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Preserving Independent Practices in the Age of Corporatization

Wednesday, December 18, 2019 | 7:00-8:00 pm ET

Catherine Everett, MD, MBA, FACR
Coastal Radiology

Robert S Pyatt, Jr., MD, FACR
Wellspan Health System- Summit

Randal Roat, FRBMA
Strategic Radiology

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Today's Moderator

Catherine Everett, MD, MBA, FACR is president of Coastal Radiology, a private practice radiology group in New Bern, NC; which joined Radiology Partners in 2016. Catherine is a summa cum laude undergraduate of Duke University, graduate of UNC School of Medicine with radiology residency and fellowship at NC Memorial Hospital, and a graduate of Yale SOM. Catherine is active in the American College of Radiology, currently serving on the national Council Steering Committee, and as chair of the Economic Committee of the General, Small, Rural and Emergency Commission. She is also a board member of the American Association of Women Radiologists. Catherine enjoys water skiing and wakeboarding, CrossFit, gardening, and her granddaughter Betsy.

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Friendly Reminder

The American College of Radiology (ACR) provides this RLI Power Hour program as an educational resource for attendees. The faculty will offer their individual perspectives but do not speak for ACR.

We welcome your questions but faculty and presenters cannot discuss specific prices, fees or other terms of any specific corporatization-related transactions. We welcome your insights and have to ensure that ACR and its members stay on the right side of the law.

Now let's welcome our faculty!

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Today's Faculty

- **Robert S Pyatt, Jr., MD, FACR** founded Chambersburg Imaging Associates (CIA), P.C. (Chambersburg, PA), Nov. 1981. We serve 175,000 patients in South Central PA, west of Gettysburg, and bordering on the Maryland State Line. 14 radiologists (7 FT & 7 PT), 200,000 procedures/year. Continuous contract with health system since 1/1/1982. Semi-Rural environment.
- CIA Practice President 1981-2018. Currently, Nov. 2018 to present, a part-time partner radiologist, and Chief of Diagnostic Imaging for Summit Health System, which merged with Wellspan Health (York, PA) in September 2018. We are the 2nd largest practice entity in Wellspan Health.
- Chief of Staff, Summit Health Hospitals, 2013-2018.
- 2016 – present, Chair: General, Small, Emergency and/or Rural Practice (GSER) Commission, Board of Chancellors, ACR
- Gold Medal Recipient, Pennsylvania Radiological Society, 2019
- Past President, Pennsylvania Radiological Society.
- General Radiologist (non-fellowship trained), Residency: National Naval Medical Center, Bethesda, MD. Extensive broad experience in IR, and all DR imaging modalities.
- Subspecialists in our practice meet the new definition of the New Generalist: more than 50% of the time practicing outside the subspecialty.
- Wellspan Health is a multi $Billion Health System in Central PA, with 3 independent small private practice separate groups, except for the main hospital (York Hospital), and Ephrata Hospital, where all the radiologists are hospital employees. This structure of small independent private practice groups mixed with two employed physician groups is felt to be a common model in the US, but evolution of this model is expected.

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Today's Faculty

Randal Roat, FRBMA serves as Chief Operating Officer of Strategic Radiology, a coalition of independent radiology practices, advancing its mission since 2012. An expert in radiology revenue cycle management, compliance, and operations, Mr. Roat began his career in software development, and launched a radiology billing company that also developed radiology billing and practice management software. He sold that company to CBIZ/MMP, where he served as national VP prior to joining Strategic Radiology. A past recipient of the Calhoun Award from the Radiology Business Management Association, for which he held national leadership positions, Mr. Roat also served as president of the Healthcare Billing Management Association. He is a Fellow of the Radiology Business Management Association.

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Preserving Independent Practices in the Age of Corporatization

Robert S Pyatt, Jr., MD, FACR

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Disclosures

- I have no disclosures to make relative to the content of this presentation.

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Private Practice (PP) Landscape

- I will be discussing single specialty PP(DR/IR/RO)
- Independent PP nearly extinct in some regions(e.g., Pittsburgh, Phoenix)
- As a % of the workforce, Independent PP is decreasing, with increasing Corporatization, Hospital employment, and multispecialty group employment.
- median group size used to be 7-8 Rads, now 12-14 Rads.
- Group size may not include 24x7 TeleRad availability and which lets you Act Larger(e.g., CIA has 75 credentialed Rads in the "Bullpen" 24x7)

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PP Landscape

- Private Practice ranges from a solo Rad at a solo Critical Access Hospital (CAH) to a 180+ single Rad group covering dozens of hospitals and competing health systems.
- By joining an MSO, Coalition or other “entity”, PP groups can stay independent but can act like they are a much larger company in many ways.
- Some examples include Strategic Radiology, Unified Radiology, and Covalent Radiology.

