

CEO's Guide to Financial Readiness in Your Startup Lab

How to Generate & Track New Revenue



In partnership with



ADVANCED DATA
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As newer clinical and molecular laboratories plan long-term, strategic growth, building cyclical revenue is paramount. However, few resources provide the tools to find and maintain a steady cash flow in your lab—let alone post-pandemic. In this eBook, you'll not only get step-by-step instructions for seeking out consistent revenue, but you'll also learn how to ensure you're paid after testing is complete. In partnership with Jim O'Neill, Business Development Manager of Laboratory Services at ADS, and Ovation CEO Barry Wark, we're unpacking everything your startup lab needs to create sustainable profitability post-pandemic.

Define Your Business and Revenue Source

To start, your lab should know which types of samples it plans to process and to which governing body your lab needs to maintain compliance. A majority of the labs seen through Ovation's partnerships fall under Clinical Laboratory Improvement Amendments (CLIA) regulations. However, some advanced laboratories will also be held to College of American Pathologists (CAP) or Commission on Office Laboratory Accreditation (COLA) regulations depending on the samples they process. If you're just starting the CLIA accreditation process, you'll want to review our comprehensive eBook first. Once you've completed all of the SOPs inside, you'll be ready to look into revenue sources.

Adopt Multiple Revenue Streams

Once your lab is fully accredited for the types of samples you plan to process, you can begin planning out revenue opportunities. A huge portion of laboratory operations will depend on not only your local community's needs but those of the broader state and nation. By strategizing your lab's revenue pursuits on a macro level, you'll be better prepared to pivot when needed.

For example, many labs struggled to quickly react to the rapid influx, and later decline of lab samples due to the COVID-19 pandemic. According to Dark Daily, "In the eight weeks since the COVID-19 pandemic caused patients to cease coming to hospitals and visiting their doctors, incoming routine specimens and revenue fell by 60%, causing cumulative lost routine revenue of \$5.2 billion for the clinical laboratory industry in the United States." This means your lab should not rely solely on lab testing for consistent revenue. Instead, consider diversifying your revenue streams; particularly through re-purposing lab samples.

Residual Value in Lab Specimens

Another, lesser-known avenue for laboratory revenue is re-purposing leftover lab samples instead of discarding them. These samples can then be utilized in biobanking. When clinical and molecular laboratories biobank their samples, they can generate revenue from selling the samples to biobanks, and, in the case of the Ovation Research Network, labs have the opportunity to get paid for research testing. So instead of destroying leftover samples and discarding them with other biohazard waste, labs have the opportunity to separate them and place them in ORN containers for collection. Once they arrive at biobanks, the samples can be de-identified and frozen for future testing in the hopes of accelerating scientific research, vital therapies, targeted treatments, and more.

Additionally, not all lab samples are created equal. Some lab samples will have different values than others, so it's important to know the full scope of samples your lab has the staff, accreditation, and bandwidth to process. An example of needing ultra-specific samples to achieve specific revenue results includes the most recent need for COVID-19 samples. Why?

“Biomarkers are no longer as clear as they were,” Ovation CEO, Barry Wark says. “We’re going to need data from patients who have had COVID and those who haven’t, and we’re going to need to start teasing out the differences in biomarker signatures between those patient populations.”

The more samples a lab can provide, the more likely scientists and researchers can find usable, monetizable data from them. According to Wark, some participants within the Ovation Research Network are generating money from several whole-genome sequencing projects while also justifying the acquisition and implementation of new instruments that help to reduce cost and increase throughput in the rest of their diagnostic business.

This represents an immensely profitable opportunity for clinical labs that are willing to take a few extra steps to preserve their lab samples. Before considering biobanking though, we suggest your lab takes time to consider the following questions:

- How will the sample be collected from the patient?
- How will it be stored?
- Will the label still be secure?
- When will the sample expire/no longer be considered valuable for research?

If your lab is unable to properly and completely answer any of these questions, you’ll want to look into a LIMS to streamline the process. For more information on how a LIMS integrates with your workflows, review this lab toolkit for understanding the management and storage of data.

