Radiology Business Management: A Crash Course

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Objectives

- Increase understanding of some of the important factors in managing a successful radiology practice
  - Organizational Structure & Governance
  - Effective Leadership
  - Strategic Planning
  - Accounts Receivable
  - Performance Measurements & Employee Satisfaction
  - Hospital Contracts
  - Managed Care Contracting
  - Employment Contracts
  - Future Directions
Sources

- Radiology Business Practice: How to Succeed
  - David Yousem, MD/MBA
  - Norman Beauchamp, MD/MHA
  - 28 Chapters/Topics
  - 503 pgs
Sources

• Lecture Notes from 2002-04
  – Information confirmed and bolstered using internet searches

• The 7 Habits of Highly Effective People
  – Stephen R. Covey
  – 352 pgs
Organizational Structure & Governance
Organizational Structure & Governance

• Mission Statement:
  – Fundamental reason for being
  – Statement of identity
  – Stands up over time, regardless of changes in industry, technology, and economy
  – Discuss often and use in all major decisions

• Example (UW): “To meet the clinical needs of the hospitals we serve, to train the practitioners and the leaders of tomorrow, and to advance the manner in which imaging and imaging sciences improve the human condition.”
Organizational Structure & Governance

• Mission Statement:
  – Separate mission statement for each division
    • Fixed-site imaging locations
    • Teleradiology division
    • Overnight services
    • Daytime services
    • Mobile imaging business
    • Billing Division
Organizational Structure & Governance

• Vision Statement:
  – Paints a picture of anticipated future achievements
  – Updated every 5 years
  – Discuss often and use in all major decisions

• Example (UW): “The UW Radiology Dept is the premier academic radiology program in the nation. Our practice is at the highest levels of measurable success fiscally, clinically, academically, and in our chosen areas of research. Through our involvement at the UW . . . we contribute to innovations in clinical practice throughout the region. A key element in our success is the creation and maintenance of a workplace environment that is stimulating, challenging, collegial, and enjoyable for all our physicians and departmental staff.”
Organizational Structure & Governance

• Internal Business Plan:
  – Identify current & future opportunities, in line with the stated aims of the mission & vision
  – Recognize the present & future challenges
  – Detail a list of actions to take advantage of the opportunities & limit the challenges
  – Generate an implementation plan
  – Identify a means for measuring progress toward meeting those goals
Organizational Structure & Governance

- Assign Leadership & Governance Roles:
  - Get people involved
    - Chair of the hospital radiology dept (MD)
    - Physician CEO/Group President
    - Non-physician executive (Exec VP/Exec Dir/COO)
    - All partners should participate in at least one committee:
      - Finance committee
      - Operations committee
      - New business & marketing committee
  - Strong service goals coincide with strong business principles
Effective Leadership
Effective Leadership

• Leadership **skills** and **traits** are different

  – Skills are developed
    • Tools used to advance group toward a common goal

  – Traits are inherent
    • Perseverance, intelligence, self-awareness/confidence, trust, fairness, integrity, forgiveness, communication
Effective Leadership

- Prioritize issues

<table>
<thead>
<tr>
<th></th>
<th>Important</th>
<th>Unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urgent</strong></td>
<td>Crisis—deal w/ immediately</td>
<td>Don’t get lost in these</td>
</tr>
<tr>
<td><strong>Nonurgent</strong></td>
<td>Long-term strategic plan (&gt;50% of time) → fill schedule w/ these</td>
<td>Just say no</td>
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</tbody>
</table>
Effective Leadership

• Change Management
  – Move an organization from where it is today to where leadership desires it to be
    • Involve all levels of employees
    • Improve systems operating at suboptimal levels
    • Continually evaluate & solicit feedback
    • Encourage fairness & consistency
Effective Leadership

• Identify core values
  – Patient safety
  – Customer satisfaction
  – Operational excellence
  – Quality of life
  – Legacy
  – Financial success

• Make critical/tough decisions

• Meetings
  – Organized agenda
  – Assign tasks & deadlines
  – Follow-up
Effective Leadership

Practice balanced self-renewal along dimensions of physical, spiritual, emotional/social, mental.

Out of sense of trust, work together to bring best results possible.

Seek emphatically first to understand. Demonstrate your understanding. Then seek to be understood.

Think abundantly. Seek a win for everyone.

Take responsibility for what occurs in life. No excuses.

Tap into imagination & conscience to evaluate what is important. Create personal mission statement.

