



## SURVEY: OPPORTUNITIES TO ADVANCE VALUE-BASED CARE THROUGH DIAGNOSTICS

Most healthcare organizations see progress toward value-based care as a priority, but many have yet to take full advantage of lab and diagnostic data to accelerate the success of their value-based care strategies.

For many, lab may not be top of mind for opportunities to excel in value-based contracts. For some, progress toward value-based care is correlated with the use of diagnostic insights to improve overall health outcomes and diagnostic efficiencies that generate savings for the health system. Systems seeking to accelerate progress on objectives central to value-based care delivery may find these insights of interest.

To better understand areas where organizations have opportunities to advance value-based care progress through management and utilization of laboratory insights, Quest Diagnostics partnered with Modern Healthcare Custom Media to survey hospitals and health systems about this topic. The results indicate that diagnostics presents significant untapped potential for many.

This executive brief explores the results of the survey, from healthcare organizations' degree of system integration to their progress toward the goals of value-based care delivery. We also share common barriers to testing

efficacy and efficiency that were identified in the research and propose strategies for limiting waste and variation.

The 146 survey respondents work and spend most of their time within a hospital or health system. The majority of respondents work in non-profit, community (56%), teaching/academic (33%), and private/public (23%) entities. Most respondents were in clinical management (21%), operations management (17%), and general administration (16%) roles.

### Progress on value-based care and related factors

When asked to describe their progress on value-based care, 38% of all respondents said they are in the late stages of progress, with 10% being particularly advanced. Larger system size appeared to be a contributor to advanced progress. Most respondents at systems with 21-plus hospitals—61%—consider their organization to be in the late stages of value-based care progress, with only 7% of respondents from those larger systems saying they are in the early stages of progress toward value-based care.

In contrast, 29%—nearly one-third—of entities with 2 to 20 hospitals say they are still in the early-to-mid stages.

Among these systems of 2 to 20 hospitals, 34% report that they are in the late stages of value-based care progress—almost half as many as larger entities. Surprisingly, some institutions don't consider value-based care a priority at all. This was the case for 9% of respondents at systems with 2 to 20 hospitals and for 10% of respondents at organizations with 21-plus hospitals.

Systemness, or increased integration among facilities, is often an objective for organizations that prioritize value-based care, with increased integration seen as a strategy that can deliver better care coordination, in turn elevating the quality of care that patients receive. In addition, most such systems also seek operational efficiencies and cost savings. We asked respondents whose organizations encompass 2 or more hospitals to describe their health systems' degree of systemness, with the option to select among multiple potential areas of integration. Of the 107 multi-hospital respondents, 79% said their organizations have centralized supply chains, and 70% said their organizations have centralized business functions.

While centralizing functions was an area for significant progress toward systemness, the survey results showed organizations reported limited advances in other contributors to system integration. Less than half of the respondents from multi-hospital organizations (48%) said they have effective initiatives in place to limit care variation, while 46% are taking advantage of new business models to innovate healthcare delivery.

Interestingly, systems with 6 to 20 hospitals claimed the most progress on implementing effective initiatives for care variation, in comparison to both smaller and larger entities. The opportunity for greater system integration is even more pronounced in other areas, with just 25% saying their organizations have rationalized service and facility portfolios based on a review of opportunities to improve cost efficiency.

### **Test utilization strategies and opportunities**

Regardless of system size, the survey showed substantial opportunity to enhance utilization of lab data, which has been shown to be an asset for achieving the cost and quality goals that lie at the core of value-based care.

**79%**  
of respondents at organizations at least somewhat advanced in their utilization of lab data also said their organization is in the later stages of delivering value-based care.

Respondents who said their organizations are advanced in system-wide use of lab data also tended to report advanced progress achieving value-based care delivery, suggesting that systematic use of diagnostic insights can be an important strategy for progress. In the survey, 79% of respondents at organizations that are at least somewhat advanced in their utilization of lab data also reported that their organization is in the later stages of delivering value-based care.

Organizations still in the early stages of value-based care delivery have an opportunity

to improve progress by harnessing more of the potential of diagnostic insights. Examining and optimizing test utilization is a good place to start, as many systems are missing a key opportunity with massive bottom-line implications. In fact, nearly 1 in 5 respondents said their organizations are not at all attempting to improve test utilization. Another 20% of respondents said lab data are only inconsistently used to improve test utilization, even though doing so has been demonstrated as helping to improve care quality, cost, and efficiency. A further 6% reported that their organization is not using lab data at all to improve test utilization, and 20% were unsure how their organization is using lab data and analytics capabilities to support appropriate utilization of diagnostics

If hospital and health system leaders are unaware of how analytics are being used to support diagnostics utilization, it could mean that costly variation and waste are going unchecked.

Among those whose organizations are making efforts to improve test utilization, 82% of respondents have experienced 1 or more barriers. In fact, barriers were common for respondents at all organizations, regardless of organization type, size, and degree of progress toward value-based care. Generally, the top obstacles respondents are facing include providers' preference for using certain labs (36%), slow adoption of data and guidelines in clinical practice (32%), and limited IT resources to build custom reporting and dashboards (31%).

Limited IT resources for dashboards and reporting was especially prominent for smaller organizations, with 49%

of respondents in systems of 2 to 5 hospitals reporting IT limitations as a barrier. IT limitations were the most common obstacle among respondents at organizations in the early stages of value-based care, followed by low provider adoption. Together, these data suggest an opportunity for organizations to leverage partnerships to advance lab utilization strategy, training, and implementation, especially when progress on value-based care seems slow or stalled.

