



The Laboratory Executive's Guide To Surviving PAMA

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Executive Guide:

How to survive PAMA

Introduction

Today it might be close to impossible to think about healthcare without thinking about patient data. And with laboratory data guiding over 80% of diagnostic decisions, no other entity has a greater opportunity to leverage the power of this data.

This is where one of the newest government regulations comes into play. The Protecting Access to Medicare Act, or PAMA, is the next step in understanding and leveraging the unbelievable mass of data produced by laboratories. Unfortunately, it also appears to be one of the most taxing laws ever for independent labs.

According to Robert Michel, Editor-In-Chief of The Dark Report, PAMA “has the potential to trigger the most significant disruption to the clinical testing market place in four decades.” Many labs are not prepared to meet the rigorous guidelines in place for this multiple-year effort, and it is estimated that a majority of these labs will struggle with the \$10,000/day fine for late data.



This Executive Guide can help forward-thinking laboratories:

- Understand this confusing law and surrounding regulations
- Realize the timelines, limits, and penalties associated with PAMA
- Discover ways to offset looming challenges and position for success
- Learn how two leading labs are already a step ahead in their data collection and reporting abilities

Introducing PAMA

The Protecting Access to Medicare Act (PAMA), released June 17, 2016, sets the stage for reductions in payments for lab testing under Medicare and Medicaid. Historically lab tests have been reimbursed at higher rates under Medicare and Medicaid than private payers, and regulating these payment methods will help create a significant cost savings for Medicare and Medicaid providers. CMS will pay at a more competitive level with private payers to avoid the ever-threatening 'cost shift' that often occurs across this gap.

The end goal of PAMA is to collect data around Clinical Diagnostic Laboratory Tests (CDLTs) and Advanced Diagnostic Laboratory Tests (ADLTs) to determine the overarching individual payments for these tests. Revised payments will be the weighted median of all payments for the specific test.

The long-term effects of PAMA will be contingent upon past test trends and data analysis. There are clear pros and cons with this 'reactive' payment model. On one hand, the PAMA model takes real-world data and test volumes into account when determining pricing schedules. This means that CMS and other government organizations finally understand that estimations and guesswork will not cut it in healthcare. On the other hand, the decided upon Clinical Laboratory Fee Schedule (CLFS) will be in effect for three years, leaving little room for changes or updates. With all of the uncertainty in the diagnostic testing industry, this can be daunting for labs producing ADLTs, especially because CMS may recoup excess ADLT payments from the initial period where charges exceed 130% of the newly revised payments.

The best way for any lab to prepare for these upcoming payment changes is to have efficient technology in place for maximum data collection and reporting. This will make for a hassle-free data delivery to the CMS and will help meet the rigorous deadlines. Labs will also need to focus on stabilizing revenue streams and maximizing profits by bringing in new business and retaining current clients.

Which labs have to submit data?

- *All CLIA laboratories that receive more than 50% of revenue from Medicare*
- *AND that receives at least \$12,500 of Medicare revenues from the CLFS*

In reality, PAMA doesn't need to be a daunting undertaking if you understand the overarching regulations and timelines and take proactive steps towards maximizing revenue and internal efficiency.

The PAMA Timeline

In an effort to bring Medicare payments in closer alignment with private payer rates, PAMA requires laboratories with more than \$12,500 in Medicare revenues and more than 50% of revenue from Medicare to submit private payer claims data to CMS for use in the revision of Medicare and Medicaid payment rates. Labs must report on all charges, payments, and volume for private payer claims by **March 31, 2017**. The new CLFS will be made available to laboratories for review in Fall 2017. In January of 2018, the new payment schedules will begin and will last until January 2020, when the payment revision cycle will start again.

Don't Forget:

For every day reports are late after the CMS data reporting period (Jan - March 2017) has closed, there is a potential \$10,000/day fine.

This timeline is important because the deadlines will weed out inefficient or poor-performing laboratories. If a lab is behind on data collection or reporting, the **\$10,000/day fine** will quickly add up.



