

The Business of Radiology

Schaeffer Smith, MPH, CPA



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VP of Finance & Operations Comprehensive Radiology Services, PLLC

- **Experience:**
 - 6.0 years in radiology administration at CRS
 - 10.5 years in Healthcare Valuation at HORNE LLP
 - On National Board of Directors for RBMA
- **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



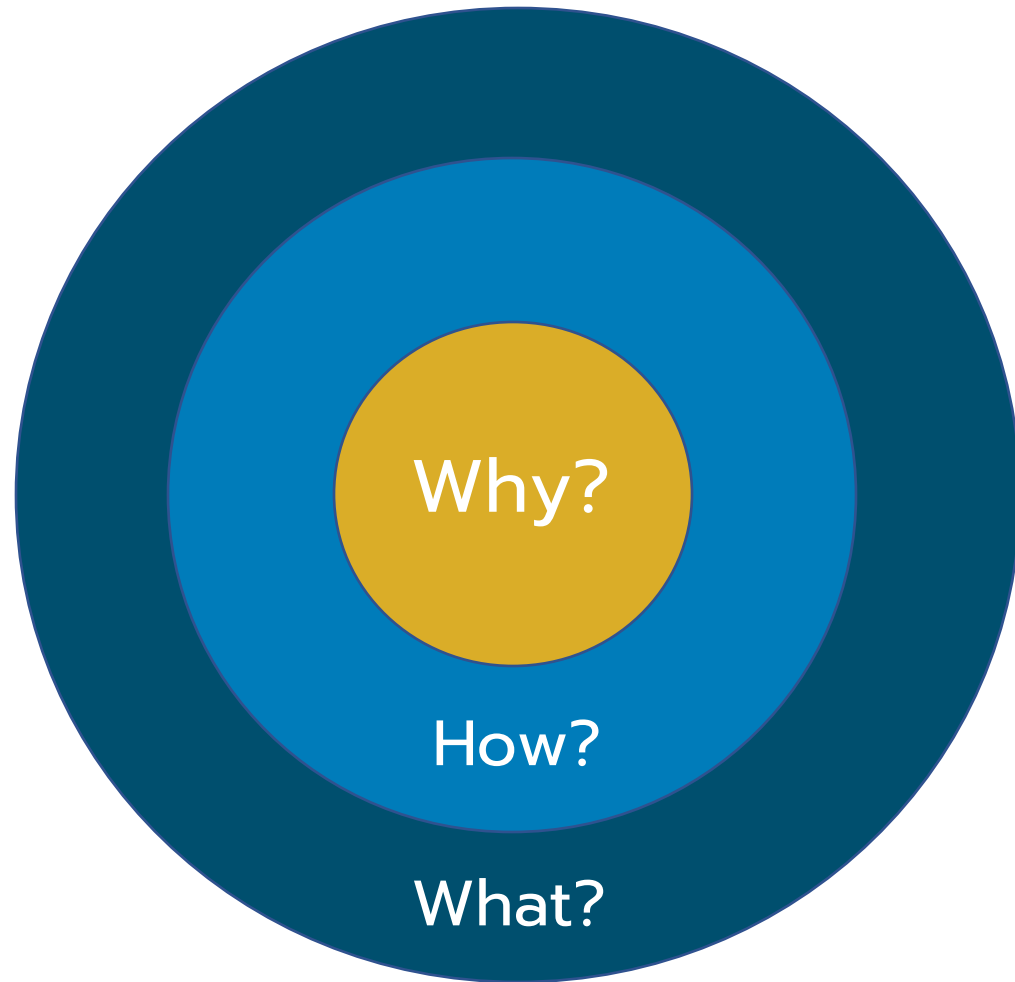
OBJECTIVES



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

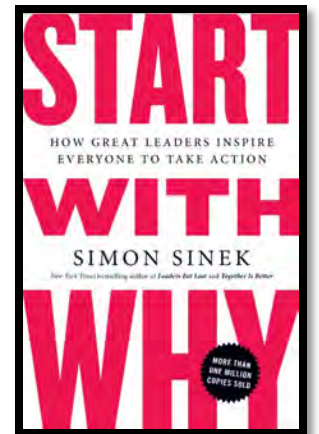
Start with WHY



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.



Start with 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?*

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.	-Entities are legally separate and distinct from the Owners . -Members & shareholders are not typically held personally responsible in lawsuits. -Must "pierce the corporate veil" to reach personal assets in a lawsuit.		
Taxation	-Default: Tax Liability passed-through to individual partners via Form K-1. -Taxed 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 Directors	
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.