Startup Laboratory Billing Challenges

As you move beyond accreditation and have begun testing your first samples, you'll need to have an established billing process in place. Jim O'Neill, Business Development Manager of Laboratory Services at ADS, has specific insight into the pain points as a new lab starts to collect payment. He's outlined seven common pitfalls to be aware of:

1. Lack of Laboratory Business Experience

While lab professionals have the technical know-how to run a laboratory, the business side of operating a lab requires a different set of skills. It's strongly suggested to reach out to a consultant who specializes in startup lab financials. That way, your lab will be able to ensure it's taken all of the precautionary measures required to effectively and legally generate revenue. This includes proper credentialing, organizing fee schedules, accepting viable samples, budgeting for the laboratory, hiring quality billers, etc.

2. Lack of Billing Experience

Processing billing on your own with little expertise can quickly lead a lab down a treacherous path to chaos and stress. The right RCM company or in-house system won't work if the RCM company doesn't have laboratory-specific billing experience, or if the system cannot handle the complexities of laboratory billing. Working with a partner like ADS can help you ensure you're billing the right person at the right time, minus the headaches.

3. Undercapitalization

Even with hundreds of samples per day, revenue won't be seen for around 60 days from the laboratory receiving its license. It's vital that your team factors in these 60 days as insurance companies will not pay "new" laboratories right away. Additionally, it's possible that the promised samples may be compromised which would get them denied.

4. Improper or No Credentialing

Taking the steps to become properly credentialed is a non-negotiable for anyone in the medical/laboratory field. Becoming credentialed with insurance companies can be a lengthy process. By doing this properly the first time, you'll alleviate the pain of denied claims. Remember, denied claims mean that revenue isn't coming in until the claim is re-processed. Your lab should seek out a billing vendor who has credentialing options to streamline this process.

ADS frequently works with National Credentialing Services & Supero Health Credentialing.

5. Filing EDI Claims

You must take extra care when handling Electronic Data Interchange (EDI) paperwork, similar to the attention to detail needed during the credentialing process. That's why it's necessary to have laboratory billing experts in your corner throughout this tedious process. Even better, your vendor or consultant should be able to help take the paperwork filing off your shoulders.

6. Test Sample Source Reliability

Laboratories that focus strictly on one large account can quickly go out of business if that account starts to send their samples elsewhere.

For that reason, you should operate under the "samples here today, gone tomorrow" premise and have as many sample sources as possible at any given time. You can also look into designated sales reps to keep your volume high. The ADS Sales Rep Portal is a tool that allows the end-user to track the performance of individual sales reps and stay on top of your revenue.

7. Skimping on Data Protection

Before Implementing any billing/financial/reporting system you should determine whether you're looking for cloud-based or on-premises tooling. With so many moving parts in your business, do you want to have your server(s) which need maintenance, malware protection, and backups, OR would you prefer to operate from a remotely hosted cloud system that is automatically maintained by the host? Your software vendor should be prepared to accommodate your choice.

Following these seven suggestions will prime your new lab for financial success. Laboratories will continue to gain interest, especially throughout the pandemic where COVID-19 tests are needed. These steps will assist you with operating a COVID-19 reference laboratory and any laboratory you choose to operate in the future.

What is Revenue Cycle Management (RCM) and What Type of RCM/Billing Service Does Your Lab Need?

Whether your laboratory's specialty is toxicology, pathology, clinical, genetics, esoteric, or any combination of these, you'll want to make sure you have a Revenue Cycle Management tool and connected LIMS. An RCM is a service that can help to maximize insurance claims, collect balances, and provides on-demand access to all your lab's data. Especially as your lab seeks to grow and scale processes, an RCM company or software vendor must be tuned into your LIMS so a fluid interface can be established.

As you prepare for a LIMS and RCM integration into your technology stack, seek out intelligent features that won't require precious time from your lab staff and, instead, consolidates workflows.

For example, certain pre-test alerts as driven by a rules engine are critical to laboratories. These include, but aren't limited to:

- Eligibility verifications to ensure the patient's coverage is active
- Out-of-network alerts with tools to help capture those payments
- Pre-test access to a patient responsibility estimator
- Workflow management
- Provider portal access for rapid results sharing

Your laboratory strives to provide accurate results that lead physicians or clinicians to the most appropriate treatments possible. However, you also need to be paid for that worthy service.

So perhaps above all else, your RCM service and LIMS shouldn't just produce consistent results but maximized revenue. MedicsRCM offers laboratories that need comprehensive revenue cycle management services a competitive edge for building revenue. Paired with Ovation's lightweight, cloud-based LIMS and ORN, your lab can start building cyclical revenue streams.

