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# Is your lab demonstrating its true value?

Today’s clinical laboratory faces increased patient volumes, a rise in chronic illnesses and more educated patients demanding real-time information — all leading to rising costs. As a result, laboratories are often an easy target for budget cuts because decision makers are focused more on cost instead of total value. Solutions, such as headcount or reagent cost reductions and consolidation, often fail to have the desired impact on budgets. To remain viable, laboratories must deliver value above and beyond their ability to contribute to positive patient outcomes at the lowest possible cost.



**Emilie Neukom**  
 Director of Marketing for  
 EMEA, Abbott Diagnostics

The rising cost of healthcare means that labs are being pushed to save money by reducing reagent costs and headcounts in an effort to avoid consolidation of services. In this article, we showcase how a total value of ownership (TVO) approach may offer a better way of improving operational efficiency and the overall performance of an organization, looking at three labs that have worked in partnership with Abbott to adopt a TVO approach.

## Understanding the total value of ownership

The TVO approach seeks to widen the scope of value beyond direct and indirect instrument costs, taking into account further benefits such as time and space savings. The process can be broken down into five steps:

1. **Establish** goals and baseline metrics to steer the overall process
2. **Measure** direct and indirect instrument-related costs (reagents, consumables, labor, maintenance, utilities, etc.) and audit lab workflows
3. **Calculate** and validate the benefits of a particular operational change
4. **Implement** measures which will improve efficiency and productivity
5. **Monitor** ongoing performance to support continuous process development

## Time savings to support growth

The core lab at Christus Health Santa Rosa (CSR) in San Antonio, Texas, offers a broad range of cardiac, infectious disease, transplant and

pediatric services. To meet the scope and demand of its testing portfolio, the lab was operating 14 diagnostic platforms from four vendors, creating an unnecessarily complex situation, and needed to find a way to maintain its high quality service, while improving efficiency and creating capacity for growth. Important goals included improving turnaround times (TATs) to meet key performance indicators, consolidating and standardizing platforms across campuses, and implementing better quality control processes. The TVO analysis and resulting improvements far exceeded CSR’s expectations, including reducing its immunoassay TATs from 59.5 to 46.2 minutes – a 22 percent time saving.

“OVERALL, INCORPORATING TVO INTO DAILY WORK CAN BE HUGELY BENEFICIAL FOR HEALTHCARE ORGANISATIONS AND LABORATORIES. AFTER ALL, IT IS MUCH MORE THAN A METHODOLOGY”

## Digging deeper than surface costs

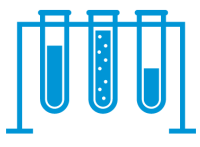
Citilab is the second largest medical diagnostics lab in Moscow, and was under pressure to improve efficiency, reduce cost and demonstrate its true value. Using the TVO approach, Citilab compared the performance of Abbott and Roche instruments and assays for its top 20 immunoassays and top 20 clinical chemistry assays. At first glance, the results indicated that the Roche solution was the winner, as combined reagent and instrument costs were 17 percent lower. However, taking

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**HOSPITAL DECISION MAKERS**

- Not connected to day-to-day laboratory operations



**Their Focus**

- High upfront instrument investments
- Per-test costs



**Their Perception**

- Labs are cost centers
- Labs can easily be eliminated or outsourced

Laboratories are often an easy target for these budget cuts because decision makers are focused more on cost than total value.

into account indirect costs – such as utilities and waste – revealed that the Abbott platforms offered 33 and 26 percent savings for immunoassays and clinical chemistry assays respectively, providing greater overall value to the organization.

**Reducing risk, improving earnings**

Korea Clinical Lab (KCL), a research-oriented medical foundation in South Korea, focuses on innovation and high-end instruments as key market differentiators, but this is not always enough to stay ahead of its small and medium-sized Clinical Research Organization (CRO) competitors. TVO analysis helped KCL determine optimum staffing levels and improve the quality of testing. Implementation of the recommended Abbott instrumentation led to a 12 percent increase in EBITDA (earnings before interest, tax,

depreciation and amortization), with a further 10 percent increase expected after putting into practice additional TVO workshop recommendations.

**A change in mindset**

Incorporating the idea of TVO into daily work can be a significant change for many healthcare organizations and laboratories, as it is much more than a methodology – it’s a complete change of mindset. However, its adoption is hard to argue against; the benefits far outweigh any challenges associated with organizational change and the risk of consolidation. A TVO approach is a win for everyone – from management to staff to patients – as improved operational efficiency and a realistic understanding of costs support better decision-making and, ultimately, achieve better healthcare performance. ■

**1. ESTABLISH**

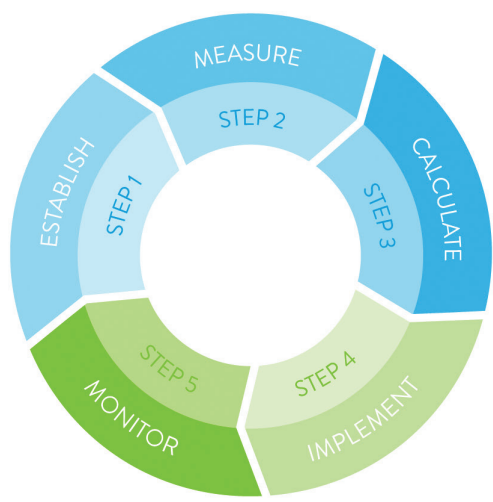
Establish customer goals and baseline metrics to be documented (improve total quality transformation, minimize human intervention, reduce waste generation, etc.).

**2. MEASURE**

Measure direct and indirect instrument-related costs and audit laboratory process (instruments, reagents, consumables, quality control, labor, required maintenance, utilities, footprint, etc.).

**3. CALCULATE**

Calculate and validate the impact of potential operational efficiency benefits.



**4. IMPLEMENT**

Design and implement operational productivity changes.

**5. MONITOR**

Monitor performance and update baseline metrics for continuous process improvement.

**TVO process:** Through the power of TVO, laboratory management can tell a story to hospital decision makers that changes the lab’s identity from a cost center to a value center.

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