LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES

OFFICE OF THE ASSOCIATE DIRECTOR OF HEALTH SERVICES
CHIEF MEDICAL OFFICER

October 5, 1999

TO: Mark Finucane

FROM: Donald C. Thomas, III, M.D.

SUBJECT: **LABORATORY CONSOLIDATION**

There has been considerable interest in the idea of lab consolidation in the DHS System. The Project has festered for years, with the last set of official manifestations initiated in 1995. At the time, approximately $112 million was estimated at the cost of operating DHS' system of laboratories. It was felt, base on the Kaiser model of regional consolidation, that a considerable amount of money could be saved in a similar DHS model.

The advantages that were sought, through examination of this option were not solely financial, although the standard financial advantages appeared to apply:

- Standardization of testing methodologies would make bulk purchasing a viable option for savings generation.
- Interpretation of testing results would not be hampered clinically by different measuring systems.
- One laboratory information system (LIS) and standardized testing equipment would make the possibility of shared patient results databases a possibility.
- Reduction of redundant and expensive, but relatively low volume testing would yield savings.
- Possible consolidations of both management and laboratory clinical staffs, at all levels, should result in significant personnel savings.
- Consolidation of the residency programs might also occur.

Over the past several years there have been at least two further variations on the "Laboratory Consolidation Committee." During the reengineering period supervised by Dr. Schultz, a multi disciplinary committee chaired by Dr. Sydney Harvey was created. That committee was superceded by a new Labor-Management variation this year. There has been a tremendous amount of energy spent in those committees without getting much in the way of results. This has been similar to the way that previous projects have gone. The major reasons for this decay of effectiveness have been:

- Serious questions as to the real savings that might be generated by institution of a centralized lab.
- Major resistance by the Pathologists at the various institutions. This is mostly related to territorial issues that range from academic to the mundane.

- Concern, by the pathologists, that the creation of a centralized laboratory structure would eliminate their ability to manage personnel and might require them to answer to a corporate laboratory director.
- Real and fictitious fears that the physical separation of the lab and pathologists from a facility will decrease the standard of patient care.
- Concern, by the unions, that the consolidation of labs would both lead to layoffs and severely impact the quality of life for those employees who remained.
- Reduction in the consolidated budgetary resources allocated to the systems' laboratory efforts to approximately $80 million, which has eroded the larger portion of the original potential savings, without consolidation.
- Increased enabler costs, related to real estate and improvement costs.
- The expense and reliability uncertainties related to the transportation of specimens.
- LIS implementation difficulties created by the design of a central lab.

Additional factors have intervened:

- The Labor- Management manifestation of the committee has bogged down in endless discussions related to the appropriate level of union participation within certain phases of the project.
- Examination of multiple other consolidated sites have not demonstrated the conclusive savings that had been expected.
- Reductions in the local facility staffing patterns have resulted in under staffing and cross training, both of which make it more difficult to reap savings from consolidation. (This situation has been further aggravated by the number of meetings related to this subject.)

It is my recommendation that the Lab Consolidation Project be dismantled with the following ancillary recommendations:

- All possible efficiencies should be identified and implemented, short of physical consolidation in one site.
- Coordination of this effort should be through the Office of Clinical and Medical Affairs.
- A multi specialty and cross employee efficiency committee should replace the consolidation committee.
- Current efforts to consolidate the LIS should continue as scheduled.
- Increased vigilance and elimination of spurious testing is necessary.
- We should use advances in laboratory testing technology to our greatest advantage.
- We need to eliminate testing redundancy.

DCT:dcw

c: Leadership Group