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***Business and Clinical Opportunities  
for Academic Pathology Laboratories***

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Disclosure: None

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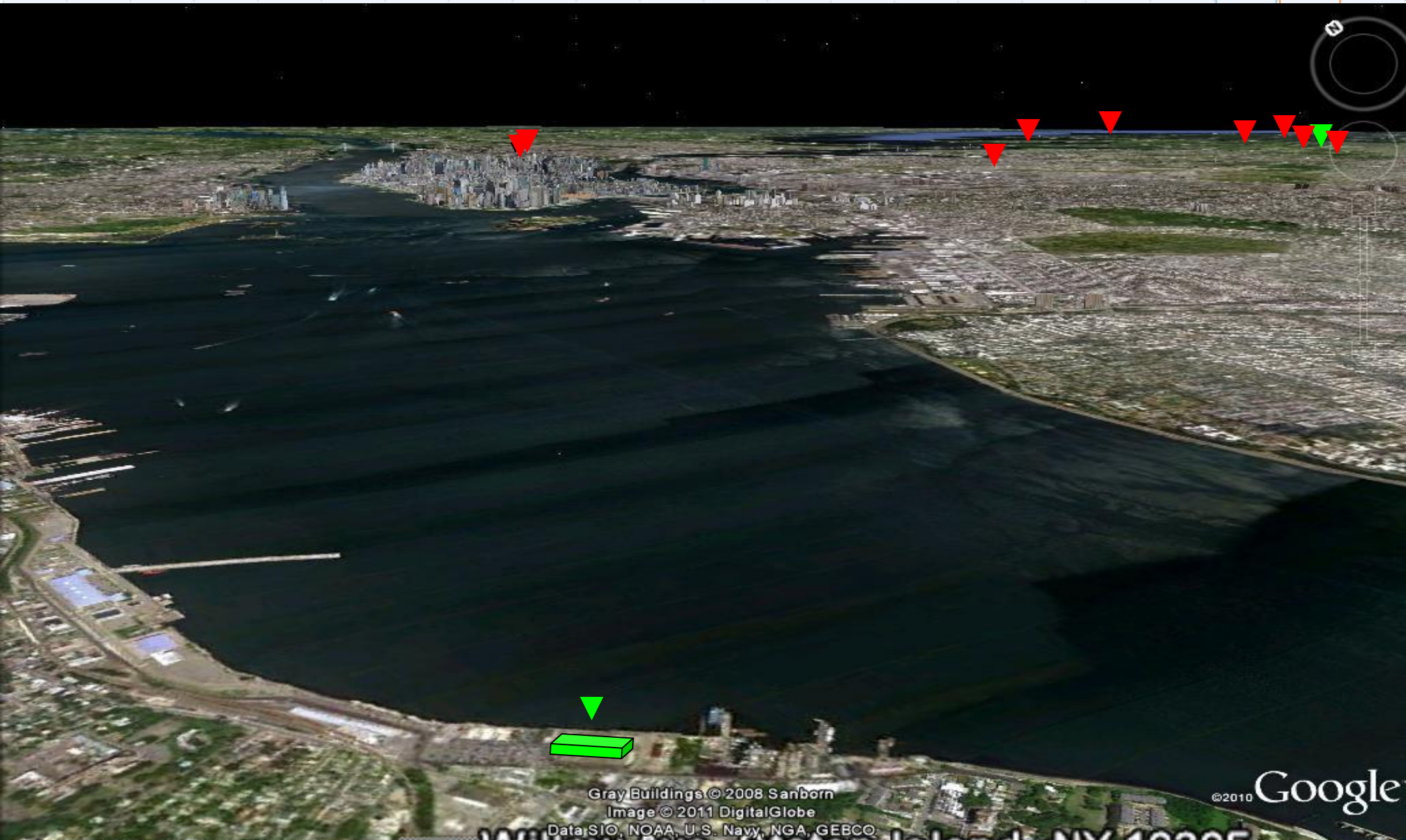


● Reference laboratories  
● Hospitals (26% of market)

Network of SNFs  
200+ practice locations



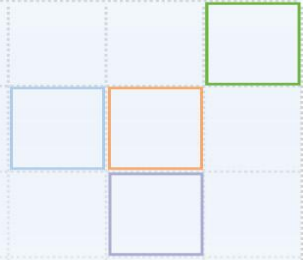
# SIUH Dept of Pathology & Laboratory Medicine: Pouch Terminal