Figure 1: The PAMA Timeline

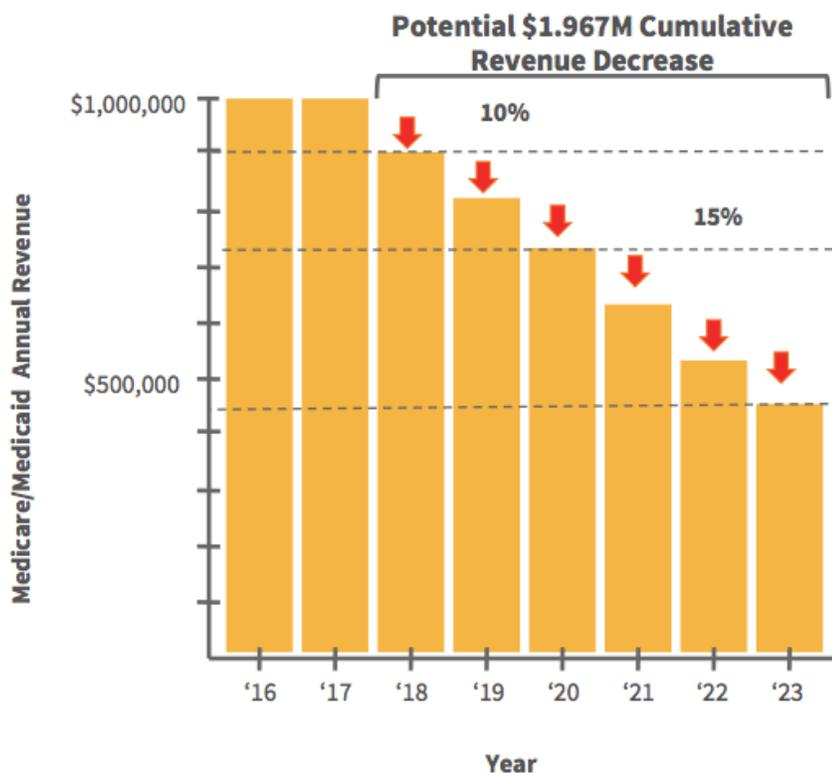
Understanding the Impact on Your Business

Now that you understand the overarching goal of PAMA and the timelines associated with the data collection, let's look at how this will impact your business. PAMA is expected to save CMS almost \$400 million after the first updated CLFS and upwards of \$5.14 billion over the next 10 years. This cost savings is largely attributed to lower reimbursement rates — meaning a sharp decrease in Medicare revenues for laboratories.

For a majority of the lab market, a very real consequence of not stepping up and offsetting this lost revenue while meeting reporting demands is going out of business. The highest percentage of reporting figures will come from the largest labs, i.e. Quest or LabCorp. Since these labs have better private payer contracts, the numbers will be skewed out of the gate in favor of large labs.

Reimbursement reductions are expected to hover around 10% in first 3 years and rise up to 15% in next 3 years. This means **it is imperative to take actions now that facilitate capturing new revenue, retaining existing revenue, and maximizing internal efficiency.**

Figure 2: PAMA Revised Payment Revenue Impact
(Per \$1MM in Annual Medicare Revenues)



Labs must be able to:

- Determine reporting methods
- Estimate potential revenue lost
- Grow high value customers
- Expand high paying testing with low value customers
- Eliminate non-revenue generating tests unessential to retain business
- Monitor volume in real-time to identify and retain customers at risk
- Document and monitor issues in real-time to improve customer experience

How To Prepare

So where to start? While the idea of preparing for a multi-year reporting mandate may sound daunting it can be easily met with the right technology and strategies in place. Understanding your business processes can help you identify where processes are working well and where workflow changes need to be made. This means capturing and organizing data in a secure, HIPAA-compliant location.

With less revenue coming in from reimbursements, the best way to prepare for the CLFS changes from PAMA is to maximize incoming revenue where possible, while reducing unnecessary expenditures. Retaining your current clients - the most valuable source of your organization's incoming revenue - is top priority.

This Executive Guide outlines three proven strategies laboratories can use to prepare for the effects of PAMA followed by stories of how two leading laboratories are already a step ahead. Before diving into these three strategies, review the following summary to get an idea of the changes required to successfully navigate the PAMA landscape.

Assess Your Lab's Current State:

- Determine efficient means to report private payer data
- Estimate potential Medicare/Medicaid revenue loss
- Identify costly tests unessential to retain business

Strengthen Your Lab's Revenue Stream:

- Expand testing with high value customers
- Expand high paying testing with low value customers
- Monitor volume in real-time to identify customers at risk
- Monitor issues in real-time to improve customer experience

High Value Customers

- White glove service
- Increase testing
- Increase engagement

High Value Prospects

- Target these prospects
- Expand testing options
- Increase engagement



Low Value Customers

- Adjust test menu
- Remove inefficiencies
- Reduce engagement

Low Value Prospects

- Drop these prospects
- Adjust test menu
- Reduce engagement

Strategy 1: Maximizing & Retaining Revenue

Maximizing revenue means improving collaboration, visibility, and communication between all of your lab departments. Clearly understanding high value payers, CPT code breakdowns, accounts, and provider reimbursement rates enables labs to create a value-driven culture of objective transparency in day-to-day business dealings with customers.