Internal Policies & Agreements



**COMPREHENSIVE
RADIOLOGY SERVICES**



Mission, Vision, Values



Operating Agreement



Physician & Employee
Contracts



Clinical Protocols



Policies & Procedures



Employee Guidebooks



Incorporation Documents
& Annual Filings

Facility Contracts

Radiology Coverage Agreements



**COMPREHENSIVE
RADIOLOGY SERVICES**

-  Mission, Vision, Values
-  Operating Agreement
-  Physician & Employee Contracts 
-  Clinical Protocols
-  Policies & Procedures
-  Employee Guidebooks
-  Incorporation Documents & Annual Filings

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



**COMPREHENSIVE
RADIOLOGY SERVICES**

-  Mission, Vision, Values
-  Operating Agreement
-  Physician & Employee Contracts 
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3rd Party Payer 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!



Health Law Section



Start with WHY



“Great leaders see money as fuel, not a destination.”

 Simon Sinek



“Driving the Car”

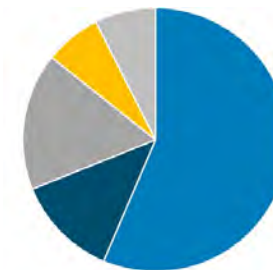


$$\begin{aligned} & \text{Payment Rate(s)} \\ & \times \text{Study Volume} \\ \hline & \text{Revenues} \\ & - \text{Expenses} \\ \hline & \text{Net Income} \end{aligned}$$

"DRIVING THE CAR"

$$\begin{aligned} & \text{Payment Rate(s)} \\ & \times \text{Study Volume} \\ \hline & \text{Revenues} \\ & - \text{Expenses} \\ \hline & \text{Net Income} \end{aligned}$$

Payer Mix
Medicare Fee Schedule
Modality Mix
Contract Rates



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



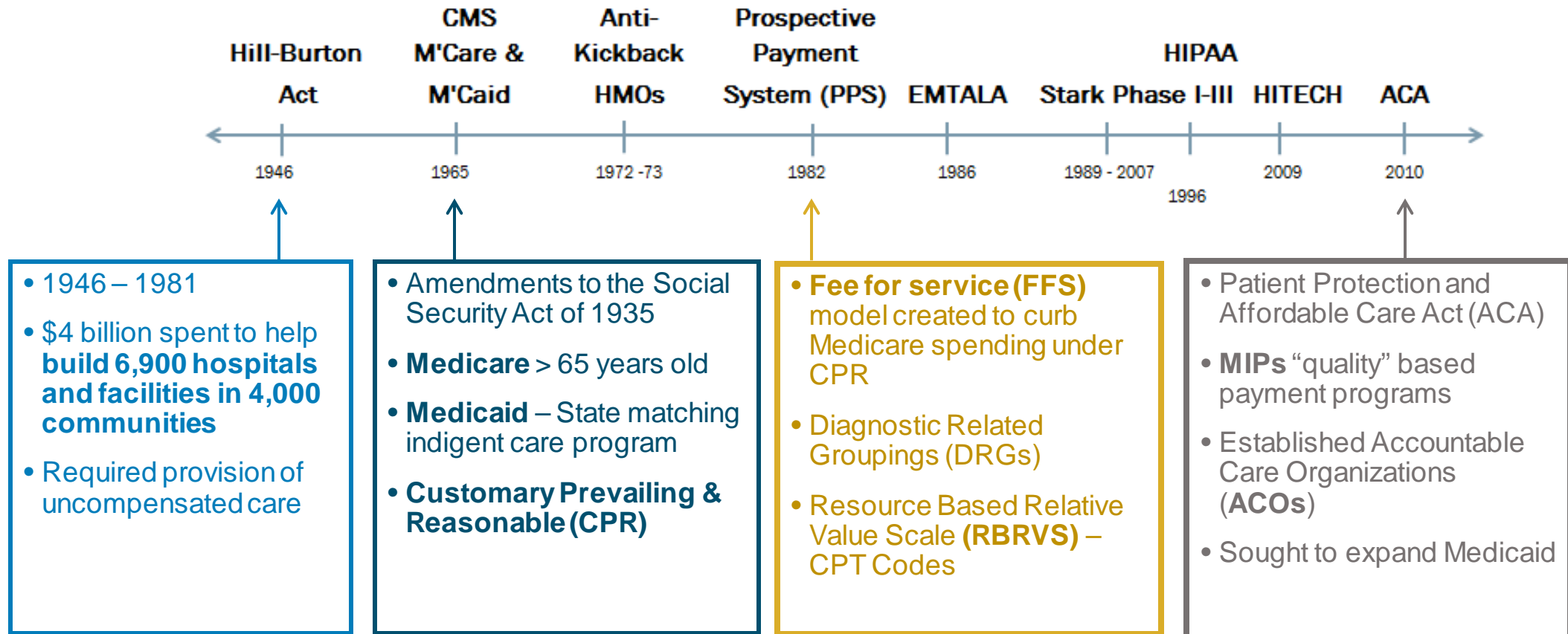
How Do Radiologists Get Paid?

