



# THE COST *of* SWITCHING TELERADIOLOGY SERVICES

The Surprising Gap Between Perception and Reality



**A Case Study Written by**  
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# Introduction of **Teleradiology** Services

The introduction of teleradiology services has inserted a new operational aspect to managing the private practice radiology enterprise. On one level, it is certain that the performance of the practice's telerad group has a tangible influence on the reputation of the entire practice enterprise. Understanding this level of potential influence, it would be appealing to assert the following: if the performance of your telerad partner falls short just once, simply change to another available provider.



This high stakes, no-mercy approach would be acceptable in a true commodity marketplace, where perfect substitution of services or products is possible and seamless. However, our telerad partners are wedged somewhere between valued employee, hired contractor, and tenured partner. This reality, in turn, can create real and perceived switching costs that most often deter any desire for change. In this case study, for one leading Illinois based practice, these perceived negative costs highlight how changing telerad partners was both easier than initially perceived and carried unexpected strategic benefits.

“ I have total confidence in  
StatRad's expert reads.”

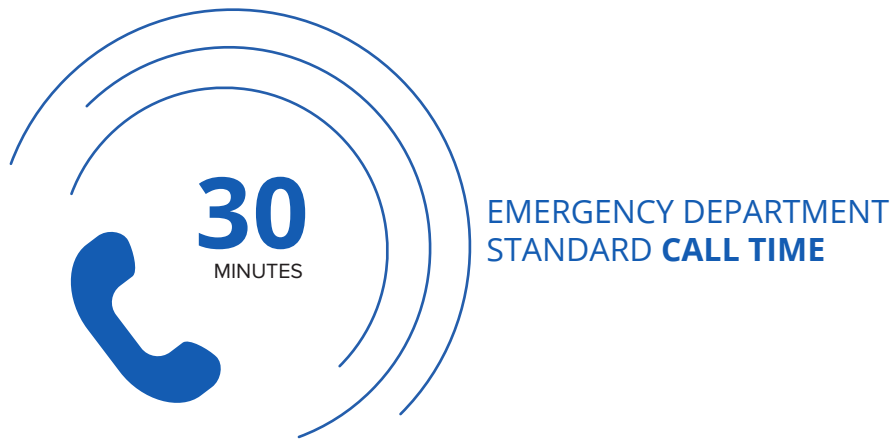
-Dr. Lee Dennis



# A Midwest Story

## A Time for a Change

In the fastest growing healthcare provider marketplace in the Chicagoland area, the Elmhurst Radiologists, SC, group provides the full complement of professional services to consulting physicians. The group's managing partner, Dr. Lee Dennis, is keenly aware of the role played by the group's teleradiology partner.



According to Dr. Dennis, "Our customer focus is simple—to serve the needs of physicians ordering all forms of imaging and provide accurate reads in a timely fashion. For the emergency department, this standard is 30 minutes." Added Dr. Dennis, "Whenever we digitally hand over reads to our teleradiology partner, we are in essence handing over the keys to the practice. We fully carry the expectation that they uphold our quality and turn-around time standards. Any deviation from this reflects negatively on our practice reputation."

For approximately 5 years, the Elmhurst group had been engaged with a large, established teleradiology group and took notice of increasing gaps in the company's ability to completely fulfill weekend coverage and offer specialty reads, including nuclear medicine. These gaps, when coupled with a third-party business advisor demonstrating that the group was paying on the higher side of the marketplace spectrum, Dr. Dennis surmised that "it was time for a change."

Starting from a referral and doing extensive homework, he found the group at StatRad to be "likable, competent, responsive, and competitively priced." The pathway was clear and the decision was made.



# Switching **Costs** & **Service** Integration

In general, as one contemplates the decision to switch teleradiology providers, one should factor the costs, both direct and indirect, associated with any change and new integration process.