Understanding the breakdown of high-value customers/prospects to low-value customers/prospects can help executives and managers make programming and test-mix decisions for upcoming years. With a healthcare relationship management platforms, all clinical, financial, and business data is presented side-by-side for a holistic view of a lab's activities and communications.

Reimbursement Rates by Provider
Financial Insight v2.0, 7/5/2016 12:31 PM

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Provider Name	Total Charges	Total Payments	Reimbursement Rate
Gonzalez, Jackie	\$90,515	\$8,088	8.94%
Poindexter, James	\$110,734	\$9,944	8.98%
Holly, Frances	\$107,062	\$9,760	9.12%
Powell, Janice	\$109,742	\$10,017	9.13%
Figuroa, Antonia	\$112,271	\$10,263	9.14%
Gill, Rebecca	\$122,420	\$11,204	9.15%
Harding, Phyllis	\$102,068	\$9,430	9.24%
Payne, Christopher	\$120,796	\$11,361	9.40%

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Figure 3: Reimbursement Rates by Provider

Where to Focus:

- Increase transparency and profitability
- Gain a holistic view of LIS and billing data
- Increase high value payers and CPT volume
- Decrease defect occurrence
- Increase issue resolution time and customer satisfaction
- Increase policy adherence

Without consistent tracking, laboratory issues tend to be accepted as a part of doing business rather than a red flag for improvement. Understanding issues, identifying root causes, and taking corrective action are imperative to retaining existing revenue.

Decreasing issue resolution time and providing ongoing value to providers results in maximum retention and maximum revenue. PAMA will stretch labs to their financial limits, making it all the more important to create sticky, profitable relationships.

Strategy 2: Monitoring Lab Performance

Even without the upcoming demands of PAMA, laboratories are already under pressure to improve quality and performance while reducing overall costs. In most cases these performance reports are static spreadsheets that are outdated by the time stakeholders receive them. Monitoring laboratory performance in real-time provides a one-stop view into critical lab metrics, in turn dissolving manual processes and increasing efficiencies.



Figure 4: Test Volume by TAT Performance

Where to Focus:

- Decrease turnaround time misses
- Increase resource capacity
- Minimize manual reporting
- Reduce data errors

With the PAMA reporting period coming in just a few months and the new CLFS right behind that, labs must identify every avenue in which they can save money. Using real-time performance metrics to drive the right actions, labs can retain and grow test volume through instant trend analysis.

