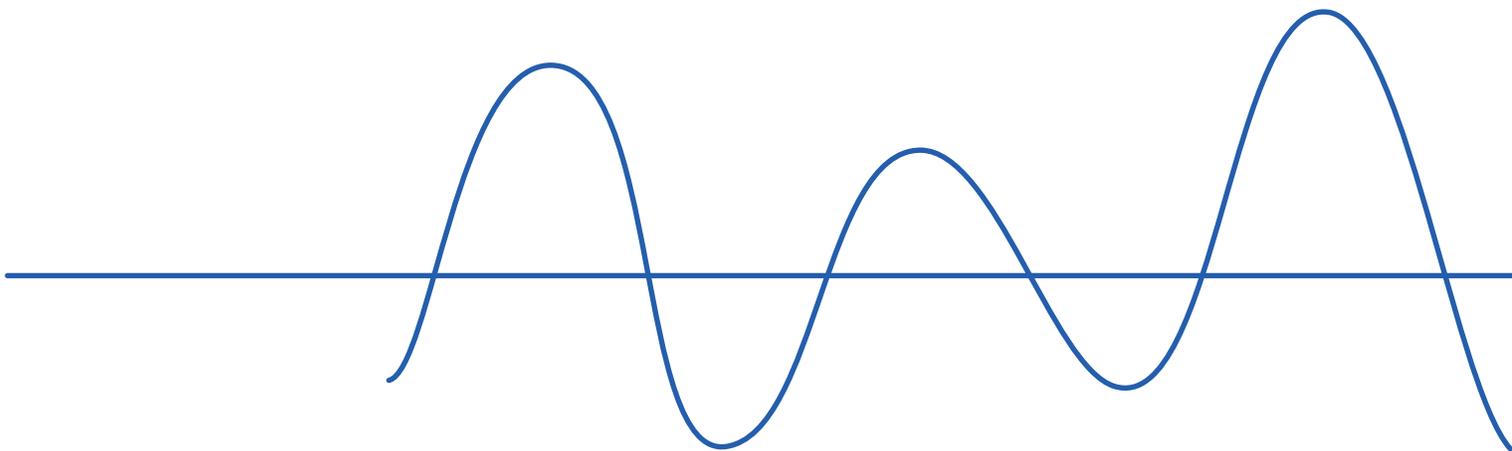




THE EVER-CHANGING *IMAGE* & PRACTICE OF RADIOLOGY

Are You Ready For The Next Wave of Change?



Recognizing and Maintaining the Important
Combination of Innovation and Leadership

About this White Paper

This whitepaper concerns a hospital system's mandate to increase productivity and service, but to do so at a lower cost basis. Predatory, corporate teleradiology groups are on the rise, *and* on the prowl. Medicare reimbursement rates are under constant negative pressure and largely outside of your control. Let's face it—the private practice of radiology is being squeezed. This is not just a perception nor a passing fad, but a reality of today's complex and changing healthcare topography. The aim of this white paper is to identify key challenges facing today's private practice radiology groups, provide appropriate context, and ultimately offer practical solutions.

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The Challenges

The last decade has been witness to enormous progress in radiological sciences. From advances in minimally invasive approaches to ever improving image clarity, there is little question that these developments provide tangible benefits to the clinical outcomes of patients. However, accompanying this scientific progress has been considerable volatility in the structure, management and practice of the discipline. Specifically, the introduction of teleradiology services has introduced a new and evolving layer in both the operational and economic facets of a private practice radiology enterprise. And while there is little doubt that scientific and technical developments will continue, it is also clear that the practice environment will continue to evolve. As it relates to teleradiology, the lines between service and threat are blurring.¹

Let's take a closer look at four of the issues shaping the private practice setting in an effort to better understand the potential solutions.



1 Introduction of **Big Money**

The Predatory Practices of Corporate Teleradiology

The evolution of teleradiology is in full swing. In a recent article by Proval in *Radiology Business*, the author highlights that the term itself, teleradiology, likely no longer reflects the full-service offering that many of these firms claim or aspire to offer. Proval highlights the recent introduction of private equity into the competitive mix. She underlines the investment by Blackstone Group in Imaging Advantage as well as the recent \$55 million capital raise by Radiology Partners coming from New Enterprise Associates. These groups, armed with considerable capital and mandated to return profit within a defined horizon, will not hesitate to reach through local practice groups to secure large and small contracts with hospital systems.