Common Payment Models:

1. Traditional Billing
2. Hospital Subsidies
3. Per Study Fee Schedules
(aka “List Bill”)



1. Traditional Billing A Brief History



Cimasi, R. J. (2014). The Chronology of U.S. Healthcare Delivery: From Caduceus to Corporation. In *Healthcare Valuation Volume 1: The Four Pillars of Healthcare Value* (pp. 5-80). Hoboken, New Jersey: John Wiley & Sons.

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



Reimbursement for
Physician Services



CF

Conversion Factor



Total
RVU

Total Relative Value Unit

1992 - 1997 = \$31.0010

....

2020 = \$36.0896

2021 = \$34.8931 (-3.30%)

2022 = \$34.6062 (-0.80%)

2023 = \$33.8872 (-2.00%)

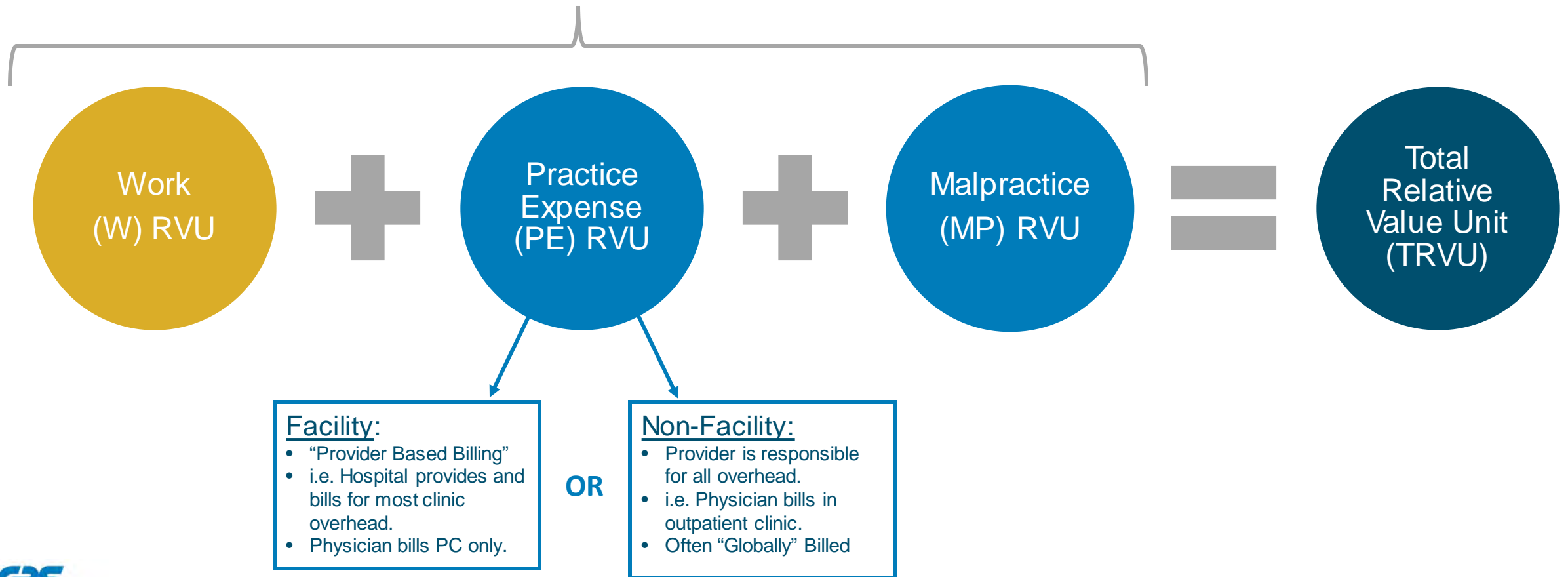
2024 = \$32.7442 (-3.37%)

