

## **Blood tests for babies outsourced**

Sanford Health loses S. Dakota contract to University of Iowa lab

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An Iowa lab has landed a contract to perform a routine test on the more than 11,000 babies born in South Dakota each year, taking the business out of state and out of the hands of Sanford Laboratories in Sioux Falls.

South Dakota awarded the University of Iowa Hygienic Lab in Ankeny, Iowa, the contract to perform newborn screening laboratory tests, known as the heel prick test, after the lab submitted a lower bid than Sanford. The heel prick test is the first part of the state's required evaluation process for rare metabolic and other disorders such as cystic fibrosis and phenylketonuria.

"To me, it's good government, this process every so many years to send out (a request for proposals) to see what's out there," said Doneen Hollingsworth, secretary of the South Dakota Department of Health.

Sanford Laboratories acknowledged it was disappointed in the state's decision.

"We're upset in terms of that nobody likes to lose any contract," said Randy Bury, chief operating officer for Sanford USD Medical Center, adding that the decision won't interfere with any current or future collaborations with the state.

This isn't the first time the state has awarded contracts to out-of-state companies. In recent years, Gov. Mike Rounds has pushed for more competition in state services.

In 2005, Pennsylvania company Diamond Pharmacy Services outbid the previous provider, Lewis Drug of Sioux Falls, for the contract to provide medications in South Dakota prisons. That same year, Canfield Business Interiors of Sioux Falls saw its bid rejected, and a contract was awarded to Target Commercial Interiors of Minneapolis to provide office furniture for the Division of Criminal Investigation building in Pierre.

Proponents of the process say it saves taxpayer money. Critics claim the deals hurt South Dakota businesses and affect jobs and tax revenue.

The Iowa lab submitted a bid to perform the testing panels for \$49.50 each. Sanford Laboratories, which had held the state contract since 1996, had submitted a bid for \$85 per panel.

Bury said they understand the reasoning behind the deal.

"We understand the business side of it as well," Bury said.

The Iowa lab - which also performs state newborn testing for North Dakota and Louisiana, in addition to Iowa's tests - simply has more volume and therefore can charge less for the testing, Bury said.

"The University of Iowa has a multistate network set up, so they get some economies of scale," Bury said. "They have some efficiencies that they can tap into that we can't."

When contacted this week, the Iowa lab referred all questions to South Dakota's health department.

Four other state labs submitted proposals, Hollingsworth said. The list of states was not immediately available Thursday, she said. Avera McKennan's laboratory did not submit a proposal.

The state's additions to the required testing panel over the years has meant the Sanford lab has had to outsource some of the rarer and more specialized tests, Bury said.

"We had to subcontract and pay someone else for the testing," he said. "With the University of Iowa, they can do all that internally."

A total of 11,466 babies were born in South Dakota in 2005, according to the most recent year of data compiled by the state.

Hollingsworth said that, in theory, the contract change will save taxpayers money, "especially in this area where the technology is just evolving." Parents pay for the required screening as part of their hospital bills.

"Theoretically, the price for families should go down," she said. "Although the cost of health care is going up, so I can't promise that."

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