

## Betting on winners and losers in 2007

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As the Super Bowl and college basketball's March Madness draw near, bookies in Las Vegas are narrowing their picks and setting the odds. They have a matrix for choosing winners and losers. Season records, players, injuries, home team advantage, time off between games, and even expected weather conditions all play a part in their picks.

In 2006, the outpatient imaging industry and vendors serving it were winners in growth, technology, and financials. But this may not be the case in 2007, when the winners in the current reimbursement environment will more likely be hospitals (which are largely unaffected by the Deficit Reduction Act) and vendors offering cost-saving alternatives to what has become an industry of very high fixed costs.

Let's examine the potential winners, starting with software systems that analyze workflow. These systems can be stand-alone black boxes or expanded radiology information systems capable of assessing areas of improvement and identifying costly deficiencies. Practice managers can use these tools to improve efficiencies and analyze shortcomings, ultimately reducing costs.

Next, vendors that provide training to practice managers will come out on top, as they offer a valuable service to their customers. In our consultancy business, I am always shocked at the lack of financial, business, marketing, and workflow knowledge of many practice managers. This is why industry buzz has targeted the shortage of well-trained practice managers.

Many practice managers have risen to their position because of technical ability and hard work, but they often lack formal business training. In an effort to retain these good employees, practices are scrambling to find training programs and seminars. Today, it is critical to offer workflow and business training to managers as well as training in applications specific to vendor equipment. Many managers welcome new ideas and are embarrassed to admit their lack of understanding of a basic profit and loss statement or balance sheet. Vendors offering training in finance, workflow, and marketing will provide a valued-added service that can hone managers' skill sets.

Vendors winning the most sales in 2007, especially among outpatient centers, will be those that offer financial flexibility and upgradability on multiple fronts. Let's start with flexibility. New sales should, at a minimum, include two years of complimentary support services. Payment plans should be more flexible than in previous years. The three-months-at-zero-payments option probably needs to expand to three months at zero payments, three months at interest only, and then six months at half payments. On average, new centers were starting to miss payments at about 18 months from opening pre-DRA, so the extra time without service fees and fully loaded payments may help keep a center alive long enough to build its core business and get to the higher breakeven volumes necessary to sustain the business.

Equipment and software vendors should offer entry-, intermediate-, and full-package pricing. These packages need to include uptime guarantees to back up reliability claims. Far too many dollars were spent last year keeping existing PACS/RIS stable, keeping outpatient centers focused on saving IT monies. Cost-effective PACS/RIS models with efficient electronic storage will be attractive alternatives to onsite storage and management.

In an effort to reduce costs, the industry must look to compression software that can send images off a 64-slice CT machine without incurring the cost of expensive fiber-optic or bonded T-1 lines. In short, compression software can reduce telecommunications bills. I notice that centers are paying \$4000 per month in telecom fees to move images around. Five years ago, these centers paid \$500 per month and had the benefit of 40% more in reimbursement.

If bookies were calculating the odds for success in the year ahead in medical imaging, they would be betting on vendors that match their portfolio of products and services most exactly to the needs of customer. Regardless of how well vendors do their jobs, however, it won't be an easy bet or sure win for anyone, vendors or providers, certainly not in the outpatient industry.

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