*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

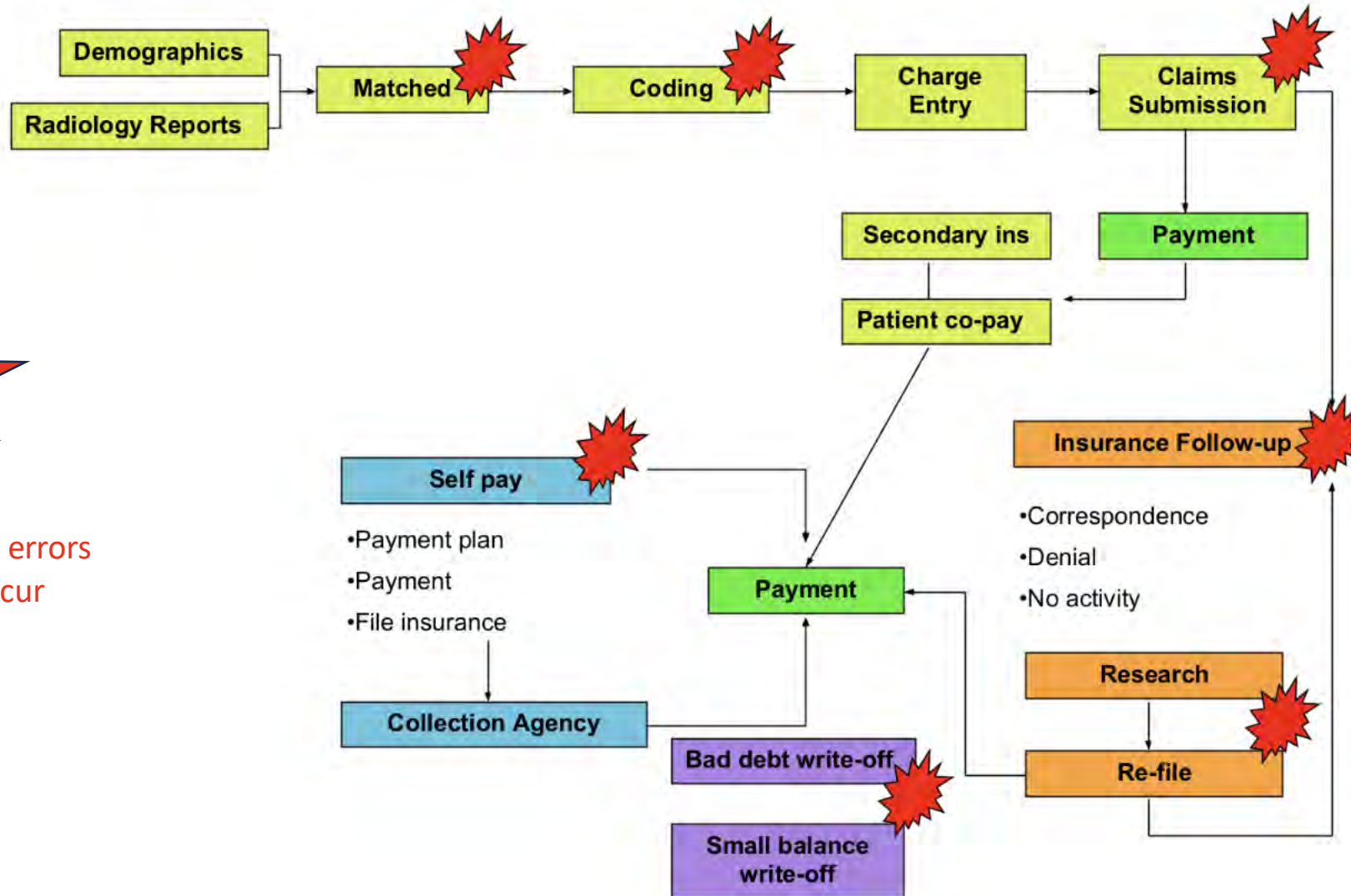


Example WRVU per Modality

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



1. Traditional Billing - Workflow

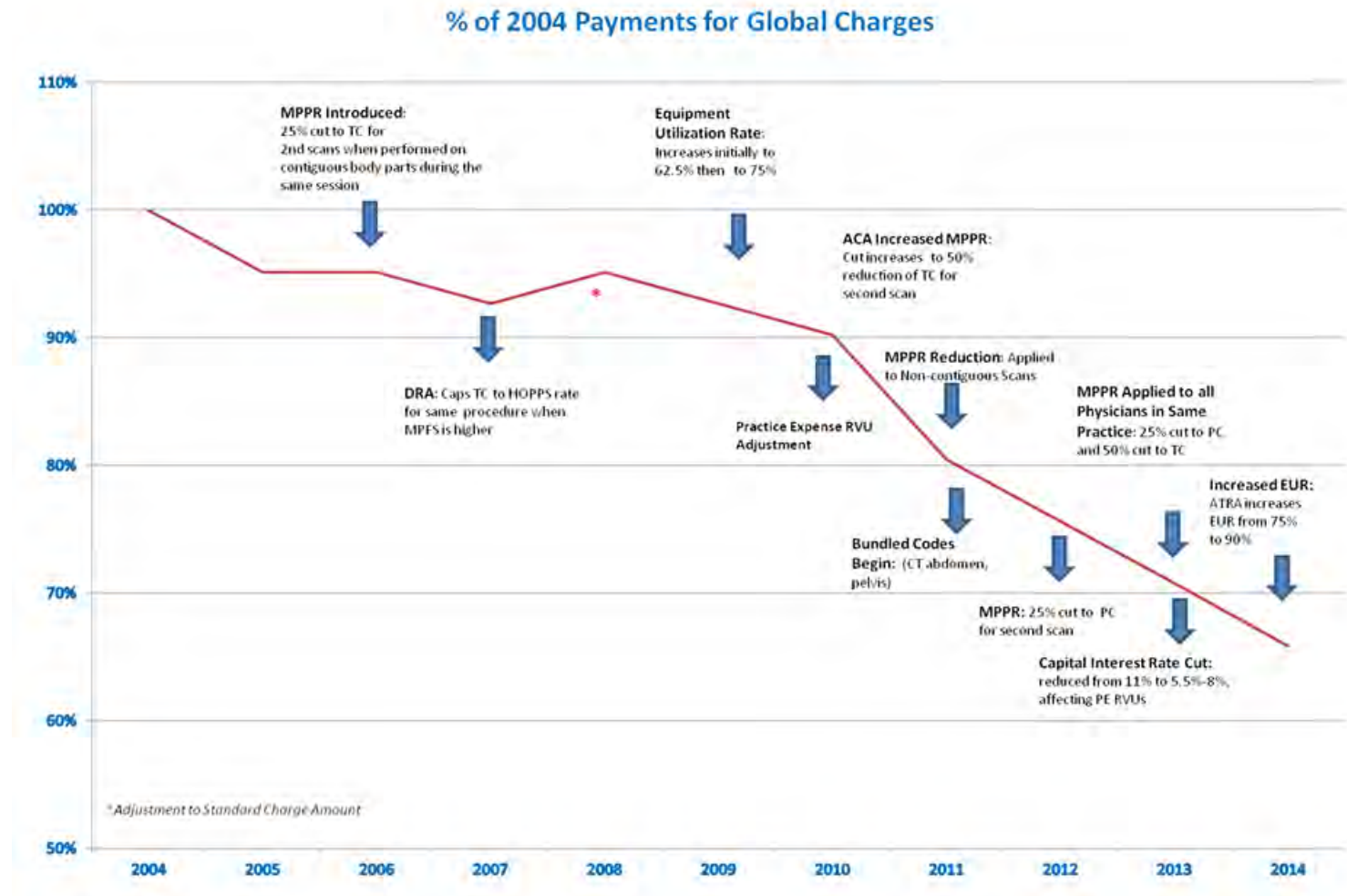


*Denotes where errors commonly occur

1. Traditional Billing: Reimbursement Cuts

-32%

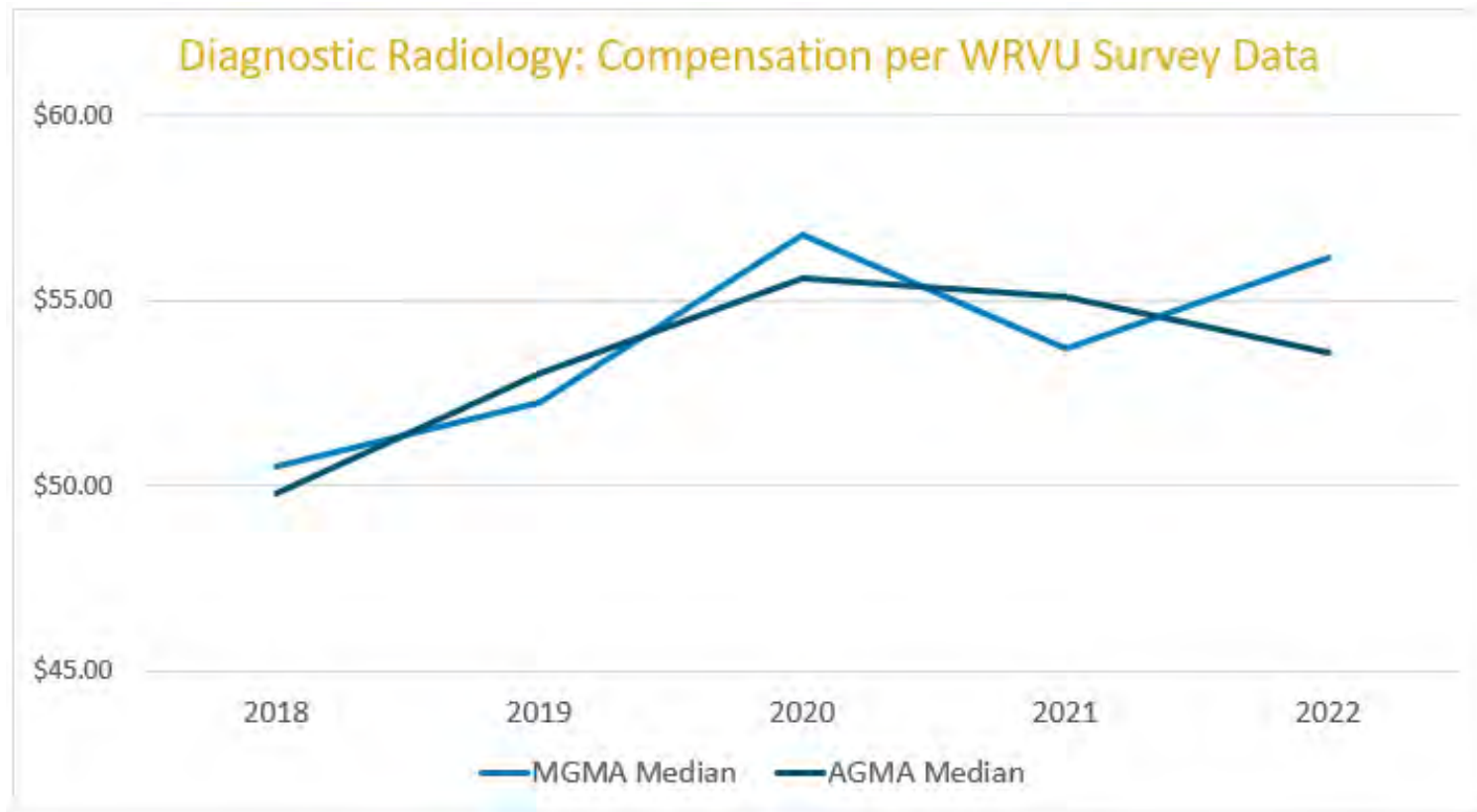
inflation-adjusted
reimbursement
cuts since 2005!



