How laboratories can **help reduce cost and data variability** for health plans

Quest Diagnostics™

Supporting the shift to value-based care

For health plans, the benefits of value-based care are well understood—namely, controlled costs and improved health and quality outcomes. According to a report from the Health Care Transformation Task Force, nearly half (47%) of its provider and payer members' business is now tied to a value-based model, representing a steady increase over time.[1]

And yet it's also no secret that the transition to value-based care hasn't been simple or easy. As health plans work to make the shift with Triple Aim goals in sight—improving quality and health outcomes while reducing costs and enhancing the member experience—**many challenges remain.**

Chief among these challenges are two variables:

1. Cost/pricing for healthcare services, like lab testing
2. Data and data utilization to achieve quality and cost goals

Just how much variability exists? Across regions in the US, lab pricing, in particular, can vary widely.[2] In North Carolina, for example, labs charge anywhere from $5–$284 for a basic metabolic panel and $8–$196 for a lipid panel,[2] while in California, a lipid panel can cost between $10 and $10,000.[3]

Structured vs unstructured data: what's the difference?

Structured—standardized format; stored within fixed confines; include patient demographics, medication lists, patient vitals, lab results, etc.

Unstructured—does not follow a particular format; include provider notes, emails, audio files, videos, text documents, genome files, social media posts, etc.

Data are another variable standing in the way of value-based progress. While more healthcare data exist now than ever before[4]—to be used to optimize care and outcomes—data sources, formats, and structure offer few consistencies. Healthcare data can be both structured and unstructured (see sidebar) and range from claims to lab to electronic health record (EHR) to remote monitoring data, among other types.[5]

Health plans now rely on laboratory data in addition to claims data to help inform strategies, from population health to HEDIS® reporting efforts. Yet this, too, poses challenges, as **health plans contract with a number of labs, all supplying data in different ways and in different formats.**

To reduce variability, strategic collaborations with high-quality, cost-effective laboratories can help. How? By providing cost- and care-appropriate testing and reliable lab data in a consistent format, one that integrates with the workflows of both health plans and their provider partners.

Ultimately, this may help health plans improve quality to support HEDIS and Medicare Advantage Star Ratings and reduce costs, while providing members with the access and convenience they expect and need.

Variability #1: the challenge of lab test pricing

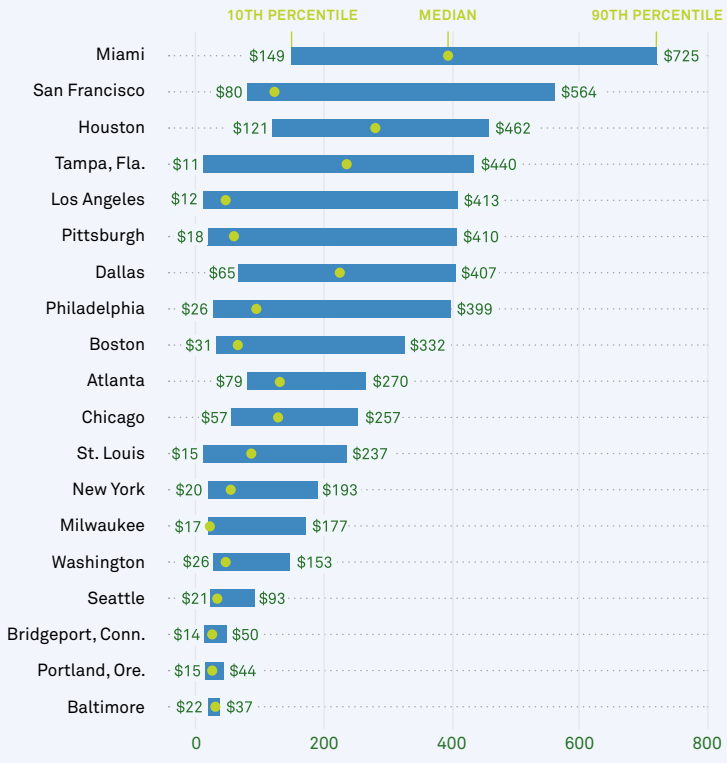
Substantial swings in lab test pricing are all too common—and claims from 34 million Americans covered by large commercial health plans reveal significant price discrepancies.[6] These prices can vary considerably between markets, and in many metro areas they range widely between healthcare providers,[6] posing challenges for health plans, their provider partners, and their members.

The rise of genetic testing—and the boutique labs offering them—has contributed to lab price variability, as the number of these labs expands rapidly.[7] Prices vary from one lab to the next, but because not all labs publish their list prices, these prices are difficult to compare.[7]

Adding to this complexity is the fact that many tests are performed by one lab but marketed by others.[7] In addition, many boutique labs may claim that their testing is proprietary, even if it isn't, because labs offering proprietary tests have the competitive edge under the Protecting Access to Medicare Act (PAMA).[8] This can drive up costs and contribute to price variability.

