Office-Based Lab Models: Getting Started

The first in a four-part series in which we take an in-depth look at the development and key issues related to office-based labs (OBLs) from the perspective of physicians who have made the OBL leap and can offer valuable lessons learned. Subsequent articles will focus on clinical issues, best practices in operating and growing an OBL, and trends and predictions for the OBL future.

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The movement of doctors and patients away from hospital settings to outpatient venues such as OBLs and ambulatory surgery centers (ASCs) is expected to increase 18% by 2019.[1] Trend underpinnings include improved patient outcomes, greater autonomy for doctors and staff, and reduced costs for the overall health care industry. Patients are increasingly seeking care closer to home, without having to wait long hours to see a physician, and in a more comfortable, patient-focused environment with friendly, familiar staff. On the provider side, OBLs offer physicians greater control (and accountability) over the entire medical procedure from the initial office greeting to post-op instructions and follow-up. Health care savings accrue from reduced overhead rates, no overnight stays, increased flexibility and productivity by owning the full process, and eliminating inherent inefficiencies related to inpatient procedures.

Improvements in medical technology have also played a significant role in furthering this trend. New technologies offer enhanced capabilities in smaller packages and footprints, making it easier and cost-effective to treat increasingly complex maladies on an outpatient basis.

Varieties of clinical outpatient models exist, ranging from a singularly focused OBL to multidisciplinary OBLs to hybrid models that combine both the OBL and ASC. This migration away from large hospitals

began almost 20 years ago with the formation of renal dialysis centers, followed shortly by cath labs and endovascular lab services. Today, even some cardiac interventions are safely completed in ASCs.

LAUNCHING AN OBL

Why and how did you open your first OBL?

Dr. Wright: Opening our OBL, the Vein and Vascular Institute, was a major turning point for our practice. It has been professionally and financially rewarding for us, and it has resulted in better outcomes and customer service for our patients. We have made adjustments along the way; however, we could not be more pleased with our decision to embark on an OBL.

Five years ago, we were operating as an independent physician group servicing several hospitals in the Tampa, Florida area. We were in a two-suite office occupying one as our administrative office and renting out the other. We initially started with a management company as an equity partner and subject matter expert in setting up and running the OBL. We believed a partnership arrangement would reduce some of our risk, so we signed on with them and started our outpatient office with two full-time and one part-time vascular surgeons.

Although the management company was instrumental in convincing us to enter the OBL market, there were some frustrations. After a year and a half, our group decided to buy them out and assume complete control over all aspects of the business. By going it alone, we had to educate ourselves in managing an OBL, including the business side, operations, and logistics functions. Although there was a significant learning curve, it was also a defining moment when our physician team realized we could be good businesspersons as well as physicians, giving us full control of our OBL destiny.

To educate ourselves, we reached out to other similar OBLs who were also performing their administration organically. We were able to benchmark and garner best practices on how to run the business end. As we fine-tuned our processes, our OBL gained sound financial footing and we started to grow. Today, we have six doctors and we are bringing on one or two more in the next 6 months. A large part of the growth was attributable to providing an alternative for vascular patients outside of the hospital. Patients quickly recognized the benefits of an OBL, including its convenience, lower wait times, and focus on customer service. Five years ago, I was doing 80% of my procedures in the hospital; today it is less than 20%. Although open to the idea, we do not timeshare or rent space out to other doctors. We are booked solid 5 days a week and, accordingly, have been exploring the idea of a second OBL for a while.

What influenced your decision to open a second OBL?

Dr. Gonzalez: Our decision was driven by a variety of factors, including volume of cases, an identified need to serve patients in a different geographic location, and the serendipitous addition of a new physician. We had been talking about expanding for a couple of years. The conversations became more serious when a sixth doctor approached us about joining our group. He had already established a practice in the area where we were interested. We all believed that it was a good fit, opportune timing, and a way for us to quickly build out and open with less risk compared to starting from scratch in a lesser-known area. He had some OBL experience and was a strong proponent of the concept; he just needed some backup. He was alone and essentially on-call 24 hours a day, 7 days a week and wanted to partner with us to improve his quality of life.