Live based on those principles. Work on matters that support the mission. Prioritize.

Think abundantly.
Seek a win for everyone.
Effective Leadership

• **Self-Renewal**
  – Learn everywhere from everyone; observe who does things right & wrong, and how they do them
  – At least 25% of reading should be non-medical
  – Seek mentors and be a mentor to others
  – Seek feedback and reflect on outcomes, ways to improve; reflect on daily events regularly
  – Exercise, relax, unwind
Strategic Planning
Strategic Planning

- **Strategy**: Integrates vision, policies, and action sequences into a cohesive plan
  - Reflect on mission & vision for organization
Strategic Planning

• Formulate business strategy & broad action programs (high level)
• Formulate functional strategy (low level)
• Consolidate business & functional strategies
• Develop action plans
Strategic Planning

• Formulate business strategy & broad action programs
  – Goal to create a long-term competitive advantage (above avg profits)
    • Low-cost producer
      – Economies of scale
      – Proprietary technology
      – Preferential access to raw materials
  • Differentiation
    – 3D US
    – Sub-specialization
    – Open nights & weekends
  • Focus
    – Serve a segment of the industry to the exclusion of others
      • i.e., Hand expert
  – Each division assesses past & future business positions
    • Relative to competitors
    • Internally—how are we doing?
Strategic Planning

- Formulate functional strategy according to mission & vision
  - Functional managers:
    - Office managers
    - Call center managers
    - Modality managers
    - Others
Strategic Planning

• Consolidate business & functional strategies
  – Resolve conflicts between business & fxn’l mgrs
  – Balance the portfolio:
    • Risk vs reward
    • Short-term profit vs long-term development
  – Determine available funds, debt policy
  – Preliminary review of action plans
  – Reflect on vision & mission
Strategic Planning

• Develop action plans
  – Measurable impact in 12-18 months
    • Prioritize activities (high, medium, low)
    • Costs/benefits estimates
    • Timetables
    • Manpower requirements
    • Establish measures to monitor progress & completion
Strategic Planning

- Consolidate budget & approve strategies & operational funds
- 3-5 year cycle to review mission, vision, strategic planning process
Strategic Planning

• Short-term Initiatives
  – Annual operating budget/financial plan
    • Include qualitative plan to achieve financial goals
    • Focus on key drivers of growth
      – Quality & service
      – Each year focus on a specific division most in need of attention
Strategic Planning

- Key drivers of growth
  - Quality & service
    - From customer perspective, what are the best practices?
    - How does your organization perform relative to those best practices? Be honest & constructive
  - Evaluate performance in:
    - Scheduling
    - Registration
    - Study performance
    - Image interpretation
    - Radiologist report preparation & communication
Strategic Planning

• Key drivers of growth
  – Quality & service
    • Referring physicians & pts want efficiency & decreased time consumption
    • 3rd party payers want providers & pts satisfied at reasonable cost
  – Requirements:
    – Respond to customer needs & requests
    – Scheduling—monitor time to answer, length of calls, % answered in target time, # of outliers
    – Procedure—monitor wait time, ease of registration, pt properly prepared
  • Each initiative needs a committee of people to help accomplish the goal
Pseudo time-out

Pseudo pseudarthrosis
Profit

- **Profit = Revenue - Expenses**
  - How to increase revenues:
    - Repeat customers
      - Retention
      - Inexpensive
    - New customers
      - Marketing
      - Word of mouth
      - Can be expensive
Profit

• Customers
  – Patients, family members
  – Referring physicians, hospital administrators
  – Payers: Insurance companies, government
  – Employers
Pseudo Time-Out Over
Accounts Receivable
Accounts Receivable

- AR = Credit
  - Services have been provided and payment is expected

- Cost of AR
  - Time value of money
  - Predictability costs
  - Financing costs
  - Morale costs
  - Cost due to payment less than the “credited” value charged for the service
  - Opportunity costs
Accounts Receivable

• Opportunity cost
  – Money cannot be invested in another scanner (used to increase capacity, revenue, etc)
    • Far better ROI than another investment device

• Other costs of AR
  – Expense of resubmitting bills
  – Loss of submitted charges
  – Collections costs
  – Poor mgmt—losses of 3-5% ($5-10M)
Accounts Receivable

When does AR begin?