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PP Landscape

- Strategic Radiology: Best Known, Nationwide. 1,600 radiologists. 250 hospitals. Began in 2009. Academic Centers & Private Practice.
- Unified Radiology: 500 radiologists, with MBMS. New entity, groups from CO, IL, and from Georgia to Maine.
- Covalent Radiology: 180 radiologists. 6 states, 50 hospitals. New 2019 company, in the Texas, Colorado, Nebraska region.

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PP Landscape

- PP groups can also merge with other PP groups. This is the basis for many of the Rad groups that are roughly >60 Rads in size.
- Some PP groups have options, and some have few or none. Much depends on the radiology services structure of the health care system that you practice in.

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Private Practice Landscape

- The radiology services delivery structure of the Hospital or HealthCare System within which the PP Group operates is **Critical** for Strategic Planning.
- Is it a solo CAH hospital? Challenging future !
- Is it an Academic Led System ? Hybrids with PP are out there.
- Is it a hospital employee model for radiologists ? Hybrid employee-PP model ? My Wellspan example.
- Is it a PP model with a very Dominant Rad Group? Watch for possible predatory actions.

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Private Practice Landscape

- Is it a Healthcare system "recently" created, now with multiple separate radiology groups who are "being requested" to create a system-wide group model of some kind ? Midwest example.
- The common denominator is **Consolidation**, and how your PP group adjusts to the Consolidation. You may have some options, or you may have no options.

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Private Practice **Preservation** Options

- Get larger and create your own with other PP groups or join an "entity" which saves your independence, but which allows you to act "larger, stronger and better" with:
- Contracting, including risk sharing contracts
- Quality/Safety/Regulatory MACRA/MIPS compliance and reporting. Data Analytics. Patient Safety Organizations. Best Practices.
- IT Solutions. RCM Savings & Improved collections.

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Private Practice **Preservation** Options

- Better Recruiting and Retention Ability
- Improved health system DI uniformity, reliability, scalability & quality compliance.
- Improved Contractual relations and longevity with health system.
- Improved Night Call sub-specialty coverage, group $ savings
- Improved credentialing & scheduling, at lower costs

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Private Practice Preservation Options

- Some PP groups will be forced to choose between a highly predatory Private Practice Larger Group, versus dissolution of the group, hospital employment or a Corporate Model, and the best choice may be to NOT join the highly predatory PP group and explore the other options, if satisfactory to your contracted hospitals.
- For many non-partners in PP groups, how is their voice heard in these decisions affecting their career ?
- If you are a Resident or Fellow applying for a position next year, ask questions about the Governance and structure of the entity you are joining.

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Private Practice Preservation Options

- Private Practice Group needs to maximize the quality of their relationship with their hospital(s) and create partnerships, joint ventures, and mutually beneficial solutions. Requires Leadership skills, flexibility, credibility, reliability, knowledge, and involvement in the decision-making groups. PP groups must strongly support Rad leadership involvement.
- The ACR has many resources available to members, and which are helping members.

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Private Practice Preservation Options

- To Avoid becoming a health system employee, the radiology PP group(s) must be very responsive to the issues involving contracting(including risk sharing contracts), ACO involvement(and leadership), strong partnering with the hospitals including radiologist led initiatives to the benefit of both parties(such as data analytics & quality/UM responses, and Joint Ventures), and collaboration with other PP (and academic, if applicable) groups in the system.

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Independent PP Preservation Summary

- By linking with a larger organization or forming a larger organization, with many resources, and actively working to partner with and improve contractual relationships, Q&S(such as ACR Registries, health system uniformity & quality), MIPS scores, RCM, ACO leadership and other health system leadership roles (RLI Training), hospital partnerships, data analytics, AI(thru ACR DSI, and other resources), and other efforts, the Independent Private Practice Group can significantly increase their survivability and success into the future.

