The Managed Radiology Landscape

By Frank Raneri, Vice President, Ancillary Services, GENEX

Most Americans have had a diagnostic imaging procedure at some point in their lives. The benefits of these procedures are undeniable. Advanced diagnostic imaging can often lead to early diagnosis, and is clinically linked to reduced mortality and increased patient life expectancy. Furthermore, the economic benefits include a steep reduction in the need for costlier, more invasive studies and unnecessary hospital stays.

Magnetic Resonance Imaging (MRI), Computed Tomography (CT), and nuclear medicine make up the primary modalities classified as advanced diagnostic imaging. Although utilized less frequently than low-tech modalities such as radiography, ultrasound, and mammography, the $100B advanced diagnostic imaging industry continues to grow and drive up associated health care expenses across the country.

The Good Old Days

Before the Deficit Reduction Act of 2005 (DRA), outpatient imaging was growing at a rapid and dramatic rate. Medicare Part B imaging expenses more than doubled from 2000 to 2006, rising an average of 17% each year.1 The more advanced and expensive diagnostic imaging exams accounted for 80% of the increase during that time. Private insurance and workers’ comp trends followed suit, and dozens of specialty networks were formed along the way.

MRI technology improved, and open MRI, stand-up units, and less expensive extremity scanners were frequently purchased. Global and technical reimbursements were favorable for independent diagnostic testing facilities, and setting over-utilization aside, the marketplace saw opportunity for tremendous growth in outpatient imaging. The industry was on fire, and densely populated markets became saturated with facilities.

However, momentum reversed sharply following the enactment of the DRA. Once implemented, reimbursement cuts for contiguous studies and caps on physician fee schedules were, at times, as dramatic as 50%. Radiology Benefit Management (RBM) programs were formed and insurance pre-authorization helped to slow the overall radiology growth pace to a more sustainable rate. By 2010, advanced diagnostic imaging expenses for both private insurers and Medicare normalized and showed a decline from their respective peaks earlier in the decade.

Long-term Trends

Bubbles always pop, but the underlying trends that support sustained, advanced diagnostic imaging growth forecasts are still very solid. The workers’ comp insurance market is approximately $60B in size, and costs related to medical expenses are approaching 60% versus indemnity losses. Consider the trend and shift in workers’ compensation expenses as reported by NCCI (see chart below).

Although workers’ comp imaging only accounts for 2–3% of the overall advanced imaging market, diagnostic imaging spend represents 6–8% of the total medical exposure on workers’ comp claims. This values the workers’ comp imaging market at roughly $2.5B. Factoring in that workers’ comp injuries, soft tissue injuries, or injuries to the musculoskeletal system indicate MRI as the primary modality for diagnosis, the long-term growth trends are still intact. Although the cost of advanced imaging might be characterized as stable, the increased exposure to the medical portion of the claims continues to put pressure on workers’ comp payors to leverage cost containment options related to advanced diagnostic imaging.

Specialty Networks

Specialty networks, like GENEX’s Medical Diagnostic Network (MDN), are designed to contain these costs while providing access to the nation’s highest quality outpatient imaging providers. Once a customer decides which specialty network is best suited for their needs, penetration becomes

![Workers' compensation medical losses currently comprise about 60% of total losses](chart.jpg)


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1. **Pyramid** Fall 2013
the key driver for optimal outcomes. Consider the size of the industry at roughly $2.5B. Two-thirds of this expenditure goes unmanaged or unaffected by specialty networks. There are a variety of strategies in which customers can proactively help to reduce this leakage, but ultimately, access to a comprehensive and proprietary managed network remains the cornerstone for success.

The United States of America still leads the world in imaging access, but the outpatient imaging community has been subject to quite a bit of consolidation since 2008. The winners post-DRA have been the hospital-owned imaging centers, hospital-radiology joint ventures, multi-specialty physician-owned centers, and chains operated by large radiology groups. Believe it or not, there are only about 7,800 MRI scanners available across the country, and a far lower percentage of them today are independent or free-standing diagnostic facilities. Specialty network access now is more important than it has ever been, specifically since the outpatient imaging community represents less than half of all the scanners in America.

There is still a tremendous opportunity to increase penetration by choosing the right specialty network. Data analytics play a critical role in assessing our customers’ penetration and leakage. Depending on the customer’s mix of managed versus unmanaged exams, statistics and data support that up to 50% of the outpatient imaging scans that were identified as “leaked” could have been otherwise managed through GENEX MDN. Our most successfully implemented programs reverse the managed and unmanaged trends to see penetration results exceeding 65%.

Penetration Drives Your Outcomes
When making a decision on which specialty network to use, customers often focus on sticker price; whereas, price per scan between competitors can generally be evaluated in a tight range. As a general rule, specialty networks will deliver between 35–40% aggregate savings nationally against the prevailing jurisdictional rates. For example, let’s examine the price on the most utilized MRI code in workers’ comp imaging, 72148, a lumbar spine MRI without contrast, 72148, a lumbar spine MRI without contrast. Gener-ally, across all fee schedule jurisdictions, the average savings outcome per scan is roughly $350. Customers are strongly urged to consider price against the outcomes of managing even one additional scan in-network. Typically, the successful management of that one additional MRI scan can have up to 14 times the cost containment benefit of what may be a lower advertised price per outpatient study. The cost differ-

DID YOU KNOW THAT MORE THAN 27 MILLION MRIs WERE ORDERED IN THE U.S. IN 2012?4

Summing It All Up
GENEX MDN has developed an expansive, national network of providers best suited to deliver the highest quality diagnostic imaging and maximum penetration. The GENEX suite of services effectively drives compliance and maximizes your overall managed radiology penetration. By capitalizing on your penetration both prospectively and retrospectively, payors ultimately increase their cost savings and reduce their overall advanced diagnostic imaging spend.

The radiology landscape has surely changed and it will continue to evolve over time. GENEX MDN has positioned itself for these changes and, in turn, has emerged as a market leader in the specialty network segment.

1. (July 2008). Medicare Part B Imaging Services. GAO-08-452
4. Based on data from www.census.gov

Additional Resources

Frank Raneri, Vice President of Ancillary Services, joined GENEX in 2010 and is responsible for both the Medicare Set-Aside and Medical Diagnostic divisions of GENEX. Mr. Raneri has spent the majority of his career in the industry specific to medical diagnostics, diagnostic imaging, and radiology. Mr. Raneri holds a degree in business from Indiana University of Pennsylvania.