The Business of Radiology

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VP of Finance & Operations Comprehensive Radiology Services, PLLC

- 6.0 years in radiology administration
- 10.5 years in Healthcare Valuation at HORNE LLP
- Favorite Piece of Advice: "Be Persuadable"
- Favorite Leadership Book: The Advantage by Patrick Lencioni
- Fun Facts: Happy husband & proud dad to 4 girls
- Hobbies: photography, mandolin, and chess





OBJECTIVES

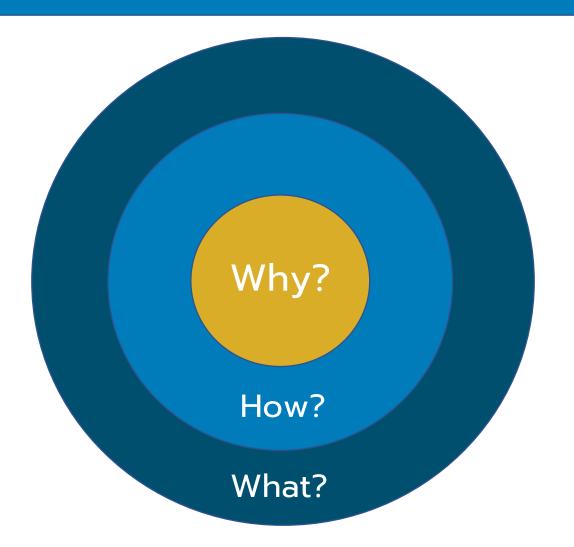


Provide a foundation to better understand the business of radiology:

- Framework for business structures & culture
- Review of common reimbursement models
- Rationale for practice expenses
- Nuances of net income & physician compensation

What is the Business of Radiology?

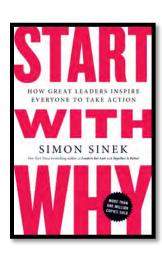




Every organization on the planet knows **WHAT** they do. These are products or services they sell.

Some organizations know **HOW** they do it. These are the things that set them apart from competition.

Very few organizations know WHY they do what they do. WHY is not about making money. WHY is a purpose, cause or belief. It's the very reason your organization exists.





WHAT: We provide diagnostic interpretation reports, healing procedures, and patient consults using PACS, dictation software, CAD, AI, etc.

HOW: What are your *core* values? "The values that you are willing to be punished before you violate."

WHY: _____

What is your personal "WHY"?





What is the mission of the group?

What is the culture of the practice?

- How are decisions made?
- What is the level of trust amongst physicians?
- What is the expected amount of work vs time off?

What are the practice's **strategy** & **growth** pattern?

• Should the practice grow, shrink, take more or less time off, hire more, invest in technology?





"Instant cultures are artificial cultures. They're big bangs made from mission statements, declarations, and rules.

[...] You don't create a culture. It happens. This is why new companies don't have a culture. Culture is the by-product of consistent behavior."

- Jason Fried & David Heinemeier Hansson Rework



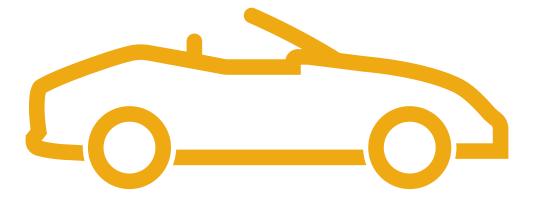
Business Structures



Mission



Vision & Values





Strategy

Business Structure...

Business Structures

	Partnership (General, Limited, LLP)	Limited-Liability Corporation (LLC)	S-Corp	C-Corp	
Legal Structure	-No "shareholders." -In GP, entities dies with partner	-No "shareholders." Technically "Members" instead of "Partners."	- Must have fewer than 100 shareholders. Must be US citizens or residents.	-Unlimited shareholders.	
Limited Liability	-Unlimited personal liability in GP but some limitations in LPs.				
Taxation	-Default: Tax Liability passed-through to individual partners via Form K-1Taxed in the year income is earned (not distributed)		-Can elect pass-through tax the same as partnership. -Salary subject to self- employment tax, but distributions are not.*	 -Corporate income taxed at company level. -Compensation & dividends taxed at individual level. -Dividend income taxed 2x. 	
Management	-Members or Partners establish desired structure in Operating Agreement.		Shareholders elect Board of Di	rectors	
Accounting	Cash basis.	Cash basis.	-Can elect cash or accrual method unless they maintain inventory. Then accrual is required.	-Accrual based with the ability to reinvest profits.	