When healthcare prices vary significantly from provider to provider, members overspend on diagnostic tests, according to a research brief from UnitedHealth Group.[9] If the price variation in diagnostic tests were reduced, research reveals, many members would pay lower out-of-pocket costs, and health plan premiums could be lower.[9]

Negotiated payment for a comprehensive metabolic panel in 2016[6]



Note: price ranges are for metropolitan areas.

More specifically, **if all diagnostic tests priced above the 40th percentile in 2017 were repriced to the 40th percentile, members would have saved $18.5 billion (49%)** and lowered the total cost of healthcare.[9]

Variability #2: the challenge of data

Forward-thinking health plans understand that **data utilization is a key to value-based success.** A Quest Diagnostics report, *Stalled progress on the path to value-based care*, reveals that both physicians and health plan executives agree that technology and data have critical roles to play in accelerating the shift to value-based care.[10]

Data analytics can make it possible for health plans to design and improve population health efforts, giving them a better understanding of member behavior, habits, preferences, and risk. Analytics can also help health plans identify innovative or better ways to drive business performance.[11]

Yet the sheer amount of data—and its varied structure—can make it less actionable or useful. Healthcare data now include claims, lab, EHR, quality-measurement, sociodemographic, environmental, and wearable-sensor data.[4] These types of data are both structured and unstructured, and, split among different entities, can be inconsistent, incomplete, and/or difficult to access.

Though health plan executives view predictive analytics as a priority, they're still challenged by barriers to adoption—one of the biggest of which, according to a recent report, is incomplete data.[12]

87%

of payer and provider executives say predictive analytics is important to the future of their business[12]

52%

of payer and provider executives say reducing costs is the most important outcome to achieve with predictive analytics[12]

88%

of physicians and health plan executives say lab data can provide insights that prescribing and claims data can't always provide[10]

Another barrier to the implementation and application of data analytics—and value-based care—is the splintered industry landscape.[13] A primary care provider, for example, may not know that a patient has visited an emergency room unless informed by the patient—though a health plan would have these data. Meanwhile, providers may have patient history notes buried in their EHR that could help a health plan better manage its members' costs.[13]

To fill data gaps, health plans are supplementing claims data with data from additional sources, such as labs. For health plans and their provider partners, lab data can play an essential role in improving patient care[10]—**84% say lab data deliver insights critical to bridging gaps in care.[10]**

How lab collaboration can help **reduce variability**

Health plans are increasingly looking to labs to provide more than just testing, from helping to identify gaps in care to offering outreach services for improved member convenience.[14] Those labs seeking not just in-network status but also success in the value-based care landscape are responding, broadening their offerings and becoming true collaborators on the path to value.

Below are a few ways labs can help health plans reduce cost and data variability to achieve Triple Aim goals.

Reduce lab price variability

Larger labs may be able to do this more effectively than smaller boutique labs by offering:

- A comprehensive menu of both standard and advanced or esoteric tests
- Shared savings contracting models—health plans can share in the savings of a lab that acquires and moves work from high-cost labs
- Greater convenience, eg, testing locations, and member engagement tools to increase member access and utilization
- A greater capacity to impact key performance measures across categories such as access, service, IT, and quality

Provide easy-to-use, actionable data

A lab can share data via analytics tools that can integrate with a health plan's existing system and workflow, eg:

- HEDIS-related data and report templates
- Self-service, on-demand reporting that enables a health plan to analyze test data by member, practice, physician, test code, or date of service across a period of time
- Lab data that exist prior to a member joining their health plan, meaning health plans no longer have to wait to receive the first claim on a new member to see this prior data. This can help health plans understand disease history to support care coordination strategies, allowing earlier intervention, for the greatest impact

While reduced lab price variability can help to control healthcare costs, lab data—provided in an integrated, easy-to-use format—can help health plans identify risk, develop early interventions, and prevent conditions from becoming more acute.[15] The result? Improved care management, better outcomes, and healthier members.

Achieving Triple Aim, **together**

From disparate data to pricing variability, many barriers still exist on the road to value-based care. Health plans are continually seeking new ways to optimize data and control costs to achieve Triple Aim goals.

One way to successfully do this is through strategic lab collaborations. But it's important to note that not all labs are the same. Health plans must be thoughtful about their lab network strategies, choosing high-quality, cost-effective organizations.

Labs that prioritize quality, member access, and service at a reasonable cost can help support the goals of Triple Aim. They can offer actionable data to supplement claims data, in standardized formats that integrate easily with a health plan's workflow; they can help to reduce lab test pricing variability that affects all key healthcare players; and they can provide the access and convenience that health plan members want and need.

Data and pricing consistency—the result of smart alliances—can go a long way toward helping health plans improve outcomes, lower costs, and promote better health for all members.

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