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?



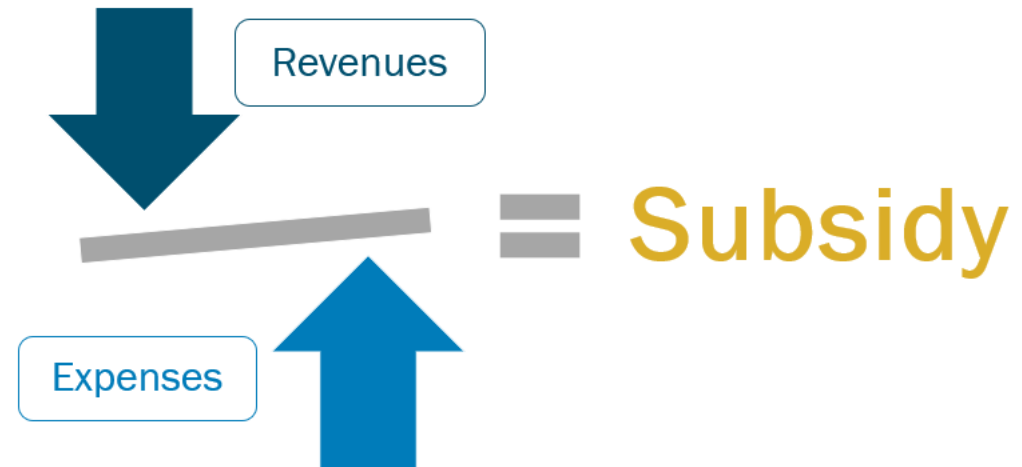
Anecdotal evidence and survey data suggests that more radiologists are receiving more payments under alternative models to traditional billing.

2. Hospital Subsidies

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. 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”



$$\begin{array}{r} \text{Payment Rate(s)} \\ \times \text{Study Volume} \\ \hline \text{Revenues} \\ - \text{Expenses} \\ \hline \text{Net Income} \end{array}$$

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 Shohei Ohtani cut his own grass?

If a physician produces 10 WRVUs per hour at \$55 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”



$$\begin{aligned} & \text{Payment Rate(s)} \\ & \times \text{Study Volume} \\ & \hline & \text{Revenues} \\ & - \text{Expenses} \\ & \hline & \text{Net Income} \\ & \hline \end{aligned}$$

What is Physician Compensation?