^{*}Subject to IRS "Reasonable Compensation" requirements.



"Great leaders see money as fuel, not a destination."







The Business of Radiology: "Driving the Car"



Internal Policies & Agreements





Facility Contracts

Radiology Coverage Agreements



Each covered facility is required by law to have separate a written agreement signed by both parties.



Key Terms In Radiology Service Agreements

- Exclusivity
- Termination of Staff Privileges
- Radiology Coverage & Services
 - (i.e. hours on-site, contrast supervision, modalities provided, call requirements, etc.)
- Department Medical Director
- Performance & Quality Standards
- Hospital Obligations
 - Space provided, information technology requirements, PPE, etc.

- Billing Responsibility
- Term & Termination
- Covenant not to Compete
- Indemnification
- Change in Control Provisions
- Payor Contracting
- Payment Terms





Contracts, Contracts, Contracts....

Radiology Coverage Agreements







3rd Party Payer Agreements











Contracts, Contracts, Contracts....

Radiology Coverage Agreements





























































Key Compliance / Legal Considerations



- Stark Law, 42 U.S.C. § 1395nn
- Federal Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b)
- Medicare Anti-Markup Rule
- No Surprises Act
- Many others...



Hire a competent healthcare attorney!











"Driving the Car"

Payment Rate(s) x Study Volume

Revenues

- Expenses

Net Income

"DRIVING THE CAR"

Payment Rate(s)

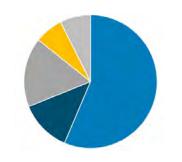
x Study Volume

Revenues

- Expenses

Net Income

Payer Mix
Medicare Fee Schedule
Modality Mix
Contract Rates



Staffing Model
Sub-Specialization
Supply of Radiologists,
Modality Demand
Market Share (i.e. Facilities Covered).



How Do Radiologists Get Paid?

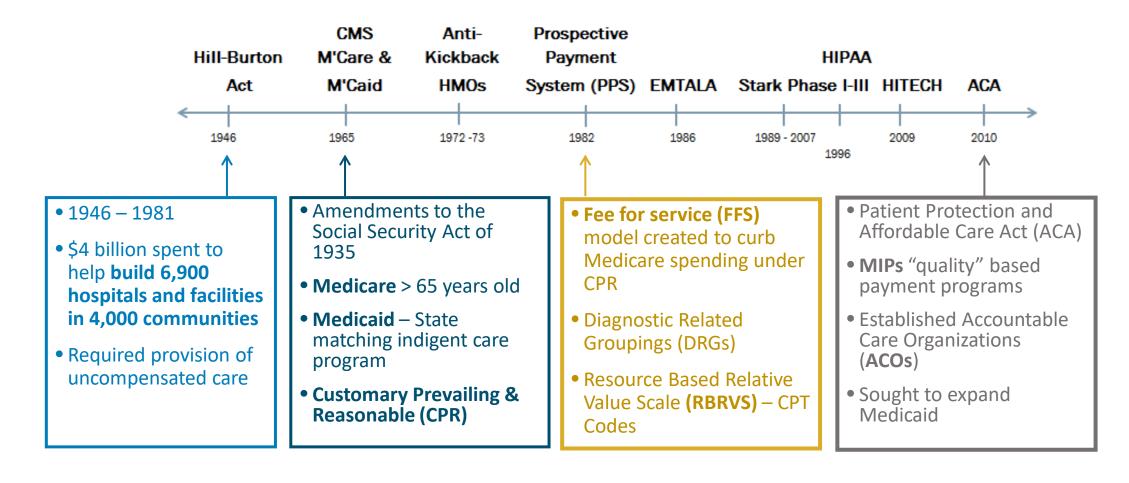
Common Payment Models:

