

FUEL GROWTH IN IMAGING

How to Commercialize your Imaging Service Line to Fuel Growth in a Consolidating US Healthcare Market

FROST & SULLIVAN BRIEF

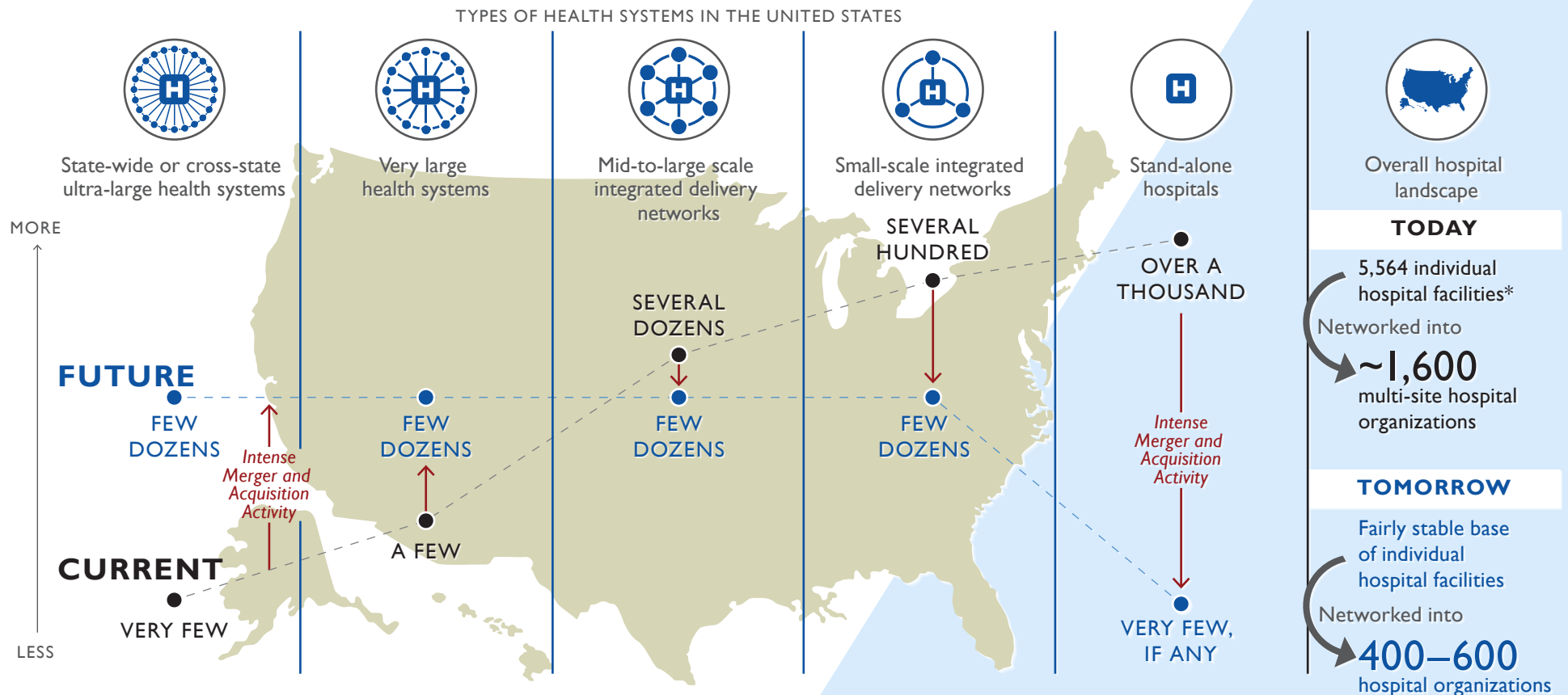
by Nadim Michel Daher, Industry Principal, Medical Imaging and Imaging Informatics

Ongoing Consolidation of the US Hospital Landscape

2017 has shaped up to be another big year for healthcare industry consolidation in the United States. The number of mergers and acquisitions that occurred among hospital chains surpassed that of 2016.

