

MILLENNIUM GROWTH STRATEGIES

for Health Care

A PUBLICATION OF HEALTH STRATEGIES & SOLUTIONS, INC.

NOVEMBER 2001

VOLUME THREE, NUMBER SIX

Imaging Volumes Increasing Up to 10 Percent Annually

Rapid growth in demand for all imaging services has occurred in recent years, with the number of procedures being performed increasing as much as 10 percent annually in certain modalities. Many health care organizations have had difficulty satisfying the increased demand for diagnostic imaging services, especially for outpatients. Some routinely experience two- to three-week backlogs for all imaging modalities.

Growth and Revenue Opportunities: Imaging Centers

Approximately 60 to 70 percent of all hospital imaging procedures are performed on outpatients. One solution available to organizations that are struggling to keep up with increased volumes is to create freestanding, off-site imaging centers. Moving outpatient imaging out of the hospital setting and into the community has several benefits for patients and the health care organization:

- Increases convenience and accessibility for patients
- Shortens wait times for imaging services
- Alleviates space constraints and parking congestion on campus
- Offers potential to gain new market share and revenue
- Expands community presence of the hospital
- Creates opportunities for hospital/physician partnerships

Advances in technology and information retrieval have facilitated the development of satellite imaging centers. Physicians are able to send and receive images from remote locations. Newer, faster equipment such as open MRI and electron-beam CT have increased the speed and accuracy of tests. Further advances in medical imaging technology are likely to occur in the next three to five years to include

expansion of images beyond anatomy only, with emphasis on three-dimensional imaging to capture functional and physiological information.

There are potential risks associated with imaging centers including high capital cost, redundancy or inefficiencies of services, and reimbursement. In particular, the transition of Medicare payment to the Ambulatory Payment Classification system and future

uncertainty about managed care may increase the volatility of outpatient reimbursement rates.

Health care organizations considering the development of a freestanding imaging center, whether on or off-campus, need to assess the market and financial feasibility of such a venture. In many cases the initial capital investment can be offset by the potential to achieve a significant return

[continued on next page](#)

Outpatient Imaging Volumes

MODALITY	Outpatient Visits in Thousands			% Change 97-99
	1997	1998	1999	
X-Ray	5,807	5,398	6,451	11%
Ultrasound	1,894	2,088	2,550	35%
Mammography	1,298	1,543	1,650	27%
CAT scan/MRI	1,309	1,106	1,518	16%
Other diagnostic screening services	8,545	11,275	12,222	43%

Source: National Ambulatory Medical Care Survey, National Center for Health Statistics

on investment due to rapidly increasing demand for services.

A 350-bed hospital in the southeastern United States built a 10,000-square-foot imaging center adjacent to the hospital to increase volumes and obtain new referrals for imaging services. The center has five imaging modalities, including CT scanning, diagnostic radiology, mammography, nuclear medicine, and bone densitometry. The center annually generates approximately \$10 million dollars in gross charges and achieves an annual contribution margin of approximately \$1.5 million.

Health care organizations facing the need to expand their imaging departments, whether to shorten wait times, decompress crowded on-campus facilities, accommodate new technology, or otherwise improve patient service, should give serious consideration to developing a freestanding imaging center. This strategy may also preempt a for-profit provider from staking a claim in the community and capturing market share at the health care organization's expense.



Above l to r: Craig Holm, Alan Zuckerman, and Hugo Finarelli

For more information on imaging centers, please contact one of our directors:

Craig E. Holm, CHE, CHC
cholm@hss-inc.com

Hugo J. Finarelli, Ph.D., CHC
hfinarelli@hss-inc.com

Alan M. Zuckerman, FACHE, FAAHC
azuckerman@hss-inc.com

HEALTH STRATEGIES & SOLUTIONS, INC.

1429 Walnut Street, Suite 200
Philadelphia, Pennsylvania 19102
(215) 636-3500
hss-inc.com

Health Strategies & Solutions, Inc., is a national management consulting firm dedicated to helping organizations discover innovative strategies and solutions for today's complex health care challenges. Our staff has enabled hundreds of health care organizations across the country to address complex issues, make decisions that achieve lasting results, and set courses for success in the new millennium.

Millennium Growth Strategies is published by Health Strategies & Solutions, Inc. The information presented in this newsletter reflects the opinions of Health Strategies & Solutions' staff and may not be appropriate for all health care organizations under certain circumstances.

©2001 Health Strategies & Solutions, Inc.

HEALTH STRATEGIES & SOLUTIONS, INC.

1429 Walnut Street, Suite 200
Philadelphia, Pennsylvania 19102



We're on the 'Net at hss-inc.com