- 1. Traditional Billing
- 2. Hospital Subsidies
- 3. Per Study Fee Schedules
- 4. Per WRVU





1. Traditional Billing A Brief History





1. Traditional Billing What's the Deal with RVUs?











Total Relative Value Unit (TRVU)

Conversion Factor

Conversion Factor History¹

1992 - 1997 = \$31.0010

••••

2020 = \$36.0896

2021 = \$34.8931 (-3.30%)

2022 = \$34.6062 (-0.80%)

2023 = \$33.8872 (-2.00%)

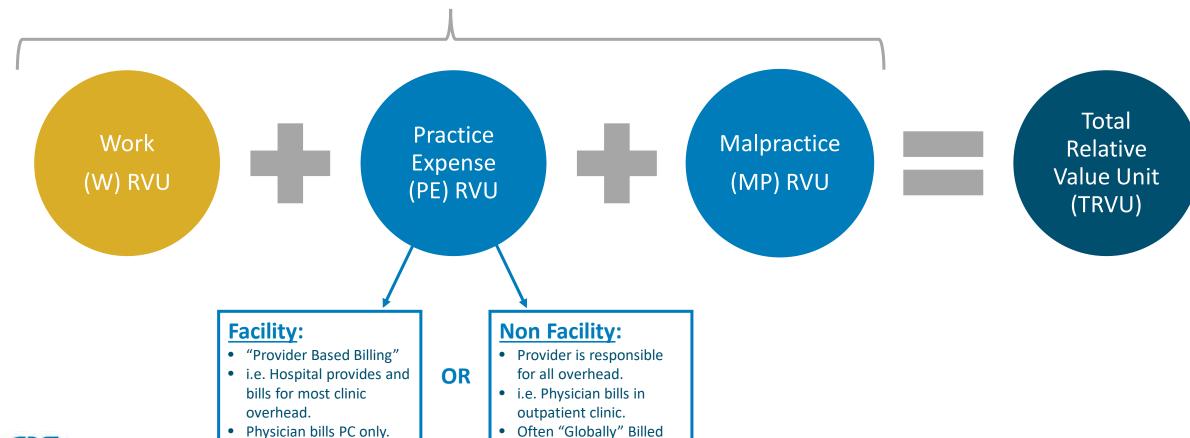
2024 = \$32.7442 (-3.37%)

Each CPT Code has a unique TRVU value and is affected by modifier usage



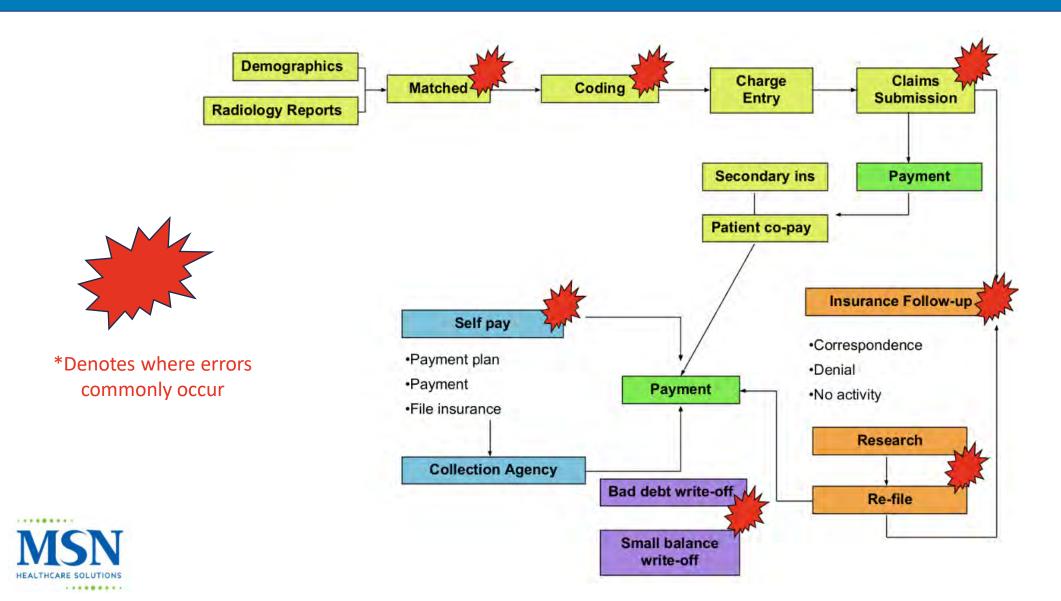
1. Traditional Billing What's the Deal with RVUs?

