

October 8, 2009
Diagnostic Imaging.

Are publicly traded companies and day reads key to teleradiology's future? Not necessarily, one exec asserts

By John C. Hayes

Earlier this decade, when NightHawk Radiology Services and Virtual Radiologic became publicly traded corporations, it looked like the die had been cast for the future of radiology. Venture capitalists were prowling the RSNA exhibit floor looking for the next hot teleradiology company to fund and take public. There was widespread talk that the next step would be final day reads rendered from large and remote teleradiology operations.

Today that vision doesn't hold up as well. Share values for NightHawk and Virtual have declined from once lofty heights. Competition has invaded the night-read business and pushed prices down. Some teleradiology companies have made it into the day business, but only after battles that rocked local radiology communities and provoked ill-will.

One who wonders whether this should have been expected is Joe Moock, CEO of StatRad, a medium-sized California teleradiology group serving practices on the West Coast. StatRad takes a more local approach; instead of trying to serve a national audience, it has concentrated on California, although it plans soon to branch into Nevada, Oregon, and Washington.

Although StatRad is interested in growing, it won't become another big publicly traded company, said Moock, who contends that approach is a dead end.

"As Wall Street learns more and more about radiology practices, they'll realize it's not the best type of company to be publicly traded," he said in an interview. "Radiologists are highly skilled and highly trained. They're not going to want to work for large organizations like that as they are paid for throughput and have little or no input on the practice."

Also working against the large companies is the difficulty of moving into the day read market, something they are being pressed to do as profits on night reads get squeezed and shareholders or venture investors demand growth.

They can go after contracts for imaging centers or orthopedic groups, or even for hospitals. But that often requires them to compete with local radiology groups, according to Moock. They may win some of the contracts, but at what cost and for how long is unclear.

It should be noted that not just NightHawk and Virtual are looking at to broaden their business. A number of others are also moving into day reads, including Franklin & Siedelmann and California-based Imaging Advantage, which stirred up a hornets' nest in Toledo, OH, when it took over radiology reading operations at a local hospital practice.

In fact, some teleradiology moves into the day business can be benign and come with the cooperation of local radiologists or hospital administrators. Subspecialty work, vacation replacements, or providing reads to otherwise unserved rural areas could fall into this category. Still, the mere presence of potentially aggressive national competitors is enough to make radiology practice administrators uneasy.

Moock's view of the future revolves around regional groups like StatRad that keep business closer and focus on providing better service. In fact, StatRad has an interest in seeing things develop this way. The company has been developing its own image management software system that it hopes to market to regional groups who will use it to "take back control" of after-hours imaging, Moock said. StatRad is not alone in developing teleradiology imaging management systems. Other teleradiology companies have as well.

"Our goal is to see a shakeup. Our goal is to empower groups across the nation to provide a higher level of service and offer the same tools we use for radiologist efficiency," Moock said. "Several radiology groups with our software could band together to provide night services, or specialty reads. It's in the interest of hospitals to work with groups in their area rather than these large organizations."

Whether Moock's vision pans out, it's clear that teleradiology companies have encountered some unexpected bumps as they reach into the day business. Local groups have not proved as malleable as expected and teleradiology groups that target local hospitals for day read business without the support of the hospital's existing radiology group are in for a struggle. It will be a while before they can prove that this is a viable long-term strategy. Capital and technology have made anywhere-anytime reads possible, but they haven't overcome the human factors that make local radiology practice a desirable option.