The Lab’s “New Normal”: Thought-Leadership to Navigate and Embrace Industry Change
I. Welcome – Premila Peters, President, Data Innovations
II. Keynote - Mark Dixon, The Dixon Group
III. Lab Technology Innovation – Sudhish Subhash, Vice President of Product, Data Innovations
IV. COVID-19 in the Lab – Craig Newman, Data Innovations
V. Lab Leadership Panel
VI. Q&A
Premila Peters
President, Data Innovations
Meet Mark Dixon

Mark D. Dixon, R.Ph, M.H.A., FACHE, leads The Mark Dixon Group, LLC which provides integrated delivery networks and medical suppliers consultative assistance. He specializes in providing services for C-suite perspective, Accountable Care Organization implementation, physician clinical integration, and improving service delivery effectiveness.

Prior Experience

- Regional President for the South Region of Fairview Health Services in Minneapolis, Minnesota from 2008 - 2011.
- President/CEO of Community Hospitals of Indiana, part of the Community Health Network in Indianapolis, Indiana from 2003 - 2008.
- Chief Executive of Abbott Northwestern Hospital and other roles with Allina Health in Minneapolis, Minnesota from 1984 – 2002.
- Lectures at national meetings on relevant topics for health care administrators, physicians, and suppliers. He has also served on numerous other not-for-profit and for-profit boards of directors.
Key Conclusions

Healthcare is transforming and COVID-19 has accelerated that transformation.

This is a leadership moment for the Laboratory – Lab leaders must ensure their relevance in a changing healthcare ecosystem while delivering a patient-centered strategy.
Overview of Presentation

• COVID-19: A Black Swan Event
  • IDN C-suite View of Now, Near, and Far

• Perspectives and Implications for the IDN C-Suite
  • Four Key Healthcare Trends

• Clinical Lab 2.0 – Why lab? Why now? Leadership Matters!
A Black Swan Event for the Healthcare Industry and the World Economy

What is a Black Swan Event?

• A black swan is an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences.

• Black swan events are characterized by their extreme rarity, their severe impact, and the widespread insistence they were obvious in hindsight.
A Black Swan Event for the Healthcare Industry and the World Economy

**SURGE** “Many large IDNs lost $3–4 MM per day”

- Vanishing elective volumes, cost of COVID-19 treatment, economic erosion
- April 2020 median net operating margin in the US was (-29) % despite a 7 % reduction in expenses
- $120MM reduction in quarterly revenue
- Executive salary reductions, labor cuts, furloughs, and more
- Telehealth use is up 700%+ enabled by regulatory/reimbursement change
- New rules: No sales access in person to health systems

**PHASE I: “RE-OPENING” of America’s Health Systems”

- Patients AND staff are frightened to come back into healthcare
- Racism and health inequities need to be part of the conversation
- Postponed care will have long term impact on patients and IDNs
- Hospitals / physician’s practices will close or look to be acquired
- Economic recovery:
  - Capital and expense budgets will be tighter than ever
  - Acceleration of value-based models for the innovators

**PHASE II: “RE-IMAGINING” of America’s Health Systems”

- More families on Medicaid or uninsured
- New competitive pressures AND new consumer expectations
- Transformational strategic and operational innovation initiatives abound!
- Rebuilding IDN balance sheets post-COVID-19
  - Drive for efficiency and affordability
  - IDNs target a 10–25% reduction of expenses
  - Labor Productivity is KEY
  - Move to virtual (telehealth, home healthcare, self-administered dx)
  - Reducing space needs and reducing care variation
- Presidential Election - coverage, access, and emergency preparedness, and role of government in healthcare

**RISK of Surge(s)**
COVID-19 has Accelerated Several Healthcare Forces

Virtual Health

Demand for Consumerism

Home-Based Care Delivery

Value-Based Reimbursement

Source: “Reimagining Healthcare Delivery: The Year That Changed Everything” webinar, Market Insights Live, September 15, 2020 Triple Tree Holdings, used with permission.
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### How Are we Doing as a Country with Healthcare?

