

Introduction

According to the National Healthcare Expenditure Data compiled by the Centers of Medicare and Medicaid Services, the average American spent \$9,990 on healthcare in 2015.¹ They also estimated that about half of all adults are living with one or more chronic health conditions.² As the cost of treating these conditions has risen, workers have incurred higher health plan premiums—up nearly 20% for individuals and 24% for families in the past five years. However, workers are not the only party struggling with rising healthcare costs.

Private employers fund 20% of all healthcare spending in the U.S.³ The average healthcare coverage contribution an employer made for a single worker's family in 2016 reached \$12,865, an amount that does not include the indirect costs due to loss of productivity, absenteeism, and increased workers' compensation costs. To combat this escalating financial burden, employers continue to explore ways to reduce healthcare costs and shift some of the burden onto workers.

Indeed, U.S. healthcare spending is rising at an unsustainable rate, impacting both workers and employers. To combat this trend, the healthcare industry continues to identify opportunities to support prevention, early intervention, and health maintenance. One such cost-containment strategy is optimizing the use of clinical laboratory testing, which directly contributes to the overall quality, health outcomes, and total cost of patient care.

While laboratory spend is generally a small percentage of overall healthcare spend, these strategies allow for “quick wins” for health plans and employers, who can save money with limited impact to employees. Labs can also serve as an effective entry point to drive the “consumerism” mentality for frequent healthcare services that have a wide variability in cost, based on factors such as healthcare setting (e.g., hospital-based labs versus independent, freestanding labs).

Thus, the ability of health plans and employers to employ cost-effective strategies for effective lab spend management is fundamental to achieving affordable, high-quality care. Among these strategies, network optimization, value-based insurance design, lab steerage programs, member engagement, and price transparency tools each have a role to play.

Case study: Quest Diagnostics

Innovations in the clinical laboratory market can help bend the cost curve for health plans and their employer customers. This is especially relevant for self-insured employers and plan sponsors. As a self-insured employer providing medical coverage to more than 55,000 employees and their eligible dependents, Quest Diagnostics is acutely aware of the challenge of increasing medical costs. To address this challenge, it developed a multi-pronged strategy, a key component being lab spend management.

Background

As the largest U.S. provider of clinical laboratory services, Quest approached the problem of cost control, in part, by addressing lab spend. Quest provides 100% subsidized lab testing for most members based on health plan selection, with the goal that all outpatient testing (including tissue) goes to Quest. Typically, self-insured employers see about 3-4% of their total healthcare spend tied to outpatient lab services. Today, less than half of Quest's outpatient lab spend goes to non-Quest labs. Its near-term goal was to reduce its non-Quest lab spend to less than 1-1.25% of total spend.

For self-insured employers, lab services typically represent 3-4% of total healthcare spend.

Quest spends less than 1.5% on non-Quest labs.

Vision

Quest envisioned a medical plan in which members, both employees and their eligible dependents, are empowered to select Quest Diagnostics for their outpatient lab work, saving money for both members and the company. To do this, Quest focused on steering testing to Quest that was currently occurring in hospital labs, physician offices, and independent labs besides Quest.

Action

A common cost-control method involves the use of benefit design changes to incent members to select high-quality, affordable providers. Confident in the quality and cost competitiveness of their lab services, Quest established the QuestSelect Lab Benefit program in January of 2012 offering plan members free lab testing when performed by a Quest Diagnostics laboratory. Members who complied with the QuestSelect Lab Benefit saw an immediate

financial benefit. To further encourage selection of Quest, members had a separate lab deductible for testing performed outside of Quest.

Although leakage to other in-network and out-of-network labs steadily reduced year over year (see Figure 1), Quest continued to explore opportunities to drive volume to their labs. In 2016, Quest conducted voice-of-customer research, using a survey and live interviews with approximately 1,000 Quest plan members. The good news was over 90% of the study group was aware of the QuestSelect Lab Benefit and free testing when performed at Quest. However, barriers to using the program remained, including:

- Medical plan members did not understand the variability in healthcare pricing and the value of using Quest Diagnostics.
- On average, 4,800 new employees enroll in the plan each year, requiring sustained messaging to drive awareness of the program.
- Members reported needing assistance to convince their doctor to send their testing to Quest. Steerage of tissue samples was the most problematic, as well as specimens collected within hospital-owned practices and urgent care centers.
- Convenience remains important, as members do not want to make two trips if Quest is not located next to/in their doctor's office.

In response, Quest created a 3-point strategy to help address these barriers and drive continued improvements in sending outpatient lab work to Quest Diagnostics.