As patterns of this activity become clear, there does not seem to be any end in sight to the consolidation phenomenon. If it follows its course like it has over the last several years, in just a few years the hospital provider landscape will look very different.

For instance, today several hundred hospitals still operate on a stand-alone basis, while at the opposite end of the spectrum, only a few very large multi-site systems with several dozens of hospital facilities exist. Soon, these very large networks will prevail, with some spanning state-wide or crossing state borders, such that all-in-all the U.S. will be left with between 400 and 600 different hospital organizations, down from the current 1,600.



* American Hospital Association Fast Facts on US Hospitals, <http://www.aha.org/research/rc/stat-studies/fast-facts.shtml>

Source: Frost & Sullivan



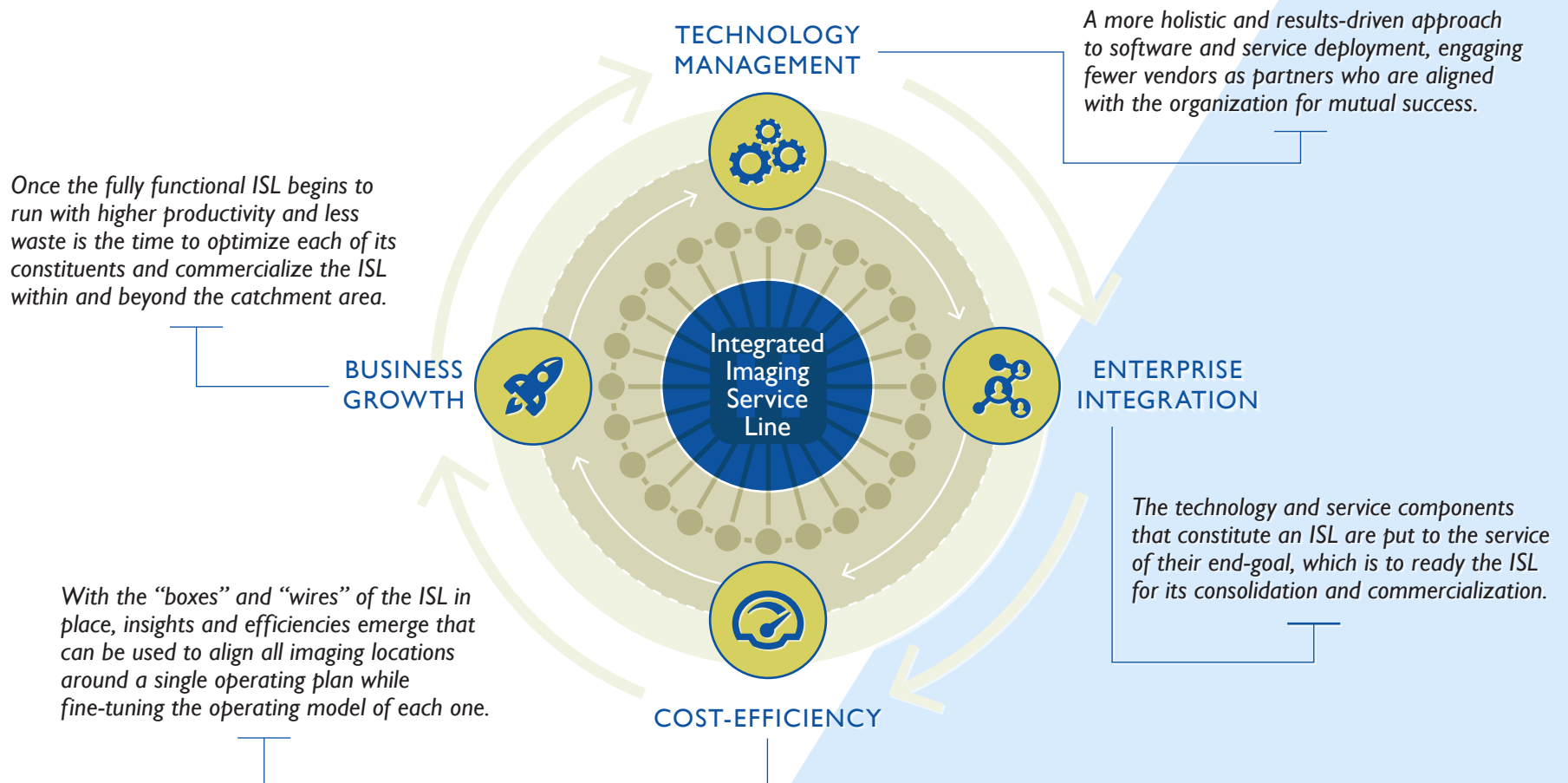
Four Pillars of Success for an Enterprise-Wide Integrated Imaging Service Line