<table>
<thead>
<tr>
<th>Measure</th>
<th>United States</th>
<th>Rest of World</th>
<th>How does the U.S. Compare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of GDP</td>
<td>17.8%</td>
<td>9.6 to 12.4%</td>
<td>Worst</td>
</tr>
<tr>
<td>Population &gt; Age 65, Percent</td>
<td>14.5%</td>
<td>18.2%</td>
<td>Youngest</td>
</tr>
<tr>
<td>Smoking Percent</td>
<td>11.4%</td>
<td>16.6%</td>
<td>Second Lowest</td>
</tr>
<tr>
<td>Overweight/Obese</td>
<td>70.1%</td>
<td>55.6%</td>
<td>Worst</td>
</tr>
<tr>
<td>Life Expectancy (years)</td>
<td>78.8</td>
<td>81.7</td>
<td>Worst</td>
</tr>
<tr>
<td>Infant Mortality, Deaths per Thousand Live Births</td>
<td>5.8</td>
<td>3.6</td>
<td>Worst</td>
</tr>
<tr>
<td>Administration Cost as a Percent of Total Health Costs</td>
<td>8%</td>
<td>1 – 3%</td>
<td>Worst</td>
</tr>
<tr>
<td>Pharmaceutical Costs per Capita</td>
<td>$1,443</td>
<td>$466 - $939</td>
<td>Worst</td>
</tr>
<tr>
<td>Annual Salaries – Generalist Physician</td>
<td>$218,173</td>
<td>$86,607-$154,126</td>
<td>Highest</td>
</tr>
</tbody>
</table>

**Countries:** United States and ten other highest-income countries (United Kingdom, Canada, Germany, Australia, Japan, Sweden, France, the Netherlands, Switzerland, and Denmark

**Source:** Health Care Spending in the United States and Other High-Income Countries, Irene Papanicolas, PhD; Liana R.Woskie, MSc; Ashish K. Jha, MD, MPH. JAMA | Special Communication, JAMA. 2018; 319(10):1024-1039. doi:10.1001/jama.2018.1150.
Healthcare Reform is Accelerating and is Here to Stay

2009

2010

2013 to 2022 $260+ billion in reduced Medicare payments
The Institute for Healthcare Improvement (IHI) “Quadruple Aim”

ACA’s Overarching Goals
• Healthier communities
• Better health care
• Lower costs
The Next Wave of Health Reform

Focus Shifting From Coverage Expansion to Health Spending
Perspectives and Implications for the IDN C-Suite: Four Key Healthcare Trends

1. Healthcare Consumerism is Here
2. Population Health: Volume to Value
3. Scale will Win: Industry Consolidation
4. A Relentless Focus to Reduce Total Cost of Care – the New Normal
New Platforms Have Modernized the Consumer Experience across Markets: Healthcare is Next

Digital Platforms Across Industries...

- Commerce (Amazon, eBay)
- Travel (Travelocity, priceline)
- Media (Netflix, Apple)
- Recruiting (LinkedIn)
- Transportation (Uber, Lyft)
- Communication (Facebook, Twitter)
- Real Estate (Zillow Group)
- Financial Services (Venmo, Square)
- Entertainment (StubHub)

Better Consumer Experience

Convenient & Easy to Use

Streamline Inefficient Networks

“Frictionless” Commerce

Source: “Reimagining Healthcare Delivery: The Year That Changed Everything” webinar, Market Insights Live, September 15, 2020 Triple Tree Holdings, used with permission.
Consumerism is an Increasingly Important Driver of Strategy

**Rationale:** As competition for patients increases in an over-supplied marketplace, patient loyalty (brand “stickiness” or “brand love”) will be a driver of strategy.

