

# POCT for POLs: A POL consultant's view

By Tim Dumas

In my many years as a physician office laboratory (POL) consultant, I have been called upon to evaluate the feasibility of in-house laboratory testing. The physician and/or lab manager — un-

derstanding the value of a POL — is/are investigating the possibility of improving patient care and, potentially, increasing practice revenue. Unfortunately, this has been the exception.

Most times, I am called in *after* the critical decisions have been made and the laboratory is either facing a CLIA deficiency or not proving profitable. Although each situation is unique, I find two common issues when POLs are facing these dilemmas: “Nobody told us that,” or “But the sales rep said ....” Laboratory testing is kind of like taxes. No matter who does them, when the government comes to check, you (or the practice) are still the one held responsible.

### Three basic planning steps

Having a POL can prove rewarding and profitable, *if* you take time to plan. There are three basic steps for determining what is right for your practice and reaping the many benefits of a POL:

- 1 Decide which tests are medically right for your patients and your practice;
- 2 Calculate the financial impact and return on investment (ROI); and
- 3 Choose the procedures and vendors.

According to consumer analysis, the small-practice segment of the POL market is the largest and fastest growing segment in the United States. By definition, point-of-care testing (POCT) would be any test performed at the “point of care” or where the patient care is administered. This allows patient results to be reported more quickly, and gives the medical practitioner the ability to determine treatment while the patient is still present or, at least, within the same day. With state-of-the-art equipment and data-management capabilities, in-house laboratory testing even has the potential to generate additional practice revenue.

*To determine your specific in-house testing potential*, compile a list of the most common tests that you reference out, by either 1) collecting the specimen and sending it off, or 2) referring the patient to another facility. Your current reference laboratory can provide you with a list of tests and the frequency ordered from the previous year. An easier but less accurate method is to sit with the medical staff and ask how many tests they order per day. Once you have compiled this list, the next phase is most critical for determining feasibility: *calculating the financial impact and (ROI)*.

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Use this simple formula in an Excel program. It will help you decide which tests are right for your practice by estimating your projected revenue. The same formula will monitor your future revenue:

X = # of tests performed per month  
 Y = reimbursement per test  
 Z = cost per test

$[X * Y] - [X * Z] = \text{Potential revenue}$   
 The following table is an example using waived "A1c" test procedure:

# of tests performed/month	Reimbursement per month	Cost of test per month	Reimbursement minus cost	ROI per year
CPT CODE 83036 "A1C"	X * Y	X * Z	$[X * Y] - [X * Z]$	\$226.5 x 12
X = 25	25 x \$13.56 = \$339.00	25 x \$4.50 = \$112.50	\$339 - 112.50 = Profit/month \$226.50	Profit/year \$2,718

While this is not the final answer, it provides a quick assessment for the feasibility of performing the test in house. If you are already doing in-house testing and have not figured out the revenue generation, this formula can be used to monitor and maximize lab profits. Another significant benefit of this evaluation would be the ability to audit your billing process. Count

the number of tests being performed and compare it to the number of tests actually being billed. Be sure to monitor the reimbursement of those tests.

**Buying the right tests**

Once you have decided which tests would be beneficial, it is time to buy. *Choosing the right vendors and procedures are key to a successful and profitable lab.* The first place to check is with your medical-supply

vendor. Ask your favorite medical-sales rep what he has to offer in that line of testing.

Then, very important — shop and compare. There are several medical-supply companies that specialize in lab testing. Most test kits are brand name and are distributed by many vendors. Educate yourself from several different resources (e.g., Internet, colleagues, trade journals, consultants, and so forth). Find other vendors to ask the same questions. Let the product sales

professionals educate you on the "pros and cons" of certain test kits, and then use a team approach to choose the best ones for your situation.

Do not sell yourself short. A difference of \$.50 per test is big over time. If you perform 25 tests per month that equals 300 tests per year. At 50 cents each, that is \$150. What could you have spent that on? How about a little holiday bonus for the lab personnel?

There are four main areas that generate revenue for the medical practice: practitioner, laboratory, radiology, and pharmacy. If you use any of these services, it is really important to maximize the benefits from them. Manufacturers are continuously researching and developing POCT products. POLs can be a welcome service to your patients and a great source of revenue with little investment and usually no added staff. Someone is going to be running the test and getting paid for it. Why not you?!

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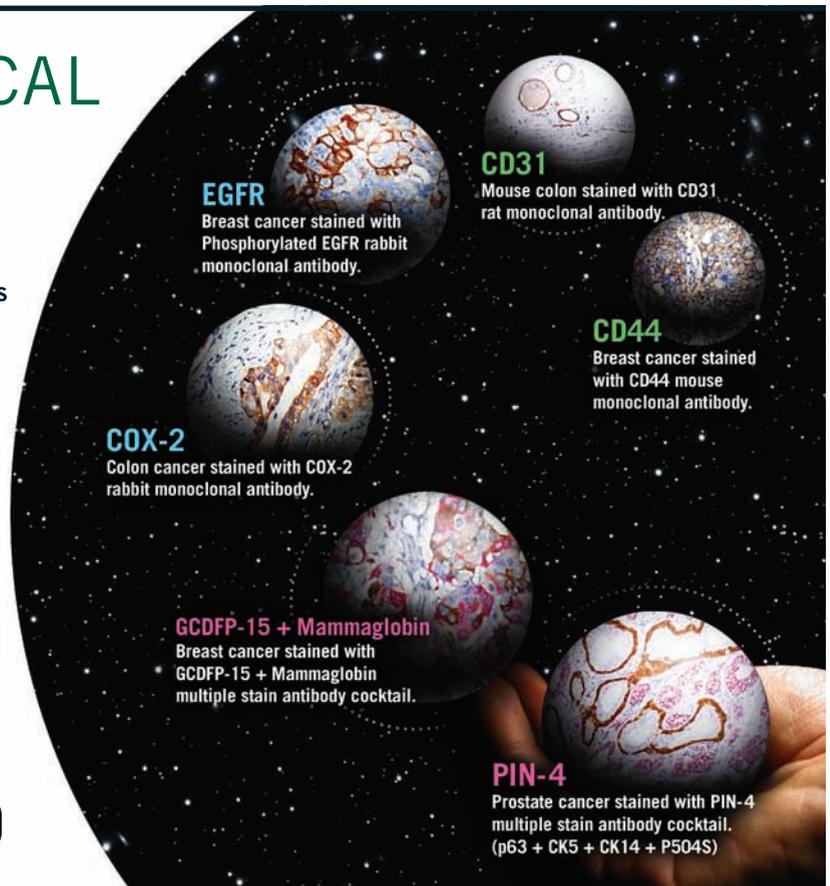
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