It is quite easy to rationalize the ongoing consolidation of hospitals into fewer larger integrated delivery networks (IDN's) and health systems, with the quest to reduce costs and reap higher value from the system being the main drivers.

However, the reality is that the consolidation is not yet producing the expected economies of scale. At the level of medical imaging,

integrated imaging service lines (ISL) are the key to start fueling a virtuous cycle of cost efficiency and growth.

While ISL's are a fairly new concept, the four pillars for success have become a lot clearer today: they are about Technology Management, Enterprise Integration, leading to Cost-Efficiency, and eventually to Business Growth.





NEW ACQUISITIONS

CREATE a simple, replicable and cost-effective way of getting a newly acquired facility on-board the ISL, without the burden of managing an additional silo or the need for an expensive forklift upgrade.

FLEET-WIDE MANAGEMENT

STREAMLINE the processes for maintaining, procuring, and replacing imaging equipment assets at the fleet level, working with fewer, better-aligned vendor partners, which will free-up capital and predict costs.

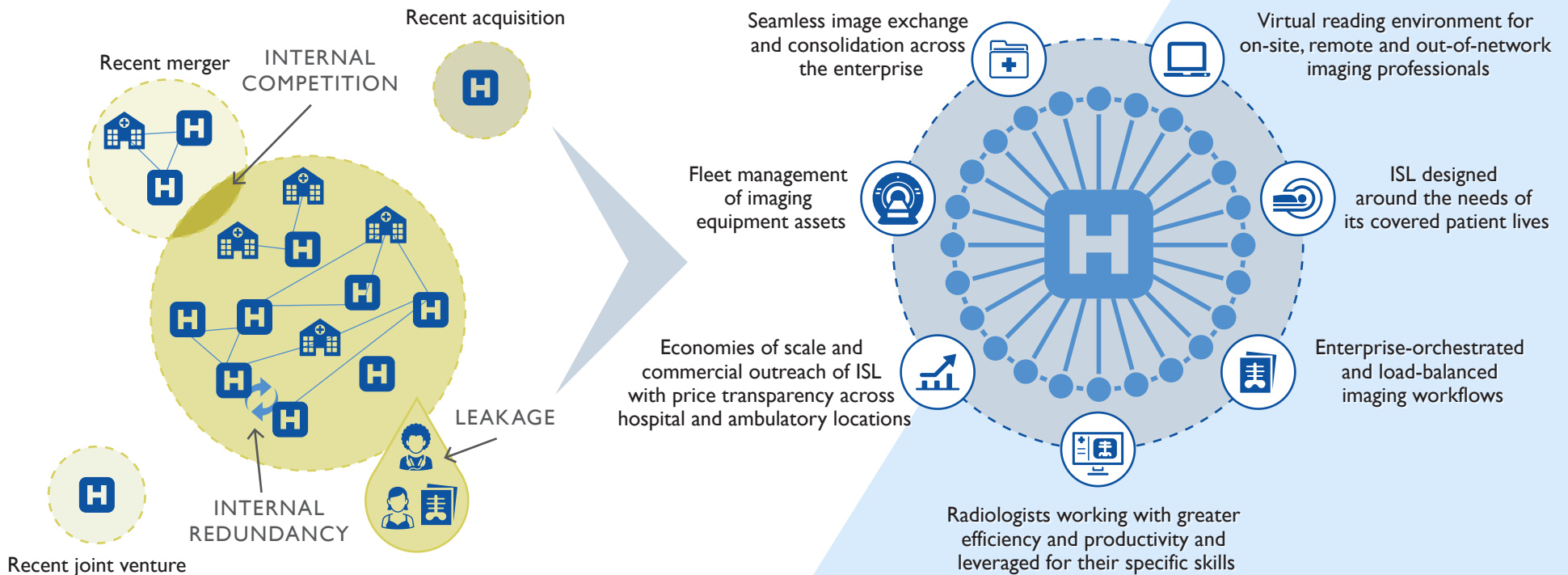
VENDOR ENGAGEMENT

LEVERAGE high-value-adding services such as transformation, advisory, and managed services, working with vendors who are willing to take ownership and hold themselves accountable to the desired outcomes.

Paradigm Change

From Running a Collection of Departmental Imaging Operations...

...to Driving an Integrated Imaging Service Line





PHYSICIAN ALIGNMENT

ENSURE that the various sites of service and professional resources comprising the ISL contribute to one operating plan that produces, maintains, and measures alignment between health system, physicians and patients.

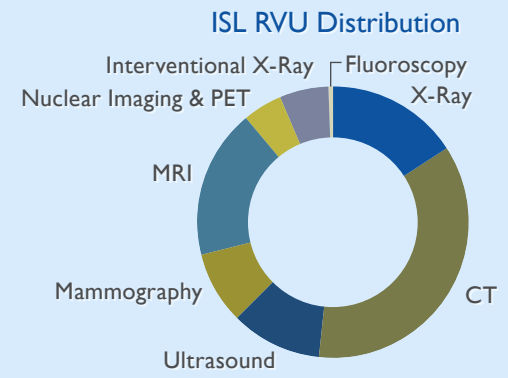
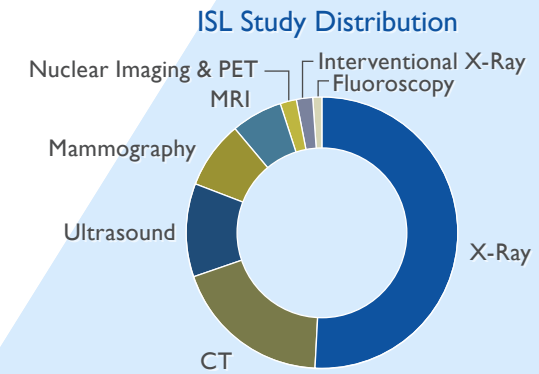
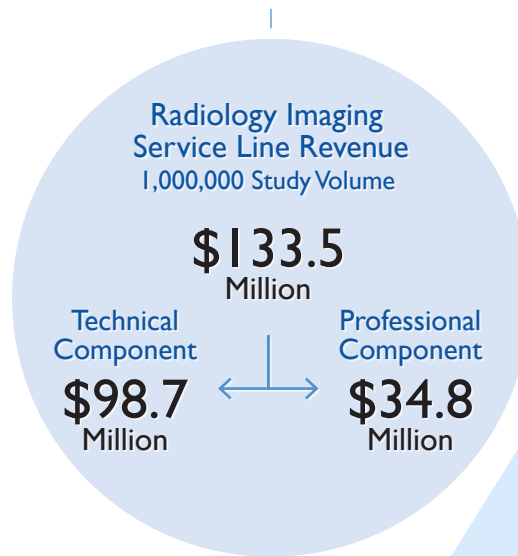
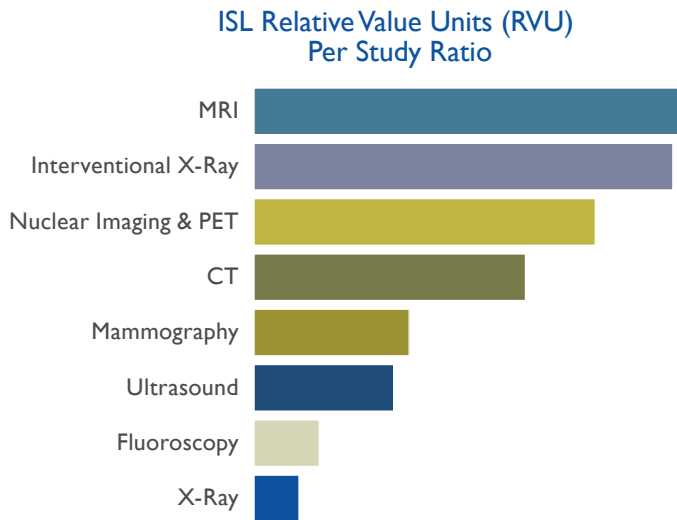
OPERATING PLAN