Figure 1. Non-Quest lab services year over year

Year	Non-Quest tests / member
2016	1.8
2015	2.1
2014	2.34

2017 3-point strategy

1. Plan design changes

To further incentivize members to go to Quest Diagnostics for lab testing, Quest replaced the separate lab deductible (for testing performed outside of Quest)

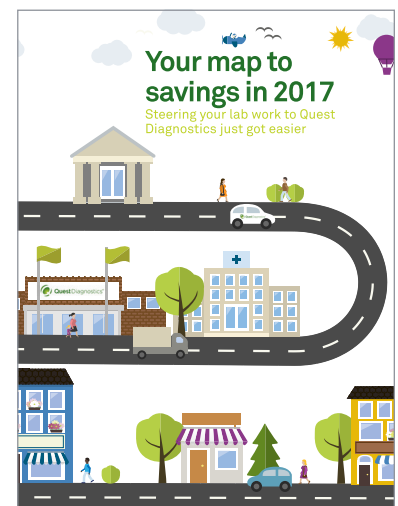
with a coinsurance differential for most outpatient labs. Under the new coinsurance differential, if a specimen is sent to a Quest lab, the plan pays 100% of the cost for a covered test. If sent to a non-Quest in-network lab, the plan pays only 50% of the cost, after members meet the medical plan in-network deductible. For covered lab tests sent to an out-of-network lab, members will pay 50% of the allowed amount after meeting the out-of-network deductible (for the Consumer Choice POS Plan) and will pay the full cost of testing (for the Copay Select EPO Plan). The plan also restricts payment for specific, covered high-cost genetic testing (e.g., BRCA) that Quest can provide more affordably. Members are responsible for the full cost of these specific genetic tests if they elect to use a non-Quest lab.

2. Improved communications with members

Quest strove to create simple messaging for Quest medical plan members to reinforce the value of using Quest lab services. This messaging focuses on the value of the program, how to use it, and resources available to ensure specimens go to Quest. These resources include a QuestSelect wallet card for members to show at their doctor's visit, along with their medical card. It also provides helpful information to ensure their lab work is sent to Quest.

Quest employed a multimedia approach to deliver these messages to members. The campaign included home mailers (see Image 1), an email flyer with a link to a video, a company intranet feature story and graphic banner with a link to a video, our Quest employee magazine features, and digital screen slides at key Quest labs and locations.

Image 1. Home mailer to encourage the use of QuestSelect Lab Benefits



Additionally, Quest placed increased rigor around monitoring claims and identifying frequent non-Quest lab “spenders.” When a Quest medical plan member submits two non-Quest outpatient claims for lab services, the Quest health plan contacts the member

to understand their concerns with selecting Quest and provide additional education.

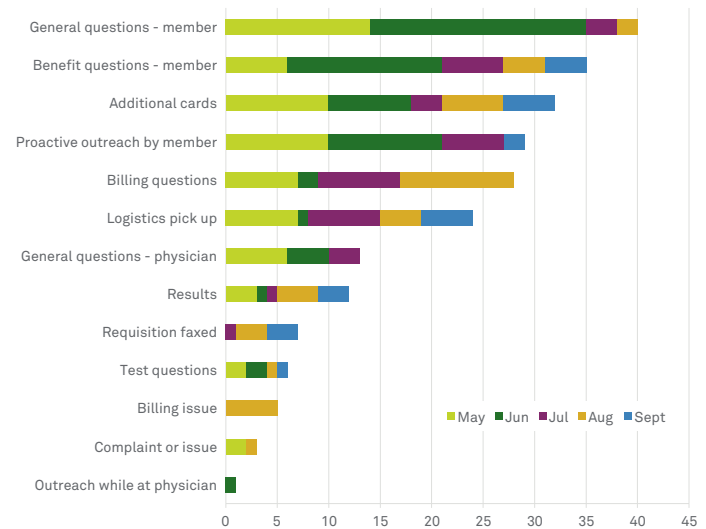
3. On-demand member support

To provide additional support for members needing assistance convincing their provider to send a specimen to a Quest lab, Quest introduced the QuestSelect Lab Line. This call center, staffed by Quest employees, is available to answer questions from members and providers about sending testing to Quest. More than half of all physicians in the U.S. have accounts with Quest but, for those who do not, the QuestSelect Lab Line team can provide a requisition form for a nearby Quest lab, help the doctor establish a Quest account, and even arrange for a one-time specimen pick-up. They can also provide assistance with sending future tests to Quest.

From May through September 2017, the Lab Line received over 240 calls. The top four reasons for calls placed were: general questions from members, specific benefit questions from members, requests for additional wallet cards, and proactive outreach by members prior to a doctor’s appointment (see Figure 2). The high volume of proactive calls by members, versus calls with issues in getting their doctor to send their testing to Quest, may indicate the growing awareness and value of the QuestSelect Lab Line.

The QuestSelect Lab Line has achieved a number of early successes, most notably directing low-volume, high-cost lab tests collected in the physician’s office to Quest. These tests include pap smears and other tissue samples.

Figure 2. Volume of calls to QuestSelect Lab Line by category (May - September 2017)



Conclusion

Quest’s experience illustrates the importance and value of lab spend management efforts in driving down healthcare costs for self-funded employers, as well as members. It also underscores the importance of listening to the voice of one’s members and analyzing their most common barriers in order to prioritize and address areas of improvement. Finally, the Quest experience demonstrates that a strong vision and a long-term action plan can significantly optimize lab spending. Quest is on its way to reaching its goal of reducing non-Quest lab expenses to 1-1.25% of total healthcare spend, ultimately driving improvements in the overall quality, health outcomes, and total cost of their members’ care.

References

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