

*From the Desk of R. Lewis Dark...*

# THE R. LEWIS DARK REPORT

RELIABLE BUSINESS INTELLIGENCE, EXCLUSIVELY  
FOR MEDICAL LAB CEOs / COOs / CFOs / PATHOLOGISTS

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## COMMENTARY & OPINION by...

*R. Lewis Dark*  
Founder & Publisher



### Mass General Hospital Raises Bar on Transparency

WHENEVER I VISIT the corporate offices of THE DARK REPORT in Austin, Texas, I am invariably treated to a Texas barbeque dinner and one of the delicacies on the platter is sausage that has been smoked and slathered in sauce. Like many of you, I enjoy sausage, but I don't ever want to watch how sausage is made.

We all know how that concept applies in healthcare. Most patients shouldn't see how their healthcare is "made." And it has been the practice of hospitals and physicians not to make public their flaws and warts, as uncovered by accrediting agencies such as **The Joint Commission** (formerly JCAHO—**Joint Commission on Accreditation of Healthcare Organizations**.)

But that is changing. I am going to tell you about a refreshing and candid *public* analysis of a recent Joint Commission inspection of the **Massachusetts General Hospital** (MGH) in Boston! And it comes, warts and all, from MGH President Peter L. Slavin, M.D. In a letter to the public (at [www.massgeneral.org/message\\_april07.html](http://www.massgeneral.org/message_april07.html)), Slavin says a commission survey team spent five days at MGH in December and found 10 areas of concern (called RFIs—Requirements For Improvement). "We were not happy with 10; in fact, we would not have been satisfied with seven or five or two RFIs," Slavin wrote. "Our goal is zero. This week, we sent to the Joint Commission our action plan for addressing each of these RFIs, and we will closely monitor these areas to ensure we are not only improving and achieving compliance, but also excelling."

In a list accompanying the letter, the hospital details the areas needing improvement and the corresponding steps MGH is taking. By making the commission's findings and its response public, MGH is raising the bar for hospitals nationwide. MGH recognizes that transparency in hospital quality, infection control, and pricing are growing national trends. But when a major healthcare institution—and a proud one at that—is willing to show its flaws to the public and admit areas that need improvement, then we have indeed entered a new era in public transparency.

I applaud Slavin for stepping forward and openly reporting on MGH's RFIs. This development represents what I hope will be a trend: more accountability among hospitals nationwide as they publish their accreditation results and tell the public what they're doing to make improvements.

# LabCorp & Sunrise CEOs Score at Exec War College

➤ **Competing CEOs deliver compelling messages to a record crowd at biggest-ever War College**

➤➤ **CEO SUMMARY: This year's Executive War College on Lab and Pathology Management delivered major surprises, along with first news of breakthrough innovations and emerging trends. Managed care contracting for lab testing services was this year's premier topic and there was keen interest in the remarks on this subject by LabCorp's new CEO, David King. Another well-received presentation was that of Larry Siedlick, CEO of Sunrise Medical Laboratories.**

**D**URING LAST WEEK'S RECORD-BREAKING *Executive War College* in Miami, the two best crowd pleasers were CEO David King of **Laboratory Corporation of America** and CEO Larry Siedlick of **Sunrise Medical Laboratories**.

Both delivered presentations that were popular with the audience and provided powerful insights. Yet each had a different message. David King, in his first major lab industry address since assuming responsibilities as LabCorp CEO early this year, spoke about the current and coming changes in how managed care companies contract for laboratory testing services.

For Siedlick, CEO of one of the nation's better-performing independent laboratory companies, the message was the importance of effective management of lab resources and close attention to staff

morale, productivity, and achievement. Siedlick provided details of his lab's performance in these areas to illustrate the power of these management initiatives to create a productive, highly competitive regional laboratory organization.

Foremost on the minds of many attendees, however, was what King would say about the managed care contracting marketplace. Implementation of the unprecedented 10-year exclusive national contract between his company and **UnitedHealth Group** since January 1 has roiled the competitive marketplace for lab testing services in many regions of the country.

Speaking on day two of the *Executive War College*, King directed his remarks to the reasons why things are changing in the managed care industry and why these changes are triggering different approaches

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to how health insurers contract for laboratory testing services. “Some of us in the lab industry are focused on the rear view mirror, but there’s a new traffic pattern in front of us, requiring us to look ahead,” King said. “In looking ahead, labs will need to shift the discussion with payers to emphasize the value of laboratory testing in order to survive and win.”

### ► **Unwelcome News For Labs**

King had unwelcome news for laboratory administrators and pathologists. He believes that managed care is ready to target the cost of laboratory testing in the same way that it has recently begun to address the costs of imaging and therapeutic drugs. “Because of consolidation and other factors, managed care has now arrived in the lab space,” he noted. “Managed care is aware that they spend a lot of money on lab services. Further, payers are beginning to pay close attention to the fact that they spend more money for some lab companies than they spend for other lab companies.”

King believes it is imperative that laboratories take proactive steps to educate payers and restore a recognition of the value that laboratory testing provides to the healthcare system. He used a dictum of management guru Peter Drucker to introduce a four-point program. “Peter Drucker said, ‘The best way to predict the future is to invent it,’” commented King. “There are four ways that laboratories can invent the future as it relates to how our services are used.

“First, labs need to become more efficient,” stated King. “Processes should be improved through standardization and by incorporating automation to the greatest extent possible.

“Second, it is time that laboratories recognize the specific ways in which laboratory testing is a commodity business, then develop strategies to emphasize the value proposition of laboratory testing services,” explained King. “For example,

electricity is a commodity, but is simultaneously a critical component of our economy. In similar ways, part of the laboratory test menu comprises high volume, routine tests. Yet, commodity or not, these tests are mission critical to the health system. It is the critical contribution to care that comes from this part of the test menu which must be emphasized.