DEFINE service level expectations for the ISL so that patients receive the same quality of service irrespective of time, location or radiologist localization, and such that ISL constituents can be benchmarked against one another as apples-to-apples.

CLINICAL COLLABORATION

CAPITALIZE on the digital maturity of medical imaging, as one of the three major pillars of diagnostics alongside pathology and laboratory services, to drive new collaborative workflow models across the service lines that support clinical decisions.

Math of a Typical I-Million-Study Imaging Service Line

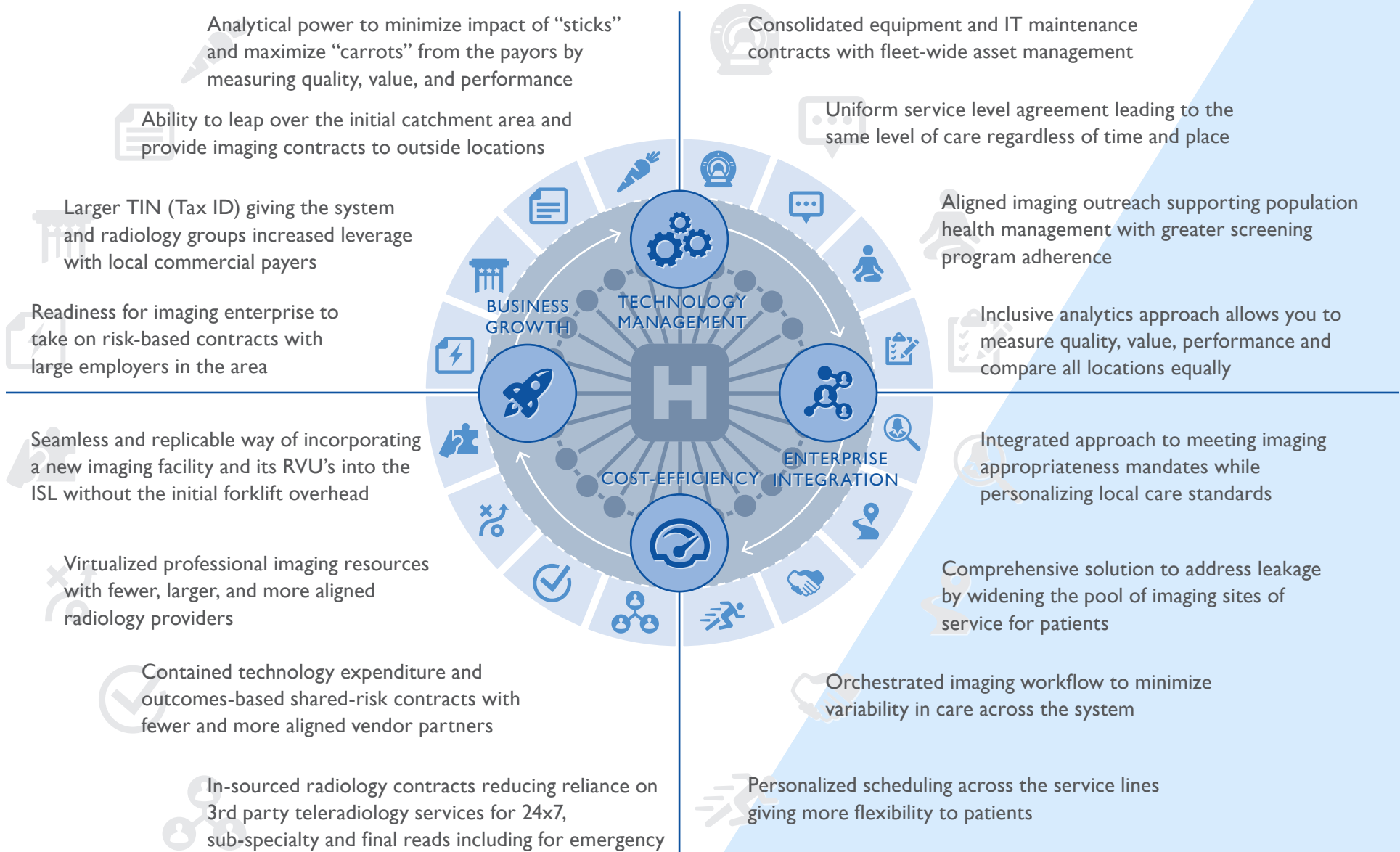


Note: ISL Assumptions:
 Technical to Professional RVU Ratio: 2.700
 Avg Payer Mix as % of Medicare: 105.00%
 Non General Practitioner with Special Interest Adjusted per RVU reimbursement: \$35.80

Source: Frost & Sullivan

Outcomes That Can be Measured and Improved

Thanks to the Economies of Scale and Skill of an Integrated ISL



Source: Frost & Sullivan



REFERRAL OPTIMIZATION

PRIORITIZE internal resources by exploiting the investment into a high-availability platform of specialized imaging experts and latest-greatest imaging capabilities, as a way to increase out-of-network referrals and minimize leakage.

