



Basics of Corporatization

Thursday, October 17, 2019 | 7:00-8:00 pm ET

Catherine Everett, MD, MBA, FACR

Coastal Radiology

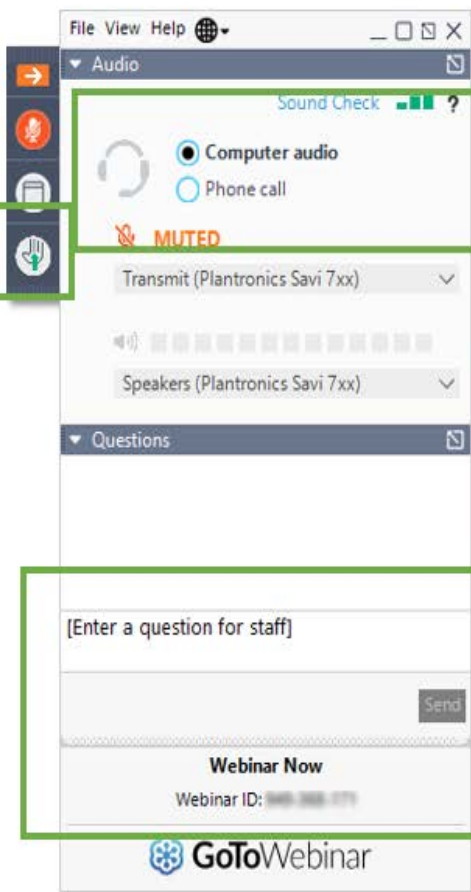
Lawrence Muroff, MD, FACR

Imaging Consultants, Inc.

Daniel Ortiz, MD

Summit Radiology Services, P.C.

Handraising Tool

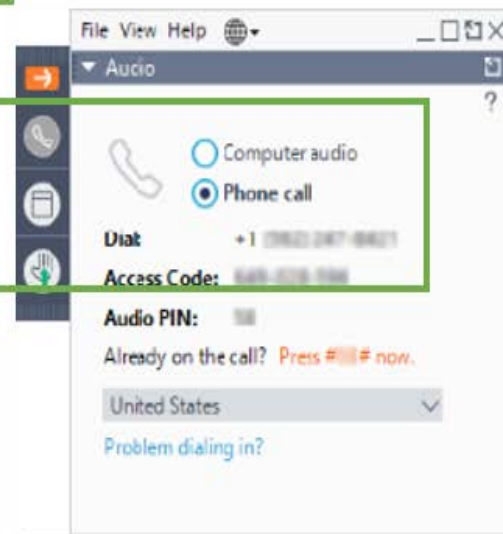


Listen in through computer audio. Headset recommended.

or

Select Phone Call to see the number to call, Access Code and PIN

Type your questions or just say hello here.



Today's Moderators



- **Howard B. Fleishon, MD, MMM, FACR** is from Philadelphia where he did his medical school and radiology training. He has spent the majority of his career as a clinical radiologist in Phoenix. He is now an associate professor and Division Director at Emory University. Interests have centered on leadership and management in Radiology. Howard has served in a variety of roles in the College including a past Chair of the Practice Leaders Committee. He has been Council Speaker and past Chairman of the Radiology Advocacy Network. Currently, his positions include Vice Chair of Government Relations Commission, Chair Radpac and Vice Chair Board of Chancellors, ACR.



- **Robert S Pyatt, Jr., MD, FACR** founded the Chambersburg Imaging Associates (CIA), P.C. (Chambersburg, PA), Nov. 1981. They serve 175,000 patients in South Central PA, west of Gettysburg, and bordering on the Maryland State Line. 12 radiologists (7 FT & 5 PT), 200,000 procedures/year. Continuous contract with health system since 1/1/1982. He was the CIA Practice President from 1981-2018. Currently, Nov. 2018 to present, a part-time partner radiologist, and Chief of Diagnostic Imaging for Summit Health System, which merged with Wellspan Health (York, PA) in September 2018. Chief of Staff, Summit Health Hospitals, 2013-2018. 2016 – present, Chair: General, Small, Emergency and/or Rural Practice (GSER) Commission, Board of Chancellors, ACR. Past President, Pennsylvania Radiological Society. General Radiologist (non-fellowship trained), Residency: National Naval Medical Center, Bethesda, MD. Extensive broad experience in IR, and most all DR imaging modalities.