Laboratory Billing Software Implementation Preparation

One of the most important systems to develop and set up in your medical laboratory is for billing. Many organizations determine from the outset that they need to work with a trusted third party to handle billing logistics.

After all, allowing experts to handle arguably the most important part of the process means you can take advantage of their speed, efficiency, and knowledge to move things through the revenue cycle more quickly, with fewer errors, all of which lead to more money in the door for your laboratory.

However, before you get started with deploying your laboratory billing software at your organization, there are a few items to be aware of and, hopefully, avoid completely.

Here are three common mistakes to avoid in the laboratory billing implementation process:

1. Not Reaching Volume Expectations

In some cases, medical laboratories lack sufficient volume. The solution under typical conditions will have laboratories projecting their minimums vs. maximums when they forecast future volumes for billing. The certification and recertification process for laboratories is priced in part according to how many patient tests are performed each year.

Unfortunately, the problem of not reaching the expected volumes itself can be an unpredictable factor for the laboratory managers. If you're more careful about documenting the level of activity in your laboratory and therefore obtain a clearer view of expected volume, you can anticipate revenue flow more precisely.

2. Not Having Credentials and LIMS Agreements in Place

Because clinical laboratories in the United States must adhere to rigorous standards and regulations, they have to be certified by the Center for Medicare and Medicaid Services, under the Clinical Laboratory Improvement Amendments (CLIA). If your organization has not begun taking steps toward CLIA certification, stop and review this eBook FIRST. It will guide you through the initial documentation your lab must have before moving forward.

Another common error is failing to have LIS or LIMS agreements in place prior to partnering with a billing services company. The simple solution is to be sure to have your LIMS agreement in place before your billing software. The full process should include credentialing first, LIMS second, and finally, billing software implementation.

3. Staff is Not Adequately Trained in Regulations

Within laboratory billing, the correct use of codes is vital. If members of your team are aware of the current coding regulations needed to properly assign procedure codes to diagnosis codes, for example, claim denials can easily occur.

To address this, you can use software with built-in error correction to spot discrepancies in billing so a team member can fix it immediately. It's also highly advised to arrange for specific training on codes and charging them out. Being preemptive to correct issues will save you time and, more importantly, money.

Long-Term Financial Planning for Your Lab Starts Here

There's a multitude of factors when building financial acumen within your lab. From not meeting the volume expectations of your stakeholders due to insufficient volume, to failing to have an efficient LIMS in place, to obtaining ongoing training and technical support. Ovation and ADS are here to guide you as your partners in revenue building for longevity.

Understanding your distinct laboratory's needs is the best next step to take. For more information about implementing a LIMS, visit <https://www.ovation.io>. And for more information on implementing laboratory billing, visit <https://www.adsc.com/laboratory-billing-services>.

About Ovation:

Ovation is a scientific data company that provides a cloud-based LIMS for molecular diagnostic laboratories. Beyond standard sample and workflow tracking, Ovation addresses challenges in the critical functional areas of Relationship Support, Laboratory Operations, and Business Analytics. Additionally, Ovation offers the Ovation Research Network, or ORN, which offers the support and scale your lab needs to participate in real-world data opportunities. Join other diagnostic labs in mobilizing your remnant samples and performing research-related testing to support healthcare and life science industry researchers to accelerate the discovery of targeted therapies and treatments. Using a modern infrastructure with seamless integrations of best-in-class partners and consultants, Ovation provides labs with an out-of-the-box laboratory management experience that scales with each lab's needs.

About Advanced Data Systems:

Advanced Data Systems Corporation (ADS) presents an almost peerless story in healthcare automation evolution. ADS has been providing healthcare automation solutions continuously since 1977 representing an extraordinary history of stability and reliability in the industry. The MedicsPremier Financial and Management system is excellent for laboratories and specialties including anesthesiology, behavioral health/addiction treatment, and radiology (MedicsRIS). The MedicsCloud EHR is available or existing EHRs can be interfaced. ADS processes almost 50 million EDI transactions annually.

As the company's Laboratory Services Business Development Manager, Jim O'Neill has 30 years of experience in LIS and financial systems including 20 years as the owner of CSS (Avalon LIS). With a Bachelor's degree in information technology from Rowan University, Jim has worked/consulted with over 500 labs in the US and internationally in improving their LIS and financial solutions. Jim is genuinely people-oriented and civic-minded; he's the former Mayor of Northfield NJ and is currently on the town's council.



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