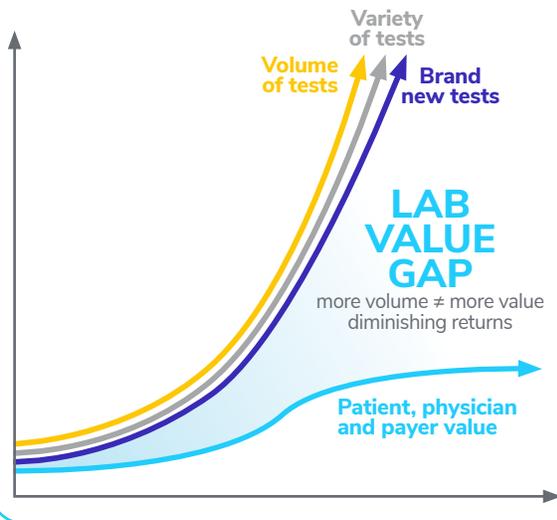


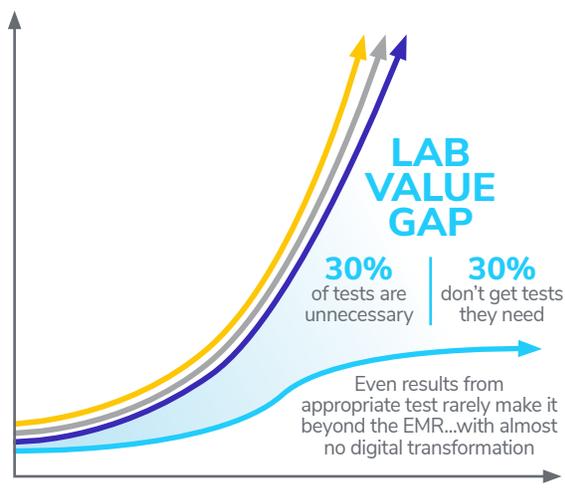


# THE CHALLENGE

## The strategic issue facing payers



## Overutilization is rampant, populations are undertested



The power of laboratory testing as the gateway to appropriate diagnosis and treatment has historically been overlooked as a significant opportunity to achieve the Triple Aim—improving health and experience while reducing the cost of care. More attention is often paid to the more costly medical procedures and pharmaceuticals, rather than considering the source of those decisions, which are laboratory test results.

Today, 70% of critical patient treatment decisions in the U.S. are guided by lab results<sup>1</sup>—from diagnosis to hospital admittance or discharge to medications prescribed—and have a disproportionate impact on spending throughout the care continuum. When looking closely at the 13+ billion lab tests performed annually across the U.S.,<sup>2</sup> 30% of lab tests are unnecessary<sup>3</sup> and 30% of patients don't receive the tests they need;<sup>4</sup> 1 in 3 genetic tests are ordered in error,<sup>4</sup> and there is two to three times variation in lab costs by site.<sup>5</sup>

1 Forsman, RW. Why is the laboratory an afterthought for managed care organizations? Clin Chem 1996;42:813–6

2 <https://www.aacc.org/health-and-science-policy/aacc-policy-reports/2015/laboratory-medicine-advancing-quality-in-patient-care>

3 Phillips KA, Deverka PA, Hooker GW, Douglas MP. Genetic Test Availability And Spending: Where Are We Now? Where Are We Going? Health Aff (Millwood). 2018;37(5):710–716

4 The Landscape of Inappropriate Laboratory Testing: A 15-Year Meta-Analysis. Zhi M, Ding EL, Theisen-Toupal J, Whelan J, Arnaout R (2013) The Landscape of Inappropriate Laboratory Testing: A 15-Year Meta-Analysis. PLOS ONE 8(11): e78962. <https://doi.org/10.1371/journal.pone.0078962>

5 Shrank WH, Rogstad TL, Parekh N. Waste in the US Health Care System: Estimated Costs and Potential for Savings. JAMA. 2019

## THE SOLUTION

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Avalon's Routine Test Management (RTM) program automates the administration of coverage criteria to remove inappropriate utilization on high-volume, low-cost tests without causing disruption to the physician or patient. The Automated Lab Policy Adherence software used to evaluate claims is powered by thousands of rules that compare CPT and ICD10 codes, age, lab test history and frequency to ensure that lab tests are appropriate for the clinical condition and consistent with the health plan policies. Since this automated solution is based on science, less than 1% of claims become reconsiderations. Genetic Test Management, a prior authorization solution, is a pre-service, pre-payment review that manages utilization by requiring ordering physicians or laboratory providers to adhere to evidence-based policies for the most appropriate care and receive approval before performing testing on members. This ensures the appropriate care pathways for members with orders for high-cost genetic tests before laboratories conduct those tests. Avalon's prior auth services includes peer-to-peer consulting that informs ordering providers about the latest evidence-based practices.

Recognizing the power of ensuring the right test is administered, one payer, Blue Cross® and Blue Shield® of North Carolina (Blue Cross NC), began collaborating with Avalon Healthcare Solutions in 2017.

Blue Cross NC paid for broad lab testing for its members but had not implemented systems to optimize use of testing and results to influence care and cost. Working with Avalon, Blue Cross NC implemented a comprehensive approach to managing lab benefits to realize the biggest value for the plan and, in turn, the members.

Blue Cross NC implemented Avalon's program in May 2019, which resulted in improvements in lab services in three areas: network, medical policy and utilization management.

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It's not just saving money for the plan, but directly saving money for members while maintaining quality. You shouldn't have to choose one or the other. Blue Cross and Blue Shield of North Carolina found a way to implement and operationalize Lab Benefit Management that quickly produced better outcomes and savings for its members, which is the premise of the program. Improving the health of individuals and populations, while delivering care at a lower cost, is the goal for all of us who are a part of today's healthcare landscape.

**Bill Kerr, MD** Avalon Chief Executive Officer

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## THE RESULTS

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As a result of the lab services management collaboration, more than 1.5 million patients received the right test at the right time, leading to improved health outcomes for Blue Cross NC members. The program also generated \$112 million in cost savings for Blue Cross NC and its members by bringing laboratory services in line with its medical policy and by better managing lab services. This represents more than \$26 million in member savings, a 24.5% per member per month reduction. In-network utilization increased to 99% from 83%, allowing members to pay in-network costs, rather than being subject to list billing. Working with the Special Investigations Unit, Blue Cross NC also identified providers who were outliers in their billing practices and leveraged network delegation to bring them back into line. Focusing more on the laboratory landscape also allows Blue Cross NC to stay informed about what's coming for genetic and other high-cost testing, allowing the company to proactively create a strategy and policies to keep costs under control.

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Our collaboration with Avalon has given us more insight into improving the quality and reducing the cost of lab services for our members. As these results show, Blue Cross NC members benefit from our ongoing efforts to make healthcare better, simpler and more affordable.

**Roberta Capp, MD**  
Chief Medical Officer at Blue Cross NC

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Building on the success of managing labs, Blue Cross NC is further collaborating with Avalon to incorporate lab values into its care programs. Blue Cross NC and Avalon will be innovating together on the first implementation of Avalon's Lab Values Management services to capture, digitize, and analyze lab results in real time. This will expand the impact Blue Cross NC has on the quality of care its members receive.

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