Gray Buildings © 2008 Sanborn  
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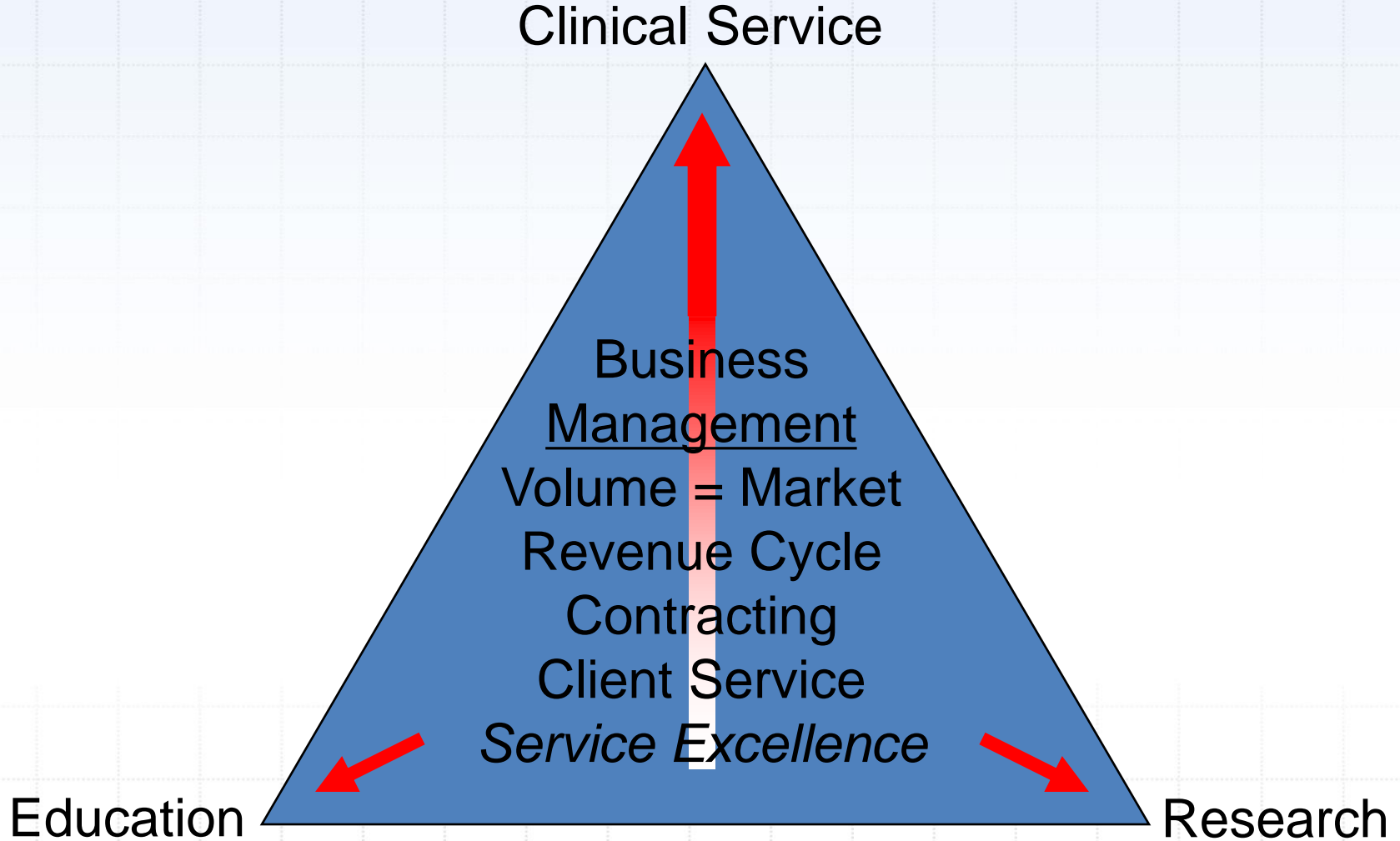
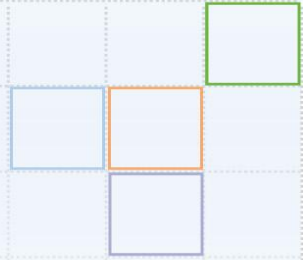