Our current office is on the northern end of the town, and the new office is south of town. Many of our patients will benefit from not having to drive as far for an appointment.

Dr. Wright: Our success at our first OBL influenced our decision to grow, so we put a 12-month plan in place to expand our geographic footprint. Because we are self-funded, our only real limitation in expanding is capital. As we accumulate excess financial resources, we roll them back into the practice. Nevertheless, to execute this expansion, we must also leverage our line of credit—with a payback goal of 18 months.

What steps have you taken to get to this point?

Dr. Gonzalez: Once the new doctor was on board, it was a collaborative process and things moved quickly. He knew the area and helped us identify an office that was well suited to our particular needs.

Hiring and training is on all of us and I don't see any significant snags here. Our new physician brought some staff—his technicians from his former group who he felt comfortable with, and they will be good additions to the team. We are in the process of hiring a couple other people. We will bring them to our current facility, train them there, and move them to the new office to help set up and open.

What steps will you take over the next few months before the launch in August?

Dr. Wright: With site selection complete, we are now focusing on the build out and the purchase of equipment. We would really like to be a Philips showcase facility, where physicians could visit our facility and see

our Philips lab in use. We could then serve as a resource for physicians considering the OBL model because we have experienced many of the issues that a new startup will go through.

Philips has been a good partner. They have provided us with several resources and have staff who can come and help us make better decisions regarding the build out. Philips is uniquely capable of providing the bulk of the capital equipment, devices, and disposables we will need, and as requested, presented us an all-encompassing package. This comprehensive suite gets you up and running faster compared to piecing the equipment together in-house.

Dr. Gonzalez: It is a little easier the second time around because you know what to expect. Within the same general location, you already have connections with the services that you will need and an established reputation. However, you cannot speed up certain parts of the process, such as the build out to accommodate specialized equipment, room construction or enlargement, storage capacity, and certificates of need, when required.

From an operational standpoint, it will be easy. We already have our procedures in place and billing set up. Our billing people are great; they have been with us for 4.5 years and picking up the extra volume is not going to be a problem nor require additional staff.

What are you doing differently in the launch of this OBL versus your first?

Dr. Wright: We are doing a number of things differently this time, armed with our lessons learned and our evolving business knowledge. Over the last 5 years, we have learned a lot, developed relationships, and fine-tuned our procedures and administrative operations so we feel confident moving forward on our own. We did engage the services of an individual from Philadelphia who is assisting us with market research and business planning.

We were more strategic in the planning and placement of our second OBL. Certainly partnering with an experienced physician who already had an established practice in the area reduced a lot of the risk related to estimating patient need and potential throughput. We did not put a lot of thought into the geographic placement of our first office.

Lastly, this new OBL will be different because we will roll it out with full services. We started slowly with simple procedures and added services when we became more comfortable with our first OBL. This time, our staff is already trained, we know what equipment we need, and we have established procedures and best practices in place.

Do you have any last thoughts for a physician who is considering opening an OBL?

Dr. Gonzalez: I definitely encourage them to make the leap. Patients will benefit from the increased efficiency. After a procedure, we get our patients up and moving around as soon as they clear sedation. This means they get home quicker versus what could be 7 hours or more at the hospital for the same procedure. Patients also appreciate the comfortable, casual environment and the personalized care they receive from our staff. The OBL environment also provides a better quality of life for the doctors and the staff. It is a Monday through Friday gig with consistent hours.

Dr. Wright: The outpatient lab has enabled us to stay strong and viable in the market. We have been able to significantly enhance the patient experience, improve outcomes, and increase our financial security. It can be scary to start down this path; however, I think that it is well worth it for everyone in the long run.

TRANSITION TO A HYBRID OBL/ASC MODEL

Having recently transitioned to a hybrid model, can you tell us about your original OBL?

Dr. Cross: We started our OBL, Waco Cardiology Cath Lab and ASC, almost 5 years ago. We partnered with the National Cardiovascular Partnership, a management group that executes the day-to-day operations, administrative, and business concerns of the practice. Our physician group, which includes 10 doctors, is focused almost exclusively on the clinical and patient care side. This structure has been very enabling, freeing up the doctors to concentrate on the patients and facilitating our management group to do what it does best—running the business end. Initially, we started somewhat slow in regard to the types of procedures, but quickened the pace as we became more comfortable. Our emphasis has always been on cardiac and peripheral disease.

