

IMAGING ECONOMICS

Business Solutions for the Medical Imaging Industry

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Worth the Weight

CAPITALIZE ON THE GROWING BARIATRIC IMAGING MARKET

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Uphill Climb

Health care reform has made the business of medical imaging more arduous than ever. Here are four steps imaging providers can take to ensure operational success.



By Brian Baker

Regents Health Resources, a Franklin, Tenn.-based imaging consulting firm, recently completed research quantifying the impact of health reform on imaging from three perspectives: imaging volume, capacity to accommodate the additional volume, and the forecast cost of those exams to the system.

With the Supreme Court ruling on the Patient Protection and Affordable Care Act and the elections behind us now, health care is faced with the tough task of managing the impact of health reform. For medical imaging, the impact is especially significant and continues to hold uncertainty with sustainable growth rate (SGR) updates pushed off for yet another year.

While it is generally accepted that reform, through the individual mandate provision, will help fill today's financial holes left when uncompensated care is provided, it also will bring additional volume that imaging providers must learn to accommodate both operationally and financially.

Exam Impact: With a majority of the uninsured population getting some form of health care coverage under reform, this coverage will drive millions of new exams to imaging. States forecasted to see the greatest increases are California, Texas, and Georgia. In just those three states alone, we project a 22.7%, 17.7%, and 17.3% increase, respectively, with California seeing almost 9 million additional exams. Each state will experience varying levels of impact based on the current uninsured population. The consolidated impact is forecast at 13.6% of existing volume or an additional 61 million annual procedures nationally.

Technology and Capacity: The current CMS relative value practice expense calculation assumes an equipment utilization rate of 75% of 50 hours, or 37.5 hours per week. But as industry veterans know, the actual hours of use vary widely between outpatient providers, many wishing they could get near 37.5 hours of use a week. Conversely, most emergency departments provide 24-7 service hours. Considering the installed MRI and CT equipment nationwide, and these hours, the additional volume from health reform seems to indicate capacity limitations in some areas across the country. In other words, to accommodate health reform volume, some markets will require drastic changes in technology capabilities, hours of service, staff, and support operations.

Cost: Yet to be determined within reform are the rates at which health care providers will be paid for the new patient volume. If current trends and the March 2012 report by the Medicare Payment Advisory Commission are any indication, it is easy to assume government programs will not be inclined to pay more than they do today. With the exception of a limited number of CPT codes in a few states, Medicaid rates across the United States are generally less than Medicare. Using an average of the Medicare and Medicaid rates applied to the state-by-state CPT, specific reform volume reveals a forecast additional spend of over \$4 billion in California, Florida, Massachusetts, New York, Tennessee, and Texas alone. The problem is that CMS is budgeting single digit percentage increases in spending through 2020.¹ The increase in these six states alone represents almost 1% of the total 2010 Medicare spend or, said another way, almost 25% of the 2014 spending growth projected by the Congressional Budget Office. Expect further scrutiny to correct this disparity in spending projections.

Sustainability & Survivability: Any business, without an ability to turn a profit, will eventually fold. If medical imaging providers (both hospital and outpatient based) want to survive, they will need to adapt. Learn the four steps you can take right now to ensure your operational success:

1. Pull a Lever: There are two levers you can use to improve the bottom line of any business:

A. Increase Revenue: In a declining reimbursement environment, the only way to grow the top line is to grow your patient volume to overcome the rate at which your reimbursement (per exam) is decreasing—a simple concept that is not easy to enact when additional controls are being implemented to ensure appropriate utilization. Think billing efficiency and automation. Do you bill for everything you already do? Chances are the answer is “I don't know.”

B. Reduce Expenses: Decreasing expenses is not as simple as laying off staff. You'll need those skilled resources to help accommodate the increasing volume. Sophisticated data and study are needed to understand where you are beating benchmarks and where you need more work to get expenses in line. A great example of inconsistency in expenses is a recent project completed at Regents, which showed a cost per procedure variability between locations within the same

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**Brian Baker, President,
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company of over 2X. Do you know how you stack up to the market? Another way to reduce expenses is to get more from the same work you are already doing.

2. Standardization: How would you feel about flying if one out of 100 flights never reached its intended destination...for whatever reason? Mechanical failure, loss of direction, schedule... dare we say it, crash. Consistency is a great way to think about standards, checklists, and repeatability.

Health care is moving quickly toward documenting best practices we can and should learn from. Checklists, not unlike those used by pilots or military personnel, ensure forgetful humans don't miss something, and guarantee everyone operates the same way to safeguard repeatability and drive quality. Groups across the country are diligently working on all-inclusive standardized reports. It is this kind of thinking along with the insights clinical integration will provide that will get us there.

3. Data & Benchmarks: Knowing the minute by minute condition of your operations and your performance as it relates to your peers defines where you should make changes to stay competitive. Think benchmarking.

Almost everyone benchmarks hundreds of times a day without realizing it. What do you think when you get passed on the highway? "That person is going faster than I am" or "I am going slower than that person." Your perception of a situation will drive your decision process, whether you should increase or decrease your performance in order to remain competitive.

Making use of industry tools and using real-time data to benchmark, learn, and drive operational and clinical decisions is the future of health care. Get started now.

4. Relationships: How well do you know your referring MDs...personally? When is the last time you had a meeting with a payor to talk about quality and process improvement, not price?

Population-based health care, another name for accountable care organizations, is marching on. How imaging fits into this new model has yet to be fully defined. What we do know is that people buy from people, not companies.

Step back and take an honest look at the relationships around you. Is there a dialog between you and your payors? How about your referring physicians? What do they really think about your services and are they seeing real value from the exams and interpretations? What types of intangible support do they get from you?

Physician survey results from thousands of referring MDs by Regents over the last few years continue to tell us two things: 1) The biggest dissatisfier is scheduling, and 2) 75% say they want to learn more from and about their imaging providers. When you cultivate the relationships surrounding and supporting your operations, the dividends will greatly outweigh the investments in loyalty.

Challenging Times

Medical imaging remains one of the most clinically revealing but often underappreciated capabilities of modern medicine. Unfortunately, it is this capability and specificity that drives utilization and thus the perception by some that imaging is overutilized. More use, appropriately, will drive down imaging costs and drive up benefits for health care.

We have placed ourselves in a vulnerable position by not celebrating the benefits of our services to patients and the cost savings to the health care industry as a whole.

The future could not be any clearer. As an industry, we must collaborate and define our own standards for appropriateness and quality to ensure that each and every appropriate patient receives access to high-quality care.

By working together, communicating the benefits and cost savings, and sharing standardized best practices and results, we can put imaging back in the driver's seat, allowing us to do what we do best...provide accurate and specific diagnostic reports to our referring physicians. **IE**

*With over 25 years dedicated to solving problems in medical imaging, today **Brian Baker** is President of Regents Health Resources, a national medical imaging consulting firm based in Franklin, Tenn.*

REFERENCE

1. Congressional Budget Office Report, March 13, 2012

WEB BOX

WATCH THE VIDEO!

Learn more about health care reform and its impact on radiology. Find out what Richard Duszak, MD, FACR, has to say in this brief video from the Harvey L. Neiman Health Policy Institute.

■ <http://tinyurl.com/ar4frpv>

To view the INTERACTIVE EDITION, go to ImagingEconomics.com