Why Labs Should Have a Seat at the Hospital's Boardroom Table

Andrew Fletcher, MD, CPE, MBA is ARUP's medical director of Consultative Services and has significant experience in leading quality across an organization and reducing clinical variation to drive safety and value. In his previous job, he was instrumental in developing a utilization management program that captured over $1 million in cost savings within the first year and significantly improved downstream metrics driving utilization in various areas, including pharmacy, radiology, length of stay, and sepsis mortality. He has received numerous awards for quality and utilization, including research grants for blood utilization. Below, Dr. Fletcher addresses how the laboratory can impact a hospital's top concerns and catch the attention of the C-suite.

Q: What is laboratory stewardship?

A: It's the latest expression in the long trend of healthcare to improve cost and quality—essentially it is ordering the right test at the right time. Specifically, it is about improving ordering processes, developing proper financial coverage for these tests, and helping providers improve patient care while reducing costs.

Q: How does a test formulary impact laboratory stewardship?

A: While hospitals and physicians are familiar with pharmacy formularies, laboratory formularies are less common. A formulary helps guide physicians by narrowing the test choices down to those that will be most helpful in treating their patients. The formulary is based on medical evidence and incorporates cost considerations with the aim of improving quality of care. Without a formulary, clinicians can order any test at any interval, and they have no awareness of what is an in-house test vs a referral test.

Q: How can transparency in a test formulary benefit everybody?

A: Embedding transparency into the test formulary helps physicians make more educated decisions and allows them to weigh the cost vs. benefit of the test for the patient.

Examples of three small additions to improve transparency include noting if a test is a reference test, the cost range, and turnaround time (TAT). So instead of just listing "Homocysteine," it could be listed as "Homocysteine (REF, $$, 5d)." If a patient is going to be discharged soon, a physician may reconsider ordering a test based on the TAT because the results would come back post-discharge.

Q: How do you create a laboratory formulary?

A: The first step begins with creating a laboratory stewardship committee, which means you need to form a governing committee that has buy in from medical staff, administration, and IT. Then, the next step is test consolidation for reference tests. Are you sending tests out to 10 laboratories or 60? A strong relationship with fewer laboratories allows for volume discounts, awareness of the laboratories' quality levels/accreditation, and access to experts in pathology or customer service if issues or concerns arise.

In creating a laboratory formulary, the process is more important than the list of tests itself. Each hospital's formulary should be unique based on their patient populations and medical staff. In my previous position, we reduced our reference test formulary from approximately 1,200 to 176 tests.

Q: How?

A: We printed a list of all our reference tests ordered within the past year and any tests ordered less than four times were removed from the physician order entry system. To further refine the formulary, the remaining tests were compared with five years of utilization recommendations from ARUP.

Keep in mind that a formulary is not set in stone; it is always evolving, so be receptive to the feedback and needs of the physicians. Also, it must always allow for physicians to order non-formulary tests with appropriate review.

When done right, formularies are well received because they can make physicians' jobs easier and help them better care for their patients.