Vendor remains one of the last of the independent PACS firms

DR Systems has discovered an interesting niche in the PACS market. Formed in 1992, the small, independent company has carved out a profitable business in PACS, particularly by providing digital image management systems to imaging centers. This strategy has helped DR persevere in a market where many PACS and teleradiology vendors have met an early demise.

Although DR Systems has a lower profile than many of its competitors, the company continues to grow, and doubled its sales volume in 1997 over the year before. It now boasts nearly 40 PACS installations, including its first international sale last year. Virtually all are 80% or more film-free, according to the vendor.

Radiologists Dr. Murray Reicher and Dr. Evan Fram formed what was initially called Dominator Radiology Systems in 1992, consolidating initial PACS software development each had conducted independently. Reicher and Fram saw the need to improve the efficiency of radiology departments with PACS technology, but were dissatisfied with what was then available in the market. Both have remained key executives with the company: Reicher holds the position of chairman, while Fram is chief scientist. Richard Porritt came over from ultrasound powerhouse Acuson in 1994 to assume the post of president and CEO.

Product development began in 1992, and the company installed a beta version of its Dominator PACS offering in January 1993. The product received Food and Drug Administration 510(k) clearance early that year. The company was also one of the earliest PACS firms to employ CD-ROM technology in PACS, having installed archives based on the popular consumer media as early as 1993.

Even from the beginning, DR Systems has relished its status as an independent, privately held company. DR has not received any funding from venture-capital firms, instead relying on seed capital from several radiologists, Reicher said. A year after the launch of the company, Dominator benefited from a sizable investment by Leo Zuckerman, owner of imaging equipment and film distributor Mary X-Ray.

DR systems has also not shied away from asserting itself against larger companies. DR received a patent in 1995 for filmless automation, the company's method for automating the display and reading of medical images. The firm sent a letter to 70 medical imaging firms notifying them that DR Systems had been awarded the patent, an initiative that generated some controversy in the PACS market. DR executives declined to discuss the current state of its patent-protection effort, saying only that it was in discussions with several entities regarding the issue.

Work also began in late 1995 to port the company's PACS line from DOS to the increasingly popular Windows 95 and NT operating systems. As part of that effort, at the 1996 Radiological Society of North America meeting the company showed Universal Manager, an all-in-one multitasking workstation that runs on Windows NT or 95. Universal Manager is designed to be used primarily by technologists, clerks, referring physicians, and in ICU-type applications.

At last year's RSNA meeting, DR rolled out Release 3.0 of its PACS software, which added Windows 95 and NT versions to the product family, as well as DICOM query/retrieve support. At the same meeting, DR announced a money-back policy that guaranteed a full refund if its PACS did not meet a list of stated criteria (PNN 1/98). The company also showed Remote Ambassador, a Windows NT- or 95-based teleradiology package for referring physicians.

DR Systems develops its own PACS software, Reicher said. For primary diagnosis, the company offers the Dominator radiologist multimodality workstation, while the Ambassador workstation is targeted for remote reviewing of images and reports by referring physicians. Multiple copies of the
Ambassador software are available at no incremental cost to the customer. The company offers DICOM data compression capability, both for archiving and teleradiology purposes, Reicher said. In archiving, the firm offers the Guardian and Guardian Jukebox CD-ROM-based digital archive subsystem. The company provides a full PACS implementation program, including cost-justification models, on-site training, follow-up education, 24 x 7 service, and support. DR Systems also takes pride in its level of DICOM support.

The company maintains a small direct sales force, and also sells systems through a distributor network. Most of the vendor's sales come from word-of-mouth referrals from existing clients, Reicher said.

In future product plans, DR is working on adding digital dictation and report generation capability to the product family. The company envisions incorporating many of the tasks typically associated with radiology information systems, such as automated report delivery, scheduling, and other radiology information, into PACS workstations. The firm also plans a 1998 launch of Assimilator, a software package designed to provide intranet access for referring physicians. Technologies such as computer-assisted diagnosis are also being explored.

DR Systems is a profitable company and maintains 18 to 24 months of operating expenses in its cash reserve, Reicher said. Despite being in a market where smaller companies have merged with larger firms at a frenetic pace, DR Systems has no plans to follow the crowd, preferring instead to maintain its independence. The company is interested in OEM relationships, although it is comfortable with its current distribution channels, he said.

While DR Systems is a small, privately held company competing amongst giants in the PACS market, its sole focus on PACS should provide potential customers a sense of security, according to Reicher. "PACS is all we do," he said. "We're not going to shut down our PACS division, as the largest companies in this arena have already done in some cases, multiple times."

In addition, with nearly 25 employees, the size of DR Systems is similar to the number of employees dedicated to PACS at other larger PACS firms, he said.

**Future prospects**

The company's emphasis on providing cost-effective PACS solutions has led to a profitable niche for the firm, especially in the imaging center realm, where economic concerns are particularly pronounced. DR does face challenges, however, in convincing customers to take a chance on a small company in a market increasingly dominated by large vendors. The firm's money-back guarantee offer is a shrewd move, and should be helpful in overcoming resistance from some potential customers who may be reluctant to go with a smaller firm. In addition, the company's disciplined financial approach, both in its operations and in the technology it offers, should result in continued success for the foreseeable future.

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**Management**
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Dr. Evan Fram, chief scientist
Leo Zuckerman, member, board of directors
Kent Curtis, head of development
Mark Herndon, director of sales

**Product line**
DR PACS

**Product distribution**
Direct and distributor sales

**Revenues**
1998 (est.): $10 million
1997: $6 million

**Selected sites**
Mercy Magnetic Imaging Center in San Diego, CA; Scripps Mercy Hospital in San Diego, CA; George
Imaging center PACS market is profitable niche for DR Systems
Published on Diagnostic Imaging (http://www.diagnosticimaging.com)

Washington University Hospital in Washington, DC; Radiology Medical Group in San Diego and Encinitas, CA; North Main Imaging in Dayton, OH; Nassau Radiologic Group in Garden City, NY; St. Joseph's Hospital/Barrow Institute of Neurology in Phoenix, AZ; Clearview Medical Imaging Center in New Orleans, LA; Sacred Heart Hospital in Pensacola, FL; and Kalamazoo Neurology in Kalamazoo, MI

**Long-term strategy**

DR Systems plans to continue its emphasis on providing PACS solutions with proven cost-effectiveness. The company will commercialize only technology it believes both improves the practice of radiology and reduces costs.

**Disclosures:**

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