



COLLEGE of AMERICAN
PATHOLOGISTS

2016 Practice Leader Survey Executive Summary



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Overview

As a new survey fielded by the College of American Pathologists in 2016, the Practice Leader Survey is a primary source of basic data on pathology practices. The survey supplements the CAP Practices Characteristics (PC) Survey, most recently conducted in 2014. Whereas the PC Survey was fielded to individual pathologists, the PL Survey targeted practice leaders—those in leadership or administrative roles with specific knowledge of the practice’s financial, operational, and billing information. The survey was designed to elicit one—and only one—response from each pathology practice in the United States.

The survey asked questions about practice demographics (including questions on practice structure, case volume, and staffing levels); case mix revenue sources (including questions on both AP and non-AP services); hiring and staffing; market and regulatory issues (including questions on participation in value-based payment models, problems with coverage and payment, and factors that are expected to affect their practice in the next few years). The survey was fielded from March 21, 2016, to April 13, 2016. In total, 2,097 practices were sent email invitations to participate; 245 practices (11.7%) completed the survey. These respondents represented pathology practices in 43 states, Puerto Rico, and the District of Columbia. For all purposes, except where noted, the survey interval ranged from January 1, 2015, through December 31, 2015.

Demographics

- Most of the practices were hospital based. Approximately 48% of respondents were based in nonacademic hospitals, 23% of respondents were in academic hospitals/medical centers, and 15% of respondents were based in independent laboratories. Other practice settings for respondents included central or main laboratories for health care systems or integrated delivery networks; forensic laboratories or medical examiners' offices; and government or military laboratories.
- About one-half of the practices responding to the survey were pathologist owned. This includes 68% of practices that were based in nonacademic hospitals/medical centers and 65% of practices based in independent labs. Only 12% of practice leaders based in academic hospitals/medical centers reported that their practices were pathologist-owned.
- About 41% of practices processed fewer than 10,000 surgical pathology specimens in 2015, including 7% that did not process any such specimens. Nearly 25% processed 10,000–24,999 specimens in 2015; 21% processed 25,000–49,999 specimens; and 13% processed 50,000 or more specimens.
- A substantial share (74%) of surveyed practices had 10 or fewer full-time equivalent (FTE) pathologists. Over half of these practices (52%) had five or fewer FTE pathologists on staff.



23%

*Respondents based
in academic hospitals/
medical centers*

Services Provided by Pathology Practices

- About 85% of surveyed practices provided both anatomic pathology (AP) and clinical pathology (CP) services, 11% provided only AP services, and 3% provided only CP services.
- Nearly 85% of practices based in independent laboratories billed for AP technical component, either for a laboratory that the practice owned (67%) and/or for services purchased from another laboratory (17%). By contrast, only about 40% of hospital-based practices billed for AP technical component services.

- Molecular test interpretations were performed by 83% of practices based in academic hospitals/medical centers, by 50% of practices in independent laboratories, and by 33% of practices based in nonacademic hospitals/medical centers. Most practices were experiencing substantial growth in the volume of interpretations performed.

Sources of Practice Cases and Revenues

- For most practices (78%), surgical pathology accounted for the largest source of revenues.
 - o On average, hospital inpatients and outpatients accounted for 74% of AP specimens for academic hospital-based practices and for 79% of AP specimens for practices based in nonacademic hospitals; but, hospital inpatients and outpatients accounted for only 24% of specimens for independent laboratories. On average, more than 70% of AP specimens for independent laboratories came from nonhospital sources, including outreach, physician offices, pathology consults from different institutions, and other sources.
 - o Inpatient and outpatient hospital care accounted for an average of about 70% of revenues for both academic and nonacademic hospitals/medical centers, but only for about 25% of revenues for independent laboratories. On average, more than 70% of revenues for independent laboratories came from various nonhospital sources.
 - o On average, 35% of payments for services provided by pathology practices were made by commercial health plans, and 23% of payments were made by traditional Medicare plans. Together, these two sources accounted for an average of 75% of payments to practices based in independent laboratories, 68% of payments made to practices based in nonacademic hospitals/medical centers, and 60% of payments made to practices based in academic hospitals/medical centers. The remaining sources of revenues included payments from hospitals for services provided (ie, Part A), state Medicaid programs, Medicare Advantage plans, self-pay, and state health insurance exchange plans.