- Revenue cycle & billing
  - Order
  - Preauthorization
  - Perform exam
  - Code procedure
  - Generate bill—beginning of AR
    - Submit claim in 24-72 hrs for outpatients
    - Submit claim within 72 hrs of discharge for inpatients
      - Await discharge diagnosis by medical records
        - Avoids payment delays
Accounts Receivable

- Payment
  - At negotiated price
  - Less than expected
  - No payment ("charity" work)
- Key Measures*
  - Days in AR
    - Total AR/avg daily billings
    - Lower is better (< 60 d)
      - 80% < 90 d
      - 17% = 91-180 d
      - 3% > 180 d
  - Adjusted collection percentage
    - Adjusted collections/adjusted charges x 100%

*Standards proposed by the Radiology Business Management Association (RBMA); other resources at their website: http://rbma.org/index.php
Accounts Receivable

• Key Measures
  – Hospital-based—Professional
    • Adjusted collection %: 85%
    • Outsourcing improved collections ~2%
  – Outpatient-based—Global
    • Adjusted collection %: 91%
    • Outsourcing improved collections >10%
  – Billing cost/procedure
Performance Measurements & Employee Satisfaction
Performance Measurements & Employee Satisfaction

• How do we measure performance?
  – Define performance
  – Identify the actions that are needed for that performance
Performance Measurements & Employee Satisfaction

• Attributes of Effective Measurements
  – Congruent w/ goals of organization
  – Focus on value drivers and critical resources
  – Simple & understandable
  – Broadly applicable across range of activities
Performance Measurements & Employee Satisfaction

• Attributes of Effective Measurements
  – Can be obtained in a reproducible, timely manner
  – Cost effective to obtain
  – Difficult to manipulate
Performance Measurements & Employee Satisfaction

- **Radiologists: RVUs**
  - Based on:
    - Physician effort
      - Time
      - Mental effort & judgment
      - Technical skill & physical effort
      - Psychological stress
    - Relative practice cost (geographical)
    - Malpractice value/opportunity cost of subspecialty training
  - **Academic**
    - Clinical productivity/RVU
    - Teaching evaluations
    - Publications
    - Citations
    - Grant support
Performance Measurements & Employee Satisfaction

• Non-radiologists
  – Focus on value drivers & critical resources (productivity)
    • Nurses
    • Technologists
    • Support staff
    • Administrative personnel
    • Patient transporters
Performance Measurements & Employee Satisfaction

- 52 academic radiology departments surveyed
  - Productivity
  - Reporting
  - Access to examinations
  - Customer satisfaction
  - Finance

Performance Measurements & Employee Satisfaction

• Radiology Departments
  – Productivity
    • Exam volume (78%)*
    • Exam vol/modality (78%)
    • Prof RVUs (58%)
    • Prof RVUs/FTE employee (56%)

*Percentages denote % of institutions that measure this indicator
Performance Measurements & Employee Satisfaction

• Radiology Departments
  – Reporting
    • Report turnaround time (82%)
    • Transcription time (71%)
    • Signature time (67%)
Performance Measurements & Employee Satisfaction

• Radiology Departments
  – Access to examinations
    • Appointment access to:
      – MR (80%)
      – CT (73%)
      – Mammography (69%)
      – Nuclear medicine (49%)
      – Others (25%)
Performance Measurements & Employee Satisfaction

• Radiology Departments
  – Customer satisfaction
    • Patient complaints (84%)
    • Patient satisfaction (80%)
    • Patient waiting time (64%)
    • Referring physician satisfaction (49%)
    • Employee satisfaction (45%)
Performance Measurements & Employee Satisfaction

• Radiology Departments
  – Finance
    • Expenses (67%)
    • Days in AR (65%)
    • Collections by modality (55%)
Performance Measurements & Employee Satisfaction

• Employee Satisfaction
  – Theories on employee satisfaction
    • “Two factor” theory—happiness determined by intrinsic (motivation) factors and extrinsic (hygiene) factors
Performance Measurements & Employee Satisfaction

- Employee Satisfaction
  - “Two factor” theory on employee satisfaction
    - Intrinsic (motivation) factors
      - Lead to job satisfaction when favorable
        - Achievement
        - Work enjoyment
        - Responsibility
        - Advancement
        - Growth
    - Extrinsic (hygiene) factors
      - Lead to job dissatisfaction when unfavorable
        - Organizational policy & admin
        - Supervisors
        - Interpersonal relationships
        - Working conditions
        - Salary
        - Status
        - Job security
Performance Measurements & Employee Satisfaction

