

# Strategic Planning for Radiology: Opening an Outpatient Diagnostic Imaging Center

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## EXECUTIVE SUMMARY

- *Launching a new diagnostic imaging center involves very specific requirements and roadmaps, including five major areas of change that have a direct impact on planning:*
  - *Imaging and communication technology*
  - *Finances and reimbursement*
  - *Ownership structure of imaging entities*
  - *Critical workforce shortages*
  - *Imaging is moving outside radiology*
- *First, planning must focus on the strategic level of any organization, whether it is a multi-national corporation or a six-person radiology group. Think of all organizations as a triangle with three horizontal levels: strategic, managerial and operational. The strategic level of decision-making is at the top of the triangle, and here is where planning must take place. For strategic planning to work, there must be focused time and energy spent on this activity, usually away from the reading room and imaging center.*
- *There are five planning strategies, which must have the explicit goal of developing and growing the imaging center. The five strategies are:*
  - *Clinical and quality issues*
  - *Governance and administration*
  - *Technology*
  - *Relationships*
  - *Marketing and business development*
- *The best way to plan and implement these strategies is to create work groups of radiologists, technologists, and administrative and support staff. Once the group agrees on the strategy and tactic, it takes responsibility for implementation.*
- *Embarking on the launch of a new outpatient diagnostic imaging center is no small undertaking, and anyone who has struggled with such an endeavor can readily attest to the associated challenges and benefits. Success depends on many things, and one of the most important factors relates to the amount of time and the quality of effort spent on strategic planning at the outset. Neglecting or skimping on this phase may lead to unforeseen obstacles that could potentially derail the project.*

**P**lanning an outpatient diagnostic imaging center? Before moving too swiftly down this path, there are some key elements to consider and lessons to be learned that aren't taught in school or covered in books. Launching a new diagnostic imaging center involves very specific requirements and roadmaps. Three primary concerns must be addressed before setting pen to paper and creating the plan:

1. Know the changing market conditions.
2. Learn why strategic planning fails.
3. Know five key planning strategies unique to diagnostic imaging.

Whether you are creating a strategic business plan for internal use or for external funding, you'll need a plan that is flexible and inclusive of the three items mentioned above.

## Change: The Only Constant

Planning does not take place in a vacuum. Most plans, however, are developed and written without carefully taking into consideration changing market conditions. A balance is required between keeping an eye on the national economic and political climate and keeping an even sharper eye on these same conditions locally. From a planning perspective, it is advisable to know what other imaging centers are doing across the country, but it is more important to keep up with the nuances of your local market.

Changes are occurring rapidly in the business and practice of diagnostic imaging. There are five major areas of change that have a direct impact on planning.

**1. Imaging and communication technology.** Digital technology is no longer a promise, but a reality in the practice of medicine. PACS and teleradiology are now integrated into most imaging centers. Digital mammography is the latest digital imaging technology to be reimbursed by Medicare. New applications for PET are being developed. CT is expected to grow by 15 percent a year for the next five years and MR is projected to grow by 20 percent (source: GE Medical Systems).



**Planning Tip:** Budget (one to five years out) for equipment upgrades and state-of-the-art communication software.

**2. Finances and reimbursement.** The cost of doing business is steadily rising, from wage increases to spiraling health benefits for employees. This has a significant bottom-line impact. Being in a post-managed care era, employers are looking at new payor models.

**Planning Tip:** Taking into consideration Ambulatory Payment Classifications (APCs), analyze reimbursement in your strategic plan for modalities. Hospital outpatient services that are provided to Medicare patients are reimbursed based on a prospective basis. Professional reading fees are paid separately. Some diagnostic imaging procedures are reimbursed at a lower rate under APCs. If a hospital creates a joint venture with a radiology group and provides the imaging service off-site, fees are considered non-APCs and might be reimbursed at a higher rate.

**3. Ownership structure of imaging entities.** There is no one best way to own and operate an imaging center. However, since the key driver today for the growth of imaging centers is APCs, joint venture models between radiology groups and hospitals are on the upswing. With increased demand for outpatient imaging studies and favorable outpatient reimbursement, it makes sense for hospitals to develop joint ventures.

**Planning Tip:** Develop two or three pro forma ownership models in your strategic business plan.

**4. Critical workforce shortages** of radiologists and technologists are well documented in the literature. Two key issues facing employers are how to recruit and retain technologists. Staff loyalty seems to be a thing of the past. With this critical shortage of staff, questions of quality of care become prime concerns.

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**Planning Tip:** Work with a recruiter in the early stages of planning. Check local salaries and be prepared to pay a premium for quality technologists.

**5. Imaging is moving outside radiology.** Cardiologists have taken cardiac imaging and opened specialty heart hospitals. The role of diagnostic imaging as a specialty in surgery, orthopedics and oncology is being blurred. Molecular imaging is moving outside the diagnostic imaging suite in some places.

**Planning Tip:** Stick with the imaging modalities your radiologists have expertise in. Promote subspecialty imaging to referring physicians.