“Third, once labs are willing to acknowledge the ways in which some lab tests are a commodity, they will see that growth comes by improving quality and service,” he added. “No lab is providing inferior quality. Quality is exceptionally high. But we can always improve. Also, we have an opportunity to improve the service labs provide to support lab testing and to deliver results to clinicians. After all, customers and users of laboratory testing often define quality on the basis of the level of customer service their laboratory delivers to them.

“Fourth, labs can achieve growth through innovation, by extending product lines, and by extending their geographic reach,” observed King. He noted that one way labs can extend their geographical reach is through consolidation, stating that “consolidation does not necessarily mean by acquisition, but can include cooperation.

### ► **Collaborative Ventures**

“By participating in collaborative joint ventures, labs can demonstrate value by extending their reach,” King continued. “Collaboration is also a way to combine various strengths. Large clinical labs such as **Quest Diagnostics** and **LabCorp** have enormous advantages in the marketplace through group purchasing of supplies, for instance. But local and regional labs have advantages in the marketplace because they have relationships with hospitals and physicians that the large national labs do not have.

“Our laboratory organizations have much in common and so much can be gained by collaborating,” he said. “We have

a lot to gain not by bashing each other, but by looking for ways to mutually benefit through collaboration.”

### ➤ **Management Precepts**

On day one of the *Executive War College*, Larry Siedlick, the CEO of Sunrise Medical Laboratories, located in the Long Island town of Hauppauge, New York, struck a very different note during his popular case study presentation. In telling the story about Sunrise Laboratories’ management strategies and successes, Siedlick provided a series of management precepts, delivered with wit and backed by the performance benchmarks achieved by Sunrise Labs as a result of effective implementation.

“Founded in 1972, Sunrise Medical Laboratories is the largest private regional laboratory in the Greater New York area,” stated Siedlick. “We have more than doubled our size in the last seven years, growing annual revenue from \$29.5 million in 2003 to a projected \$72 million for 2007.

“We have four strategies for growth,” he continued. “First, we believe in strong financial controls, along with the discipline to manage spending carefully and avoid loss-leader pricing. Our second strategy is to sustain a service culture across all aspects of our laboratory organization.

### ➤ **A Sales-Driven Company**

“Third, Sunrise is a sales-driven company,” he explained. “We are diligent and focused on bringing aboard profitable new clients. Next, Sunrise always wants to be an early adopter of new technology and this reinforces our fourth strategy of using IT [information technology] connectivity as a competitive advantage with office-based physicians and other referring clients.”

Siedlick then discussed aspects of Sunrise’s financial strategies, particularly as it applies to collecting receivables. “Many laboratories miss this concept,” he noted. “Probably the single most important

## Could Laboratories Help Manage Costs of Imaging?

**D**URING HIS PARTICIPATION ON A PANEL addressing issues in managed care contracting for laboratory testing services, David King, CEO of Laboratory Corporation of America in Burlington, North Carolina, suggested laboratories could help health plans manage utilization of diagnostic imaging.

King used the example of cardiologists, noting that these specialists are among the most frequent users of imaging technology. “Imaging technology is improving at a remarkable rate, and every cardiology center performs these scans,” King said. “They do them because they get paid to do them and yet a significant percentage of these scans are not needed. This unnecessary utilization is one of the flaws in our healthcare system. But this flaw also represents an opportunity for labs.

“Laboratories can say to managed care plans that ‘before these scans are done, have physicians order a full lipid panel and other laboratory tests relevant for the patient,’” explained King. “Results from these tests will support the appropriateness of the imaging procedure. Laboratories can be effective with this strategy because the goal is to ensure that the patient gets the right care.

“Another way laboratories can contribute value is to produce standardized data sets and meaningful reports on trend lines,” King added. “These are the things that we can do to assist managed care companies and to increase the value of the services labs deliver.

“In today’s competitive healthcare marketplace, standardized data is one of the most important issues for managed care companies,” added King. “So the question is: what is the value to payers of unified information—of standardized laboratory data sets across large populations of patients? Payers are already expressing an interest in using such data, were it to become available. The challenge for the lab industry is to develop a way to normalize that data and provide it to payers in ways that increase its value to payers.”

success factor in laboratory operations is the ability to effectively collect the money which is owed to your laboratory. We assert that the profit and growth of a laboratory is directly proportional to its billing capabilities and effectiveness.”

### ► **Managing Human Resources**

Where Siedlick captured the audience’s full attention was his observations about managing the human resources of the laboratory. “People are your lab’s best asset and source of competitive differentiation,” he noted. “Our number one priority at Sunrise is to recognize our staff as internal customers. We emphasize teamwork. We are responsive to the needs of individuals and management is accessible.

“Let me use the example of customer service to illustrate this,” he continued. “We believe customer service is a personality trait and not a learned skill. We also manage from a conviction that is different from most companies, where managers hire people for what they know, then fire them for who they are!

“At Sunrise, if given a choice to fill a customer service position with someone who has all the technical knowledge versus someone who is innately helpful, we would hire the individual with the helpful traits in their personality. That is why we go to great pains during the hiring process to find out who people are.”

### ► **Integrating Information**

Sunrise Medical Laboratories is proud of its use of innovative IT technologies. In fact, on the previous day, at the *Executive War College’s* full-day program on using interface gateways to connect laboratory informatics with physician office EMR (electronic medical record) systems, Sunrise Chief Information Officer Eric Crugnale presented a case study on how Sunrise is one of the nation’s leaders in this regard.

Sunrise currently has 80 EMR interface gateways working in physician offices.

It maintains active interface gateways with 20 different EMR products. It also has more than 500 client sites that support electronic test ordering and results reporting.

“Our demonstrated ability to rapidly connect electronically with new clients is a competitive advantage that helps drive our sales program,” stated Siedlick. “All of these pieces work together to make us a tough competitor in our regional service market.”

