



How Top Clinical Labs Grow Their Revenue

Introduction/Summary

Clinical labs are the vital building blocks of the modern healthcare system. Most patients or consumers seeking testing view the scientists, technicians, and pathologists working in these labs as detectives looking for answers. Their hard work delivers results that help lead to determinations on a course of treatment or identification of a diagnosis.

An aging U.S. population, combined with the availability of better diagnostic technology and additional market dynamics demands labs to grow and expand their specialized test offerings. It's also potentially lucrative: Experts estimate that the size of the global clinical laboratory services market could reach \$304.9B by 2027. While clinical labs need to overcome multiple challenges while growing revenue, looking at the methods and techniques used by successful facilities provide useful insights.

Clinical Laboratory Services Are In Demand



Background/Problems

There are 13 billion lab tests performed each year in the U.S. While some labs focus on providing general and routine tests, others are set up to do more specialized testing, in areas such as toxicology, reproductive biology, hematology, and cytogenetics.

Different labs have different ownership structures, which also affects patient cost and services available. These include:

National/Regional Labs: National and regional clinical testing laboratories (including major laboratory chains) operate in a coordinated fashion. These labs perform a high volume of tests annually because they are a large-scale, connected network of patient service centers and offer a wide range of options.

Hospital-Affiliated Labs: Many hospitals (or healthcare organizations) are affiliated with specific clinical laboratories, offering patients an easier option for accessing testing services. In some cases, the labs are on-site and in the same building as a healthcare provider, while others might be nearby.

Private/Independent Labs: Clinical testing labs may also be privately or independently owned. Some are associated with privately owned healthcare institutions; others aren't affiliated with any particular facilities. These labs also vary in the services they provide, with some offering fewer options and others being able to specialize in certain uncommon tests not offered by other labs.

Regardless of ownership, these labs are set up to test easily obtained patient specimens, such as blood, urine, and saliva, or samples derived from more complicated procedures, such as cerebrospinal fluid from a spinal tap or a tissue taken from a biopsy.



Challenges

Blood is one of the most common specimens tested, since it can reveal a myriad of things about a person's health. Although people frequently have blood drawn at a hospital or in a lab affiliated with a hospital, these draws also commonly take place at urgent care facilities, or at pharmacies or clinical offices located within drug store chains.

Clinical labs work closely with these medical sites where blood draws occur, since doctors can no longer pull panels for on-site labs. In fact, they have a close, symbiotic relationship: Patients need to be able to make a convenient appointment at these sites for medical tests, but labs also need the equipment and resources to pick up specimens, and perform quick and accurate analyses. If any one of these things falters (for example, if a crucial machine needs repairs), costly delays might occur.

Of course, this relationship also depends greatly on medical sites being fully staffed, especially with well trained phlebotomists. In the coming years, finding enough specialists to fill these jobs could be challenging, as it's poised to become one of the most in-demand professions. Between 2019 and 2029, the [Bureau of Labor Statistics estimates](#) the healthcare industry will add 22,800 additional phlebotomist jobs, a 17 percent change in employment.

Financial considerations can also come into play. Since the 2014 passage of the Protecting Access to Medicare Act (PAMA), Medicare reimbursement for many routine tests has decreased significantly, which has shifted operations and revenue at many labs. In 2020, the [COVID-19 pandemic also disrupted cash flow](#), with one report estimating that clinical labs lost \$6.8 billion in revenue during the first 12 weeks after the pandemic's onset, as medical appointments were postponed or canceled for safety.



Solutions

The most successful clinical labs are nimble enough to respond and adapt to changing trends. For some, merging with competitors or being acquired by a bigger lab system is the right choice, since partnerships provide needed resources to strengthen operations and expand testing options, and/or increase testing volume to make up for decreased reimbursements. Working with vendors to nurture a pipeline of phlebotomist talent will also be crucial, so key positions don't go unfilled.

The top 5 features considered by clinical laboratory leaders when deciding to purchase products and services

84%

Price/value of vendor's products

78%

After-sale support, maintenance and warranty

77%

Long-term efficiency and operating costs

73%

Compatibility of vendor's products with current systems

69%

Vendor reputation and brand awareness

[Clinical Lab Manager, 2019 survey](#)

Other success strategies include:

Implementing cost-containment measures. Labs that are mindful of budgets and expenses are often in a better position to grow and weather unexpected financial obstacles. Cost-containment measures don't have to be overly complicated as demonstrated in a 2019 Clinical Lab Manager survey. This survey found that 32 percent of clinical labs “either currently purchase or are considering purchasing pre-owned equipment” as a way to trim costs.

Streamlining existing operations can also help. A [2017 white paper](#) authored by Dr. Liana Romero, a senior director of U.S. Strategic Marketing and Clinical Affairs for Siemens Healthcare US Laboratory Diagnostics, noted that six hospitals in “a large integrated delivery network” saved \$232,543 annually by “implementing a reagent efficiency strategy that included reducing or eliminating mirror imaging, employing analysis around unnecessary QC and calibration, and standardizing testing protocols to ensure optimal test utilization.”



Efficient lab management. Although many labs are facing staffing challenges, incorporating cutting-edge technology can help operations run smoother. For example, automating certain testing functions not only speeds up operations and reduces expenses, but leads to more accurate results by reducing the possibility for human-induced errors. Implementing analytics can also help labs see inefficiencies, as well as track inventory with more precision.

Be savvy about sales and marketing. Instead of recruiting new customers—which is often a costly and time-consuming proposition—labs can nurture existing relationships.

In some cases, that might mean using [time-honored strategies](#) such as cross-selling or upselling, wherein a patient receives access to expanded or additional products or services. Today, this approach also goes hand-in-hand with a focus on high-quality care, or what *The Dark Report* calls “[patient-centric labs](#)” that streamline patient information and offer a more organized experience.

Facilities looking to grow their business and add customers can also find success with patient focused marketing. Even something as simple as having an [up-to-date website with testimonials](#), in addition to well-defined information about hours, services and procedures, can give labs an edge. For busy modern consumers, having healthcare information all in one place is crucial.





Conclusion

Clinical labs serve a crucial role in the modern healthcare landscape. Even with legislative and healthcare challenges, growing revenue is a possibility.

New platforms such as My One Medical Source® (MOMS) are helping labs harness the resources they need to grow. The Cleveland-based company provides easier access to specialized medical testing by creating a seamless network that connects clinical labs, physicians and patients to skilled phlebotomists and MAPs: Medical Access Points™, or medical sites that provide specimen collections. Labs have access to a vetted network of MAPs, as well as a dedicated portal that integrates billing, scheduling and reporting.



“In the U.S., 70% of all clinical and medical decisions are based on test results, making clinical labs a vital partner for physicians and patients. Making sure these labs have access to the skilled labor needed to properly collect and process specimens to ship back to the lab for their clients and patients seeking testing will help all involved. With more advanced testing being developed, and more interest in the ability to order testing by patients directly, the ability for compliance, convenience and quality processes are needed to start the testing process. More companies are seeing an increase in remote workforces and having more accessibility to test collection options allows for the opportunity to continue wellness programs and outreach. Testing will continue to be a vital component in healthcare, and proper collections are a vital first step.”

- Brad Seybert, President/Founder, My One Medical Source (MOMS)

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