### Strategic Levels of Decision-Making

Traditional strategic planning is based on planning for products rather than services. The product-oriented approach focuses on, among other things, pricing strategies and high-level corporate strategies. What is needed is a model that deals directly with the nuances of diagnostic imaging and an understanding of the environment in which it operates.

Most strategic plans wind up collecting dust on a shelf somewhere. In order for a plan to be useful, it is necessary to know why many of them fail. First, planning must focus on the strategic level of any

organization, whether it is a multinational corporation or a six-person radiology group. Think of all organizations as a triangle with three horizontal levels. On the top is the strategic level of decision-making. Here is where planning must take place.

The second level is the managerial or administrative level. At this level managers concern themselves with daily issues such as employee attendance and productivity, patient backlogs, staff scheduling and reassignments. It is hard to focus on “big picture” issues when you are spending time making sure your staff arrives at work on time.

The operational level is where the work actually gets done in any organization. For an imaging center, that is everything from making sure the radiologists can read films to managing workflow.

So where do most people spend most of their time? Clearly not on the strategic level. For strategic planning to work, there must be focused time and energy spent on this activity, usually away from the reading room and imaging center.



## Key Planning Strategies

There are five planning strategies outlined below. All of these strategies must have the explicit goal of developing and growing the imaging center. The five strategies are:

1. Clinical and Quality Issues
2. Governance and Administration
3. Technology
4. Relationship
5. Marketing and Business Development

### Clinical and Quality Issues

Clinical and quality issues need to be spelled out in the early stages of planning. Here is an example of what one outpatient imaging center proposed in their strategic plan.

*Clinical/Quality: The goal is expert film reading with good patient care while giving excellent service to referring physicians.*

*a. Implement:*

- *utilization review program*
- *outside peer review*
- *appropriateness criteria*
- *special protocols*

- *referring physician education program*
  - *radiologists' education programs*
  - *quality service program*
  - *patient satisfaction surveys*
  - *film quality assurance program*
- b. Get accredited in MR and ultrasound.*
- c. Comply with appropriate HIPAA requirements.*

Here is an example of one imaging center's description of its patient satisfaction survey strategy:

*All patients will be given written patient satisfaction surveys. We are concerned with all perceptions our patients have of our practice. This can provide valuable information and identify areas where our service could be improved.*

How do you define “good”? Is it OK service or service beyond expectations of all customers? Do you meet or exceed their expectations for quality service? These tough questions need to be hammered out prior to opening a center.

There is some overlap here with external relationships and business development strategies. However, addressing that overlap assures an integrated approach to implementing the specific tactics associated with the strategy.

**Planning Tip:** Accreditation and developing practice standards takes lots of time and energy. Budget for a consultant to help expedite the process, if necessary.

### Governance and Administration

The ownership of the center will dictate the governance and administrative structure. Imaging centers owned by private investors and radiologists can be somewhat creative in their governance structure. Hospital joint ventures involve administrative and governance policies and procedures that are usually dictated by the hospital. The strategic plan should be accompanied by a policies and procedures manual.

Here is an example from the results of a report from the governance work group of a radiology group who was opening a new imaging center. This strategy outlined the role of the new president:

*... the group recommends the existing position of President be significantly strengthened. This position would have overall responsibility for the operations of the practice, including:*

- *Provide overall leadership and direction of the practice*
- *Supervising physicians*
- *Supervising the practice manager*
- *Managing the performance of the center's clinical services, including analyzing and recommending expansion or reduction of clinical services and practice sites*
- *Representing the practice to outside organizations and developing new business relationships.*

**Planning Tip:** Develop two or three models of governance and present them to all stakeholders prior to opening the center.

**Technology**

Technology strategies are divided into imaging equipment technology and communications technology. Before these strategies are articulated, there must be consensus on overall goals. Will the center be filmless? Will all communications be digital? Will the imaging center use the latest enhancements and equipment upgrades? Will sub-specialty imaging be done (cardiac MR, for example)?

Examples of communications technology strategies are:

- *Implement a real-time PACs with the existing teleradiology system*
- *Build a Web site*
- *Use email as primary communication vehicle*

Examples of imaging equipment technology strategies are:

- *Add new imaging techniques, such as 3-D MR and CT*
- *Upgrade other existing equipment*
- *Purchase digital mammography*

**Planning Tip:** Present more than one imaging modality (for example, put proposals out for both a high-field strength and a mid-field strength magnet) and one communications technology option in the strategic plan.

Target Group for Relational Development	Goal
Local hospital	Become involved in committees and develop more formal and informal interaction with medical staffs and technologists.
Outside organizations	Get on boards of payers, HMOs and other third-party organizations.
Professional organizations	Become active in state radiological and medical societies or national organizations.
Academia	Maintain ties with training programs for future use.
Referring Physicians	Implement a “new doc in-town” marketing program.