Probably the comment that got the largest rise from the audience was when Siedlick was discussing specific management areas that his team might have done better in recent years. He generated much knowing laughter from the audience when he noted that Sunrise might have done better “at making some people ‘available to the industry sooner’”

### ► **Opportunities For Labs**

The presentations delivered by both David King of LabCorp and Larry Siedlick of Sunrise Medical Laboratories were well-received by the audience. In their own way, each speaker identified how the current healthcare marketplace is creating opportunities for individual laboratories. They each encouraged lab administrators and pathologists to lead their laboratory organization through a candid assessment of the marketplace, with the goal of developing and implementing new strategies to take advantage of these evolving market opportunities.

Overall, this year’s *Executive War College* was a high-energy gathering. More than 640 lab directors and pathologists from 15 countries around the world had gathered to hear 50 speakers. It was the second consecutive year for record attendance and a sold-out hotel. In coming issues of THE DARK REPORT, there will be briefings and analyses about key presentations and emerging trends in the management of clinical laboratories and anatomic pathology group practices. **TDR**

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## Lab Briefs

### ➤➤ **BECKMAN COULTER HOPES TO COMPLETE ACQUISITION OF BIOSITE**

FINGERS ARE CROSSED at **Beckman Coulter, Inc.**, as the company hopes to complete its acquisition of **Biosite, Inc.**, by tomorrow night (May 15 at midnight). Its original offer to purchase Biosite on March 25 was eclipsed by another buyer on April 5.

Under a recently revised purchase agreement, Beckman Coulter, located in Fullerton, California, will acquire all the outstanding common stock of San Diego-based Biosite for \$90 per share, representing a purchase price of about \$1.67 billion. The \$90 price was \$5 higher than its original price of \$1.55 billion, agreed to by Biosite in a deal announced on March 25. The \$90 also matches an offer from the other interested bidder for Biosite, which was **Inverness Medical Innovations, Inc.**, of Waltham, Massachusetts.

Competition to buy Biosite is another indication of the high value both diagnostic companies and investors are placing on companies with promising molecular test technologies. **Bloomberg** reported that the companies are fighting to gain a Biosite blood test for heart failure that can be used on emergency patients. Biosite says 70% of U.S. hospitals use at least one of its products. Federal statistics show that 4.8 million Americans have heart failure and 400,000 new cases are diagnosed annually.

### ➤➤ **MEDTOX SCIENTIFIC REPORTS STRONG GROWTH FOR FIRST QUARTER**

THERE'S BEEN PLENTY OF GOOD NEWS LATELY at **MedTox Scientific, Inc.**, which is a major player in the drugs-of-abuse testing market. The company reported double-digit growth in revenue, gross profit, and net income for first quarter 2007.

First quarter revenue increased 16%, from \$16.4 million to \$19.0 million. Operating income rose by 22%, from \$1.7 million in Q1-2006 to \$2.4 million for Q1-2007. MedTox, of St. Paul, Minnesota, had a whopping increase in net income of 106%, from \$801,000 in the first quarter last year to \$1.6 million in the most recent quarter.

Investors have loved the performance of MedTox Scientific. Since May 1 of last year, its share price soared from about \$9 to as high as \$24 earlier this month. Recently this month, *The Street.com* rated Medtox one of its five best small cap stocks, saying "The company has shown impressive stock price appreciation, a notable return on equity, and a strong gross profit margin."

Medtox has an interesting mix of forensic toxicology products and services. It manufactures and distributes a line of point-of-care drugs of abuse test kits for use by employers and others. It also provides a complete menu of drugs of abuse tests, along with expertise in esoteric TDM (therapeutic drug monitoring) assays.

### ➤➤ **WILL HEALTHY ADULTS WANT TO BE SCREENED USING GENETIC TESTS?**

ARE HEALTHY ADULTS INTERESTED in genetic testing to see if they have one or more of eight common conditions? That's what the **National Human Genome Research Institute** (NHGRI) and the **National Cancer Institute** (NCI) want to know.

NHGRI and NCI are working with **Group Health Cooperative** in Seattle, Washington, and **Henry Ford Health System** in Detroit, Michigan, to determine interest in such tests among individuals aged 25 to 40. Called the Multiplex Initiative, the study will gauge how basically healthy people who undergo these tests interpret the results and how they act upon this knowledge.

Researchers want to advance the concept of personalized medicine. The plan is to gather information on 15 different genes that are known to play roles in “disease that include type 2 diabetes, coronary heart disease, high cholesterol, high blood pressure, osteoporosis, lung cancer, colorectal cancer, and malignant melanoma,” said NHGRI Scientific Director Eric Green, M.D., Ph.D. “This study will be an important first step in understanding how such testing can be practically used in primary care settings.”

The study also wants to answer some questions which are continually asked in the laboratory testing community. Do healthy individuals want to know genetic information about whether or not they are genetically predisposed to certain diseases? After undergoing free genetic testing, will they change the way they interact with their physicians and the healthcare system?

This research is significant for pathologists and lab directors because the results may be useful in helping labs identify how to market their services to physicians and individuals interested in such testing. If the research shows that a certain percentage of the population is interested in genetically identified disease risk, then labs will be able to develop programs to conduct such tests and counsel individuals about the results.

### ►► **INFECTION RATES OF HOSPITALS WILL BE AVAILABLE TO CONSUMERS**

JOINING A GROWING NATIONAL MOVEMENT, the Texas House passed a bill this month to make hospitals report infection rates. Earlier, the Texas Senate passed a similar bill. If the bill becomes law, Texas would become the 15th state to have laws requiring public reporting of hospital infection rates.

*Consumer Union* reports that two states (California and Rhode Island) require public reporting of infection information, but not specifically infection rates. Two states

(Nebraska and Nevada) require confidential reporting of infection rates. All other states, except Arizona, Montana, North Dakota, and Wyoming, have considered hospital infection reporting laws, but have yet to pass legislation.

