



Consolidation in Radiology: What Radiologists' Need to Know

Arvind Vijayasarathi MD MBA MPH; Noriko Salamon MD, PhD

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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?



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

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