



Why Health Plans Should Use a Laboratory Benefit Management Program

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JEFFREY M. PETRIZZI

Laboratory benefits, testing and technology are highly complex and constantly evolving. Partnering with a comprehensive, independent lab benefit management program can help health plans navigate the complexities, as well as save money, quality, and increase member and physician satisfaction. To learn more SmartBrief recently spoke with Jeffrey M. Petrizzi, founder and CEO of lab benefit management firm Kentmere Healthcare Consulting Corporation, and Charles Cini, chief financial officer and chief analyst of Kentmere.



CHARLES E. CINI

Why do health plans need a program to manage outpatient laboratory testing benefits?

The proper lab benefit management program should reduce actual costs by 10% to 20% while improving service and quality for members and physicians. Without a sophisticated model that manages price, utilization or mix, plans will see an increase of 8% to 10% more a year in outpatient laboratory costs.

The outpatient laboratory benefit category is complicated and expensive for plans to manage internally. In addition to direct costs, there are indirect downstream costs. Outpatient laboratory benefits touch most departments and systems in a plan, requiring coordination. Without expertise specific to managing outpatient laboratory benefits, management and coordination will not occur, plans will not receive quality and service, and they will overpay.

Why do plans need to bring in an independent LBMP to help manage laboratory benefits and clarify lab-related issues?

It is impossible for plans to be experts in all aspects of lab testing and technology. The right program will design and streamline a cost-effective plan-owned lab network. It will review lab contracts and test prior-authorization requirements, medical and reimbursement policies, and all lab-related programs.

Genetics testing is growing, and the right program can determine which tests need prior authorization or coverage. Analyzing possibility over probability of a test and disease can lead to additional cost savings and mitigate members' concerns.

The most significant benefit is a comprehensive program that analyzes all aspects lab benefit management. The partnership ensures significant cost savings to the plan. It inspires confidence that every detail will be considered, efficiencies will not overtake the service of lab benefits for members, and each plan will have a specific and unique lab benefit model that won't disrupt plans, members or providers.

With the proper LBMP, the plan has perpetual resources and subject-matter experts for all aspects of lab testing. Anyone in the plan who deals with labs or lab-related issues has access to a department of experts in individual areas of operations.

What is the difference between an LBMP and a lab manager?

An LBMP is a comprehensive program dealing with all laboratory aspects, touching every part of a health plan. A lab manager is an individual component of an LBMP, such as claims editing, prior authorization, genetic counseling, etc.

What are some challenges health plans have had and will face with managing outpatient laboratory benefits?

Dealing with COVID-19 and the genetics testing arena are prior and current challenges; the future will require adjusting for over-the-counter and direct-

to-patient testing, and an increase in in-office physician testing, among others.

There is an ongoing need to keep up with innumerable lab test options and the number of new labs. There are 75,000+ existing tests, and new ones are added daily.

Another challenge is selecting labs with a network focused on high-quality service and cost-efficiency. Also, plans may apply a pharma benefit model to lab benefit management, and the two are incomparable. Trying to make one fit the other is costly and misses the mark for both.