There is another trend that signals how deeply rooted the patient safety movement is becoming. Now some hospital CEOs and senior administrators have compensation plans that link a portion of their pay to improvements in safety measures, including a reduced rate of nosocomial infections and a decrease in medication errors.

The *Boston Globe* reported that the chief executive officer of the **Beth Israel Deaconess Medical Center** in Boston, Massachusetts, could lose as much as a third of his \$195,000 annual performance bonus if the hospital fails in two goals. One goal is to increase the number of doctors and nurses who wash hands between patients. The second goal is to reduce certain types of infections.

For hospital laboratories, efforts to reduce nosocomial infections are translating into increased in-house testing, as well as more intense effort to eliminate infections from one patient to another and from hospital staff to patients. Last month, **The Johns Hopkins Hospital** in Baltimore, Maryland, started to aggressively test every child admitted to the pediatric ICU for methicillin-resistant *Staphylococcus aureus* (MRSA) and vancomycin-resistant *Enterococcus* (VRE). Currently, it is standard procedure to screen all adult patients in the ICU for MRSA and VRE.

The Johns Hopkins Hospital found that this test protocol detected MRSA in one and a half times as many patients as compared with standard monitoring. VRE was detected six times more frequently. These findings demonstrate why the American healthcare system will continually find new evidence that leads to increased utilization of laboratory tests.



# Quest Diagnostics Regains Contract To Manage British Hospital Lab

**H**AVING DECLARED IN JANUARY THAT IT WANTED TO EXPAND OVERSEAS, **Quest Diagnostics Incorporated** announced on March 22 that it had been awarded a five-year contract to provide laboratory services to a hospital trust and primary care trust in London, England.

Quest Diagnostics will provide 24/7 laboratory services for the 362-bed **West Middlesex University Hospital**, as well the **Hounslow Primary Care Trust**, which serves a population of approximately 215,000 people in the area surrounding the hospital. Lab testing services will be provided from both the hospital laboratory and Quest Diagnostics' lab facility in nearby Heston.

Quest Diagnostics won a tender offered by the **National Health Service (NHS)**. There were at least six other laboratory organizations that responded to the tender. Among the bidders was London-based **The Doctor's Laboratory**, which is a business division of **Sonic Healthcare, Ltd.**, of Sydney, Australia.

In England, Quest Diagnostics and The Doctor's Laboratory are the two major private laboratory companies. By American standards, both private lab companies are relatively small, with revenues estimated at or below U.S.\$20 million per year.

## ➤ Outsourcing Lab Services

One interesting fact about the award of the laboratory services contract for the hospital and primary care trust is that Quest Diagnostics is winning back business it previously held. The West Middlesex University Hospital Trust CEO is comfortable with outsourcing laboratory testing

services and Quest Diagnostics held this contract up until about 2002. At that time, a new tender was conducted and **Hammersmith Hospitals NHS Trust** beat out Quest Diagnostics for the contract. Sources in England tell **THE DARK REPORT** that Hammersmith Hospitals did not deliver a consistently high level of laboratory services. This played a role in helping Quest Diagnostics win back this contract during the recent tender process.

## ➤ Private Laboratory Ventures

Further, the willingness of the CEO at West Middlesex University Hospital to outsource laboratory services is unusual in the United Kingdom. Probably the only other situation where an NHS-owned hospital has a contract with a private laboratory company is the joint venture between **University College Hospital, London**, and The Doctor's Laboratory.

Another point of interest is that Quest Diagnostics is providing lab testing under an NHS program that offers free *chlamydia* testing for adults aged 16 to 24 at 350 **Boots** pharmacies in England and Wales. Specimens collected at the pharmacies are sent to Quest Diagnostics, where the test is performed and results are reported to patients and their physicians.

In the United Kingdom, there is some private demand for healthcare services and both Quest Diagnostics and The Doctor's Laboratory offer testing to office-based physicians serving what is called the "High Street" market in the United Kingdom. This term describes the patient self-pay market for individuals opting to avoid using the country's government health service. **TDH**

# NEWSMAKER

## INTERVIEW



### Emerging Global Trends in How Labs Are Using “Distributed Computing”

**“In several different countries, laboratories already use ‘distributed computing’, in the form of a single LIS data center that provides informatics services to as many as 25 laboratories in a region. The trend is to increase interoperability and portability of the information for better patient care.”**

—Jacques Baudin

*Executive Vice President, Technidata America Medical Software*

►► **CEO Summary:** In concluding this two-part interview, Technidata America’s Executive Vice President and General Manager, Jacques Baudin discusses how improvements in information technology (IT) can help clinical laboratories improve their internal operations while also supporting tighter IT integration within the hospital or health system. He describes how labs are using middleware to provide capabilities that extend the useful life of legacy laboratory information systems (LIS). Outside of the United States, in locations as diverse as Singapore and Bordeaux, France, Technidata is participating in the creation of regional LIS centers, designed to serve multiple laboratories from a single LIS data center.

#### Part Two of Two Parts

**EDITOR:** During Part One, we covered two of three themes about healthcare, laboratory services, and how labs must respond to changes in the healthcare system. I’d like to pick up our discussion today with your views about the more practical issues triggered by improvements in healthcare information technology that will alter existing laboratory

informatics practices. Then we can move to theme three. That is a discussion about new capabilities Technidata is building into its middleware and LIS solutions, and how labs will use this new informatics technology to meet the changing needs of clinicians and the healthcare systems they serve.

**BAUDIN:** I would like to add some comments on our earlier conversation in Part One

about use of information technology (IT) in the laboratory.

**EDITOR:** Good. This shifts our discussion toward the more practical issues of trends in healthcare information technology that will alter existing lab informatics practices.

**BAUDIN:** Every laboratory must have an information technology strategy. Because the function of IT is to solve a problem and provide a service, laboratories need to identify the problems in their healthcare community and then craft solutions to solve those problems.