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Preserving Independent Practices in the Age of Corporatization

Randal Roat, FRBMA

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Randal J. Roat Disclosures

- Personal – None
- Strategic Radiology LLC – Chief Operating Officer

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Agenda

- Radiology environment
- Definition of independence
- Preservation of independent practice
- Discussion

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Radiology Environment

Key factors or concerns

- The challenge to keep patients needs, and not profits, first
- Preservation of hospital & community relationships
- Preservation of market and contracts
- Ability to grow the practice patient volume and practice footprint
- Recruit and retain subspecialty radiologists
- Technology
- Coping with increasing complexity of "existing" - Regulatory and operational oversight; Implementation of new regulatory legislation
- Introduction of competition and "predatory behavior"
- Ability to sustain high productivity levels for a long career path
- Increasing/high debt levels and prominent overhead expenses of PE funded – practice buyouts
- $$

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Radiology Environment

Factors Driving the Changing Practice Environment for Radiology

- Continued push to move from Volume to Value
  - Value in Radiology difficult to define and harder to measure
- Move from fee for service to other mechanisms for payment
  - HCC and RAFs
  - ACOs in play, are they the long term solution?
- Some on Wall Street see arbitrage of physician practice revenue as an economic engine to drive investor profits from consolidation of fragmented practice structure
- Hospitals and healthcare systems view physician practices as sources of income to help offset costs and diminishing margins
- E & M Code Revision projections forecast an 8% decrease in radiology Medicare revenue
- Drive to push radiologist productivity to higher levels
- Physician well-being and physician burnout

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Definitions

Merriam Dictionary: private practice

a professional business (such as that of a lawyer or doctor) that is not controlled or paid for by the government or a larger company (such as a hospital)After years as attorney general, he returned to *private practice*.

Cambridge Dictionary: private practice

the work of a professional person such as a doctor or lawyer who has their own business and does not work for a company or the government

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Definitions

Merriam Dictionary:

Definition of *corporation*

a body formed and authorized by law to act as a single person although constituted by one or more persons and legally endowed with various rights and duties including the capacity of succession

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Fiduciary Obligations

Structuring your business as a corporation creates fiduciary responsibilities, or obligations of trust. Traditionally, corporate directors and officers owe fiduciary duties to the corporation and its stockholders.

In certain circumstances, fiduciary duties may also apply to controlling stockholders who possess a majority interest in or exercise control over corporate business activities, but not to other ordinary shareholders. A breach of a fiduciary duty may result in personal legal liability for the director, officer, or controlling shareholder. State statutory law, judicial decisions, and corporate articles of incorporation and bylaws may also impact a person's fiduciary obligations to a corporation.

https://www.nolo.com/legal-encyclopedia/fiduciary-responsibility-corporations.html

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Structural Comparison

	Corporate	Independent Practice
Governance	Top down (outside ownership)	Partnership
Purpose	Primarily ROI to shareholders	Patient Care / Shared Administration
Clinical Expertise	Usually purchased	Inherent clinical expertise developed to meet patient and community needs
Business and Administrative Expertise	Focus on rapid scale, driving EBIDTA	Focus on clinical operations and relationship management
Financial	High (Expensive)	High (Challenging)

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Steps to Preserve Independent Practices in the Age of Corporatization

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Imperatives

- High quality, low cost patient care
  - Society cannot afford the current healthcare cost trajectory
  - Government influence
  - Emerging corporate and wall-street influence
- Reliable and dependable business relationships
  - Clinical quality and Patient Safety
  - Dependable and compliant business infrastructure
  - Technology
  - Data (large data sets)
  - Recruit and retain radiologists
- Continuous process improvement to drive higher quality clinical, business and operational processes

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Success strategies

- Alignment
  - Financial – MSO, Mergers, etc.
  - Operational – technology, RCM, Compliance, etc.
  - Clinical – subspecialty, AH, shoulder, weekends, holidays, etc.
  - Contracting – local, regional, national.
- Scale
  - Clinical Scale
  - Cost reduction
  - Technology purchases
  - Clinical standards and protocols
  - Standardization
  - Data set development and BI

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Advantage – Independent Practice

- Healthcare is long term (dating back to Hippocrates)
- Equity is intentionally a short term process maximizing investor profits and minimizing investor risk
- If past is prologue, investors will “find new interests” simply because grass is greener elsewhere.
- Independent Practice is poised for greater success when this happens
  - Patient Care, Quality, Safety
  - Financially
  - Recruitment and retention

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Independent Practice Evolution

- Patient Centric
- Relationship Centric
- Alignment and Scale
- Must evolve and learn to function as TEAMs vs collection of individuals
  - Work as Team of Teams concept

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The Power of Teamwork

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The Power of Teamwork funny animation: annu shaws YouTube