IS IT REALLY



**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.

What is Physician Compensation?

Employee: Tax Form W-2

Salary or Wages

\$ 450,000

← Employee's W-2 Compensation

"Employer" 401k Contributions

46,000

"Employer" Portion of Payroll Taxes

(6.2% of first \$168,600 + 1.45% of compensation)

17,000

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

Example:
Paid by the
"employer"

What is Physician Compensation?

Business Owner: Tax Form K-1

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

*Premiums for life insurance coverage above \$50,000 are also taxable to the employee

What is Physician Compensation? Independent Contractor: Form 1099

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

*Premiums for life insurance coverage above \$50,000 are also taxable to the employee

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.

WRVU Based Compensation

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

i.e. 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	12,500
- WRVU Threshold	10,000
Bonus WRVUs	2,500
Incentive Rate	\$ 40
Incentive Compensation	100,000
+ Base Guarantee	400,000
Total Clinical Compensation	\$500,000

WRVU Based Compensation

Pros	Cons
<ul style="list-style-type: none">• Approximates reimbursement value equalized for payer mix factors. Based on work done (not whether it is paid)	<ul style="list-style-type: none">• Under-valued studies get lower priority and may lead to “cherry-picking” lists.
<ul style="list-style-type: none">• Comparable across site of service (facility vs. non-facility)	<ul style="list-style-type: none">• Does not easily account for sub-specialization trends in practices.
<ul style="list-style-type: none">• Easy to calculate and administer based on “professional” component services.	<ul style="list-style-type: none">• Does not account for value-added and non-reimbursable services (i.e. practice building, citizenship, etc.)
<ul style="list-style-type: none">• Transparent standardization.	<ul style="list-style-type: none">• Does not account for shift differentials.



Sign-On Bonuses

“Forgiveness” period in which sign-on bonus & relocation allowance are required by the IRS to be taxed with interest.



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




<p>City you are moving from</p> <input type="text" value="New Orleans, LA"/>	<p>Your results</p> <p>To maintain your current standard of living in San Diego, CA, you need to earn:</p> <p>\$711,853</p> <p>The cost of living is 29.43% higher in San Diego, CA.</p>
<p>City you are moving to</p> <input type="text" value="San Diego, CA"/>	
<p>Your current income</p> <input type="text" value="\$550,000"/>	
<p>City you are moving from</p> <input type="text" value="New Orleans, LA"/>	<p>Your results</p> <p>To maintain your current standard of living in Miami-Dade County, FL, you need to earn:</p> <p>\$585,967</p> <p>The cost of living is 6.54% higher in Miami-Dade County, FL.</p>
<p>City you are moving to</p> <input type="text" value="Miami-Dade County, FL"/>	
<p>Your current income</p> <input type="text" value="\$550,000"/>	
<p>City you are moving from</p> <input type="text" value="New Orleans, LA"/>	<p>Your results</p> <p>To maintain your current standard of living in Hattiesburg, MS, you need to earn:</p> <p>\$448,093</p> <p>The cost of living is 18.53% lower in Hattiesburg, MS.</p>
<p>City you are moving to</p> <input type="text" value="Hattiesburg, MS"/>	
<p>Your current income</p> <input type="text" value="\$550,000"/>	

Don't **Crash**
the Car



Losing your “WHY” can lead to burnout



Burnout is
perceived to be a
significant factor
for **86%** of
practices in the
south¹

