Help! My Laboratory Outreach Program is Invisible

Demonstrating Your Value

Jane M. Hermansen MBA, MT(ASCP)

Learning objectives

• Identify factors critical to a successful laboratory outreach program
• Recognize “danger signs” from hospital leadership as they relate to your outreach program
• Develop effective communication and reporting tools that demonstrate your outreach program success to leadership
• Learn to speak the language that communicates your outreach program’s needs to senior leadership
Symptoms of an invisible laboratory outreach program

- Hospital CEO doesn’t know where the laboratory is located
- Your hospital or healthcare system’s employee health plan uses a laboratory other its own
- You hear the phrase, “Outreach? You mean outpatients, don’t you?”
- Outreach program net revenue is absolutely unattainable information
- You experience an inability to gain necessary resources to support the outreach program (courier vehicle, phlebotomy staff, information technology, marketing collateral, laboratory newsletter, etc)
- Commercial laboratory draw site is located in hospital-owned space

Laboratory Outreach Critical Success Factors

- Administrative understanding
- Supportive laboratory personnel
- Focus on customer service
- Minimal initial capital investment (existing laboratory capacity)
- Establish solid billing practices
- Pricing structure
- Adequate outreach infrastructure (or resources to develop)
- Sales and marketing (amenable community and physician relationships)
Danger Signs that your Outreach Program may be in Trouble

- Unknown Net Revenue and/or Contribution Margin
- Unrealistic application of hospital overhead
- Across-the-board departmental cuts
  > Equal percentage allocation
  > No consideration of external volumes
- Continual consultant engagements
- Total reliance on external benchmarking
- Unstable leadership
  > Education
  > Re-education
  > More re-education

The Internal Sell

WHO:
- The C’s and O’s
  > Anyone with “C” and “O” in their title
  > CFO, CEO, COO, CNO, CMO, CIO
- Vice President
- Laboratory
  > Medical Director
  > Management
  > Staff

WHAT:
- Net Revenue
- Contribution Margin
- Patient Satisfaction
- Physician Satisfaction
- Cost-effectiveness
- Lowered cost per test
- Improved patient care
- Community presence
- Hospital image

WHY?
Buying Influences and how to identify them

• Economic buyer
  > Defined: releases $$
  > Ask: Who has the final authority to release the money?
• User buyer
  > Judges the impact that your product or service has on his/her job
  > Ask: Who will personally use or supervise the use of this service?
• Technical buyer
  > Screens out based upon select criteria
  > Ask: Who makes judgments about the technicalities of this service?
• Coach
  > Serves as your guide
  > Ask: Who can help me gain the support I need?

Buying Influence’s Concept

Ask: What are they trying to....

• Accomplish?
• Fix?
• Avoid?
Not all Buying Influences are positive

- Beware the Anti-Sponsor!
- Ask: Is there someone involved who feels that they will lose if the laboratory outreach program succeeds?

What might “Success” look like to a buying influence?

- CEO: Strong organization, positive community image
- CFO: Financial contribution to margin, utilization of capacity
- COO: Efficiency, integrated services, system-view
- CIO: Timely implementation, minimal hassle
- CMO: Physician relationships, quality and clinical outcomes
- VP: Bragging rights, easy approval process
- Pathologist: ??
- Staff: ??
A senior healthcare leader’s critical activities include:

- Developing and maintaining an organization’s culture
- Setting a vision
- Strategic planning
- Maintaining financial stability
- Providing access to resources
- Removing barriers to progress or success
- Prioritization
- Etc
- Etc
- Etc

Communicating about your outreach program to your senior leaders

**DO:**
- Remember that the laboratory is not their biggest priority or concern
- Find out what is important to them and make sure your story is relevant to the situation
- Get in their direct line of sight

**DO NOT:**
- Become noise or chatter
- Waste their time!
Tips for Effective Communication: CCR

Communication must be:

- **C**risp
  - Brief and easy to understand
- **C**ogent
  - Compellingly persuasive
- **R**elevant
  - Answers the “So what?” question

Strategic positioning

- Identify synergy or alignment between the outreach program and the organization’s strategic initiatives
Monitor and Report Key Performance Indicators (KPI)

