

# Covid-19 financial implications for clinical labs

## Challenges clinical labs should be considering, ordered short- to long-term

The challenges posed by the pandemic will affect every line of business and the lab industry is no different. Experiencing early difficulties in the form of insufficient testing capacity, a reduced operational workforce, and inaccurate tests, labs have had a troubling narrative throughout the pandemic. Going forward, labs need to be prepared to take short and long term action in order to mitigate the financial consequences of this pandemic.

We've compiled the most likely situations that our members have and will continue to encounter as a result of Covid-19. This document provides the questions that labs should be considering as they plan for how their business will evolve.

### Considerations for health care and clinical lab leaders



#### Challenge



#### Magnitude depends on



#### Questions to consider

*Supply shortages*

**Length of outbreak  
Regional or national testing  
demand**

- How is test accuracy impacted by different sample types?
- Can swabs, transport media, or reagents be made in-house? Are alternatives available?

*Surge capacity costs*

**Duration of outbreak and  
widespread testing efforts  
Cost of overtime, surge  
staffing**

- How will investments to meet surge demand effect overcapacity costs in the future?

*Backlog of tests and  
extended turnaround times*

**Length of outbreak  
Regional or national testing  
demand  
Access to additional testing  
systems and supplies**

- Which reference labs have excess testing capacity?
- Are reference customers bringing tests in-house as a result on long turnaround times?

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## Short-term challenges continued...

<b>Challenge</b>	<b>Magnitude depends on</b>	<b>Questions to consider</b>
<i>Test inaccuracy</i>	<b>Test validation from FDA</b> <b>Time for test development</b>	<ul style="list-style-type: none"><li>• What is the diagnostic accuracy of PCR tests? Antibody tests?</li><li>• How many patients will need to be retested? Will labs be reimbursed for duplicative testing?</li></ul>
<i>Point of care testing</i>	<b>Backlog in lab-processed tests</b> <b>High-priority testing needs</b>	<ul style="list-style-type: none"><li>• How many samples can be processed daily in POC setting?</li><li>• How does reimbursement differ for POC vs. high-throughput testing?</li></ul>
<i>Shortage of skilled lab personnel</i>	<b>Lab personnel infection and burnout rates</b> <b>Surge staff capacity</b>	<ul style="list-style-type: none"><li>• What are wages or training costs for additional pathologists, lab directors, and med techs?</li><li>• Would outsourcing help offset labor shortages?</li></ul>
<i>Blood management</i>	<b>Duration of outbreak and social distancing</b> <b>Existing blood supply</b>	<ul style="list-style-type: none"><li>• How will blood shortages impact hospitals ability to perform surgery?</li></ul>
<i>Lab revenue capture</i>	<b>Coding accuracy</b>	<ul style="list-style-type: none"><li>• Are coders accurately designating Covid-19 tests between CDC, non-CDC, and high-throughput testing?</li><li>• Will current reimbursement policies change after outbreak?</li></ul>

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## Medium-term challenges

<b>Challenge</b>	<b>Magnitude depends on</b>	<b>Questions to consider</b>
<i>Patient service centers going unused</i>	<b>Length of outbreak</b> <b>Strategy to phase out social distancing protocols</b> <b>Physician lab referrals</b>	<ul style="list-style-type: none"><li>• What are the costs of operating a PSC?</li><li>• When will physicians feel comfortable ordering labs for patients?</li></ul>
<i>Loss of revenue from foregone routine testing</i>	<b>Length of outbreak and enforcement of social restrictions</b> <b>Physician office closures</b>	<ul style="list-style-type: none"><li>• How will the shift towards virtual care alter lab referral patterns?</li><li>• Which routine or elective health care services are likely to 'return' first?</li></ul>
<i>Disruption in specimen collections</i>	<b>Length of social isolation measures</b> <b>Ability to bring specimen collection to consumers</b>	<ul style="list-style-type: none"><li>• How will consumer preferences for virtual vs. in-person physician consults change?</li><li>• Which routine tests are medically necessary?</li></ul>
<i>Provider financial outlook</i>	<b>Amount of uncompensated care hospitals provide</b> <b>Duration of deferral of elective services</b>	<ul style="list-style-type: none"><li>• Will hospital systems choose to outsource their lab operations to recoup cash?</li></ul>
<i>Activation of previously apathetic health care consumer segments</i>	<b>Duration and severity of outbreak</b>	<ul style="list-style-type: none"><li>• Who among my patient population is a 'worry-free well'?</li><li>• Do we have the capability to provide direct-to-consumer tests?</li></ul>
<i>Disease monitoring and surveillance</i>	<b>Length of outbreak</b> <b>Strategy to phase out social distancing protocols</b>	<ul style="list-style-type: none"><li>• What role do employers play in screening employees as they return to workplaces?</li><li>• How will demand for Covid-19 testing shift after the outbreak?</li></ul>

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## Long-term challenges

<b>Challenge</b>	<b>Magnitude depends on</b>	<b>Questions to consider</b>
<i>Accelerated depreciation of diagnostic instrumentation</i>	<b>Daily test throughput</b> <b>Approval of different sample types</b> <b>Number of alternative tests</b>	<ul style="list-style-type: none"><li>• Are my maintenance schedules up to date?</li><li>• Am I processing above normal rates of tests?</li></ul>
<i>Lab financial outlook</i>	<b>Ability to perform tests for Covid-19</b> <b>Expediency of return of elective, routine testing volumes</b>	<ul style="list-style-type: none"><li>• Will commercial labs or large independent regional labs have sufficient liquidity to acquire distressed labs?</li></ul>
<i>Reimbursement pressure</i>	<b>Duration of delay in PAMA-related cuts to CLFS</b>	<ul style="list-style-type: none"><li>• What is my IP/OP test mix?</li><li>• What is my margin on reference testing?</li></ul>
<i>Annual seasonal surges</i>	<b>Rate of viral mutation</b> <b>Duration of dormancy (if any)</b>	<ul style="list-style-type: none"><li>• Does the lab have enough supplies (PPE, nasopharyngeal swabs) in the emergency stockpile to handle recurring outbreaks?</li></ul>