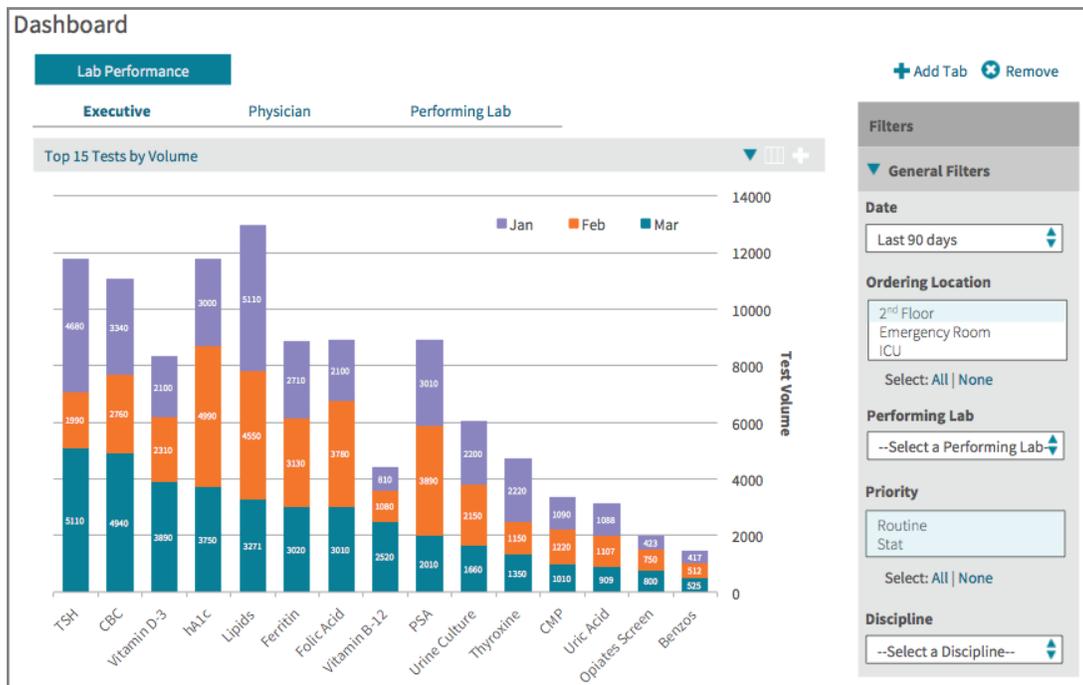


Figure 5: Top CPT Codes By Volume

Strategy 3: Capturing New Revenue

Laboratories that can capture new revenue through sales visibility and real-time analytics are more likely to withstand the hard-hitting effects of PAMA. Prospects, opportunities, and leads can be tracked and monitored across reps, territories, and fiscal quarters. Managers and executives can use this data to understand where sales initiatives are succeeding and where strategies need to change.



Figure 6: Sales & Pipeline Management Dashboard

Where to Focus:

- Track value-adding activities
- Win deals faster
- Increase opportunity wins
- Decrease manual efforts
- Collaborate across all departments
- Decrease delayed communication

Instant visibility into new opportunities, existing business, and upsell activities enables sales teams to spend their time in the right places to grow revenue. From gathering leads and managing opportunities to closing business and growing existing business, capturing new revenue is all about supporting teams throughout the various stages of sales relationships.

Real-World Success Story: Sonora Quest Labs

Sonora Quest Labs (SQL), part of Banner Health, is already a step ahead of PAMA due to their reporting abilities. Using a healthcare relationship management platform, SQL has enabled the majority of their staff to access key performance metrics with the click of a button and immediately take action on the results. How? By unifying clinical data, business data (such as issues), and billing information, users can drill through to individual CPT codes to track reimbursement rates and take critical action on red-flags orders.

This backlog of data can be easily converted into reports and dashboards that CMS can use to understand their clinical efforts. Maximizing employee efficiency also means Sonora Quest has less overhead costs and lower expenditures to worry about when reimbursement rates inevitably drop in the upcoming months and years.





“ The integration with [our healthcare relationship management platform] has reduced the labor needed to generate reports from 5 hours daily with 16 people involved to just 15 minutes... now we have real-time visibility into turnaround time, test utilization, reimbursement levels, and volume. All departments have access to real-time and historic analytics on financial and operational performance without needing IT assistance. ”

- Tamara Nelson, Lean Master Black Belt

CLIENT STATISTICS

Headquarters: Flagstaff, AZ
Lab Type: Independent Reference Lab
of Test/Year: 57 million diagnostic tests
hc1 Users: 100
Solutions: Ancillary Financial Insight
Capabilities: LIS Integration
 Healthcare Insight

CHALLENGE:

Sonora Quests' data was siloed, had to be manually entered, retrieved, analyzed and distributed, and users, were not able to access every system. Because of this, only snapshots of data could be retrieved with no valuable insight. Additionally, the IT department was experiencing competing priorities, an unwieldy reporting process, and extended lead times for projects due to organizational growing pains.

SOLUTION:

In the short term, Sonora Quest can now identify trends which lead to customer attrition, integrate new data streams, and drive decisions and actions based on data. Sonora Quest plans to innovate processes using clean data, in order to deliver a world class experience and continue to pursue new business opportunities.

Real-World Success Story: North Memorial Healthcare

North Memorial Healthcare, one of Minnesota's leading health systems, knew that in order to retain clients they had to shape up internal processes. Today, North Memorial is leveraging healthcare-specific CRM as well as best-in-class analytics to effectively and efficiently track client issues, critical turnaround times, and test utilization metrics. North Memorial employees are now on the same page when it comes to understanding test utilization workflows. Monitoring physician ordering processes within a single platform leads to internal value and maximum returns.

On top of these reporting efforts, North Memorial has also established themselves as a true value-based partner to their provider clients, solidifying critical relationships and ensuring retention and advocacy.



