Teleradiology's financial forecast shows chance of rain

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Teleradiology's relatively smooth sail into the waters of commercial success may be in for some turbulence as prices per read drop like a barometer in a hurricane. Most of the pressure forcing rates downward comes from the perfect storm of increased competition, reduced reimbursements, commoditization of preliminary read service, and continuing effects of the Deficit Reduction Act of 2005.

"The DRA hit the onsite radiologist and was passed to the teleradiologist," said Dr. Greg Rose, president and CEO of NightRays Radiology.

The overall declining state of the economy, together with decreasing healthcare reimbursements, plays a large part in the downward price pressures the market is experiencing. In the wake of the DRA, and in anticipation of the anti-markup rule and other reimbursement changes from the Centers for Medicare and Medicaid Services, hospitals, radiology practices, imaging centers, and mobile imaging providers have had to cut costs to remain afloat financially.

"It is only reasonable that they look to their teleradiology provider to share the pain," said Mark Stevens, COO of USTeleradiology.

Some radiology groups are covering more call on their own to keep costs down, resulting in increased savings for the practice but lower revenues for teleradiology providers. Another factor in the drop in price per read is the continued rise in the number of teleradiology groups, driven by steady industry demand from all imaging sectors for their reading services. Teleradiology has risen on the tide of unprecedented access to advanced imaging by an aging population. Emerging technologies have also broadened imaging indications.

"Teleradiology has become more than a convenient after-hours service," said Judith M. Turner, vice president of sales at ProScan Reading Services. "[It] is now more of a true problem solver."

The entry of more regional and local players into teleradiology increases pricing pressure on larger companies struggling to maintain market share. Smaller competitors are at times more nimble than larger companies and are able to compete on price.

Three years ago, prices for preliminary reports were in the mid-$60s. At that time, there were few multi-exam discounts for preliminary reports, and the means of image distribution was often supplied and paid for by the client.

Now, however, preliminary report fees charged by teleradiology companies have fallen from the mid-$50s to the low $40s, and multi-exam discounts are more prevalent for studies such as CT abdomen and pelvis. Pricing now is often based on volume. Some teleradiology companies now impose minimum fees or charge for image distribution technology in an effort to cover overhead.

"In short, overhead has increased in the face of declining prices," Stevens said.

He sees preliminary report pricing leveling out in the near term to the mid-$40s.

"The current costs of high-quality, fellowship-trained radiologists, a good quality assurance program, solid and up-to-date technology, and Joint Commission on Accreditation of Healthcare Organizations approval and the process that accompanies it do not leave much room for further negotiation," he said.

The question is whether hospitals and radiology groups want to shop teleradiology on quality or price alone. If it's the latter, someone will always provide lower priced reads. Bottom-feeding brings the risk, however, that the quality of patient care could be affected.
"We're providing reads of exams that have a major impact on patients' lives, not reading palms," Stevens said.

**SUBSPECIALTY EXPERTISE**

One of the original attractions of teleradiology for small and large imaging groups was the service that teleradiology provides in terms of subspecialty interpretation, a versatility not always available, particularly on the staffs of smaller imaging enterprises.

Rather than forcing an onsite general radiologist to become proficient or keep trained in a subspecialty, it often makes more economic sense to give up that 5% to 10% of cases. Focusing instead on bread and butter radiology allows those outsourced cases to be interpreted correctly, Rose said.

New physicians now coming out of residency want to set up specialty programs with hospitals, such as foot and ankle, hand and wrist, or oncology centers, said Dr. Philip A. Templeton, president and CEO of Templeton Readings. "They want expert MR, CT, and PET support."

Teleradiology is positioned to provide this subspecialty support. It offers an ideal solution by connecting expert radiologists working in cyberspace, where the supply is greater, to facilities that need help reading their studies, said Jesse A. Salen, vice president of sales and technology at Online Radiology.

In some cases, subspecialization is no longer sufficient, however. One teleradiology trend is toward supraspeciality reads.

"Hospital-based radiologists are beginning to partner with supraspecialists to meet the demands of referring physicians to have expert interpretation of small extremity MR, cardiac CT angiography, virtual colonoscopy, and breast and prostate MR," Turner said.

Hospital-based radiologists must deal with a maze of modalities, making it difficult to be adept in all areas. "Hospitals are no longer merely looking for coverage; they are looking for expertise, resulting in teleradiology specialization," she said. "Remote partnering with supraspecialists provides the service necessary to build patient and referring physician loyalty."

Another reason for falling rates is commoditization of preliminary read service. "A myriad of providers providing a myriad of radiologists reading the next available scan has led to a feeling of commoditization, resulting in downward pricing pressure," Templeton said.

The antidote for this is a smaller dedicated group of teleradiologists who develop relationships with referring physicians, something often missing when imaging studies are treated as a mere commodity, according to Templeton.

**MARKET FORCES AT WORK**

Turner cites other market forces at work that conspire to drop price per read. Radiologists, like all physicians, are tied to the Medicare Physician Fee Schedule.

"The trend in pricing is more reflective of bundling than it is of direct fee reduction," she said.

Bundling means radiologists are doing more work for the same amount of money. With virtual colonoscopy, for instance, reimbursement for 3D reconstruction has been bundled into reimbursement for the study. Since imaging studies now contain more and more slices and thinner and thinner cuts, radiologists are in effect working longer for the same recompense.

As professional reimbursement for radiology services is compromised by the MPFS, radiologists are continually searching for workflow efficiencies to become more productive. This is one reason why PACS, RIS, and other workflow solutions are so popular. Essentially, radiology has been forced to create efficiencies because it now takes longer to read a study. Teleradiology, in turn, has been pushed to provide more than remote reading services.

"For difficult, time-consuming, infrequent types of read studies, it sometimes makes efficiency sense for hospital-based radiologists to partner with a teleradiology group that offers subspecialty interpretations," Turner said.

Beyond vanilla night call, subspecialty, or even supraspecialty interpretation, some of the more agile teleradiology firms are beginning to refit their offerings to include overflow coverage during the day and final report delivery at night.

"There has been more and more demand from hospitals and radiology groups for teleradiology to help with daytime overflow coverage—especially in rural areas—to act as virtual telelocums to cover short-handed groups," Salen said.

While the shortage of radiologists is not as critical as it was a few years ago, the number of radiologists is still not keeping pace with the demands of an imaging industry growing at an estimated 15% to 20% per year.
"Overflow studies from daytime are increasingly being sent to teleradiology companies for interpretation," said Dr. Ashish Dhawad, COO of Telediagnosys.

One interesting trend Dhawad sees is that some small clinics and imaging centers with minimal exam volumes are moving toward 100% dependency on teleradiology. "While some imaging facilities are closing, new ones are opening, based on their confidence that they can be completely serviced via teleradiology without affecting the quality of patient care," he said.

Some teleradiology companies now offer telemammography as a value-added service. "Many mammography groups have months of mammogram backlog," Salen said. "We see this as an area where we can help."

Another trend in teleradiology is the switch to final reports and away from preliminary reports only. Providing final reports eliminates the need for in-house radiologists to reread the studies read by the teleradiology group overnight.

Some teleradiology companies do not provide final reads, unless requested, due to concern for quality of care.

"Our belief is that the patient is better served by a radiologist providing a preliminary report at night and a fresh radiologist doing the comparison and final dictation the following morning," Stevens said. Instead of final reads, companies like USTeleradiology offer a hybrid that involves providing a preliminary report, followed the next morning by a final dictation, much the same as the process found in most hospitals.

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