CATCHMENT EXPANSION

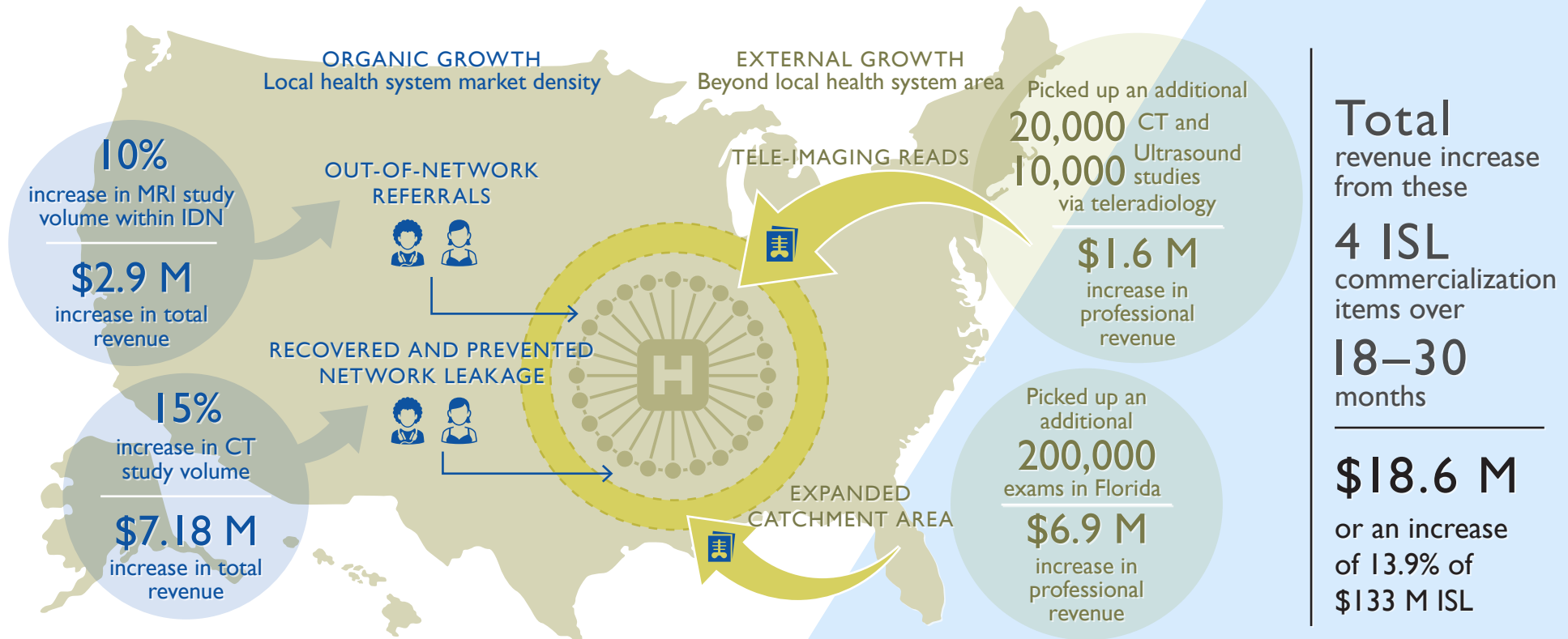
DISTRIBUTE the ISL workload in an orchestrated manner across available resources while developing tele-imaging activities as non-predatory ways to obtain adjunctive sub-specialty and final coverage.

NEGOTIATION LEVERAGE

CONSOLIDATE the ISL financials into a single Tax ID and demonstrate the reduced cost per RVU led by lateral consumption of additional ISL capacity, in order to gain additional leverage in shared-risk contracting and payment model negotiations.

