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SYSTEMS RCM



## How To Reduce Laboratory Costs

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## What's your Laboratory's financial and operational state?

Many laboratories were heavily involved in COVID-19 testing and new “pop-up” laboratories were even appearing on the landscape just to accommodate COVID testing. So yes, tests often became the primary test panel in many laboratories. Now, with the availability of home tests and possibly an indifference (backlash?) over COVID, what's your laboratory's current financial and operational state?

Whatever your situation has been, examination of your current budget and expenses should be a priority. And then keeping an eye on that budget should be an ongoing effort.

Consider that early in the pandemic, many Laboratories were forced to shift their primary testing services over to COVID-19 PCR/Antigen procedures, taking attention away from scaling their work in the toxicology, clinical, pathology, genetic, molecular, and esoteric testing areas. It is a simple formula to evaluate:

- A large percentage of reimbursement dollars for COVID-19 testing was distributed by the federal government via HRSA. This funding has been discontinued for over 6 months, demotivating laboratories to house these tests.
- The average reimbursement for a COVID-19 procedure was between \$97 - \$105. Some commercial insurance plans' reimbursement for COVID-19 procedures were north of \$150, but not many. These figures make it easy to see why laboratories needed a large volume of COVID-19 tests to yield profits each month.
- In order to perform a mass number of COVID-19 tests daily, laboratories reduced the number of other tests that they were administering.



Now that labs are shifting their focus back to traditional testing services, the common theme is that this process is leading to financial shortfalls that threaten their viability as a clinical testing operation.

Accordingly, laboratory executives are giving their budgets a careful examination, looking for ways to improve the flow of revenue. You should probably do the same.

One budget area important to examine is laboratory costs. If you can't remember the last time you took a deep dive into the finances associated with your laboratory's costs, now would be a good time to revisit this vital information.

Here's some guidance on how your team can start reducing costs with the goal of eventually improving your bottom line.

## Claim Denial Reduction

Reducing claim denials should be the first step in lowering lab costs. Claim denial rates are frequent, between 10% and 30%, but they can actually be preventable proactively.

Denials are typically due to any number of reasons such as improperly-used modifiers, incorrect patient information, insufficient documentation, etc. Prevention of these can be as simple as implementing an RCM service or in-laboratory platform with a built-in claim denial prevention system.

ADS RCM offers proactive denial alerts through its rules engine-driven Denial Preventer® which issues proactive alerts on claims likely to be denied, enabling them to be recoded before submitting them. According to [MLO Online](#), denials cost laboratories anywhere between 15% -30% annually. Having just this one capability can very positively impact your laboratory immediately.

## Patient Access to Billing

Another vital feature is online patient payments. Too often, statements go unpaid by well-intentioned patients because they struggle to navigate a bill payment portal or unpaid balances are simply forgotten.

With ADS RCM, laboratories are able to text reminders to patients and patients have access to an easily navigable payment portal. But even before that, clients have access to the Patient Responsibility Estimator empowering laboratories to give patients a good approximation of what they'll owe after insurance, significantly increasing the likelihood of patients paying what they'll owe.

## Too Many Suppliers?

Reducing complexity in your supplier relationships could be an effective approach to reducing laboratory costs. For all of the disposable items you rely on for routine laboratory work, added expenses could be creeping in because you are negotiating separately with multiple providers.

So, see if you can negotiate bulk discounts on the supplies you regularly order. Find out if you can obtain better prices by consolidating your suppliers into one or just a few points of contact instead of the several you may be working with today.



## Laboratory Cost-Cutting with a New Service Agreement: Switch to Multi-Year Arrangements?

For many laboratories, you'd be in better financial health by changing your service agreements.

Check for any contracts that will expire soon, say within the next three months. Work with these vendors or providers to see about obtaining multiple-year agreements, where you keep costs locked down for the duration. You'll be able to immediately calculate the potential savings from such an updated arrangement.

It seems logical, especially for larger investments, extended warranties can provide assurances the laboratory won't be faced with high replacement or repair costs in the event of a malfunction.



## Don't Let Needles Poke a Hole in Your Laboratory Budget

It's prudent to look at even the smallest item when it comes to potentially reducing costs in your laboratory. For example, the simple needle could be a cause of declining revenue.

Butterfly venipuncture costs about three times as much as straight needle venipuncture, so if you have the option and it's appropriate, make the switch. Keep in mind that one obstacle may be in maintaining enough staff who are trained in administering straight needle venipuncture.

## Controlling Lab Costs for a Better Bottom Line

With today's economic uncertainty and a distinct need to cut costs whenever possible, it makes sense to focus on what you're spending. From implementing denial prevention software to updating your service agreement contracts, there are many options to consider to help improve your bottom line.

The **ADS** RCM team of laboratory professionals and supervisors has centuries of combined experience; they know the nuances and intricacies of laboratory billing and reporting. And, they will help eliminate your staffing issues as they work behind the scenes as an outsourced workforce.

Stay tuned to this blog, and please be in touch to see how ADS RCM can help make your laboratory more profitable and efficient!

## Key Takeaway:

- Now is the time to take stock of your financial picture
- Keeping an eye on your finances and operational costs, including staffing, is critical
- Reducing or even eliminating denials is a guaranteed way to increase revenue.
- Upgrading your patient payment process is integral to ensuring patient balances are paid quickly, in full
- Ideally, you will work more efficiently, by consolidating lab suppliers to just a few, if not one.
- See if you can negotiate multi-year contracts to further reduce lab costs from providers.



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