Geographic Practice Cost Index (GPCI) Adjustment

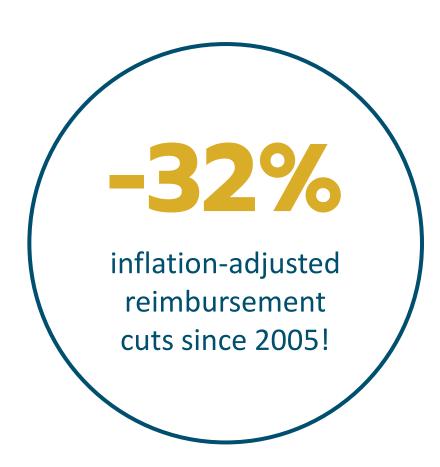


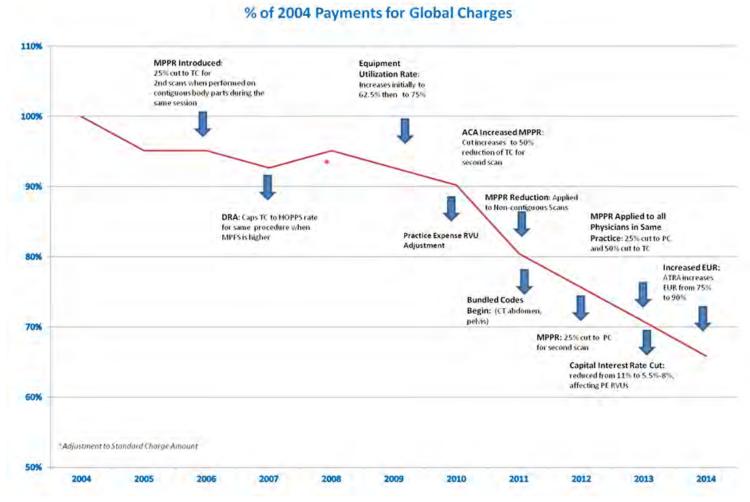


1. Traditional Billing - Workflow



1. Traditional Billing: Reimbursement Cuts



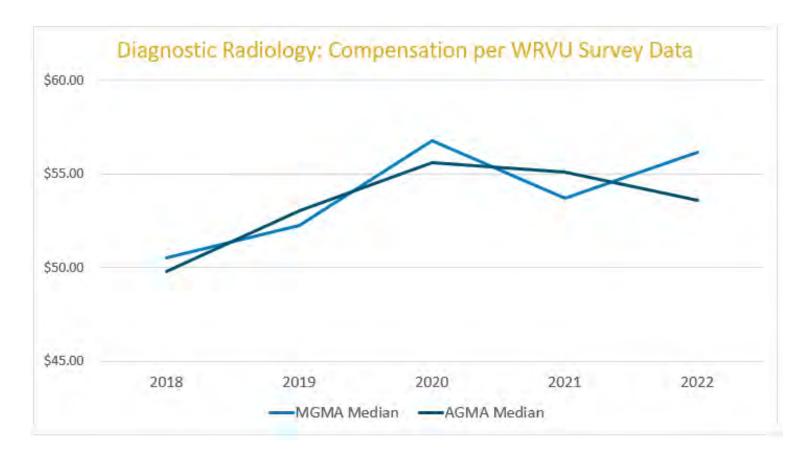




Source: "2024 Federal Election: Implications for US Radiology." Frank Lexa.

