



# Improving collaboration and reducing laboratory costs at Henry Ford

Leaders at Henry Ford Health System connected clinicians with laboratory professionals to make its laboratory utilization more evidence based, cost-effective, and safe, averting \$5 million in test costs over five years.

With so many of today's health care decisions resting on diagnostic tests, laboratory and pathology expenses can add up quickly. In addition to reducing hospitalizations, readmissions, and pharmaceutical costs, hospital and health system leaders also must examine and optimize their laboratory testing expenses to excel in value-based care.

Tests can be expensive, difficult to interpret, and have varying levels of clinical value. This does not always bode well for today's physicians, who may have received less pathology and laboratory medicine training than that of previous generations.

This combination of factors makes it even more difficult for clinicians to make educated decisions when faced with the thousand-plus tests available to them on any given day. Gaurav Sharma, M.D., FCAP, division head of regional laboratories at Detroit-based Henry Ford's pathology and laboratory medicine department, says that this creates a perfect storm for overtesting and higher costs.

Laboratory and pathology leaders at Henry Ford found a solution to this dilemma through a more collaborative approach to testing that makes the utilization of laboratory services more evidence based, safe and compliant. It also improves clinician workflows and reduces health system costs.



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**Gaurav Sharma, M.D., FCAP**  
Division Head of Regional Laboratories,  
Department of Pathology and  
Laboratory Medicine  
Henry Ford Health System  
Detroit, Michigan

Leaders developed a laboratory formulary, or a test menu, that ultimately reduces unnecessary testing by sorting diagnostic tests into clinical categories. A systemwide medical laboratory committee, comprising delegates from various hospitals, medical centers, and select clinical departments across the health system, heads the formulary and compares laboratory tests for medical efficacy, safety, and cost-effectiveness.

“As pathologists, and as laboratory medical directors, we’re in a good position to contribute our expertise to help our hospitals and clinician colleagues recover some of that economic value, and to improve their clinical outcomes through an appropriate approach to laboratory testing,” Dr. Sharma says. “This became our initiative to create a laboratory formulary.”

Leaders also refined the test menu to use “smarter” names for tests, making it easier for clinicians to order appropriate ones.

Clinicians and patients are inundated with expensive test options, says Richard Zarbo, M.D., FCAP, system chairman, pathology and laboratory medicine at Henry Ford Health System; and the formulary is a scientific, medically sound, and collaborative mechanism “for dealing with constant test traffic.”

The refined menu and the governance framework that oversees it eventually led to a dramatic reduction in unnecessary diagnostic laboratory test spending, to the tune of avoiding more than \$5 million in test expenses over five years. Leaders helped lower inpatient testing costs by more than 10% in this same timeframe. They reduced excessive urine cultures and blood cultures across the health system, which contributes to the organization’s value-based payment goals — all without hiring extra information technology analysts or laboratory personnel.

## Taking the Lead

Laboratories are involved in almost all episodes of care. They generate and manage large volumes of actionable data, and measure processes both internal and external to the laboratory. While Henry Ford’s long-standing process for reviewing new laboratory test requests and their appropriateness had worked well for years, it was relatively siloed.

Dr. Zarbo, Dr. Sharma, and their teams considered this to be a missed opportunity to save costs and promote value. They wanted to engage their clinical colleagues in a systemwide, shared approach to laboratory test decision-making to encourage physicians to take ownership of the cost of the tests they chose. They also wanted pathologists to collaborate with providers through a structured process and framework as well as measure the work’s financial and quality impact.

This was easier said than done. “We realized that we were not going to be able to tell people what to do,” Dr. Zarbo says.



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System Chairman  
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Henry Ford Health System  
Detroit, Michigan

Instead, Dr. Zarbo and other leaders posed the idea of a laboratory formulary committee to the system’s senior medical leaders. The committee would include laboratory personnel, clinical medical leaders, and administrative and finance representatives across all hospitals in the system.

It worked. With the committee greenlit, Dr. Zarbo, Dr. Sharma, and their team sought to make the process as collaborative and inclusive as possible. They recruited medical representatives from each hospital and gathered input from 2,000 affiliated private-practice groups. They also included the medical director of Henry Ford’s insurance health arm in the decision-making process “because they have a say in what they’re going to reimburse,” Dr. Zarbo says.

The committee also was charged with an annual summary of its effectiveness. With skin in the game, members were incentivized to control costs and recognized when they did save money. Within 18 months, the formulary was embedded at the system level.

