Rising reference laboratory costs are becoming one of the biggest cost containment issues in the industry. While hospital/health systems labs struggle to contain these costs, the difficulty of the situation is becoming increasingly more complex to navigate as more high-cost, esoteric tests become available.

In the 2012 G2 Intelligence report U.S. Laboratory Reference Testing: Market Profiles and Pricing Trends, it was reported that hospital/health system labs:

- Referred an average of 11 percent of their annual billable tests to reference labs.
- Spent an average of $1.6 million on reference tests in 2011, with the majority reporting cost increases over the past 12 months.

Primary Challenge: Balancing the needs of administration (cost reduction) with clinician needs (patient diagnosis and treatment) while engaging internal resources (pathologists and staff) to manage utilization.

Secondary Challenge: Understanding the complexity of key activities that need to be executed, such as an innovative process for reference laboratory contracting, make vs. buy analysis, third-party billing, test formulary, and test decision trees or algorithms.

Using proven processes and the best resources in the industry, Chi offers a comprehensive suite of solutions ranging from advisory support to full implementation.

Chi clients commonly achieve a 10 to 30 percent reduction in overall referral cost/operating margin, depending on their current level of managing the overall process.

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Average Reference Lab Cost of $1.6 Million</th>
<th>Savings of 10-30% or $160,000 – $480,000</th>
</tr>
</thead>
</table>

**Client Testimonial**

“We knew our referral costs were climbing each year and needed to manage the process much closer, but until we began working with Chi, did not realize how much we had to learn and the different strategies there are to control costs and utilization!”

Laboratory Medicine Leadership, Wake Forest Baptist Health