**Evidence:**
- Visible investments in health system brand positioning
- Insurers and Medicare/Medicaid driving more care to ASCs and freestanding (non-hospital based) sites
- Unprecedented virtual health growth
- Quality/safety/price transparency
- High deductibles and out of pocket expenses = Consumerism = price shopping
- Health systems awakened to value of customer loyalty
- Digital platforms and virtual medicine telehealth initiatives dramatically expanding
Population Health: Volume to Value

Pay for Volume
- Fragmented care
- Fee For Service
- Treating sickness
- Adversarial payors
- Little HIT
- Duplication & waste

Pay for Value
- Accountable care
- Global payment
- Fostering wellness
- Payer partners
- Fully wired systems
- Right care, right setting, right time

FAD 2010
- Pay for Volume

TREND 2014
- Pay for Volume

REALITY 2017
- Pay for Value
Population Health: Volume to Value. It is Truly a Journey...

- Care Delivery
  - Value-driven coordinated care
  - Volume-driven fragmented care

- Payment
  - Discounted fee for service
  - Episode payment
  - Shared savings models
  - Partial capitation
  - Global payment

- Payment continuum:
  - Past
  - Present
  - Future
Population Health: Volume to Value. It is Truly a Journey…

Create Value
- Improved clinical outcome
- Exceptional experience
- Reduced total cost of care

Cover More Lives
- Grow provider network
- Improve “keepage”
- Attract new “members”

Improve More Lives
- Health status
- Well-being
Scale Will Win: Continued Industry Consolidation

2025 Provider Landscape Dominated by 100+ Super Regional Mega Systems

- National Mega System ACO
- $10B+ of Revenue
- 30+ Hospitals
- 300+ Clinics

Size vs. Ability to Manage Risk

- Low: Small IDN, Independent Hospital
- High: Standalone AMC, National Mega System ACO

Example Hospitals:
- Advocate Aurora Health
- Providence
- CommonSpirit
- Cleveland Clinic
- Sanford Health
- Intermountain Healthcare
Scale Will Win: Industry Consolidation

What are the top factors driving your health system’s merger/partnership strategy?

- Increased scale and consumer reach
- Integrated care across the continuum
- Improved population health delivery
- Resource efficiency, cost reduction, and increased revenue generation

Source: The Health Management Academy and Hammond Hanlon Camp LLC Strategic Survey, Q4, 2017. p.3., http://www.h2c.com/collaborative-research
Last accessed March 31, 2018
A Relentless Focus to Reduce the Total Cost of Care: The New Normal

New Realities Driving a Focus on Cost Management

1. Direct reimbursement pressure
2. Federalism and state-based coverage reform
3. Dilution of commercial coverage
4. Deregulation and the new era of competition
5. Shifting demographics and payer mix evolution

Provider Margins

6. Rising pharmaceutical costs
7. Uncontrolled labor spending growth
8. Increasing reliance on IT enablement
9. Growth in purchased services
Action: Reduce costs and improve operating margin to make money on Medicare; cut costs 15 – 25+ percent.

- Average 2017 Medicare margin was **negative 9.9%**; Projected to be **negative 11%** in 2019.\(^{14}\)

**Key areas of focus**

- Cutting direct costs (FTEs, Drugs, Services)
  - **Salaries, wages, contract labor, benefits** – 46 percent of total expenses
  - Supplies/Pharma – 18 percent
  - Purchased services – 16 percent
  - All other expenses – 20 percent
  - Reducing unwarranted variation of care is KEY
- Leveraging size to negotiate better pricing
- Increasing operational efficiencies, reducing LOS
- VBP, creating value through population health management

Perspectives and Implications for the IDN C-Suite: Four Key Healthcare Trends

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Has the current lab business model reached a **Strategic Inflection Point**?
Healthcare is on the move - The future is here

- Sick care → Well Care
- Head in Beds → Prevention
- Volume → Value
- Sample Centric → Patient Centric
- CPT F4S per/test → Bundled Payment

Then the pandemic arrives
Lab 1.0 Business Model Is Not Sustainable

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Managing the Transition
Dynamic tension between two business models

CURRENT STATE
Lab 1.0
Fee-for-Service Reimbursement

Inflection Point
Managing Transition

FUTURE STATE
Lab 2.0
Value-based Reimbursement

DANGER ZONE

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The lab’s potential impact doesn’t end when we release a result; that’s where it begins.
“I am a physician leader first and a laboratory specialist second!”