Illustration of Four Organic and External Growth Opportunities

Realized Over 18–30 Months from Integrating and Commercializing Your ISL



Technology Investments

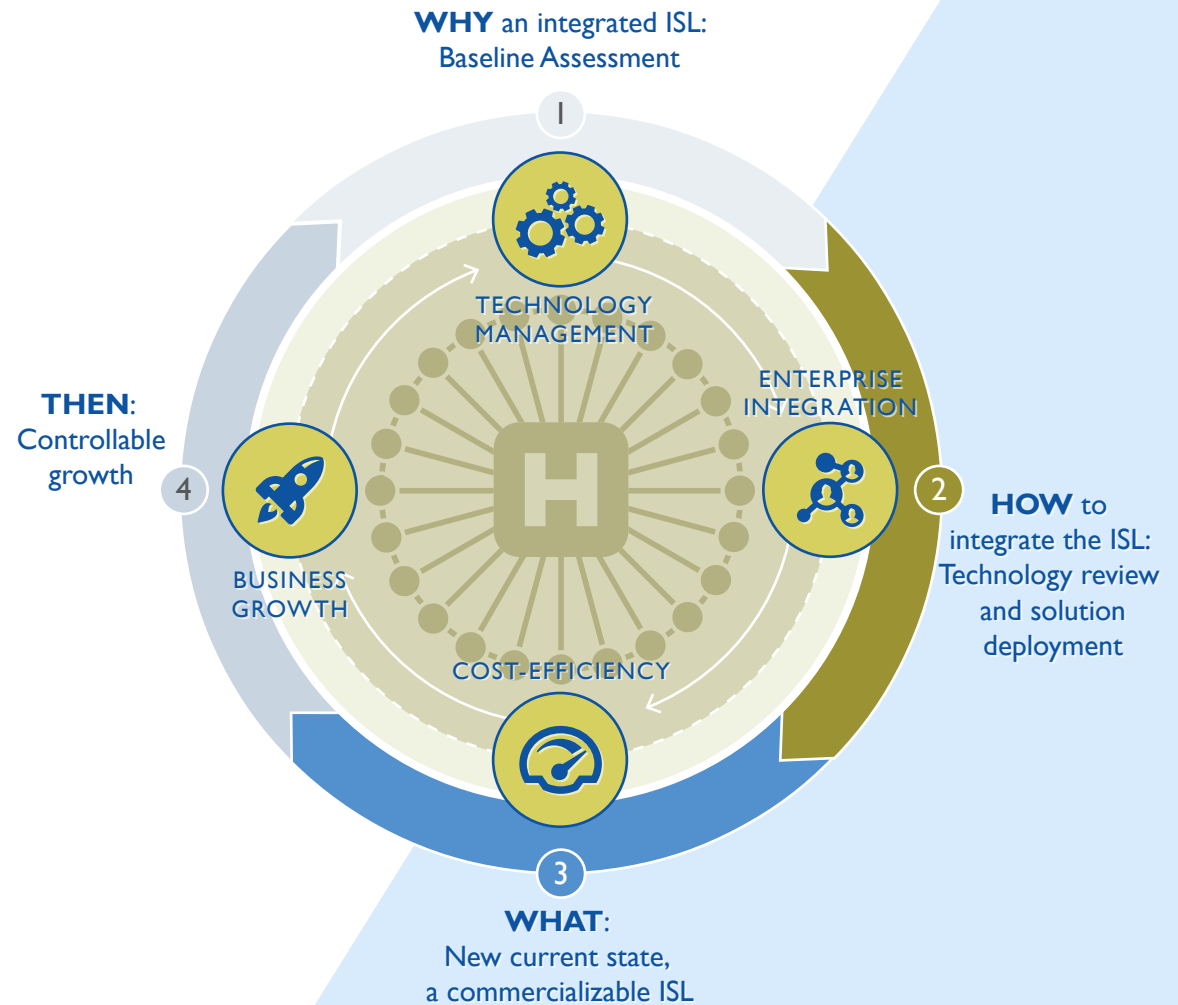
The “Why” Should be Driving the “What”

The way medical imaging organizations continue to justify and realize their technology investments is proving increasingly more unsustainable. The imperative for value-based healthcare imposes on imaging operations to augment and demonstrate their value and that of their new investments, so as to get aligned with institutional-level value-based purchasing frameworks.

The best-practice for reaching this goal is to invest in appropriate, carefully selected and planned professional imaging resources, additional capacity, technology and services that can combine into one integrated ISL. Without a clear purpose and validated contribution to an ISL operating plan, new investments pose the risk of adding complexity, redundancy or liability to the imaging enterprise.





Accomplishing an ISL that can be commercialized and grown in a controllable manner is, therefore, a process that must start with setting out the rationale and desired outcomes for its various constituents and stakeholders, including vendors as partners.

If healthcare is to start approaching the efficiency levels that have been attained in virtually every other industry, the field will have to come to terms with the idea that industrialization is an opportunity for collective betterment, not a threat to the people involved.



Source: Frost & Sullivan

NEXT STEPS

-  Setup a meeting with your Imaging Service Line team members and discuss this paper and the “why” and “what” of your imaging service line.
-  Interested in learning more about the topics covered in this white paper? Call us at 877.GoFrost and reference the paper you’re interested in. We’ll have an analyst get in touch with you.
-  Visit our [Digital Transformation](#) web page.
-  Contact your local Siemens representative and learn about their Service Line Solutions. To learn more visit the Siemens Healthineers [population health](#) page.

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