**EDITOR:** But that recommendation seems to ignore the short-term demands on labs.

**BAUDIN:** My advice is to “dream in color” when developing the long-term IT strategy. Meanwhile, every laboratory should take proactive steps to fix existing problems and address current IT weaknesses while building the capability of supporting the evolving needs of clinicians, payers, and patients. Middleware has a role in both short-term and long-term solutions.

**EDITOR:** Give me an example of a short-term problem that middleware can resolve.

**BAUDIN:** Middleware is a powerful tool for eliminating waste and improving the lab’s quality. Automation of high-volume chem-

istry and hematology labs is a great example. When running this type of automation in my laboratory, I want a real-time alarm system to monitor the automation and alert me when something is broken or a process is performing outside allowable limits. That way my staff doesn’t have to constantly look for a problem and often find it after it is too late.



Jacques Baudin

►► “Now I want to address a big question mark for laboratory IT planning. That is genetic testing and molecular diagnostics.”

**EDITOR:** This is a way of helping the technical staff become more productive.

**BAUDIN:** In fact, labor productivity in the laboratory is a fascinating subject. As diagnostic technology becomes more complex, the lab needs to hire med techs with more advanced skills and knowledge. But even these people can be overwhelmed if asked to manually monitor all the work processes in the laboratory. In fact, automation in the laboratory is the very reason that middleware has become a high-demand product.

**EDITOR:** Explain that, please.

**BAUDIN:** Instruments, analyzers, and automated modules are becoming more sophisticated while, at the same time, legacy LIS' are not keeping up with the continual improvements in the laboratory's installed base of instruments.

**EDITOR:** Why aren't LIS products keeping pace?

**BAUDIN:** Because there is a huge pool of legacy LIS installations. Most have been in the laboratory for as long as 10 to 20 years. The staff is trained on the system, the LIS works well. That is why lab managers have a motive to avoid disrupting this status quo.

**EDITOR:** Let me restate this problem. You describe a situation where, say, every five years the laboratory takes on a new set of instruments with additional functionality. Yet, every time this "instrument upgrade" cycle occurs, the legacy LIS falls farther behind in its ability to support the features and productivity of the new, more technologically advanced analyzers.

**BAUDIN:** That's correct. That is why the laboratory will use middleware to allow the legacy LIS to talk to the new instrument systems. Middleware is designed to close these operational gaps. Middleware is also a tool to enable me to improve my lab operations today and, in the near future, my lab can then bring in a new LIS in downstream years.

**EDITOR:** As you describe it, middleware is a bridge between LIS upgrades. It allows the laboratory to take advantage of a variety of new diagnostic and informatics technology, without having to upgrade or replace the LIS on relatively short time cycles.

**BAUDIN:** That is correct. Another example of one technology gap to be addressed by laboratories is electronic test ordering within the hospital or from physicians' offices. Increased use of electronic medical record (EMR) systems gives laboratories an incentive to support electronic test orders and the demand of physicians to have laboratory test reports downloaded directly into the EMR.

**Jacques Baudin**

**EDITOR:** Installed LISs pre-date much of this technology, which is why many laboratories opt for a specialized and modern solution to support this market demand.

**BAUDIN:** That is true. Now I want to address a big question mark for laboratory IT planning. That is genetic testing and molecular diagnostics.

**EDITOR:** That is certainly a hot topic.

**BAUDIN:** There are three issues that laboratories must address with their IT strategies. The first issue is that molecular biology is increasingly becoming another way to get an answer. For example, molecular tests for *gonorrhoea* and *chylamedia* can replace traditional test methodologies.

**EDITOR:** So the laboratory's LIS must have a way to accommodate the different technical rules needed to support these new molecular methodologies.

**BAUDIN:** Yes. It is the "same" test, but the answer is developed in entirely different ways. The second issue is more interesting to me. Cytogenetic testing uses analysis of chromosomes to predict or to identify either prenatal or postnatal problems.

**EDITOR:** And the third?

**BAUDIN:** That is molecular genetics. Molecular assays can identify, predict or assess gene-based diseases and conditions.

**EDITOR:** Would you please explain how laboratory information systems must respond to these emerging fields of molecular diagnostics?

**BAUDIN:** In the laboratory testing paradigm, it was not necessary for an LIS to collect and process a wide spectrum of data that is now generated to support the ever-increasing number of molecular assays. For example, the database structure required to support genetics testing must include information such as the patient's family tree (genealogy) and relevant family health information.

**EDITOR:** There is also the need for the LIS to be able to crunch this data to support the patient's diagnosis.

**BAUDIN:** Yes. To perform a risk assessment

requires data to make this evaluation—while at the same time maintaining privacy and confidentiality of the data for this patient and his or her family.

**EDITOR:** What other attributes will be needed by next generation LIS products?

**BAUDIN:** My prediction is an increase in “distributed computing” to address issues such as interoperability and portability of the information. Also, the “fat client” IT model will diminish in favor of “thin client” LIS solutions. Labs will find it more productive and will get enhanced performance by utilizing a remote host LIS arrangement. “Software as a service” (SaaS) can be done today.

**EDITOR:** Why isn’t there keener interest in this type of IT solution?

**BAUDIN:** I puzzle over this. I am surprised at the reluctance of many hospitals and laboratories in the United States to pursue this approach. In Bordeaux, France, Technidata runs a single LIS data center that supports six different independent laboratories in the region. It works well. Maybe hospitals and labs here are reluctant to give up control over the management of their IT hardware or software. It might also be unfamiliarity with an IT pricing model that typically works on a per-transaction basis.

**EDITOR:** Are you seeing demand for this “distributed computing” model increase outside the United States?

**BAUDIN:** Most definitely. More and more we are working on projects that cross boundaries. For instance, in Singapore, we are arranging for one server—one system—to provide a common IT solution for 13 different laboratories. In Marseille, France, a city of 1.5 million people, a new contract was issued which will create a single data center. Soon all 26 laboratories in that city will work from the same laboratory information system.