### Value in improved management of lab costs

The survey suggests that most organizations are using more than 1 approach to manage lab costs within the system, but systems that are far along in value-based care have taken a more holistic approach to lab cost management. Overall, respondents' top strategies were managing supply chain costs with a group purchasing organization (51%), reducing inappropriate testing (50%), and improving operational efficiency (44%).

Specifically among late-stage value-based care organizations, however, the most popular approaches to managing system lab costs were reducing inappropriate testing (58%), improving operational efficiency (53%), managing supply chain costs with a group purchasing organization (53%), and adding education and training programs (40%). The success of these systems in delivering value-based care suggest that their choices could be leveraged as effective strategies for organizations earlier along in their value-based care journeys.

**20%**  
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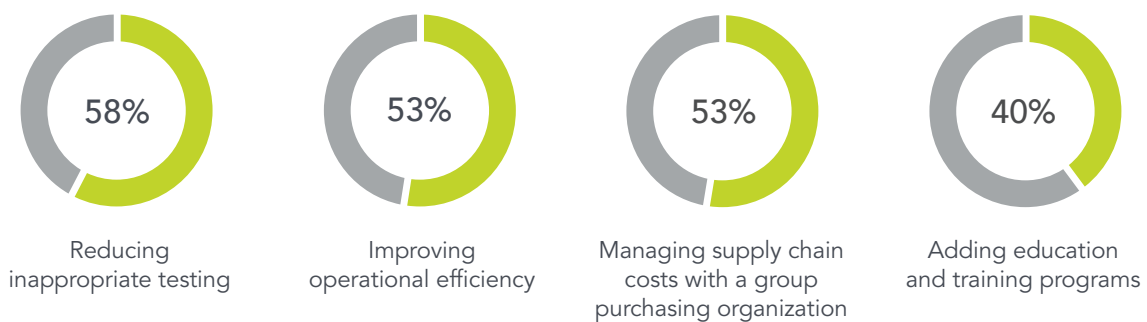
Organizations looking to make progress toward value-based care should also note that along with improved utilization of lab data, progress in value-based care was highly correlated with better understanding and management of lab costs. According to the survey, 37% of late-stage value-based care respondents have implemented activity-based

costing for the lab, in which activity centers are used to allocate indirect expenses to cost objects such as tests and samples. Just 1 early-stage respondent reported using this strategy. Low uptake of activity-based costing could indicate that limited visibility into lab expenditure can slow progress on value-based care delivery.

Across all respondents, roughly one-third (34%) said their organizations consistently use lab data to improve utilization and to measure cost impact, but another 21% of respondents said while their entities consistently use lab data to improve utilization, they lack the ability to measure their true cost per test. Twenty-nine percent reported benchmarking lab costs against other systems, 33% said their organizations tie lab claims costs to revenue cycle operations, and 22% are implementing activity-based costing for lab diagnostics, which can provide clearer insight into costs by standardizing attribution of fixed and variable costs across the lab.

These findings point to important opportunities for organizations to benefit from adopting quality and cost-conscious lab strategies as healthcare continues to migrate toward value-based care. By adopting lab-specific billing,

### The most popular approaches to managing system lab costs among late-stage value-based care organizations



Percentages don't total 100% because respondents were permitted to select multiple options.

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implementing initiatives to limit care variation, taking advantage of new business models to innovate healthcare delivery, and rationalizing service and facility portfolios, health systems may be better positioned to make progress.

These are areas where a lab partner with deep experience in leveraging laboratory insights can make a major difference. A well-suited partner will have the ability to help healthcare organizations stand up for the right technology infrastructure for diagnostics efficiencies and management, while applying proven strategies for cultivating provider buy-in.

### Learning from value-based care leaders

Certainly, the survey shows the momentum health systems and hospitals are making toward value-based care, with 86% of respondents at multi-hospital organizations reporting they have achieved significant progress on integration across facilities.

However, the 56% of all respondents whose organizations are—at most—“somewhat” progressed on value-based care have revealed that there is still a long road ahead. As these systems move toward later stages of value-based care progress, organizations large and small can learn from

those who are already there. Specifically, they can adopt diagnostics efficiencies shown to have potential for drastically impacting a system’s ability to deliver on the goals of value-based care.

The insights from respondents to this survey clearly demonstrated a correlation between progress toward value-based care and strategies for overcoming common challenges to improving both quality and cost of care, including the use of data to improve testing and understand and manage lab costs. By wielding lab data to reduce over- and under-utilization of testing, as well as to more precisely tailor treatments and interventions, health systems and hospitals can be better positioned to deliver value-based care at scale.

Quest Diagnostics is here to help in that journey. As the world’s foremost provider of diagnostic information services, Quest has the expertise needed to help health systems create key efficiencies without sacrificing quality.

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### About the Survey

Modern Healthcare Custom Media, on behalf of Quest Diagnostics, commissioned Signet Research, Inc., an independent company, to conduct a survey of healthcare professionals. The objective of this study was to learn about organizations’ strategies and opportunities for improving patient outcomes and reducing expenses.

On Aug. 4, 2022, Modern Healthcare Custom Media sent a broadcast email to Modern Healthcare registrants asking them to participate in a survey. Subsequent reminder emails and invitations to participate were sent between Aug. 12 and Aug. 17. By the closing date of Aug. 19, 146 responses had been received by individuals who work and spend the most time within a hospital or health system. The base used is the total number of respondents who answered each question. Survey findings may be considered accurate to a 95% confidence level, within a sampling tolerance of approximately +/- 8.1%.