**MILLION CAPITAL RAISE
BY RADIOLOGY PARTNERS**

Whether based in reality or not, these corporate radiology services groups will act to shine light on the apparent inefficiencies of a private practice group with the promise of quality standards and bottom line savings—how can you protect yourself?



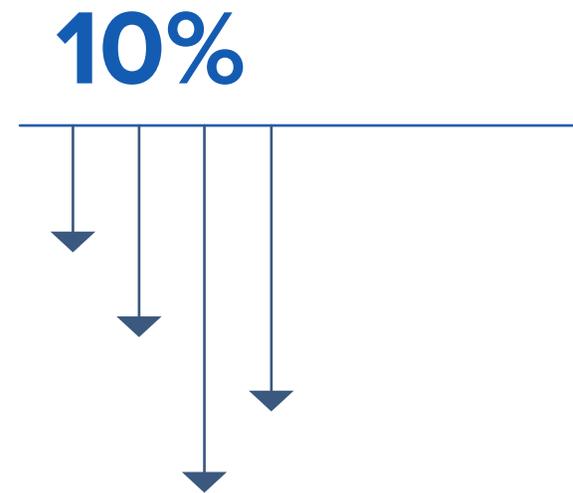
2 The W-2 Radiologist

The Professional Employee

The merger between hospital and professional groups is nothing new. Many physicians across a number of specialties have sold their practice to their symbiotic hospital partner to take a role as a manager/employee.

While private radiology groups may possess some traits which retard this development, the numbers still support the general trend: the ACR Commission on Human Resource survey showed a 10% drop in radiology groups from 2010 to 2013. Commission leadership attributes this to consolidation of groups to radiologists leaving private practice for institutional employment.²

In the article by Boden, he points out that private practice radiology groups may not be acquired by hospital systems as quickly as other disciplines because of the following qualities: diagnostic radiology practices do not bring with them patients as sources of revenue, the expectation of practice value for radiologists are generally perceived as high, and the integration of IT systems and hardware may be seen as a barrier. While it is tempting for radiology group leadership to employ these qualities as a shield to unwanted integration into a hospital system, the alternative perspective is that these are, in reality, business inefficiencies. Through time, technology, competition, and capital, these inefficiencies may not be tolerated by hospital management and a group's service agreement may find itself in jeopardy. In response or in preparation for these inevitably likely threats, many forward thinking practice groups are thinking about joint ventures, partnerships, and hybrid models.



DROP IN RADIOLOGY GROUPS FROM 2010 TO 2013.

Could this make sense for your group?



3 Fee Reductions

The Decline of Future Market Value

It's no secret that service fee reduction in radiology has been a constant reality and one has to assume that such pressure will only linger with continued reimbursement reform and the general economic condition of slow growth. One could argue that the biggest loser in this price pressure cooker is the future market value of all things radiology.



In other words, in an artificial world of making decisions entirely on financial metrics, there is simply less profit as costs continue to increase while fees for service continue to decline.

As such, whether or not you are a practicing radiologist, hospital administrator, or investor, the total free cash window is in a negative trend. This does not mean that there is no opportunity for the private practice radiologist—in fact, quite the opposite.

As we don't operate in an artificial, purely financial world, it simply means that practice leadership must be on the constant lookout for value creating activity—**what are you looking for?**



4 The Customer Is **Always Right**

Even If It's Hospital Management

The list of metrics that private practice radiology groups will be externally measured against will only increase: these include but are not limited to enforceable and standard turnaround times, 360 reviews, costs, and



communication—all against a backdrop of increasing transparency. In a 2013 article of *Radiology Business*, Keen cites an example of the decision of a Connecticut based hospital, in response to an underperforming local radiology group, to generate an RFP and seek the services of a full-service teleradiology group. The hospital ultimately transitioned to a national group with all services provided by the teleradiology company except breast-imaging interpretation, with a separate agreement awarded to locally employed radiologists.³ The message is a clear one—private radiology groups cannot merely rely on geography as the sole determinant of their business relationship with hospitals. In short, service matters.