**Relationships**

The key to success is to create and maintain strategic relationships with as many diverse groups as possible. Referrals come from many sources. One way to think about relationships is to list as many as possible and to attach a goal for each one. For example:

**Planning Tip:** Since diagnostic imaging is a referral-based medical specialty, create a specific marketing plan aimed at referring physicians. This overlaps with marketing and business development strategies.

**Marketing/Business Development**

The marketing/business development strategy cuts across the four other strategies. This strategy is the engine that drives the success of the others. Marketing has several definitions, all of which are appropriate here. It’s the management of strategic relationships and it’s the process of planning, delivering and promoting a service.

The strategies and tactics used to market a service, such as medical imaging services, are diametrically opposed to marketing a product. For example, there are basically three advertising strategies used to promote products. You can promote the quality of the product, the service it delivers or its price (in comparison to competitors). One or more of these approaches are used in nearly every advertisement you see or read. Since the primary customer of an imaging center is the physician who refers patients, and since this physician has no control over pricing, the price approach is moot.

Promoting quality to referring physicians is an elusive task. Each referring physician defines quality differently. One might define quality in terms of the radiologist providing sharp and clear images, another might define quality as the radiologist providing succinct reports, while still another might define it as the radiology group using the latest technology or getting accredited. Some even define quality in terms of the delivery of quality service.

The promotional tactic that can be utilized most effectively with referring physicians is service: scheduling patients quickly, getting reports back in a timely manner, and treating patients with respect.

Here are three examples of marketing and business development strategies:

1. *Oversee and manage the implementation of the marketing plan*
2. *After the first year, expand marketing reach regionally*
3. *Capture secondary referrals from podiatrists, chiropractors and dentists*

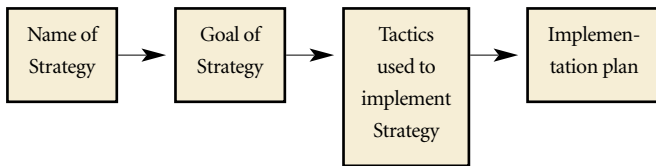
**Planning Tip:** Your marketing and communications plan must contain quantitative objectives, specific target groups to aim for and have a realistic marketing/communications budget.

## Suggestions for Implementing Strategies

The best way to plan and implement these strategies is to create work groups of radiologists, technologists, administrators and support staff. These self-directed work groups use change management techniques to facilitate the process of creating and implementing the strategies.

There should be a work group assigned for each strategy. If the number of staff is constrained, assign individuals to more than one group. The purpose is to develop tactics to implement the strategies. Each group should create a goal, set specific strategies, and develop a list of practical tactics.

### Process for Effective Implementation



It is a good idea (if practical) to use an outside facilitator to develop the groups and conduct the work sessions. It is possible for this entire process to be accomplished in two, two-hour sessions, two or three weeks apart. The final suggestions from each group should be presented to the entire staff of the imaging center and consensus should be reached prior to adopting and implementing the strategy. Once the group agrees on the strategy and tactic, it is each group's responsibility to implement the strategy.

One method used to help members of work groups prioritize (or eliminate) and make implementation decisions is common to many change management techniques and is known as a Payoff Matrix. The matrix uses two sets of criteria to judge each strategic idea: implementation and payoff. The matrix looks at the difficulty of implementing an idea (implementation) and the benefit of doing it (payoff). Each idea is placed on the matrix after discussion from the group.

Implementation/Payoff Matrix	
High payoff, Easy to implement	High payoff, Hard to implement
Big payoff	Requires lots of work May not be worth it
Low payoff, Easy to implement	Low payoff, Hard to implement
Some benefit Do it now	Benefit not worth pursuing

The payoff matrix is a good real-life barometer of whether or not a strategy is worth pursuing.

After all the strategies are put through the payoff matrix, the next step is to implement them. Implementation can take from several days to a year, depending on the nature of the strategy, but members of the planning groups may need some more immediate positive feedback for all of their work. One way is to develop several strategies that can actually be implemented within two weeks. That way, the result of all of the planning efforts will be visible.

A good way to manage the implementation plan is to create a written document outlining the next steps. There are many different types of follow-up plans and may be commonly referred to as Responsibility Grids, Report Out Action Plans; or a Who, What, When Plan (3W Plan). A sample plan looks like this:

Who	What	When	Resources

### Overindulge in Planning Before Launching an Outpatient Imaging Center

Embarking on the launch of a new outpatient diagnostic imaging center is no small undertaking, and anyone who has struggled with such an endeavor can readily attest to the associated challenges and benefits.

Success depends on many things, and one of the most important factors relates to the amount of time and the quality of effort spent on strategic planning at the outset. Neglecting or skimping on this phase may lead to unforeseen obstacles that could potentially derail the project.

Fortunately, there are lessons that can be learned and applied from other healthcare organizations and even from the corporate world. Effectively utilizing some of the planning and change management techniques described in this article can help to steer a team in the right direction and ensure that underlying issues and the concerns of all stakeholders have been adequately addressed. Putting a high priority on strategic planning will relieve many of the headaches that can occur before, during and after the opening of a diagnostic imaging center. 🌟

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