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Imaging Growth Opportunities: Revenue Projected to Exceed \$150 Billion by 2010

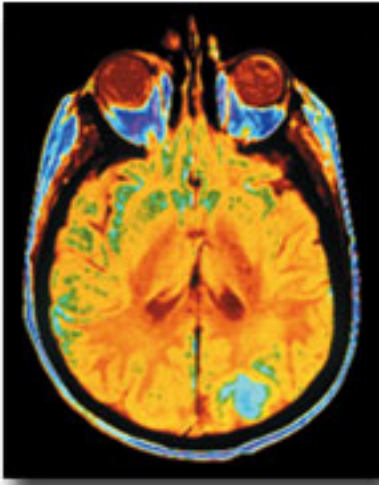
Imaging is one of the largest and fastest growing segments of health care delivery. Estimates indicate that 400 million inpatient and outpatient imaging procedures were performed in 2000. Diagnostic imaging revenues are forecast to more than double by 2010 from \$70 billion in 2000 to over \$150 billion according to the Health Care Advisory Board. While there are some black clouds on the horizon including the impact of APCs, potential declines in reimbursement levels, and shortages of radiologists and licensed technical staff, the medical imaging juggernaut is expected to continue to do well for the foreseeable future.

Growth Factors in the Imaging Market

Demand for imaging will grow for several reasons:

- Growth and aging of the population
- New imaging modalities
- New applications for imaging
- Relatively favorable reimbursement environment, especially for outpatients

Positron Emission Tomography (PET) is the most recent example of a new imaging modality that is now entering the general health care market. New applications are being discovered for PET, CT, MRI, and other modalities that



have contributed to double-digit growth in demand for these tests in the past few years. Some applications have the potential for replacing more invasive procedures. For example, CT scanning is increasingly capable of replacing optical colonoscopies in the diagnosis of most polyps.

High-Growth Modalities

Multi-slice scanners have decreased the computing time for CT, increased capacity, and improved diagnostic quality so that it is becoming the modality of choice for many conditions, particularly in the emergency room. Full-body scanning and calcium scoring have broadened its appeal to prevention-minded baby boomers. Virtual colonoscopy and new cardiac applications will replace some more invasive diagnostic procedures in the future. Although a contracting reimbursement environment may start slowing growth, CT volume is expected to increase 5% to 10% per year.

MRI imaging will experience similar growth with its focus on musculoskeletal conditions and nervous system disorders. New applications will also increase demand including diffusion MRI (especially for stroke), functional studies for brain activity, and cardiac studies, which will start to replace the common nuclear stress test for patients. Patient-friendly short-bore MRIs with better resolution and faster speed times will increase access and demand for MRI studies.

With the recent expansion of Medicare reimbursement, PET is rapidly diffusing in the marketplace—from academic medical centers to community hospitals. Volumes have risen dramatically in the past few years and this modality is expected to grow faster than any other type of imaging for the next several years. Primarily used in conjunction with the diagnoses of certain cancers, interest in PET for cardiac applications is also growing. PET volume is projected to grow at least 20% to 30% a year for the next several years.

New 3-D and 4-D ultrasound capabilities, enhanced radioisotopes, growing interest in bone health and bone mineral densitometry, and many other technological advances are creating additional demand for other imaging

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Click here to view "Using Imaging to Increase Revenue," an article written by Tracy Johnson and Alan Zuckerman that was published in the January 2004 issue of *Managing the Margin*

modalities, which will continue to support imaging's position as one of the leading revenue producing service lines for most health care organizations.

Strategies for Imaging Development

Hospitals and health care systems need to position themselves to take advantage of the growth market for imaging services while continuing to manage imaging costs and stave off competitive threats. Potential strategies include

- Identifying opportunities for new business development by monitoring demand for new imaging technologies and related reimbursement levels
- Acquiring or accessing (through lease or mobile units) high-tech modalities to expand imaging capabilities
- Managing imaging costs, particularly for inpatients, through best practices and supporting technologies (e.g., PACS)
- Integrating imaging with other service lines (e.g., women's health, oncology, orthopedics, surgery and emergency services) to improve service delivery and market visibility
- Developing accessible, patient-friendly imaging facilities, especially for outpatients
- Partnering with physicians interested in expanding practice capabilities and income

Medical imaging will continue to be a significant growth market in the future. With sustained attention to this service, imaging can contribute significantly to the financial health of hospitals and systems.

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Click here for AuntMinnie.com, a comprehensive community Internet site for radiologists and other professionals in the medical imaging field

For more information on imaging growth opportunities, please contact [Tracy Johnson](#) or [Alan Zuckerman](#), or call 215-636-3500.

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