"Inflation-adjusted Medicare pay in radiology has decreased by \$2.8B since 2005." Marty Stempniak. *Radiology Business Journal*. (August 2023).

Is Compensation on the Rise?



Anecdotal evidence and survey data suggests that more radiologists are receiving more payments under alternative models to traditional billing.



2. Hospital Subsidies





2. Hospital Subsidies

A subsidy is a payment from a covered facility to a radiology practice to ensure that total revenues are commensurate with fair market value.

Examples:

- Fixed monthly payments
- Call coverage shift rate
- Guaranteed \$____ revenue per WRVU
- Income guarantee for new hires





3. Per Study Fee Schedules

Typically, a fee schedule between the radiology practice and the treating facility.

Examples:

- Fee per Modality Study (i.e. \$15 per x-ray)
- Fee per CPT Code (\$50 for CPT 77066)
- Fee as 125% of Medicare Rate





4. WRVU Based Compensation

Typically, a flat rate "conversion factor" paid per WRVU personally performed by a physician or a group.

In employment arrangements, there can be a base guarantee with a WRVU threshold prior to bonus payments.

Example:

- Guaranteed Annual Salary: \$400,000
- Incentive Compensation: \$40 / WRVU
- WRVU Threshold: 10,000 WRVUs

Production	1	2,500
- WRVU Threshold	1	0,000
Bonus WRVUs		2,500
Incentive Rate	\$	40
Incentive Compensation	10	0,000
+ Base Guarantee 400,0		0,000
Total Clinical Compensation	\$50	0,000



4. WRVU Based Compensation

Modality	Average WRVU/Study
DX	0.20
US	0.65
MG	0.70
NM	0.70
CT/CTA	1.30
BIOPSY	1.45
MRI/MRA	1.70
IR	2.15
PET	2.45



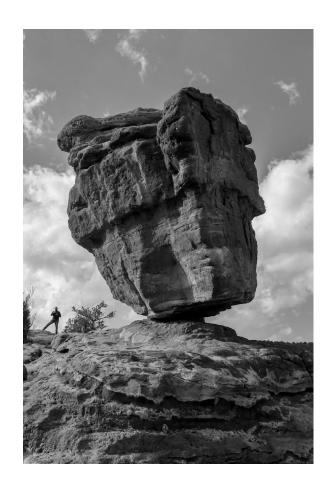
4. WRVU Based Compensation

Pros	Cons
 Approximates reimbursement value equalized for payer mix factors. Based on work done (not whether it is paid) 	 Under-valued studies get lower priority and may lead to "cherry-picking" lists.
Comparable across site of service (facility vs. non-facility)	 Does not easily account for sub-specialization trends in practices.
 Easy to calculate and administer based on "professional" component services. 	 Does not account for value- added and non-reimbursable services (i.e. practice building, citizenship, etc.)
Transparent standardization.	Does not account for shift differentials.





5. Other Compensation



Other payments may include non-clinical compensation such as medical directorships, call coverage rates, teaching stipends, or IT fees for services or software supplied by the radiology group. Often these payments may be "stacked" or combined with a clinical fee schedule.

As with other forms of payments from facilities, these payments should be consistent regulations and fair market value requirements.





"Driving the Car"

Payment Rate(s)

x Study Volume

Revenues

- Expenses

Net Income

Expenses: Why Spend Money?

Advancing Strategic Goals

i.e. Providing community benefit for local hospital

Generating a Financial Return

i.e. PACS efficiencies, leverage for administrative tasks, marketing

Providing Other Benefits to Owners

i.e. Ergonomic workstations & wellness benefits

Transferring or Mitigating Business Risk

i.e. Business insurance & internal financial controls

Complying with Legal Requirements

i.e. Legal contracts, tax preparation, MQSA monitors





Opportunity Cost

Should Tiger Woods cut his own grass?

If a physician produces 10 WRVUs per hour at \$50 per WRVU, should he also be doing _____?





