network as to participate in managed care contracting with the other hospitals. The speaker discusses the commitment needed by the members of the network in order to educate and visit the make proposals to the HMO's. There are two types of contracts that the network is involved in, those are sole source contracts and subcontracts. The first being the ideal situation for a network because they are the sole "owners" of the contract with the managed care company for the lab services. The other, subcontracting, allows the labs to participate as part of an agreement with the contract "owner," usually a commercial lab or other network. The speaker then talks about the differences between the to networks that exist in Connecticut.

The third speaker addresses the involvement needed by the pathologists in order for a network to be successful. These include the pathologists ability to coordinate HMO bids with other pathology networks. Their involvement enhances the esoteric exchange program and potential Part B revenue. The physicians at the network hospitals like to take over tests' results with pathologists that are local and known.

The network also involves a lot of tie and commitment from the lab manager or a chose representative. There are many meetings to attend, including initial business meetings, weekly operational meetings, and contract negotiation meetings. Someone is needed to manage the esoteric exchange program and the financial aspects of the network. The hospitals have to manage the internal resources necessary for the exchange program and data collection.

The speaker then discusses the future challenges for the network which includes: the growth or lack of their membership, a defined management structure and a network manager, collaborating with other networks or other commercial labs to enhance contracting capabilities, additional needs for capital and information systems.

The last thing the speaker mentions is what a lab needs to create a network: Institutional support, member interest beyond their own hospitals, capital, time commitment, commercial partners, and good negotiation skills.