**EDITOR:** I assume these are projects designed to lower laboratory IT costs without giving up any functionality?

**NEWSMAKER**  
INTERVIEW

**BAUDIN:** Essentially, yes but also interoperability, and portability of the information between the different laboratories. Distributed computing is robust, workable, and it helps standardize the way people work. Further, these centralized arrangements are establishing unified sets of laboratory data that support EMRs.

**EDITOR:** That’s an interesting comment. Am I to assume that, in these countries, remote host LIS arrangements are also part of a more strategic program to provide clinicians with standardized EMR capabilities?

**BAUDIN:** That’s right. These healthcare systems want to reduce variability in care and encourage “best clinical practices” Standardization of laboratory testing is a part of this. In Thailand, for example, one Technidata installation and system supports all prenatal testing in the country.

**EDITOR:** Wow! It’s fascinating to learn how laboratory services in other countries are developing IT and distribution models that are not much discussed in the United States. Jacques, I’d like to shift gears now, and deal with the third theme of this interview. That theme is Technidata’s response to global healthcare trends and how its products and services are designed to support the needs of clinical laboratories.

**BAUDIN:** There are interesting projects under way. But before I talk about those, let me articulate the business strategy which drives our product development.

**EDITOR:** Please do.

**BAUDIN:** The first thing that distinguishes Technidata is that we are exclusively focused on laboratories. Our products are developed around three primary objectives. First, we want to support the entire laboratory organization. That includes management of the laboratory, enhancing workflow, addressing individual work processes, and creating clinical knowledge from lab data.

**EDITOR:** Please continue.

**Jacques Baudin**

**BAUDIN:** Second, we believe in “best of breed” solutions. Technology should be harnessed to the benefit of the lab, its referring clinicians, and the patients it serves.

**EDITOR:** And third?

**BAUDIN:** Technidata improves its products through constant evolution. Constant evolution allows us to incorporate new technology and new functionality into our products, while preserving the laboratory’s ability to interface its informatics with other systems both inside and outside the laboratory.

**EDITOR:** What are some specific product initiatives that relate to the trends in healthcare and laboratory testing that we’ve discussed already.



Jacques  
Baudin

► “There is also strong demand for informatics solutions that monitor the lab’s entire work flow, from pre-analytical through delivering reports and submitting claims.”

**BAUDIN:** One big drive is to provide the functionality to laboratories that allow them to interface with the sophisticated, newest generation instruments, while maintaining full integration with the legacy laboratory information systems.

**EDITOR:** In other words, you are intentionally creating the middleware modules that extend the service life of older LIS installations.

**BAUDIN:** That’s the goal and more: extending the life—a new lease on life—and offering an upgrade path down the road from legacy to state-of-the-art LIS. It is consistent with our philosophy of constant evolution that supports best of breed performance.

**EDITOR:** What about helping work flow and work processes? That’s a keen topic of interest among laboratory managers these days.

**Jacques Baudin**

**BAUDIN:** You’ve hit one of the hottest trends in laboratory informatics today. There is widespread interest in raising the performance of individual work processes in the laboratory. There is also strong demand for informatics solutions that monitor the lab’s entire work flow, from pre-analytical through delivering reports and submitting claims.

**EDITOR:** That’s consistent with my observations across the lab industry. Management of laboratory operations is becoming more sophisticated, from the level of laboratory administrator all the way to the med techs at the bench who monitor the performance of individual analyzers.

**BAUDIN:** To meet this demand, we are developing systems—such as dashboards—that push relevant information in real time to laboratory staff and management. This allows them to “drive” the lab as they would use their vehicle’s dashboard to drive the car.

**EDITOR:** What role does integration play?

**BAUDIN:** Laboratories are demanding more effective integration of their existing informatics systems. Internally, they want and need to flow data across traditional boundaries in the laboratory, such as microbiology, histology, and anatomic pathology. Externally, they need to integrate their laboratory test data with the systems in their parent hospitals and health systems, not to mention office-based physicians and payers.

**EDITOR:** Do you see any demand for functions that represent an emerging trend in laboratory management?

**BAUDIN:** That’s an interesting question to which I would answer yes. Laboratories now come to us and request functions that will help them eliminate waste and improve quality. This is particularly true of laboratories where quality management systems such as Lean and Six Sigma are in use. These laboratories want to see

data in real time that specifically allows them to monitor performance and improve it on a continuous basis.

**EDITOR:** This is using data in a different way than in the past.

**BAUDIN:** More than that. It is a paradigm shift in laboratory management methods. Lab managers now recognize all sorts of problems and inefficiencies—long tolerated, by the way—as unacceptable and no longer to be tolerated.

**EDITOR:** Please explain.

**BAUDIN:** Here's a typical comment. "When running clinical chemistry, I want a real time alarm to alert me when something is not working to specification. I don't want to wait until something is obviously wrong and then have to search to identify the problem before it can be fixed, along with the further need to backtrack to fix the earlier work produced by a malfunctioning process."

**EDITOR:** Do they seek real-time monitoring to enable proactive intervention?

**BAUDIN:** That's correct. They see middleware as an ideal solution because it functions in real time and it solves another problem.

**EDITOR:** What's that?

**BAUDIN:** Complexity for the staff. These labs now want to steadily raise productivity. To accomplish this, they must more tightly monitor and tinker with work flow and individual work processes. Rules are established to support this increased productivity. But at some point, without software to automate manual processes, the staff can become overwhelmed.

**EDITOR:** Thus, rules engines are added to the middleware, so that real time data flows can be monitored and corrective actions taken in an automated fashion. Not only does this relieve the stress on laboratory staff, but it also allows them to focus their skills on higher value contribu-

tions to the laboratory. That further improves productivity.

**BAUDIN:** That is correct. There is another evolving trend to which we are responding. It is the availability of a number of non-laboratory information systems that handle the function of laboratory test ordering without involving that LIS. These systems are being used in many healthcare settings.