Primary contributors to physician burnout:²

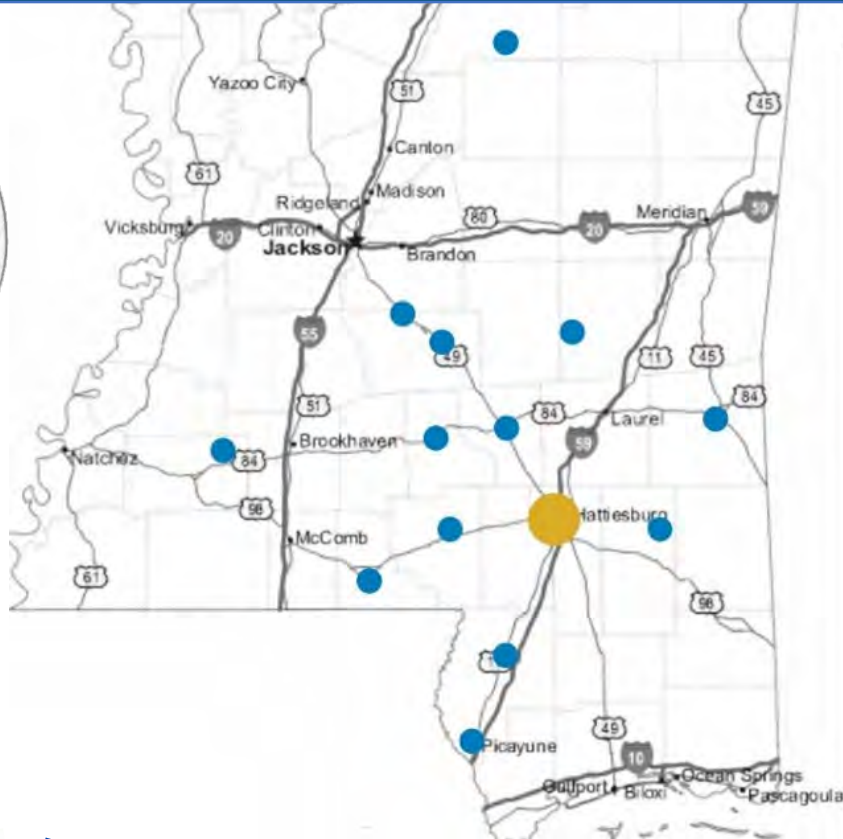
- Inefficient use of time & administrative burden
- Loss of physician autonomy
- Lack of control over the work environment
- Loss of support from colleagues
- Higher productivity demands

(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>

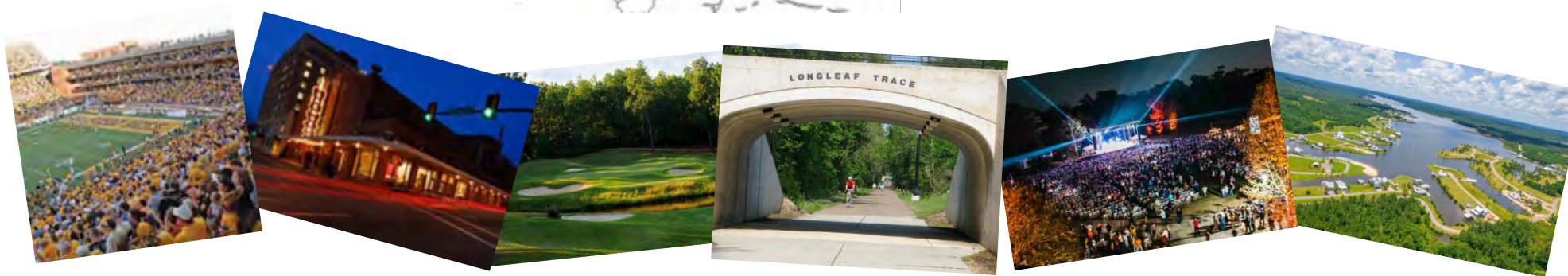
(2) Patel, Bachu, Adikey, Malik, & Shah. (2018). Factors Related to Physician Burnout and Its Consequences: A Review. *Behavioral Sciences*. 8, 98. doi: 10.3390/bs8110098



COMPREHENSIVE
RADIOLOGY SERVICES



- 70+ year old private practice
- 20 radiologists + 3 ACNPs
- Community focused
- Located Hattiesburg, MS
- Serving 12+ communities in MS
- 100% radiologist owned
- +75th Percentile income
- Cost of living 20% below national average
- Top 10 states for physicians to practice



Now Hiring

Now hiring radiologists to join our practice:

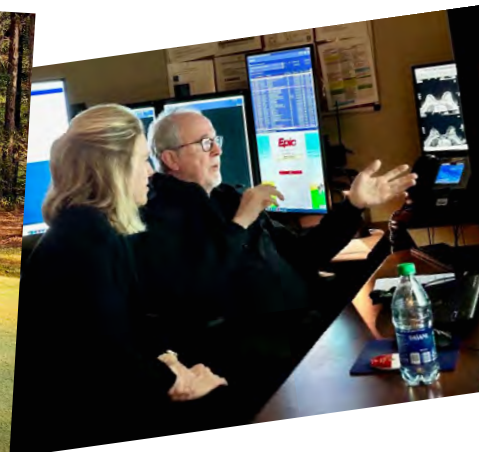
- Interventional Radiology
- Musculoskeletal
- Neuroradiology
- Mammography
- Body Imaging & Intervention
- Dedicated Evening / Nights

Early Commitment Stipend:

Sign a CRS contract one to two years early to receive **\$2,000 per month** during final year of residency & fellowship year.

Relocation Allowance:

CRS provides moving and relocation expenses **up to \$10,000**.





If you are interested in learning more about our practice or hearing directly from our radiologist, please visit the site below:

comradiology.com/careers



For a copy of today's slides or to learn more about us visit comradiology.com/careers