



MEMORANDUM

TO: Health Care Commission
Steve Dechant
Sandy Praeger
Nancy Ruoff
John Staton
Dennis Taylor

FROM: Mike Michael

DATE: April 1, 2011

SUBJECT: Preferred Outpatient Laboratory Service Contract

Request for Proposal (RFP) number EVT0000348 for preferred outpatient laboratory services was released December 30, 2010, and closed on February 1, 2011. Two bids were received. One was from incumbent Quest Diagnostics to continue to offer a statewide and nationwide Lab Card network and the other was from Stormont-Vail HealthCare Inc., offering a regional lab benefit. Negotiations were held with both bidders.

The State Employee Health Plan (SEHP) negotiates with lab vendors for significant discounts on the cost for outpatient non emergency lab testing performed and billed by the lab vendor to medical Plans A and B. The SEHP benefits from the reduced fees for covered lab services and shares the savings with members by eliminating their out-of-pocket cost for the covered laboratory services that the preferred lab vendor performs and bills to the health plan. The preferred lab vendor is an optional benefit available to cover lab services on Plans A and B. Members, in conjunction with their medical providers, are free to decide where they get their lab services done. If they elect a lab provider other than the preferred lab vendor, their lab services are subject to the overall plan deductible and coinsurance.

Stormont-Vail HealthCare, Inc. has agreed to allow all SEHP members access to use its lab services even if their health plan does not contract with Stormont-Vail for other medical services. The Stormont-Vail lab benefit would include the labs operating at the Cotton-O'Neil main campus in Topeka and satellite clinic sites. Cotton-O'Neil operates satellite clinics in Coffey, Douglas, Jefferson, Lyon, Osage, Pottawatomie and Wabaunsee counties.

Quest Diagnostics would continue to offer services in Topeka as well as statewide as it does today. Quest has recently announced that it will be expanding its services to meet the needs of state employees in the Manhattan area with a new draw site. Employees may continue to use Quest draw sites or to have their physician draw the sample and send it to Quest for processing. Quest has announced that state

employees have access to the new Gazelle mobile application that allows Quest users to view test results and store and share their vital health information with ease and security while on the go.

The SEHP reviewed the proposals submitted by each of the preferred lab vendors. Careful consideration was given to member access to care, quality, vendor capacity and available discounts. Based upon the information available, staff believes a dual offering is appropriate.

Recommendation:

Staff recommends issuing three-year contracts to Quest Diagnostics and Stormont-Vail HealthCare, Inc. to be preferred lab vendors.