Today, the entire health system shares accountability for ongoing laboratory utilization assessments. It also standardizes best practices in testing across the system and connects clinicians with laboratory professionals, which encourages teamwork, removes process waste, improves patient outcomes, and makes processes more efficient. This has lowered costs and ultimately boosted value across Henry Ford.

“Operating horizontally across the health system is key to controlling these costs, standardizing and minimizing waste, and continually improving processes with our colleagues,” says Dr. Zarbo.

Dr. Sharma says that they owe part of their success to a proactive mindset. “A lot of it was driven by how we approached what we were doing. We learned that we had to be a provider of solutions, not just the ones who bring in problems.”

## Five Steps to Systemwide Engagement

Dr. Sharma adds that five decisions also helped to bolster systemwide engagement early on.

**1 Approach the formulary as a partnership.** Getting buy-in from various stakeholders early on allowed for mutual decision-making and presented an opportunity to showcase value. Drs. Sharma and Zarbo began by identifying “both willing and able” clinicians to partner on laboratory utilization efforts. “We wanted to make this a co-led effort,” Dr. Sharma says. “It was neither laboratory led nor clinician led. It was a partnership.” Currently, the committee is co-chaired by John Carey, M.D., vice chair of pathology and laboratory medicine, and Ilan Rubinfeld, M.D., MBA, associate chief medical officer of Henry Ford Hospital, and regularly interfaces with clinical leaders from Internal Medicine, Family Medicine, Gastroenterology, Immunology, Oncology, and Neurology.



### Henry Ford Health System

was founded in 1915 by the automobile magnate of the same name. Today, Henry Ford serves more than 3 million residents of southeastern Michigan through more than 3,000 employed or affiliated physicians. Its pathology department oversees testing at more than 70 Clinical Laboratory Improvement Amendments-Americans with Disabilities Act-licensed locations. In 2020, this service line generated more than 30 million laboratory results and more than \$700 million in gross revenue.

The integrated laboratory network operates under a dyadic leadership model, with a physician system chair and system vice president of laboratories. The network's leadership prides itself on high quality and reliability.



2

**Keep the conversation going.** Drs. Sharma and Zarbo worried that stakeholders eventually would lose interest if they put the formulary idea to a committee. Here, the administrative acumen of Dr. Rubinfeld came in. He and Dr. Sharma designed a cadence of a steering committee and committed the group to set monthly meetings, which helped maintain valuable momentum.

3

**Streamline paperwork.** Staff created a webpage that simplified clinician intake requests, making it more convenient for clinicians and administrators to share information when physicians selected tests. “[Staff] no longer were beholden to phone calls or trying to find someone who could give them information,” Dr. Sharma says. “Everything was up front and on the webpage.”

4

**Prioritize fairness.** While the formulary was put in place to shortlist cost-effective, clinically sanctioned tests, Drs. Sharma and Zarbo didn’t want to exclude potentially effective, new tests. So, they vied for the inclusion of an off-formulary pathway or a particular pathway for promising tests.

“If the patient and the clinician wanted a test, they could use an off-formulary pathway as an alternative and send out the test without putting the system at risk,” Dr. Sharma says. The formulary committee also created an appeals process, overseen by health system clinical leaders, in the event that clinicians disagreed with tests that were left off the formulary. “That brought in a sense of fair play,” he adds.

5

**Communicate openly.** Dr. Sharma says that meeting minutes were recorded and shared and that decisions were shared with everyone. “Everything was documented in all these deliberations, and decisions were made transparent,” he says.

In addition to promoting value at Henry Ford, leaders’ quality efforts garnered the system national recognition. The American Board of Internal Medicine recognized the health system in 2017, 2018, and 2019 as part of its Choosing Wisely initiative, which acknowledges steps toward reducing unnecessary medical tests and procedures.

Dr. Sharma says, however, that the acknowledgment is secondary to the benefit of the long-term quality impact at Henry Ford.

“The reality is that whatever we did was to improve clinician workflows and reduce costs for the health system,” he says. “We feel that by doing these two things, our work was valuable. We wanted to make laboratory testing easy, convenient, and cost-effective. And good things just followed.”

#### College of American Pathologists

325 Waukegan Road, Northfield, IL 60093

Phone: 800-323-4040

[www.cap.org](http://www.cap.org)