**EDITOR:** Do labs recognize this trend?

**BAUDIN:** Some do, but they are often at the tail end of their clients' planning. That complicates the lab's ability to play a more constructive role.

**EDITOR:** Give me some examples.

**BAUDIN:** First, hospitals and health systems are taking active steps to integrate all their disparate information systems and create a single source portal for clinicians to order and view results. Second, as physicians install EMR systems, they want to order laboratory tests directly from their EMR. They also want the laboratory test results (and other clinical results) to automatically populate the patient record in the EMR.

**EDITOR:** So labs require interface solutions to integrate with these needs?

**BAUDIN:** Not only that, but as these types of integrated informatics installations become commonplace, it will change the form and function of the LIS. Traditionally, LIS has been the major, long-term repository of lab test data. It is likely that regional and even national patient health record repositories will eventually assume that function.

**EDITOR:** In the United States, that would describe Regional Health Information Organizations (RHIOs). Jacques, we've run out of time. Thank you very much for these insights and recommendations.

**BAUDIN:** You are welcome.

**TDR**

Contact Jacques Baudin at [jacques.baudin@technidata-web.com](mailto:jacques.baudin@technidata-web.com) or 520-577-2872.

**Jacques Baudin**

# ACLA Prepares to Tackle Tough Lab Industry Issues

➤ **New initiative designed to educate Congress, health officials, and public about value of lab tests**

➤➤ **CEO SUMMARY: At its annual meeting last month, the American Clinical Laboratory Association (ACLA) rolled out a new campaign to educate Congress, government and private payers, and the American public about the value of laboratory testing. Called "Results for Life," the campaign is a well funded and ambitious effort to carve out a place at the table for laboratory testing. A growing number of lab industry players are joining the effort.**

**S**INCE THE EARLY 1980s, about the time that Medicare introduced DRGs (Diagnosis-Related Groups), the nation's laboratory industry has failed to receive consistent funding and support from both federal health programs and private payers.

Now a credible effort to reverse this situation has commenced, under the leadership of the **American Clinical Laboratory Association (ACLA)**, based in Washington, DC. Under the title "Results for Life," ACLA is "ready to take the offensive with a message about the value of laboratory testing," stated Alan Mertz, President of ACLA. "We are determined to get the message to members of Congress, policymakers, the media, and other stakeholders.

## ➤ **Invisible Component**

"For too long, laboratory testing has been a rather invisible component of the American healthcare system," declared Mertz. "Because of this fact, patients and even many physicians remain unaware of the extent to which laboratory testing contributes to improving healthcare out-

comes while simultaneously contributing to a reduction in the overall cost of the healthcare encounter.

"Second, legislators, private payers, and other stakeholders, failing to fully appreciate the leverage and value that laboratory testing contributes on precisely these points, has been engaged in a sustained, 25-year cycle of funding reductions, reimbursement cuts and even counterproductive coverage guidelines for laboratory testing.

"It is time to reverse this situation and elevate the awareness of laboratory testing's value to the proper level," continued Mertz. "Our spearhead for this effort is 'Results for Life,' but that is just the starting point in what will be a long, persistent campaign to help decision-makers and stakeholders gain a full and deep appreciation of the compelling benefits of laboratory testing." ([www.labresultsforlife.org](http://www.labresultsforlife.org))

ACLA is not alone in this effort. In addition to the full support of its 30 member laboratory organizations, it has the financial support of outside participating sponsors that include **Abbott Molecular**, the **College of American Pathologists**

(CAP), **Roche Diagnostics**, **Siemens Medical Solution Diagnostics**, and **Sysmex America**.

To further demonstrate the credibility of the “Results for Life” campaign, at the kick-off press conference in Washington, DC, on April 18, one of the main speakers was Charles Rangel (D-NY), who is Chairman of the powerful Ways and Means Committee of the House of Representatives.

### ► **Pete Stark At ACLA Meeting**

Over the next two days, at ACLA’s annual meeting, formal remarks were delivered by Pete Stark (D-CA), who is Chairman of the Ways and Means Health Subcommittee in the House, and Frank Pallone (D-NJ), who is Chairman of the Energy and Commerce Health Subcommittee in the House.

The presence of these influential congressmen at a laboratory industry event was a signal that ACLA has attracted their attention. Certainly the cause of laboratory testing has an element of “Mom, apple pie, and the American flag” to it, which is always attractive to politicians. However, in the remarks these representatives made, they showed an awareness of specific issues critical to the success and future of laboratory testing.

Another element of “Results for Life” demonstrates that this campaign is organized to have maximum credibility and effectiveness. It incorporated the services of **Public Opinion Strategies (POS)** of Arlington, Virginia. Founded in 1991, *The New York Times* calls Public Opinion Strategies “the leading Republican polling company.” Currently POS is engaged and doing work on behalf of 18 senators, 50 representatives, and eight governors.

In healthcare, Public Opinion Strategies includes among its clients such organizations as the **American Hospital Association (AHA)**, the **Association of American Medical Colleges (AAMC)**, the **Blue Cross Blue Shield Association**,

**America’s Health Insurance Plans (AHIP)**, the **Kaiser Family Foundation**, and the **Robert Wood Johnson Foundation**.

Lab executives and pathologists are likely to know of Public Opinion Strategies through one of its most famous public campaigns—the series of “Harry and Louise” television commercials which are credited with coalescing public opinion against the “Hillarycare” health reform proposals in the early 1990s. *Advertising Age* describe the Harry and Louise campaign as “among the best conceived and executed public affairs advertising programs in history.”

The accomplishments of Public Opinion Strategies are important to understand. They demonstrate how ACLA is aligning itself with some of the nation’s best talent at identifying key issues and creating public and legislative awareness for action. In fact, at both the “Results for Life” kick-off press conference and ACLA’s annual meeting, Partner and Co-Founder of Public Opinion Strategies, Bill McInturff, presented the results of its research on public attitudes toward laboratory testing. This research was commissioned by ACLA.