Radiologist Leverage when Seconds Count

Is there an indirect financial ROI in physician reading time?

- Have we considered tax-effect of the investment?
- How much support staff should we have?
- What IT investments are right?
- Does this A.I. *actually* help the physician?







"Driving the Car"

Payment Rate(s)

x Study Volume

Revenues

- Expenses

Net Income

How do we define physician compensation?

What is Physician Compensation?

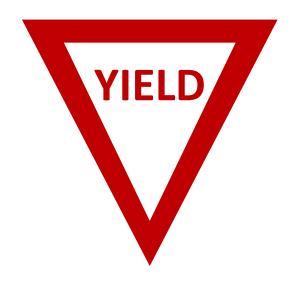
Total Compensation (Also referred to as: Total cash compensation (TCC), compensation, salary

The amount reported as direct compensation on a W2, 1099, or K1 (for partnerships) plus all voluntary

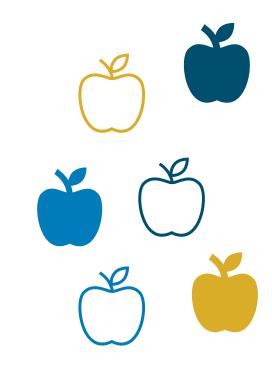
salary reductions such as 401(k), 403(b), Section 125 Tax Savings Plan, and Medical Savings Plan. The amount includes salary, bonus and/or incentive payments, research stipends, honoraria, and distribution of profits. However, it does not include the dollar value of expense reimbursements; fringe benefits paid by the medical practice such as retirement plan contributions; life and health insurance; automobile allowances; or any employer contributions to a 401(k), 403(b), or Keogh Plan.



Notes on Limitations to Survey Data



- Definitions of "Total Compensation" vary for owners & employees.
- Non-Scientific: Self-Selected Respondents
- Low Sample Sizes
- Inverse relationships with high production and low compensation per WRVU.



Is it really "apples to apples"?



What is Physician Compensation? Employee: Tax Form W-2

Salary or Wages	\$ 450,000	Employee's W-2
	-	Compensation
"Employer" 401k Contributions	46,000	Example:
"Employer" Portion of Payroll Taxes (6.2% of first \$168,600 + 1.45% of compensation)	17,000	Paid by the "employer"
Health & Dental Insurance	23,500	
Life & Long-Term Disability Insurance Benefits*	3,500	
Other Benefits (CME, cell phone, scrubs, etc.)	10,000	
Total Physician Income	\$ 550,000	Total Comp. & Benefits



What is Physician Compensation? Business Owner: Tax Form K-1

Salary or Wages	\$ 450,000	Physician Gross Net Salary
"Employer" 401k Contributions	46,000	
"Employer" Portion of Payroll Taxes (6.2% of first \$168,600 + 1.45% of compensation)	17,000	Example: Included in K-1
Health & Dental Insurance	23,500	"Ordinary Business
Life & Long-Term Disability Insurance Benefits*	3,500	Income"
Other Benefits (CME, cell phone, scrubs, etc.)	10,000	Total Net
Total Physician Income	\$ 550,000	Income or "Owner
		Compensation"



What is Physician Compensation? Independent Contractor: Form 1099

Salary or Wages	\$ 450,000	
"Employer" 401k Contributions	46,000	100% Responsibility of the
"Employer" Portion of Payroll Taxes (6.2% of first \$168,600 + 1.45% of compensation)	17,000	independent contractor
Health & Dental Insurance	23,500	
Life & Long-Term Disability Insurance Benefits*	3,500	
Other Benefits (CME, cell phone, scrubs, etc.)	10,000 _	Contractor's
Total Physician Income	\$ 550,000	1099 Rate



Ownership ROI

Salary or Wages

"Employer" 401k Contributions

"Employer" Portion of Payroll Taxes (6.2% of first \$168,600 + 1.45% of compensation)

Health & Dental Insurance

Life & Long-Term Disability Insurance Benefits

Other Benefits
(CME, cell phone, scrubs, etc.)