When did you make the transition to a hybrid OBL/ASC?

Dr. Cross: We launched our ASC 1 year ago and now operate as a cath lab OBL 4 days a week and as an ASC 1 day a week. Similar to OBL benefits, the ASC enables us to improve work efficiency and quality by removing many of the variables hampering hospital schedules, such as case turnover, wait times, unavailability of rooms, unexpected delays, etc. In addition, we can increase our practice income by recovering more of the technical and facility fees through ASC work.

Can you tell us about the transition from an OBL to a hybrid model?

Dr. Cross: Frankly, our management partner recognized the benefits and opportunities that would accrue by incorporating an ASC along with our OBL.

The ASC provides a higher level of care and, accordingly, we have had to institute enhanced safeguards and procedures surrounding infection control and the use of anesthesia. We quickly realized that we could continue to deliver optimal patient care in the outpatient setting. It was valuable for our patients and professionally satisfying for the physicians, so we transitioned with the leadership and counsel of our management partner.

What are the benefits of partnering with a management group in the launch and operation of an OBL/ASC?

Dr. Cross: The partnership enabled us to spread financial risk and move forward quickly. The management group was eminently skilled on the business end of the practice, enabling the doctors to do what they do best—taking care of the patients. The management group was also instrumental in helping with the state regulations, which can be tricky to navigate. Additionally, they assisted with site selection, building design, equipment selection and payment options, staff recruitment, supply purchasing, medical and management information systems, and then they largely managed the daily operations.

What have been the benefits of the hybrid model?

Dr. Cross: The biggest benefit is that it has allowed us to increase the types of patients and the number of patients for whom we can provide care. Our patients really enjoy and appreciate the ability to have their surgical procedures in an outpatient setting with consistent and compassionate staff.

Another good thing in having our own lab is that we work closer with our staff. We are more engaged in making sure that there is collaboration, good communication, and that they are on top of their game. The physicians and staff represent the Waco Cardiology Cath Lab and ASC brand.

Have you seen any changes in the practice over the last 5 years?

Dr. Cross: Mostly routine changes. We have had some turnover in partners as three of our senior colleagues have retired over that period. However, the opportunity to hire new physicians with new ideas has been beneficial in keeping abreast of contemporary technology and procedures.

The types of patients we have taken care of over the years probably have not significantly changed. The prevalence of peripheral artery disease (PAD) has increased, but we have stayed ahead of the curve by offering a comprehensive line of service to care for those patients.

Technologies have changed, and there are different things we are doing now that maybe we did not do 10 years ago in the peripheral and cardiac realms. For example, we recently adopted the Philips Volcano Atherectomy device to assist in treating our PAD patients. We have embraced innovation over the years, as many of the new devices and equipment were developed with an eye toward suitability in the outpatient arena.

How have you worked with industry to introduce new technology into your facility?

Dr. Cross: We are always open to new technologies that improve patient care in our market space. I know that Philips has modified their strategy recently to provide a more full-service OBL offering. This could be beneficial to newcomers contemplating an OBL or hybrid.

What advice do you have for other physicians considering an OBL?

Dr. Cross: I would tell them that it's a great idea. It is an opportunity for physicians to remain independent and grow their practice. To be more involved in the decision-making process in terms of patient care and selecting what type of technology should be used is something most doctors would relish. And of course, there are a variety of models you can adopt depending on your risk profile and predilections. Our model was to partner with a management group that helped us set up the OBL and ASC and then provide the administrative support. That allowed our physicians to concentrate on their specialty—providing quality care to patients with cardiac and peripheral disease. Again, companies like Philips can also help with menu support with capital equipment, devices, consumables, financing, and lab build-out consulting. For those physicians who want the full experience of owning, running, and providing direct patient care—that is certainly an option as well. ■

1. Advisory Board's Cardiovascular Roundtable, 2015-2016 National Meeting.