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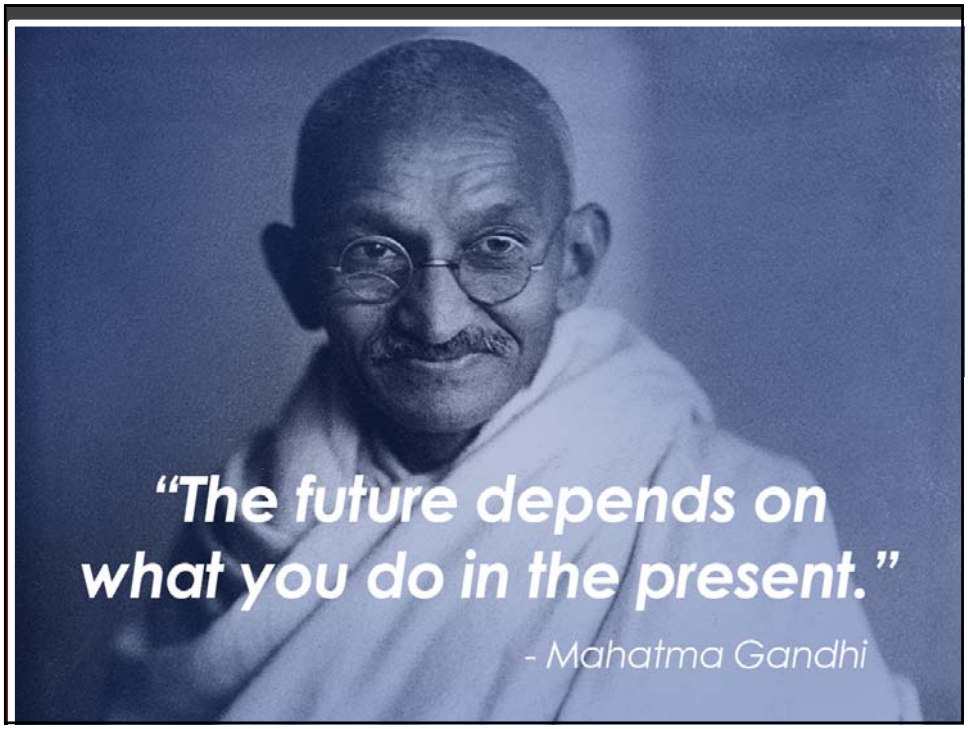

Discussion

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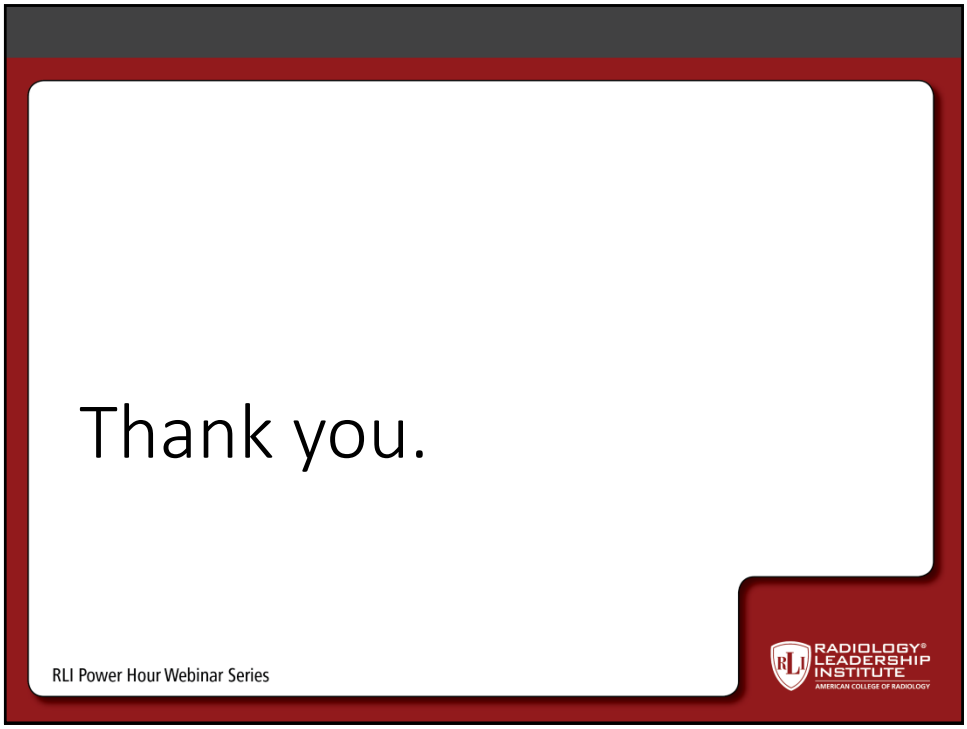
Thank you.
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