Consolidation in Radiology: What Radiologists’ Need to Know

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Introduction

• Historically, private practice radiology groups have been organized as radiologist-owned partnerships
• Consolidation has occurred locally for many years
• More recently, there has been an uptick in mergers and acquisitions by corporate entities on a national level
• The purpose of this presentation will be to:
  • evaluate the market forces contributing to consolidation
  • assess the types of consolidation models and transactions
  • identify the largest national radiology practices
  • consider the potential implications of consolidation
Current State of Radiology

• Approximately 36,000 practicing radiologists
• Radiology professional services yearly revenue ~ 18 billion
• Independent private groups still account majority of revenue
• Exact market share of independent radiology groups vs. corporate groups is unclear
  • Estimates from the literature in late 2000s and early 2010s no longer accurately reflects current state of market
  • Current state of flux, as new acquisitions are reported on a seemingly weekly basis
Contributing Forces

• Financial pressures facing independent radiology groups:
  • Declining outpatient reimbursements
  • Infrastructure required to comply with MACRA reporting guidelines
  • Large capital investment required for new technology
  • Consolidation across other sectors of healthcare including payers

• Logistical pressures facing independent radiology groups
  • Increasing demand for near 100% subspecialty interpretation
  • Increasing demand for on-site after hours / overnight coverage
  • Increasing demand for shorter turn around times
Private Equity / Corporate Consolidation

• The emergence of private equity backed or publicly traded radiology groups.
• Represents the most significant change for the field and is occurring most rapidly in recent years.
• Historically, growth occurs through acquisition, investment into infrastructure, admin and IT, and then sale or IPO
• Overarching goal will be to maximize return on investment
• Incoming radiologists more likely to be employed than physician owners
• Few large entities are beginning to aggregate the market
• Can be radiology specific or multi-specialty conglomerates
Who are the emerging major players?

- Radiology Partners
- MEDNAX
- Envision Physician Services
- RadNet
- Gris Radiology
Potential Benefits of Consolidation

• For the Practice:
  • Possibility of negotiating more favorable payer contracts
  • Cost savings related to economy of scale
  • Possibly improved security of existing hospital contracts
  • Access to new capital and enterprise technology
  • Improved operations related to Management Service Organization
  • After hours and subspecialty solutions
  • Ability to compete with other local practices who have joined or are joining larger groups
Potential Benefits of Consolidation

• For the Radiologist:
  • Opportunity for current partners to monetize practice value
  • Tax arbitrage related to lump sum payment taxed at long term capital gains
  • Long term job / income security
  • Allows radiologists to focus more on clinical work and allow the corporate entity to focus on business management and growth
  • Possibility of improved scheduling/flexibility with afterhours and subspecialty reads provided remotely
Potential Benefits of Consolidation

• For the Patient:
  • Possibility of improved portability of imaging examinations.
  • Possibility of lower costs for patients
  • Potentially more available sites for patients to undergo their examinations
  • Quality of interpretations remains to be seen
Concerns related to consolidation

• Physicians lose autonomy to PE/Corporate entity
• Potential interpersonal disputes between late-career radiologists seeking buyout and early-career radiologists seeking to maintain autonomy
• Further commoditization of the discipline of Radiology
• Central emphasis of ownership will be to make money either via cost-cutting or increased work output
• Emphasis on RVU generation may affect quality
• Overall clinical impact of Radiology could diminish
• Long term impact of a consolidated market is unknown
Alternatives to Corporate/PE Consolidation

• Collaborative alliances
  • Regional or national alliances between independent private practice groups
  • Focus on quality, collaboration, and strategy
  • Examples: Strategic Radiology, Empire Health

• Health system alignment
  • Management or professional service agreement, joint venture, or hospital ownership/employment

• Academic-private practice partnerships
  • Allows academic center to grow regionally
  • May occur concurrently with health system growth
  • Academic departments creating “Community Radiology” divisions
Opportunities for further investigation

• Survey radiologists in recently acquired large groups
• Survey referring physicians regarding satisfaction pre and post radiology group acquisition
• Engage healthcare consulting firms to more accurately assess the current state of the market and future outlook
• Follow medical student application trends to Radiology through NRMP’s Charting Outcomes in the Match
• Extrapolate from international experiences with consolidation (i.e. Australian experience)
• Task forces, position statements, White papers from professional societies
References

References


