

# Public Health Department Clinical Laboratory Services Update

Santa Barbara County  
Board of Supervisors

February 3, 2015

# History

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- Early 2014 PHD proposed outsourcing clinical laboratory operations to Pacific Diagnostic Laboratories (PDL) as a business efficiency and to address \$1.2 M lab budget shortfall
- Research indicated 4 of 5 peer clinic counties have outsourced clinical laboratory operations.
- County PHD experienced a \$8.0 M reduction in State Realignment funding in FY 14/15.
- Affordable Care Act Medi-Cal expansion started on January 1, 2014
- Board concurrence in April 2014 to continue current services and explore options to reduce expenses and increase revenue with status update to Board in FY 14/15.

# Status Update

- Since April 2014 PHD Administration has been meeting weekly with Clinical Laboratory Supervisor and quarterly with all Clinical Laboratory staff.
- Recruited and hired 3 limited term laboratory assistants and contract for temporary staffing to continue operations.
- Reduced clinical laboratory expenditures by approximately \$225,000 annually due to retaining more testing in-house, consolidating testing to one location, negotiating reference laboratory agreement reductions and salary savings.
- Health Care Reform has reduced self-pay patient population and increased patients with health care coverage. Has reduced costs to reference laboratory, patient billing and increased PHD clinical laboratory revenue by \$115,000 (30%).

# Future Options

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- Continue PHD Clinical Laboratory Operations
- Outsource Clinical Laboratory Operations
- Partial Outsourcing of Clinical Laboratory Services as a transitional model

# Future Options

- Continue Clinical Laboratory Operations
  - Pros
    - Retain experienced staff producing high quality results for patients.
    - Replace limited term and temporary staff with regular County staff
    - Faster STAT testing turnaround times in Santa Barbara
    - Support for PHD existing and new providers (familiarity with PHD Mission)
  - Cons
    - Replace aging laboratory information system server and older testing equipment
    - Development and maintenance of several electronic interfaces.
    - Continued projected laboratory budget deficit of >\$1.07 M annually
    - Rebuilding staff experience and expertise

# Future Options (Cont.)

- Outsource Clinical Laboratory Operations
  - Pros
    - Pacific Diagnostic Laboratory willing to extend current bid award.
    - Increases patient service locations while maintaining current locations
    - Willing to negotiate longer-term agreement with multiple year guarantees for both services and lease agreements
    - Reduces number of electronic interfaces (only one necessary).
    - More favorable sliding fee scale for self-pay patients than County
    - Assume all third party billing for testing services from PHD Fiscal
    - Better STAT testing turnaround in north county without sending patients to hospitals
  - Cons
    - Loss of 10 filled regular County positions and 3 limited term staffing (2 positions remain unfilled)
    - Initial loss of patient and provider familiarity
    - Challenging transition and staff re-training

# Future Options (Cont.)

- Partial Outsourcing of Laboratory Services
  - Pros
    - Additional vendor resources to ensure service delivery
    - Longer- transition to provide opportunities for lab staff to find other positions
    - Likely mix of County and vendor staff allows for longer period of time to develop testing interfaces and for vendor to gain experience and expertise with PHD providers and patients.
    - Reduces annual deficit over time
  - Cons
    - Requires further feasibility assessment by HR and County Counsel, public bid process, union and County HR negotiations
    - Transition time and logistical challenges in developing necessary interfaces and for vendor staff gain experience and expertise with PHD patients and providers.
    - Ongoing cost of over \$900,000 annually, decreasing over time
    - To prevent service reduction agreement would need to contain vendor patient collection center facilities within clinics

# Potential Costs

## Estimated Annual Costs for Options for Clinical Laboratory Operations

Option	Estimated Annual Costs	Comments
Ongoing	\$1,070,067	Stabilize and sustain ongoing operations
Outsourcing	\$68,000	Staff cost for interface management, should be offset by revenue generated from lease agreements for patient service center locations in PHD clinics
Partial outsourcing	\$909,567-\$963,060	Represents a 10-15% (based upon national averages) reduction in annual costs to operate the existing clinical laboratory operations



# Alternative Needs for Funding

- Enhanced support of PHD Electronic Health Record (\$300,000 to \$500,000 annually).
- Changing compliance regulations, auditing and training support (approximately \$80,000 annually).
- Health Care Center infection control for staff and patients. Additional resources are necessary to ensure proper immunizations, training and protective equipment (approximately \$100,000 annually).
- Increases in communicable diseases within the community triggering need for expanded leadership role for County (PHD), investigative staffing resources, screening and preparation (e.g. TB, Ebola, Pertussis) facilities and treatment : Costs currently unknown.
- Patient Centered Medical Home model of care support for continuum of care (\$300,000 annually across all Health Care Centers).
- Ability to add to strategic reserves for future uses such as facility maintenance or uncertainties regarding future implementation of the Affordable Care Act.

# Summary of Recommendations

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- a) Receive this presentation on Clinical Laboratory operations
- b) Provide direction to staff on the future of Clinical Laboratory operations

# End of Presentation

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