



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

OCT 18 1995

MEMORANDUM FOR:
SURGEON GENERAL OF THE ARMY
SURGEON GENERAL OF THE NAVY
SURGEON GENERAL OF THE AIR FORCE

SUBJECT: Standardized Laboratory Costing Methodology

At my request the Director of the Armed Forces Institute of Pathology (AFIP) established a process for looking at DoD laboratory medicine from a business case analysis perspective. The Laboratory Joint Working Group evolved from this tasking and created a goal to "develop and implement standard laboratory costing methodology, a valuable tool for effecting consistent management decisions (i.e., make-buy, contracting services, networking laboratories, resources sharing reimbursement). I support this proposal and request you implement this standard laboratory costing methodology no later than 1 January 1996.

The Laboratory Joint Working Group was established to develop goals and strategies to facilitate providing high quality competitive laboratory services in a DoD regional managed care environment. LJWG membership consists of representatives from OASD(HA), Service clinical Laboratory and Pathology Consultants, designated laboratory representatives from each TRICARE Region, and members of the Office of Clinical Laboratory Affairs. There is a strong belief expressed by the membership that the military laboratory community needs a standard methodology to determine the cost of laboratory medicine. A Tri-service subcommittee was formed which developed a three-formula methodology based on a decision-making matrix. The exact costing formula to be used will be based on the required decision process(i.e., contracting needs, resource sharing requirements).

Stephen C. Joseph, M.D., M.P.H.