Clinical Service

ACADEMIC  
PATHOLOGY

Education

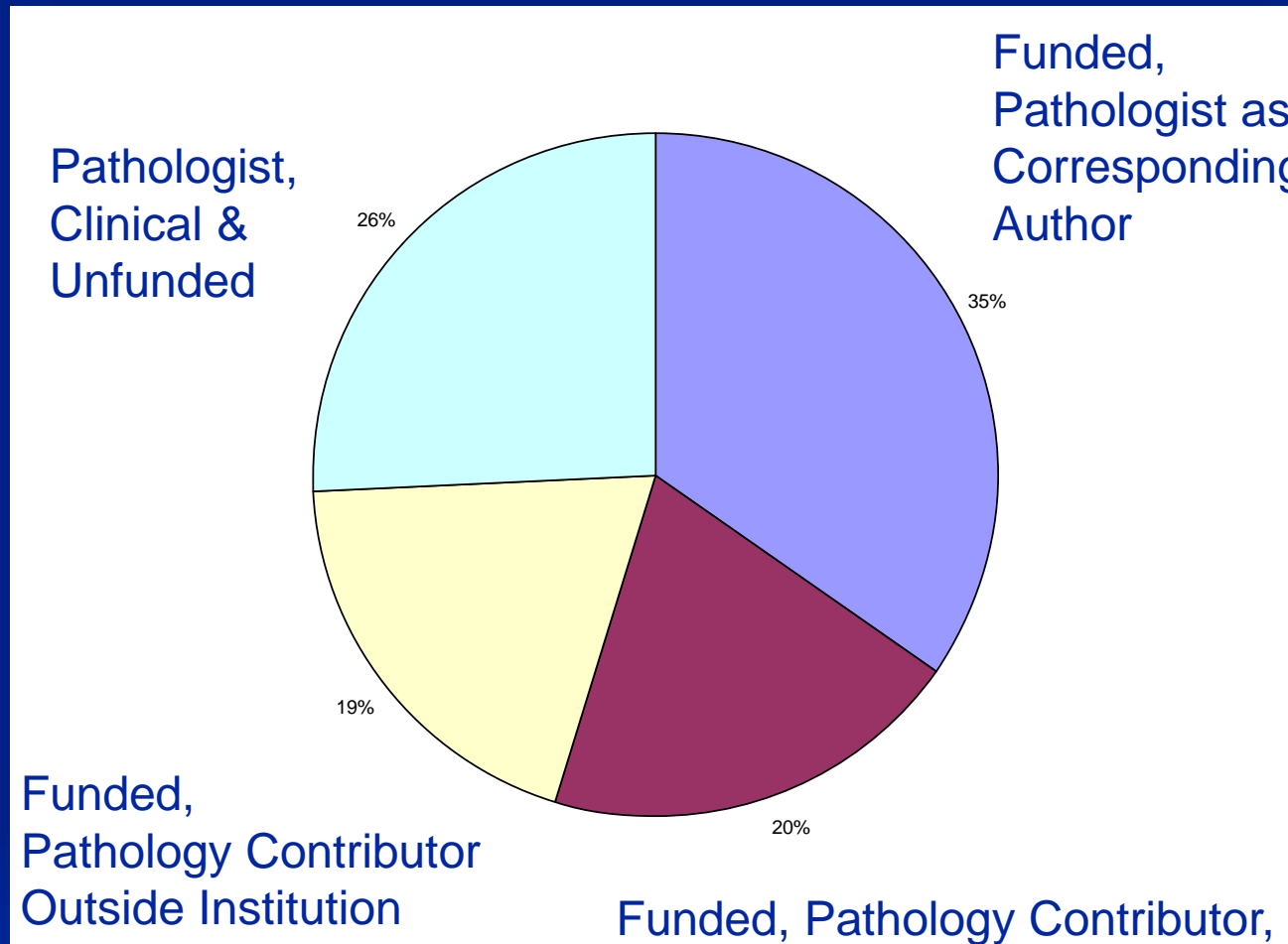
Research



“No Margin, No Mission”

# Classification of Published papers, 2005

## Average of 6 Pathology Departments





# Questions for Academic Pathology

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How “endurable” is the current model of Academic Medicine?