Steps to follow:
1. Identify the audience
   > Buying influence
2. Answer the “accomplish/fix/avoid” question per buying influence or position:
   - **CEO**
     - Strong organization, positive community image
   - **CFO**
     - Financial contribution to margin, utilization of capacity
   - **COO**
     - Efficiency, integrated services, system-view
   - **CIO**
     - Timely implementation, minimal hassle
   - **CMO**
     - Physician relationships, quality and clinical outcomes
   - **VP**
     - Bragging rights, easy approval process
   - **Pathologist**
     - ??
   - **Lab Staff**
     - ??
3. Identify **audience-specific** metrics that tell the story

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Do your Homework:

<table>
<thead>
<tr>
<th>Buying Influence*</th>
<th>Accomplish</th>
<th>Fix</th>
<th>Avoid</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFO</td>
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*Economic, Technical, User, Coach, and don’t forget - the Anti-Sponsor!
Case Study of the Invisible Laboratory

Background:
• Health system laboratory with large outreach program
• Nearly half of volumes were from owned physician practices (clinics)

“I can save $200,000 in lab cost if we send our clinic’s testing to another lab.” ~System COO

The Invisible Laboratory

• Senior administration considering a bid from an outside laboratory to perform all of the clinic testing
• Projected cost savings (laboratory cost) = $200,000
• With laboratory “cost savings”, outreach infrastructure would dissolve

Known:
• Robust Cost Accounting
  > Separate inpatient and outpatient costs
  > Discrete Variable and Fixed costs
• Gross Charges

Unknown:
• Net Revenue
• Contribution Margin
• Effect of volume on overall unit cost
Outreach Contribution

Revenue

Outreach Test Volume 208,104
Net Revenue per Test $ 15.42
Total Net Revenue $ 3,208,964

Outreach Direct Operating Expenses

Lab Performing Cost (Fully Loaded) $ 1,215,327

Net Operating Margin $ 1,993,636

Volume Effect on Unit Cost

<table>
<thead>
<tr>
<th>Volume</th>
<th>Cost</th>
<th>Total Cost</th>
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<tr>
<td>Inpatient and Outpatient</td>
<td>676,896</td>
<td>$ 12.73</td>
</tr>
<tr>
<td>Outreach</td>
<td>208,104</td>
<td>$ 5.84</td>
</tr>
<tr>
<td>Total</td>
<td>885,000</td>
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</table>

Average cost per test without outreach $ 12.73
Average cost per test with outreach $ 11.11
Cost savings per inpatient test $ 1.62

Inpatient Unit Cost Savings $ 1,096,676
(cost savings multiplied by inpatient volume)
### Volume Effect on Unit Cost

*minus 86,140 clinic tests*

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<td>676,896</td>
<td>$12.73</td>
<td>$8,616,886</td>
</tr>
<tr>
<td>Outreach minus clinic volumes</td>
<td>121,964</td>
<td>$5.84</td>
<td>$712,270</td>
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<tr>
<td><strong>Total</strong></td>
<td>798,860</td>
<td></td>
<td><strong>$9,329,156</strong></td>
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</tbody>
</table>

- Average cost per test without outreach: $12.73
- Average cost per test with outreach: $11.68
- Cost savings per inpatient test: $1.05

**Inpatient Unit Cost Savings**: $712,036

*(cost savings multiplied by inpatient volume)*

**Effect of losing clinic volume of 86,140 tests**: $384,640

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### Outcome and Lessons Learned

**The Invisible became Visible**
- Health system retained all clinic laboratory volumes
- Implemented financial reporting
- The laboratory outreach program was saved!

**The Moral of the Story:**
- Remember the significance of each Buying Influence and their Concept
- Beware the Anti-Sponsor!
Tips to Demonstrate Outreach Value

- Manage the Internal Sell
- Identify the Buying Influences
- Understand the Buying Influences’ concept of “Accomplish/Fix/Avoid”
- Develop audience-specific metrics (Key Performance Indicators)
- Communicate metrics - “CCR”

Strategies for Overall Outreach Success

- Secure staff buy-in
- Develop an outreach infrastructure
- Support a service-oriented culture within the laboratory
- Establish effective financial processes
  > Pricing
  > Billing
  > Reporting
- Continually sell your laboratory outreach program
  > Internal
  > External
- Be visible!
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Other resources

• CLMA Body of Knowledge: Domain 4 – Strategic Planning and Marketing

Contact Information

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