While medical school and residency do nothing to teach and foster the critical role of service in the business of medicine, the good news is that easy to deploy tools do exist today to facilitate the service side of the radiology practice enterprise.



Context & Root Cause Analysis

Things such as the nuanced relationship between the highly technical and specialized experts of the radiology group and hospital staff, the external forces of reimbursement, and the 24/7 nature of the business are somewhat unique to the radiology field. However the business threats to the continued existence and success of the private practice radiology group outlined above are not unique. In reality, the forces at play here are no different from those that continuously shape many other industries.

A critical view would suggest that radiologists, certainly along with other medical disciplines, have previously benefited from a long-standing economic asymmetry. These professionals operated in an environment where super-normal economic returns (historically richer reimbursement rates) co-existed with limited competition (the local established medical groups). In an efficient marketplace, these super-normal returns would attract new entrants, provide additional supply, and serve as a counterweight to normalize the economic benefit. However, in the case of a radiology group, it was simply not an option for hospital management or other providers (e.g., surgeons, family practitioners) to seek radiological services from anyone but the entrenched group(s). As a result, the super-normal returns persisted for years along with the likely birth of the elements of which Warren Buffet refers to as the ABCs of business death—arrogance, bureaucracy, and complacency. The situation, in theory, would have likely continued indefinitely except for the innovation spurred by early and existing teleradiology firms, allowing for simplified, virtual clinical image management combined with value-add services. With geographic constraints minimized (not eliminated given place-of-service requirements), choice became a viable option in the marketplace. As the movement of service providers and hospitals has evolved and become



increasingly transparent, many have written that this may reflect in the ultimate commoditization of the radiologist. This term, in reality, is not an accurate description of the radiology practice marketplace. Commodities are, by definition, perfectly substitutable. There is no way that the combination of experience, insight, and service of one professional group is seamlessly exchangeable with another. The more accurate description is a service industry that is being disrupted by innovation. This is a critical conclusion as commodities again compete only on price, whereas the whole of a radiologic practice is squarely a service where one group can and will be better than the others.

The question now remains: Which group will you be?



The Ideal Solution

How can private practice radiology management combat the challenges highlighted above? The first step is to not only acknowledge, but actively embrace their role as a vital, life-saving service in the digital world. In a recent article by D'Emidio and co-workers from McKinsey, the authors identify three imperatives to stay on top of today's digital service environment.⁴ The three tenets described by the authors are: 1) make service a research and development function that continues to question and refine your offering; 2) personalize the customer experience to match habits and preferences, and 3) simplify service delivery. When applied to image management, there is a long roster of attributes consistent with the above principles including but not limited to:

Image sharing. Offer your hospital and referral partner(s) *a technology platform that allows images to be securely shared over the web on any device, at any time*. If your offering is simple, more people will use it and your role as part of the referral network will only increase.

Reporting capabilities. Don't wait for your hospital compliance officer. Comply with established data redundancy requirements, monitor turnaround times, major and minor miss rates, compliance with stroke program guidelines and **communication** of critical results.

Adherence to industry best practice. Invest in being up to date on the latest in technology trends and constantly strive to bring those trends to improve the bottom line of your customers.

Partner with a teleradiology firm that will be an extension of your service and brand, not a replacement.



Conclusions

The challenges facing the private practice radiology group can be summarized as follows:

1. The professional radiology group is not a devalued commodity, but a service provider in a very disruptive digital world.
2. Embracing this service reality will mean change for your organization if it stands to not just survive, but flourish in the coming years.
3. The right teleradiology group can bridge this new reality and serve as a partner in the continued success of your practice.

To learn more about how StatRad platform and offerings can help your practice flourish in the digital service world, contact 855-TELERAD or email us at sales@statrad.com



Sources

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- 4 D’Emideo T, Dorton D, and Duncan E. Service innovation in a digital world. *McKinsey Quarterly*. February 2015





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 workflows 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.

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