- Specialist-oriented high-acuity care in large quaternary hospitals
- Clinical mission predicated on Fee-for-Service system
- Education mission that encumbers medical students with debt
- Research mission that depends on growth in NIH funding

How does Academic Pathology adapt, and lead, change?

- Conversion of public and private market to “Shared Risk”
- Diminution in Fee-for-Service system
- High-acuity care becomes an “expense”, not a “profit-center”

What are fundamental principles of change?

- Patient-centered care
- Population-based healthcare outcomes
- “Value” of healthcare: better health outcomes for less

# What is our Opportunity?



Academic Pathology & Laboratory Medicine as:

- a driver of better healthcare outcomes: “Population Health”
- a leader in clinical service delivery to regional markets
- home to 21<sup>st</sup> Century education and scholarship in Healthcare

Regional (and potentially national) open market access:

- Competition for Managed Care contracts (public- and private-payer)
- Client service in accordance with “open market” principles
- Data interoperability *better* than the competition
- Only then: Service excellence and reputation

ACO: Population-based  
Healthcare Outcomes



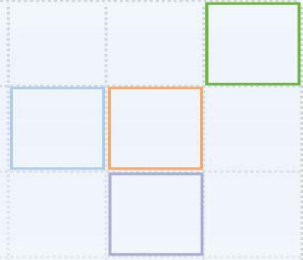
Patient Centered  
Medical Home

HIT

Personalized  
Medicine

# What are our Threats?

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## Erosion of:

- market share of the Academic Medical Center/Health System
- revenue from Fee-for-Service system
- revenue for educational and research missions

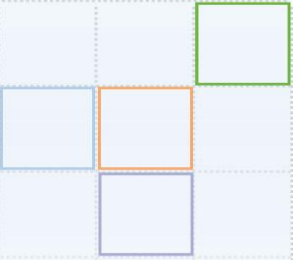
## Outmigration:

- Advanced Diagnostics to Commercial Laboratories
- Anatomic Pathology to “in-sourced” Specialty practices

## Decreased attractiveness of Pathology to graduating Medical Students:

- Pathology & Laboratory Medicine as a “commodity”
- Anatomic Pathology as an in-sourced derivative of specialty care
- Laboratory Medicine as an undervalued sub-service

# What are our Threats?



Erosion of:

- market share of the Academic Medical Center/Health System
- revenue from Fee-for-Service system
- revenue for educational and research missions
- **the market reputation of Academic Medicine**

“[Academic Medicine] is so concerned about getting a paper published that we lose sight of the real objective, which is to save a patient’s life!”

*Ronnie Andrews, Life Technologies, May 2, 2012*

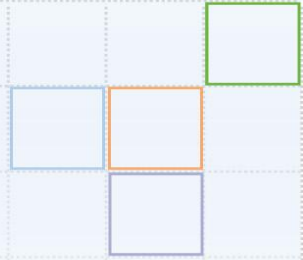
*Executive War College plenary, New Orleans*

# Molecular Diagnostics = Business!

Myriad Genetics	2010	\$362M gross / \$152M profit
Salt Lake City, UT	2011	\$402M gross / \$101M profit
Genzyme Corporation	2009	\$371M genetic testing
Cambridge, MA	2010	purchased (LabCorp): \$925M
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Total Laboratory Market	2009	\$75B
Inpatient		\$60B
Ambulatory		\$15B
Molecular Diagnostics	2009	\$24B
Projected Growth	2015	→ \$42B
Microbiology		60%
Genetics		20%
Cancer		20%

# Learning Objectives

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- To understand how the changing national healthcare environment will impact Pathology and Laboratory Medicine in general
- To identify the unique aspects of Academic Pathology, which create vulnerability but also present opportunity
- To understand how specific strategies can optimally position Academic Pathology for the future marketplace

# The Pathology Administrator



- Chairs may have ideas (good or bad)
- The Department Administrator makes good ideas happen (nothin' happens without the Administrator's leadership)
- In turn, the Department Administrator is:
  - a key counselor to the Chair (errors in judgement are usually made alone)
  - can initiate much of department operations her/himself
- Today is about the *team* that is Chair/Dept Administrator



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