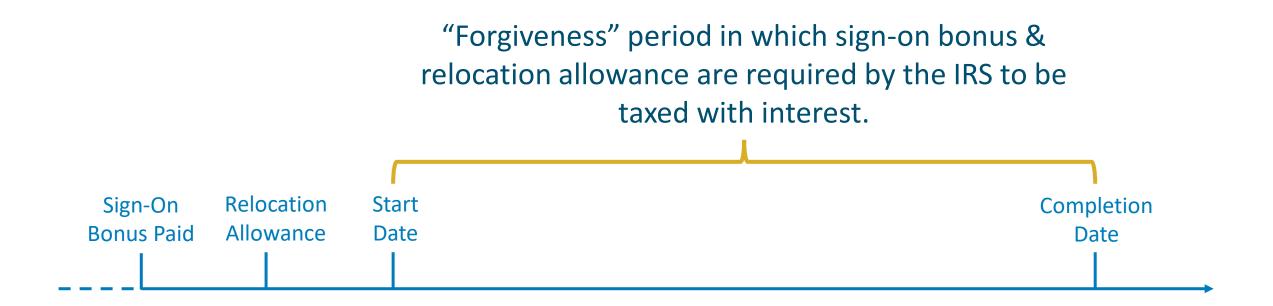
Total Physician Income

Don't Forget About Return on Investment (ROI) for Business Owners

Investments in practice IT efficiencies, assembled workforce, leverage with NP/PAs, leadership/ administrative roles within group, debt services agreements, etc.



Sign-On Bonuses



Note: Leaving a practice prior to the end of the forgiveness period will result in repayment to the employer or a lump sum tax burden upon immediate forgiveness.



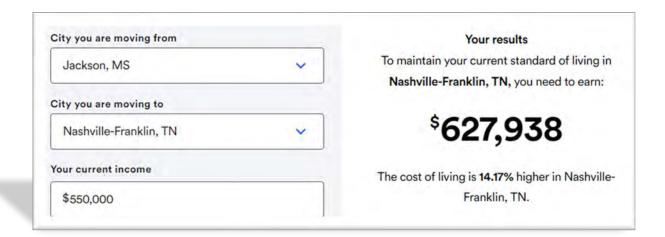
Other Compensation Considerations



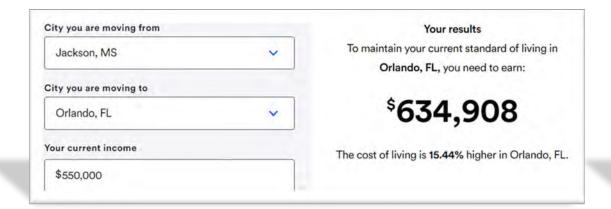
- Premiums for nights and weekend shifts
- Vacation time & flexibility
- Volume expectations & opportunity
- Tax savings opportunities
 - Non-cash benefits, cash balance plans, state & local taxes
- Cost of living!

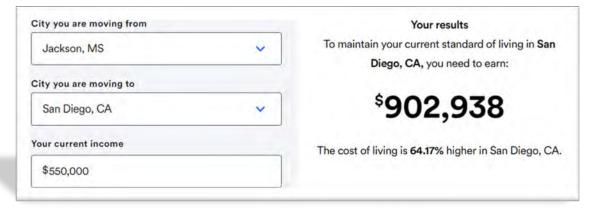


Cost of Living Comparisons













Don't Crash the Car





Losing your "WHY" can lead to burnout

Burnout is perceived to be a significant factor 66% of practices in the south¹

Primary contributors to physician burnout:²

- Inefficient use of time & administrative burden
- Loss of physician autonomy
- Lack of control over the work environment
- Loss of support from colleagues
- Higher productivity demands

⁽¹⁾ Parikh, Wolfman, Bender, & Arleo, (2019). Radiologist Burnout According to Surveyed Radiology Practice Leaders. *Journal of American College of Radiology*. 17:78-81. https://doi.org/10.1016/j.jacr.2019.07.008





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