CHALLENGE:

North Memorial was bleeding clients because their siloed processes and lack of real-time information created situations where multiple people were working on the same issue without coordination. North Memorial faced little insight into the types of issues occurring across the lab as well as issue with providing the sales team up-to-the-minute intelligence for client meetings.

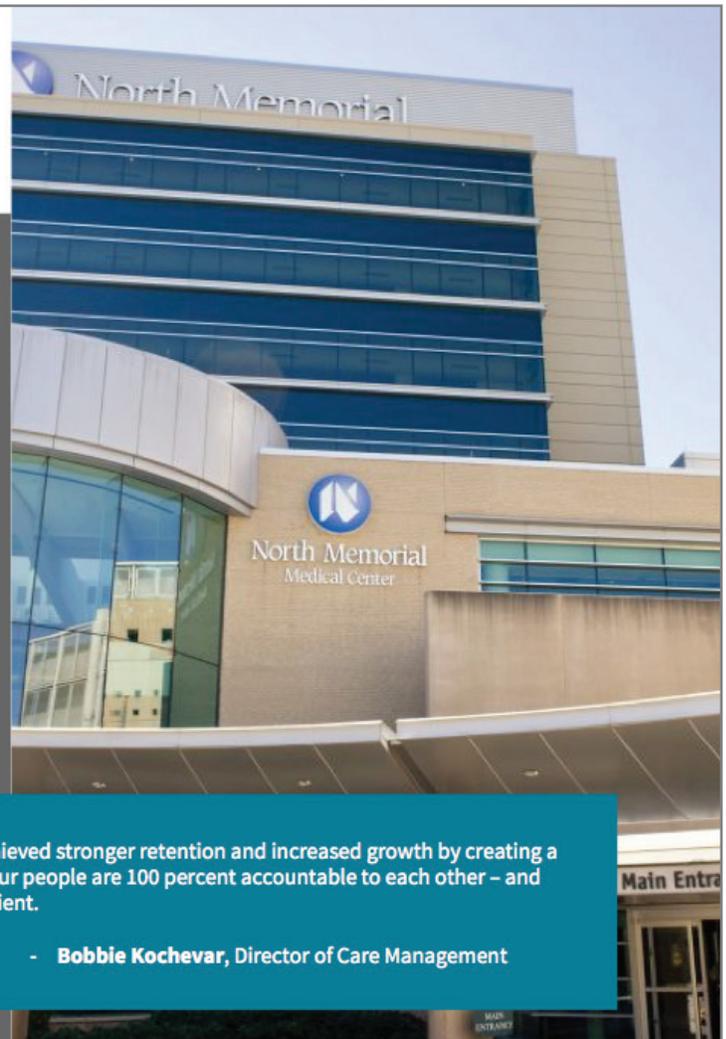
SOLUTION:

With healthcare relationship management, real-time alerts, notifications, and messages enable users to stay in the loop on all communications. All stakeholders can now instantly view client issues and manage the lifecycle and details of each case – including activity category, root cause, corrective action, and resolution time – from start to finish.



Our team has ultimately achieved stronger retention and increased growth by creating a more transparent culture. Our people are 100 percent accountable to each other – and most importantly – to our client.

- **Bobbie Kochevar**, Director of Care Management



Bringing it All Together to survive PAMA

In order to tackle PAMA head on, labs must take steps today that focus on increasing revenue and improving efficiencies. While the task may feel daunting, leading technology solutions can automate performance reporting, integrate real-time data, and facilitate proactive workflows.

In summary, improved laboratory performance and reduced manual efforts are key to surviving PAMA regulations and to thriving in the years to come. Healthcare relationship management solutions provide laboratory teams with the tools and solutions necessary to maximize reimbursement rates and optimize care relationships.

Visit www.hc1.com for more information on how you can use healthcare relationship management to plan for PAMA.

About hc1.com

The hc1® Healthcare Relationship Cloud® enables health systems, diagnostic labs, post acute care, and ancillary service providers to personalize the healthcare experience for patients and providers throughout the entire care journey. hc1 has been adopted across more than 1000 locations around the globe and has processed over 3 billion clinical transactions to date, generating more than 30 million consumer profiles enabling a five star service experience for industry leaders including Cleveland Clinic, Alere, Sonic Healthcare and AmeriPath. The company has received accolades from KLAS and Gartner Research and was named “Best Healthcare CRM for Diagnostic Laboratories” by Frost & Sullivan.

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