- Radiologists/Physicians
  - Intrinsically motivated
  - No need for incentives
  - Dissatisfaction stems from poor extrinsic (hygiene) factors

- Nonradiologist personnel
  - Short-term—paycheck
  - Long-term—find a better job
  - Motivate through training/education (i.e., CPR for transporters)
  - Good extrinsic (hygiene) factors through efficient systems, good environment
Hospital Contracts
Hospital Contracts

- Radiologists are losing their hospital contracts in record numbers
- Replacement groups are usually less-qualified
- Radiologists are often seen as commodities
- Clinical excellence is necessary but not sufficient
Hospital Contracts

- Hospital administrator motivations for change
- Radiologist means of solving the problem
Hospital Contracts

- Hospital administrator motivations for change
  - Tired of referring physician & hospital employee complaints (service issues)

- Radiologist means of solving the problem
  - Participate in medical, political, and social structures of the hospital (boards, medical staff)
Hospital Contracts

• Hospital administrator motivations for change
  – Tired of referring physician & hospital employee complaints (service issues)
  – Don’t like radiologist competition

• Radiologist means of solving the problem
  – Participate in medical, political, and social structures of the hospital (boards, medical staff)
  – Joint ventures w/ hospital, “right of first refusal”
Hospital Contracts

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  – Want more control (hours, numbers on-site, sub-specialists)

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  – Seek first to understand, then to be understood (don’t argue $$)
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  - Provide value-added services to referring physicians, expertise
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  – Want radiologist employees

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  – Keep them happy
Hospital Contracts

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  - Tired of referring physician & hospital employee complaints (service issues)
  - Don’t like radiologist competition
  - Want more control (hours, numbers on-site, sub-specialists)
  - Want radiologist’s turf to attract referring physicians
  - Want radiologist employees
  - Personality clashes (usually during negotiations)

- Radiologist means of solving the problem
  - Participate in medical, political, and social structures of the hospital (boards, medical staff)
  - Joint ventures w/ hospital, “right of first refusal”
  - Seek first to understand, then to be understood (don’t argue $$)
  - Provide value-added services to referring physicians, expertise
  - Keep them happy
  - Act professionally, prepare for negotiations, don’t take things personally
Hospital Contracts

- Provide a service
  - "What is it that you need?" not "This is what I can offer."
- Embrace role as consultant
- Be visible and available
- Participate in hospital & community events
- Strive for loyal (not just satisfied) referring physicians & patients
  - Loyalty based on experiences
  - Demand good citizenship from all group members
Managed Care Contracting
Managed Care Contracting

• Typical radiology practice payer mix
  – 30% Managed Care
  – 30-40% Medicare or other gov’t plan
  – 30-40% other, “self-pay”
Managed Care Contracting

- Managed Care Organizations (MCO)
  - Negotiation not a confrontation
  - Want agreement/partnership on best possible terms
- Steps
  - Preparation
  - Discussion
  - Coming to agreement
  - Final contract
  - Follow-up
Managed Care Contracting

• Preparation
  – What are our strengths & weaknesses in this negotiation? Be honest
  – What are the MCO’s strengths & weaknesses?
  – What is our best realistic outcome?
  – What is our best alternative to a negotiated agreement (BATNA)?
    • Never accept a position that will leave you worse off than the best alternative.
Managed Care Contracting

• Preparation
  – Current conditions of practice
    • How many exams come from this contract/year, if renewing?
    • What % of total revenue to practice does this represent?
    • Compare each payer to a standard Medicare fee schedule.
    • Review capacity for growth by modality.
Managed Care Contracting

• Preparation
  – Current conditions of practice
    • What is your competitive position in your market?
      – Talk to referring clinicians
      – Get sense of loyalty
      – Availability—hours of operation, parking, online access
      – Technology
Managed Care Contracting

• Preparation
  – Current conditions of MCO
    • Are they promoting a special service (i.e., increasing % of women with annual mammograms)?
    • How is the plan marketing itself? Quality? Sub-specialty & high-tech group advantage
Managed Care Contracting

• Preparation
  – Current conditions of MCO
    • History w/ payments & customer service
    • % of claims incorrectly rejected
    • Days in AR
      – Should be 35-45 days
      – Definitely < 60 days
Managed Care Contracting