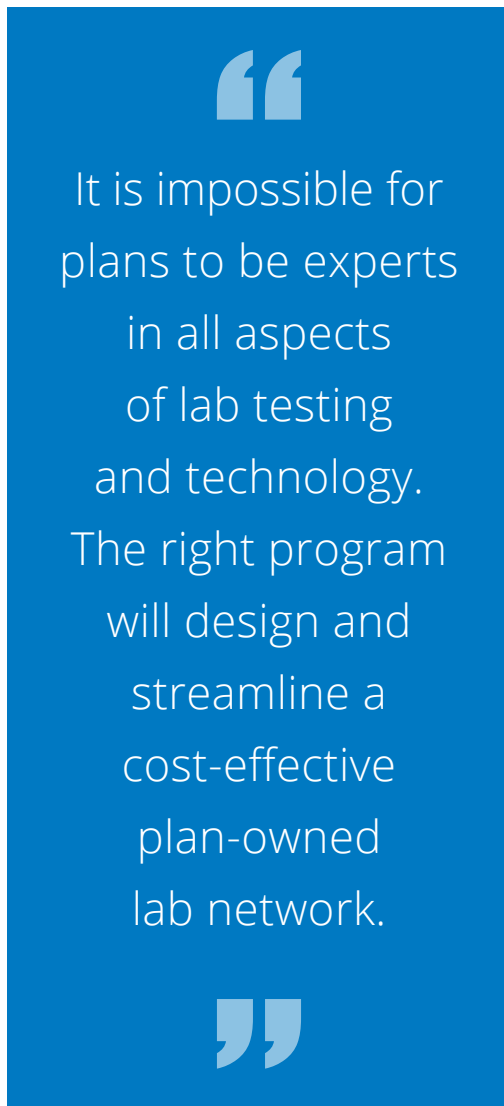
Finally, lab contract negotiations are detailed and time-consuming. Nuances can be costly, particularly without language to protect the plan from lab industry price, mix and utilization changes. These are just some of the challenges an experienced LBMP can navigate on behalf of plans.

How does an LBMP help streamline processes and save money for health plans?

One advantage is LBMP-specific, detailed analytics and request-for-proposal processes, which are based on decades of experience. This saves plans hundreds of hours of labor, enabling them to be the final decision-makers without having to be versed in ongoing industry changes.

What qualities should health plans look for in an LBMP?

Start with independence. Make certain the program is not owned by a lab, plan, venture group or imaging



company. Not only do they lack the depth or current industry knowledge, but the affiliation renders them unable to provide impartial recommendations. Upon finding an independent LBMP, validate its use of correct laboratory test claim analytics and benchmarks, medical and reimbursement policies, and lab network development experience.

Approach the lab benefits in a comprehensive fashion. Comprehensive analyses result in comprehensive savings, while piecemeal analyses result in partial savings — or none at all. Then, expect a customized LBMP exclusive to your plan with a guaranteed ROI.

What steps can health plans take to prepare for an LBMP partnership?

Become educated on the significant differences between an LBMP entity and an IT-based lab manager. Validate

references from high-level health plan executives who are independent and can quote actual per-member-per-month savings and ROI. Determine how long they have been in business and have operated under their current business model. Make certain they have been validated from the beginning and that the program covers all lab touchpoints and not just part.

There is sometimes a desire to jump ahead and address individual aspects of a plan's lab spend or utilization. Doing so can cause unnecessary disruptions to members and providers without realizing any actual savings.

Bring an open mind to the process and expect it to be a collaborative effort with a collective goal of best quality and service for members and physicians, and greatest cost savings for the plan. ■



“ Become educated on the significant differences between an LBMP entity and an IT-based lab manager. ”

Jeffrey M. Petrizzi, founder & CEO, Kentmere

After more than 25 years of experience in the medical laboratory industry, Petrizzi defined the laboratory benefit management category. After establishing Kentmere in 2000, the firm quickly became the premier program guiding payers to improve efficiency and quality of the lab benefits portion of their plans while realizing significant savings.

Charles Cini, CPA, chief financial officer & chief analyst, Kentmere

Over more than 30 years of experience, Cini has held senior positions with national accounting firms as well as a nationally renowned medical center, and laboratory and health care services companies. Cini's expertise enables Kentmere to provide quality and cost savings in laboratory benefit management for health plans.

ABOUT KENTMERE

Kentmere Healthcare Consulting Corporation established the first laboratory benefit management program for health plans. Founded in 2000 and headquartered in Wilmington, Delaware, Kentmere pioneered the laboratory benefit management category with its proprietary outpatient Kentmere Laboratory Benefit Management Program™. Kentmere is the premier program guiding payers to improved quality and service, while saving plans tens of millions of dollars annually.

Fully independent, Kentmere Healthcare Consulting Corporation is neither a laboratory nor affiliated with any laboratory providers, and works exclusively for health plans.

Staff, located across the U.S., comprising former senior executive level laboratory, managed care, MDs, PHDs and healthcare analysts.

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