78%

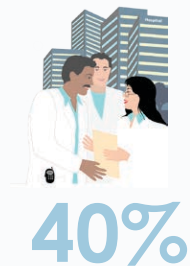
Practices for which surgical pathology accounts for largest source of revenues

Practice Staffing

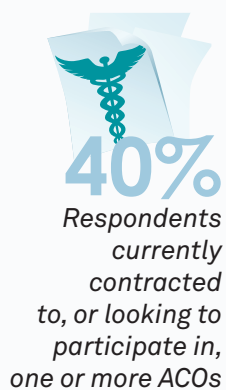
- On average, practices based in academic hospitals/medical centers had 23.6 FTE pathologists, compared to an average of 4.8 for practices based in nonacademic hospitals/medical centers and 4.0 FTEs for practices based in independent laboratories.
- About one-half of the responding practices (n=120) reported having pathologist assistants (PAs) employed in their practice. Among those practices with PAs on staff, the average was 0.2 PAs per FTE pathologist for practices based in academic hospitals/medical centers, and about 0.3 PAs per FTE pathologist for practices in other settings.
- About one-fifth of the responding practices (n=54) reported having PhD scientists employed in their practice. Most of these practices were hospital-based practices, with the vast majority being based in academic hospitals/medical centers. On average, practices based in academic hospitals/medical centers that did employ PhD scientists had 0.2 PhD scientists per FTE pathologist, while those in other settings had about 0.3 PhD scientists per FTE pathologist.
- About 25% of pathology practices had pathology residency training programs, and 45 practices reported that they had pathologist fellowship positions.

The Pathologist Job Market

- Over 40% of surveyed practices sought to hire at least one pathologist in 2015. Half of these positions were to fill previously existing positions, and half were to staff a newly created position. About 41% of these practices were based in academic hospitals/medical centers, 36% in nonacademic hospitals/medical centers, 12% in independent laboratories, and 11% in other settings.
- Approximately 31% of the practices seeking to hire a pathologist in 2015 (54%) had five or fewer full-time pathologists in 2015, 23% had six to 10 full-time pathologists, 25% had 11 to 25 pathologists, and 21% had more than 25 pathologists.



Practices that sought to hire at least one pathologist in 2015



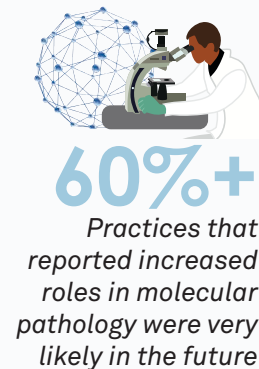
- Nearly half of these practices were seeking pathologists with expertise in general pathology. Other widely-sought areas of subspecialty expertise included hematopathology, gastrointestinal pathology, and cytology (nongynecologic).
- Nearly all of the practices that were seeking to hire pathologists were able to fill either all or some of the open positions. The most frequently cited reasons for not filling positions were an inability to find qualified candidates, an inability to meet compensation requests, and the applicant's geographic concerns.
- Nearly one-half of surveyed practices expected to hire at least one pathologist in the next three years, and one-fourth expected the practice to hire more than one pathologist during that time period. About 27% of practices had no plans to hire pathologists in the next three years, and another 27% were unsure of their future hiring plans.
- Some of these new positions were due to expected retirements among current staff. More than 40% of respondents expected at least one retirement in their practice in the next three years. More than one-third (35%) did not expect any retirements, and 22% were unsure.

Business, Regulatory, and Legislative Issues Affecting Pathology Practices

- About three in 10 respondents reported that their practice was involved in some kind of organizational change in 2015. The most frequent change was that a hospital served by the practice was involved in a merger or acquisition, an event experienced by 20% of respondents' practices.
- About 40% of respondents were currently contracted to participate in one or more accountable care organizations (ACOs), were negotiating to participate in an ACO, or were currently exploring the feasibility of forming or joining an ACO. Almost an equal number of respondents' practices did not contract with an ACO, although a large number of those may consider doing so in the future. Among the respondents whose practices participate in ACOs, the most common method used by the ACO for compensating pathologists was fee-for-service payments at or above rates paid by Medicare or the health plans' standard fee schedule. Although ACOs are premised on improving quality, reducing

costs, and incentivizing participants for their contributions to achieving these goals, few respondents reported that their practice received financial incentives or shared savings for ACO participation.

- Respondents identified the following as the most important factors that influence the development of business plans in the medium term (three to five years): anticipated payment pressures from commercial health plans/insurers, anticipated payment pressures from Medicare and Medicaid, and statutory and/or regulatory changes that affect payment rates.
- More than 60% of practices reported that increased roles in molecular pathology were very likely or somewhat likely over the next three to five years. Nearly 50% expected to add commercial health plans/insurance contracts, and 35% to 40% thought it somewhat or very likely that their practice would add hospital contracts, participate in an ACO or other alternative payment model, or participate in a joint venture or alliance.



Closing Comments

The CAP Practice Leader Survey was designed to provide a primary source of socioeconomic data on pathology practices operating in the United States. This report is provided for information purposes only. It is not a complete analysis of all pathologist groups in practice. All opinions expressed are subject to change without notice and information is based on self-reporting from a limited number of practices. Data is considered reliable, but the CAP makes no representation as to its completeness or accuracy.