• Negotiation
  – Group business manager & a physician leader
    • Save president or CEO for later discussions
  – Have a list all issues to be discussed
    • Prioritize based on importance/effect on practice, but don’t bring up in order of importance
    • Know BATNA
  – Don’t discuss rates first (most important and difficult to agree on)
    • Initial plan representative will not have authority to change these; need to go higher up the chain
Managed Care Contracting

• Negotiation
  – Discuss contract terms or provider manual issues first (easy stuff)
  – Establish a relationship
    • Meet several times, seek to understand, then to be understood
    • Each meeting will likely involve someone higher in the MCO (w/ more authority)
    • Be respectful, measured, & cooperative
  – Take notes & summarize agreements after each session
Managed Care Contracting

• Follow-up
  – Closely monitor MCO performance with regard to negotiated rates, special terms, etc
  – Meet w/ contract rep or medical director at least every 6 months
  – Educate them on benefits you are providing for their members, new technology or services
Managed Care Contracting

• Follow-up
  – Discuss how contract is going, issues, claims problems, etc
  – Offer special arrangements for their VIPs, relatives, etc
  – Support company’s program initiatives (special mammo screening days)
  – Look for ways they can bring added value to your group
Employment Contracts

UC San Diego
MEDICAL CENTER
Employment Contracts

• Purpose
  – Transform promises into binding obligations
  – Enforce those obligations under the law

• 5 Basic Provisions
  – Exclusive employment with the group
  – Covenant not to compete
  – Termination w/ & w/o cause
  – Co-termination of rights
  – Protection against sale or repossession of group assets
Employment Contracts

• Exclusive employment with the group
  – “Employee shall not engage in the practice of medicine except as the Employee of Employer, unless authorized by Employer.”
Employment Contracts

• Covenant not to compete
  – Illegal in California, unless a partner of a partnership
Employment Contracts

• Covenant not to compete
  – CA Code Section 16600*
    • “Every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.”
  – Three exceptions
    • CA Code Section 16602
      – Any partner may . . . agree that he or she will not carry on a similar business within a specified geographic area where the partnership business has been transacted, so long as any other member of the partnership . . . carries on a like business.

*Source: http://codes.lp.findlaw.com/cacode/BPC/1/d7/2/1/s16600
Employment Contracts

• Termination w/ & w/o cause
  – With cause
    • Guidelines of appropriate performance & behavior
  – Without cause (“at-will”)
    • Should be fair
      – Should apply to all group members
      – Required percentage vote to validate a decision should be explained in the group by-laws
Employment Contracts

• Co-termination of rights
  – Terminate group employment and hospital privileges simultaneously
Employment Contracts

• Protect group against sale or repossession of group assets
  – From bankruptcy of its members
  – From member’s divorce, death, etc
  – Malicious activities upon termination
  – Added protection
    • Group or member may be required to purchase tail coverage
Employment Contracts

• Breach
  – Unfair competition
    • Non-compete covenants
    • Interference with business
  – Bad faith
    • Fraud
    • Discrimination
    • Retaliation
Employment Contracts

• Remedies
  – Court
    • At law—financial compensation for losses inflicted as a result of the breach
    • At equity—alternative forms of relief to undo the harm caused
  – Alternative dispute resolution
    • Mediation
    • Arbitration
Future Directions
Future Directions

• Health Care in Crisis
  – New model is certain
  – Components likely some combination of:
    • Fee for service
    • Pay for performance
    • Payment bundling to cover treatment of illness
    • Medical home with modified capitation—provides all services to care for pts w/ chronic dz
Future Directions

• Recommendations to the ACR
  – Advocate universal installation of computerized physician order entry w/ embedded decision support
  – Commit to eliminate 100% of inappropriate imaging
  – Evaluate application of risk sharing/capitation, how it affects radiology, and how radiologists can succeed in this model
  – Preserve fee for service as primary means of radiology reimbursement wherever possible
Conclusion

• Discussed
  √ Organizational Structure & Governance
  √ Effective Leadership
  √ Strategic Planning
  √ Accounts Receivable
  √ Performance Measurements & Employee Satisfaction
  √ Hospital Contracts
  √ Managed Care Contracting
  √ Employment Contracts
  √ Future Directions
References

• Corporate Practice of Medicine [Internet]. Sacramento (CA): Medical Board of California. [cited 1010 Feb 19]. 1 p. Available from: http://www.medbd.ca.gov/licensee/corporate_practice.html
Recommended Reading

- Radiology Business Practice: How to Succeed
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Questions?