### ► **Survey Of Registered Voters**

During March 25-27, 2007, Public Opinion Strategies contacted 800 registered voters across the United States. The study determined that, over the past 12 months, seven in 10 voters reported having a laboratory test conducted.

Based on registered voters’ responses to the survey questions, McInturff noted several key findings. For example, “more than two-thirds of voters believe that, overall, lab tests are saving money in the healthcare system.” A total of 68% say it saves money and 20% say it costs money.

McInturff also determined that, once voters have some information and context about clinical laboratories, they generally hold a favorable opinion of clinical labo-



ratory services. In fact, after hearing a short message about the value of laboratory testing, 77% of registered voters held a high opinion about laboratory testing.

McInturff called attention to this significant finding and commented that there are few issues in our society that generate such a high level of favorable public opinion. He observed that this was an auspicious starting point for the “Results for Life” campaign.

During the survey of registered voters, McInturff also noted that an unexpected finding had emerged. Surveyed voters had high rates of agreement with the statement that laboratory testing provides “precision and peace of mind.”

He explained that, in world of polling and public opinion, it is extraordinarily uncommon to find this pairing. It blends an objective fact—precision (that laboratory tests provide precise information and answers) and an emotion (peace of mind). McInturff believes that the combination of these concepts creates mental images that will be powerful in building awareness of the value and contribution of lab testing.

Further, since public opinion influences legislators, the laboratory testing profession has many positive attributes that can be utilized in the effort to get elected officials, policymakers, and payers to respond favorably on funding and issues of vital importance to clinical laboratories.

### ➤ **Establishing Priorities**

During the annual meeting, ACLA officials discussed other priorities for 2007 and beyond. There is the usual list of legislative and regulatory issues, ranging from competitive bidding of laboratory services and grandfathering technical laboratories to action on pending bills in Congress.

What sets these efforts apart from earlier years is that ACLA is actively building and participating in coalitions with other lab industry associations, organizations, and companies. In the same vein, it is more willing to develop strategic alliances that will

further the overall goals of raising the lab industry’s visibility among consumers, politicians, and healthcare stakeholders.

Champion of change at ACLA is its President, Alan Mertz. Since his arrival at the association in 2003, Mertz has been busy recruiting new members. ACLA now has 30 member laboratories and the number is increasing with regularity.

Mertz is also knowledgeable about the ways of Washington. He served in senior staff positions in the House and Senate during the years 1980 to 1998. During the 1998-2003 period, Mertz was Executive Vice President of the **Healthcare Leadership Council (HLC)**.

### ➤ **Develop Common Purpose**

THE DARK REPORT observes that ACLA is bringing something new to the laboratory industry. Its leadership has a determination to draw together the disparate factions across the laboratory industry and help them unite on key issues to speak with one voice—and be effective in communicating the laboratory issues that legislators and policymakers must hear and understand.

By engaging experts such as Bill McInturff and Public Opinion Strategies, ACLA members are demonstrating a willingness to fund a more sophisticated effort to raise public awareness and gain new respect for the capabilities of laboratories and laboratory medicine to do more in meeting the nation’s healthcare challenges. That is certainly a change from the past two decades, when the divided nature of the laboratory industry made it possible for Congress and Medicare to continually carve away at the financial integrity of laboratory testing in this country.

Because of the importance of this effort, THE DARK REPORT encourages clients and readers to learn more about these activities and support them as appropriate, starting with a visit to [www.labresultsforlife.com](http://www.labresultsforlife.com).

**TDR**  
Contact Alan Mertz at 202-637-9466 or [info@clinical-labs.org](mailto:info@clinical-labs.org).

# INTELLIGENCE

**LATE & LATENT**  
 Items too late to print,  
 too early to report



With so many baby boomers in lab management ranks making preparations for their retirement, a question now asked often is “what can I do as an encore?” Recently, THE DARK REPORT caught up with Dixie McFadden, who retired from her position as Laboratory Administrator at **Kaiser Permanente Northwest Regional Laboratories** in Portland, Oregon, more than three years ago. Her second career has dual roles. In one, she is a competitor in country western dance championships. McFadden has won several international titles. In her other second career, she is a Business Success Coach. She provides consulting services to alternative healthcare practitioners and corporate executives. Check out [www.dixiemcfadden.com](http://www.dixiemcfadden.com) for more details.

## ADD To: McFadden

Alert readers probably recall that Dixie McFadden’s Kaiser Laboratory Division was one of the first in the United States to earn certification in ISO-9000. That happened in 2000.

(See TDR, December 4, 2000.) A few years later, she quarter-backed the design and construction of the first laboratory facility organized around Lean, Six Sigma, and ISO quality management methods. (See TDR, July 28, 2003.) That laboratory, in Portland’s eastern suburbs, continues to host many site visits because of its innovations.

## TRANSITIONS

- **DCL Medical Laboratories, Inc.** of Indianapolis, Indiana, turned to California to find its new President and CEO. Michael Hanbury, Ph.D., assumed these duties earlier this year. Hanbury was at **Unilab, Inc.** for many years and has had a long career as a laboratory executive in the Golden State.

- **Oregon Medical Laboratories (OML)** in Eugene, Oregon, has ended a lengthy search for a new CEO. It has rehired Ran Whitehead. Whitehead was OML’s CEO until the summer of 2006, when he resigned to accept a position as CEO of **SED Laboratories** in Albuquerque, New Mexico.

- Following the retirement of Rusy Senac, the pathology

super-group **Brown & Associates Medical Laboratories** of Houston, Texas, has named Delbert Berryman as Executive Director. Berryman came to his new position from **Pathology Reference Laboratory** in San Antonio. Prior to that, he worked at **Severance & Associates**, also in San Antonio.



## DARK DAILY UPDATE

Have you caught the latest e-briefings from DARK Daily? If so, then you’d know about...

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