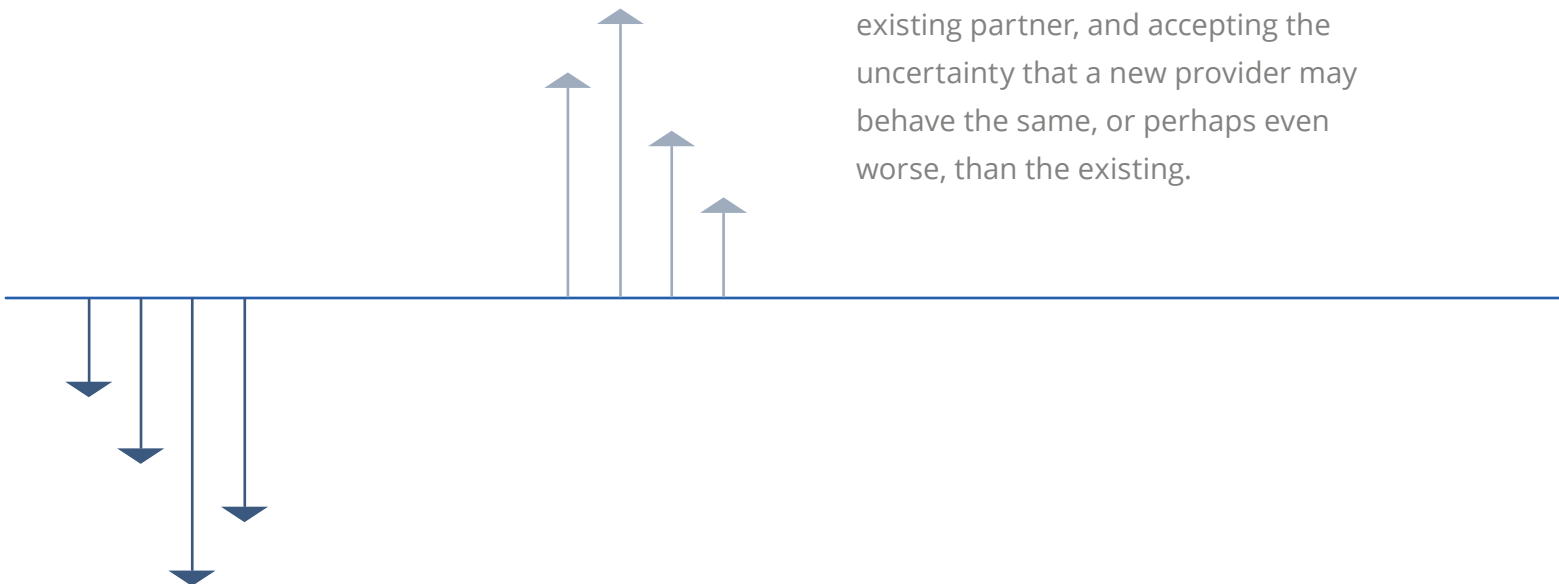
## Direct Costs

The real financial costs associated with both current account closure and any new hardware, set-up fees, etc. with the new provider needs to be evaluated. In the specific case of Elmhurst and StatRad, there were no direct costs in establishing a new service.

## Indirect Costs

The non-tangible but real costs associated with switching.

- 1 Effort.** The overall measure of force needed to convince all key stakeholders, identify a new service partner, and reach a new, and hopefully better equilibrium.
- 2 Time.** While an obvious measure, would this process take days, weeks, or months? What kind of downtime could one expect?
- 3 Psychological.** The mental energy associated with terminating an existing partner, and accepting the uncertainty that a new provider may behave the same, or perhaps even worse, than the existing.



# Breakthrough Insight

## Integration & Cost

Ultimately, the sum of all costs associated with switching providers represents a general enterprise level risk. In other words, minimizing risk is value creation and therefore keeping the wrong teleradiology partner is equivalent to value destruction. In this light, it helps to understand that thoughtful managing and mitigating enterprise level risk is, in fact, a necessary step in maximizing total enterprise value. In other words, we understood strategically that minimizing risk, in fact, creates firm value and therefore keeping the wrong partner is equivalent to value destruction.

### So what was the next step?

Back in Chicago, for Dr. Dennis and StatRad, service integration was very smooth and as expected, a largely IT driven activity. With coordination led by a StatRad team leader working along side an internal technologist, the infrastructure was put in-place and most importantly, the go-live date was met. According to Dr. Dennis, "Outside of a few glitches the first week, largely due to higher than average case volume, things went and continue to run smoothly." Importantly, he added, "The gaps in service before the switch have been filled and the cost-savings that were modeled are now being realized."

In general, while the perception of switching costs may be high, if we examine one level deeper, we begin to see how these perceived costs actually relate to enterprise value, and with the right teleradiology partner, the switch is both easy and valuable.



# It's all about the **Right** Partner

For Dr. Dennis and his partners, the switch to StatRad has been a measurable success. In searching for a new service provider, he recommends one should evaluate all the appropriate elements including but not limited to:

- 1 First-in class quality assurance & accuracy
- 2 Excellent and consistent TATs
- 3 No-cost set-up
- 4 Custom solutions as necessary
- 5 Reliable customer service
- 6 Physician owned

While nearly all providers will tout the above, one should ultimately look for a partner with a shared sense of risk and value. One should strive to work with people who understand just how important their actions and performance as an organization translate into the perceived and real value of their customer's practice.

Once we connect on this level, the switching costs turn into value drivers.





As pioneers in teleradiology services, StatRad continues to develop forward-thinking teleradiology solutions to make life easier for radiology groups. With proprietary software, we create custom work-flows to streamline processes, increase efficiencies, and deliver measurable results. By combining our technological advantages with our unmatched level of service, our teleradiology services help radiology groups lower costs, reduce discrepancy rates, and improve patient care.

## Corporate Headquarters

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