Tough times demand superior business savvy

Ron Shinkman

January 2017—Reimbursement policies, competitive forces, and pathologist workforce numbers will reshape pathology groups in the coming years, say Barry Portugal, president of Florida-based Health Care Development Services, and Edward P. Fody, MD, president of Western Michigan Pathology Associates. They spoke last October at G2 Intelligence's Lab Institute on how Medicare rates, insurers' narrow networks, MACRA, new technologies, and outsourced hospital lab management will bring change—as will the declining numbers of pathologists. But there are clear steps pathology groups can take.

Portugal

The number of pathologists in the U.S. will fall from 5.7 per 100,000, as of 2010, to 3.7 per 100,000 by 2030, says Dr. Fody, who presented data from the CAP Workforce Project Work Group published in *Archives of Pathology & Laboratory Medicine* (Robboy SJ, et al. 2013;137:1723–1732). That's a decline of 35 percent, which Dr. Fody says is "baked in" by the current demographics of pathologists aging out of the workforce versus the number of pathology residency slots at the nation's teaching hospitals.

To stop the decline, the number of those residency slots would have had to increase by 8.1 percent as of a few years ago, Dr. Fody says, an unlikely change given the demand for primary care physicians and other specialties. "You don't have to be a PhD in demographics to see what's going on," he says.

At Emory University Hospital, the number of U.S. medical graduates applying for pathology is flat or declining, Charles E. Hill, MD, PhD, tells CAP TODAY. "Much of this may be attributed to the new models of medical school curricula, but there is likely some influence from changes in reimbursement for pathology services as well," says Dr. Hill, director of the Emory pathology residency program and director of the hospital's molecular diagnostics laboratory.

Nichols

David Nichols, president of Nichols Management Group, a laboratory and pathology consulting firm in York Harbor, Me., believes technology and international resources will address some of the potential workforce gaps.

Full regulatory approval and adoption of digital pathology has been a long time coming, he says, "But sooner or later that will arrive, and there will be more automated reading and guided slide reading and techniques that will help the pathologists perform the reading faster." And professional services will be outsourced to pathologists overseas via these yet-to-be-perfected digital capabilities, Nichols says. He has not seen significantly rising

incomes among younger pathologists, which would be a reliable indicator that a shortage is at hand, he adds.

But there is agreement that pathology practices are going to have to make changes to adapt to change, particularly the move by a growing number of hospitals to sell their laboratory outreach businesses and to hire outsiders to manage their laboratories.
"Getting people to change who have an ample income and a high-quality shop" will be a challenge, Portugal says, but there appears to be little choice. Most pathology practices have fewer than 10 members, as seen in the CAP practice characteristics survey report. That means they have little leverage against larger entities.

Nichols says he's receiving calls from pathology groups of eight, 12, or 15 that are concerned about maintaining access as they see midsize hospitals sell their outreach and sometimes bring in outside reference laboratories to manage inpatient labs.

What's a group to do? Make itself more business savvy, Portugal advises, and here's how:

Develop a contemporary marketing plan. "That's a real important cog in the wheel," Portugal says. It is less a slick branding campaign than having a simple direction in which to guide the practice.

The definitions of that differ. To Nichols, it means staying "extremely close" to hospital administrators and continually proving the value of the practice. That includes being active on numerous hospital committees.

To Steve Stonecypher, managing partner at Shipwright Healthcare Group, Greensboro, NC, it could mean hiring a business manager for the practice or reaching out to medical directors at commercial insurers.

Expand participation in diagnostic teams. That may include dermatopathologists teaming up with dermatologists to improve detection and analyses of melanomas, or gastrointestinal pathologists working with gastroenterologists, Stonecypher says. "You need a larger hospital or fully integrated health system or an ACO kind of formatting for it to work," he adds.

Michael Laposata, MD, PhD, who chairs the Department of Pathology at the University of Texas Medical Branch at Galveston, says such teams can be invaluable for patients, who "want to be cared for in their communities."

"We must create a system . . . where every pathologist confronted with a patient who presents a diagnostic challenge for test selection or result interpretation can easily connect to an expert diagnostic management team," he told CAP TODAY in an email. His view of the team is that it "needs to support every pathologist, who then supports every local health care provider in the community." Those who provide consultative advice as experts, he says, need to be paid for such. (For more, see "The what and why of diagnostic management teams," above.)

Engage in population health initiatives. Nichols suggests that practices participate in various hospital committees and demonstrate leadership in appropriate test selection, utilization, and optimal location of testing. "There is a huge demand and opportunity for proactive pathology leadership to add clinical and business value," Nichols says.

Stonecypher notes that many groups still cannot manage incoming information on patients in a way that would be relevant to population health initiatives.

Organize digital pathology networks or engage in existing networks and outsource your expertise in subspecialties. A small practice can involve itself in such networks with little more than a microscope that can take images, Portugal says. "If you have a specialty in gastroenterology or breast cancer, and you're still in a small group, you can set yourself up very inexpensively," he says, and begin accepting and sending out slides for second opinions. Expanding subspecialty expertise is more challenging for the smaller group, he notes, and is more the domain of the midsize group and upper end of small groups. "This is the pathway to maintaining the contract with the hospital," he says.

Portugal also notes that pathology practices can provide more support to the laboratory medical directors of the hospitals they work with. Nichols notes there are significantly fewer PhD-level directors in pathology practices and

in laboratories than there were 30 years ago providing key services such as logistics support and selection of supplies and equipment for purchase. “Pathologists can help fill that void,” he says.

Dr. Laposata believes that pathologists can become indispensable if they become central to producing a rapid and accurate diagnosis by combining large amounts of diagnostic information and presenting it in an understandable way to a treating health care provider.

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