

Dealing With Opportunity and Adversity in the New Healthcare Environment: Corporatization and Alignment

You are the president of a 37-radiologist practice in a growing northwest metropolis. The group provides services to four hospitals of a 7-hospital health care system and also to one hospital that is part of a competitive system. The group is partially subspecialized and is generally thought of as a good radiology practice; however, there are problems that need attention.

Previously, the practice was governed by its founding partner, Dr. Elder, who made all significant practice decisions. While on a ski vacation in Switzerland, Dr. Elder suffered an unexpected, fatal myocardial infarction. No succession plan had been in place, and no formal mechanism existed for the practice to deal with this occurrence. At a hastily called group meeting, an election was held to replace Dr. Elder. Nobody was anxious to run for president, but one of your colleagues mentioned that you, Dr. Ready, had attended the 2018 and 2019 ACR-RBMA Practice Leaders Forum, and before you could opine one way or the other, you were elected president by acclamation.

Of immediate concern is that two of the older practice members were known by group members to have deteriorating clinical skills, yet despite the increasing sub-specialization of the practice and the medical staff in general, during the evening shifts and on weekends these physicians were still interpreting procedures that were not part of their "normal shift" responsibilities. Recently, one of these radiologists missed a cavernous sinus thrombosis on a CT scan performed on a 35-year-old attorney. The findings, in retrospect, were not egregious, but they were not subtle either. Needless to say, the consequences were devastating. The patient died, and the hospital and the radiology group were both faced with potential legal action that could range into the 7-figures.

The ER group is managed by a national company that also has a radiology division. The chair of the ER department told the hospital CEO that his company could easily provide the sub-specialty radiology coverage that the referring physicians required and the patients deserved.

Now it has been 10 months since the transition, and the issues facing the group have become apparent to all of the shareholders and have appeared to escalate.

These problems are as follows:

- 1) Three weeks after he missed the cavernous sinus thrombosis, the same radiologist missed a cerebral bleed, thinking that the finding on the CT was calcification in the falx. The medical staff leadership is now demanding that your practice take action against this radiologist and share its QA/QI data with the hospital Peer Review Committee. Unfortunately, although it subscribes to RadPeer®, your practice does not have any other formal QA/QI program in place. To make matters worse, the hospital risk manager has reminded you that your hospital contract obligates your group to indemnify the hospital for errors made by the practice. Upon checking with your insurance carrier, you are told that your policy does not allow you to indemnify another entity, and that any determined liability will have to be borne by the individual shareholders.

- 2) Your practice business executive shares with you that the company that owns the emergency room practice has approached her. This national entrepreneurial entity has a radiology division that is willing to pay each shareholder \$4,000,000.00 if they would agree to sell the radiology group to the national company. The payment would be 80% in stock and 20% in cash. The stock would vest over five years as a means of retaining the shareholders as “valuable members of the new practice” and insuring continuity. Salaries would be dropped 35%, and that lowered compensation level would remain in effect indefinitely. You are amazed that the most enthusiastic proponents of “selling the practice” are not the older members of the practice, but those shareholders in their late 40s and early 50s.

- 3) Your business executive has asked the practice Executive Committee for a payment equal to that being given to each shareholder, if the practice decides to sell to the national entity. After all she said, “I have been a part of this practice for 20 years. Certainly, the success of the practice is partly due to my efforts”. Those same late 40s and 50s shareholders are vocally against any such payment, and they are against any additional payment for partner-track radiologists. The national company offers no guidance other than to say that no additional payment will be made for the practice. One of the partner-track physicians has threatened litigation against the group if they sell and do not compensate him in a manner equal to that of the full shareholders. “I came to this practice with the expectation of earning a certain level of income”, he said. “I have a mortgage and educational expenses for my kids that are based on those expectations, which in turn were based on the promises made to me when I interviewed”.

- 4) Recently, the hospital CEO told you that she was approached by the health care system CEO who wants to have a single radiology group take responsibility for the practice of radiology in all of the system’s hospitals. The system wants to have one group take charge of quality, technologist and referring physician education, the development of procedure protocols, and dealing with department issues. She said that if you can resolve your existing problems successfully, your group is the logical choice of the system; however, if you are unable or unwilling to accept that role, the system CEO will make the request to one of the groups that is providing radiology services at the other three hospitals in the system- or solicit bids from a national radiology entity. As you were getting up to leave the meeting, still trying to decide whether this offer was a

problem or an opportunity, she expressed to you that in this “new age of alignment”, you are either with the system or against it. Thus, if you want to practice in any of the system hospitals (to say nothing of assuming responsibility for the practice of radiology in all of the hospitals), your group will have to sever ties with the competitive hospital.

- 5) At your most recent PA meeting, the shareholders had a frank discussion covering all of these important matters. Needless to say, the practice members were divided in their thoughts. Some of the younger radiologists are now considering leaving the group for other “more stable” job opportunities. Several group members expressed an unwillingness to change and confront any of the issues discussed. They said that hospital administrators “come and go”, so there is no reason for concern or action. Other radiologists at the meeting demanded immediate termination for the group member with eroded skill sets saying that he was putting everybody’s jobs at risk. A few members did not want the added responsibility of taking on additional hospitals and radiologists.
- 6) Although your practice had no succession plan (and nobody initially wanted to be president), there are now 2 practice members who seem to be undermining all of your decisions. They are also calling for a new election, because the initial one was done “on the spur of the moment”.

Questions For Discussion/Resolution

- 1 Does your practice have a succession plan that is understood by all practice members? If so, how would your succession plan have facilitated the transition that this practice faced?
- 2 How does your group prepare its “leaders-in-waiting”? How often does your group elect officers? Has your practice ever removed a president from office before his/her term elapsed? If so, why?
- 3 Does your practice have a policy to remediate deteriorated skill-sets? If so, what is that policy? Have you ever implemented the policy? What should constitute an appropriate practice QA/QI program? Is RadPeer alone sufficient?
- 4 If you know that one (or more) of the radiologists in your practice has eroded skill-sets, do you believe that you have an obligation to see that the radiologist does not interpret studies in the sub-specialty area in which he/she is deficient? Does your practice routinely evaluate the interpretive skills of its member radiologists? How do you do that? Does your hospital contract have a clause providing for mutual indemnification?

- 5 If you want to grow larger or expand your subspecialty capabilities, what are the alternatives to selling your practice? What are the advantages and disadvantages of each option?
- 6 Are the terms of the proposal (80% stock; 20% cash) standard for these transactions? Do stock shares usually take 5 years to vest in these transactions?
- 7 Should partner-track radiologists receive a payment even if they do not own shares of stock in the practice? If so, how much is reasonable? If not, are you concerned about potential litigation? Should the business executive receive a payment if the practice "sells" to the national entity? If so, how much is reasonable? Is it a common occurrence to compensate the business executive?
- 8 What are some factors making the offer from the national company appealing to the shareholders in their 40s and 50s? What are the problems, if any, with accepting the company's offer? Will this potential "sale" have an impact on recruitment?
- 9 If your practice decides to accept the "alignment offer" described by the hospital CEO, what options do you have in dealing with the existing radiologists at the other three hospitals? How should you best conduct the negotiations with the leaders of those three groups?
- 10 If the group decides not to leave the hospital of the competing system, what discussion points/arguments can it present to the administration of its main system to support its position? How should those negotiations be structured?