James Crawford, MD, PhD - Chair of Board, PSFF

Clinical Lab... Practice of medicine

• Practice of Laboratory Medicine
• Field of Pathology
• An essential seat at the table
LAB IS THE FIRST RESPONDER

A CATALYST for Population Health

- Time to Diagnoses—lab has zero latency (actionable)
- Diagnostic Optimization
- Care Optimization
- Therapeutic Optimization
- Screening/Surveillance

Slides 14-19 developed in collaboration with Patricia Ravalico, UNIVANTS
LAB IS THE LARGEST TOUCH POINT

Touches more lives than any other ancillary
(*home health, ER, Out/PT, in/PT*)

- Each touch point is measured (scientifically) in a value-structured data
- Each data point is clinically actionable
- Lab represents > 70% clinical data
- Lab represents > 70% of the clinical decisions
- Lab can verify physicians’ hypotheses
- Rules a condition **IN**; Rules a condition **OUT**
LAB IS BEST BARGAIN

Highest yield/return on investment

• For every dollar we spend on healthcare, three cents is spent on diagnostics
• The diagnostic lab investment gives us the most clinically actionable data
• Diagnostic labs help to manage “sick care” to and optimize reduce LOS
• More importantly, lab can help with these clinical strategies of value-based healthcare...

Reduce disease prevalence and disease burden
"If we (lab) wait, by the time we label a person “patient,” we have failed that person."

Lab 2.0 a cornerstone of
• Pre-patient
• Pre-care
• Consumer wellness

The Bell-Curve Shift in Population

Shifting the whole population into a lower risk category benefits more individuals than shifting high-risk individuals into a lower risk category

POULATION APPROACH
Encourage everyone to change, shifting the entire distribution

RISK REDUCTION APPROACH
Move high-risk individuals to normal range

“There has never been a better time to demonstrate the value of laboratory medicine and pathology in delivery of healthcare - but it must be quantitively proven and attributable to lab’s contribution”

James Crawford, MD, PhD
Northwell Health System
Chairman of the Board, Project Santa Fe Foundation
“The Stone Age did not end because humans ran out of stones. It ended because it was time for a re-think about how we live”

William McDonough
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Thank You
Technology and Platform Innovation Demands

Thought leadership event
The New Normal

- Lab testing volumes are trending back to pre-pandemic levels
- Added uncertainty on return to normalcy
- Dealing with resource shortages
Balancing routine tasks and new methodologies

**Challenges**

- Standardize clinical care across sites
- Reduce workflow variances of processes between disciplines for employee mobility

**Recommendations**

- Consolidate decision making processes to a few, or if possible 1 system
- Transform relationship with vendor to be a partner
COVID-19: Reagent and Platform Shortages

**Challenges**

- Maximize investments by reducing wastage and improving efficiency
- Ability to scale up testing to meet demands for asymptomatic screening testing

**Recommendations**

- Total lab inventory management systems with a focus on automating the whole replenishment process
- Pooled testing solutions. Cost of revalidation & change a critical factor.
Introducing new instruments and tests

**Challenges**

- Performance Verification studies of assay and/or device
- Meeting compliance standards and documentation demands

**Recommendations**

- Leverage industry standard toolkits from your vendor-partners
- Build a repeatable mechanism to scale and reduce certification burden
Market Voice

Lab Expert
- Total Lab Management
- Clinical Standardization
- Single pane-of-glass
- Ease of deployment

IT Leaders
- Ease of sustenance
- Platform Standardization
- Enterprise Readiness (Multi-site)
- Low footprint
Join us in our product journey

Advisorycouncil@datainnovations.com
Thank you!
Lab Leadership Panel

Tania C. Hong, Director of Operations
• University of Vermont Health Network

Richard Englebart, Laboratory Information Systems
• UCHealth
Questions?
Thank you!

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