Friendly Reminder

The American College of Radiology (ACR) provides this RLI Power Hour program as an educational resource for attendees. The faculty will offer their individual perspectives but do not speak for ACR.

We welcome your questions but faculty and presenters cannot discuss specific prices, fees or other terms of any specific corporatization-related transactions. We welcome your insights and have to ensure that ACR and its members stay on the right side of the law.

Now let's welcome our faculty!

Today's Faculty



- **Catherine Everett, MD, MBA, FACR** is president of Coastal Radiology, a private practice radiology group in New Bern, NC; which joined Radiology Partners in 2016. Catherine is a summa cum laude undergraduate of Duke University, graduate of UNC School of Medicine with radiology residency and fellowship at NC Memorial Hospital, and a graduate of Yale SOM. Catherine is active in the American College of Radiology, currently serving on the national Council Steering Committee, and as chair of the Economic Committee of the General, Small, Rural and Emergency Commission. She is also a board member of the American Association of Women Radiologists. Catherine enjoys water skiing and wakeboarding, CrossFit, gardening, and her granddaughter Betsy.



- **Lawrence R. Muroff, MD, FACR** is the immediate past CEO & President of Imaging Consultants, Inc., providers of consulting services to radiologists, hospitals, and corporations. He is also an Adjunct Clinical Professor of Radiology at the University of Florida and the University of South Florida Colleges of Medicine. For 20 years he was a member of a 45+ radiologist practice where he held several leadership positions, including serving as president. Dr. Muroff is an honors graduate of Dartmouth College and Harvard Medical School, a member of Phi Beta Kappa and Alpha Omega Alpha, and a recipient of the Gold Medal of both the Florida Radiological Society and the American College of Radiology. Dr. Muroff is listed in *Who's Who in America* and *Who's Who in the World*. He is also listed in the publication, *The Best Doctors in America 2000*. His radiology socio-economic expertise and his educational expertise were recognized in separate cover stories in *Diagnostic Imaging*; similarly he was featured in a cover story in *Imaging Economics*. Dr. Muroff was designated by Aunt Minnie as Radiology's Most Effective Educator: 2010, and was awarded the 2016-2017 Distinguished Career Achievement Award by Dartmouth Medical School. Dr. Muroff has served as president of several national and regional imaging organizations; he is an inaugural member of the Board of both the ACR's Radiology Leadership Institute and the Neiman Health Policy Institute; he has authored more than 80 scientific and socio-economic articles; and he has presented over 1100 invited lectures throughout the United States and Europe.

Today's Faculty



- **Daniel A. Ortiz, MD** is a first year private practice musculoskeletal and general radiologist with Summit Radiology Services, P.C. in northern Georgia. As a result of his undergraduate education at University of Texas at Austin, Daniel is a lifelong Longhorn. He continued on to attend medical school at the University of Texas Medical Branch. After internships in medicine and surgery at Penn State Hershey Medical Center and UTMB, respectively, he continued on to residency training at Eastern Virginia Medical School. He completed training as a musculoskeletal imaging fellow at the University of California San Diego. His involvement in the ACR includes serving as the immediate past chair of the resident and fellow section and membership in the council steering committee, college nominating committee, general small emergency and rural commission's economics committee, and commission on leadership and practice development.



Basics of Corporatization

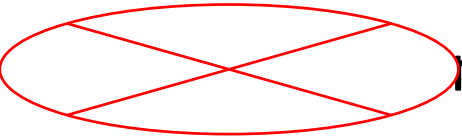
Catherine Everett, MD, MBA, FACR

Disclosures

Partner, Radiology Partners
And Coastal Radiology

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CORPORATIZATION

- Corporatization is the act of reorganizing the structure of a government-owned entity into a legal entity with the corporate structure found in publicly traded companies. These companies tend to have a board of directors, management, and shareholders
- Govern  entity “radiology practice”

Top Health Care Trends in 2019

1. Consolidation 25%
2. Consumerism 14%
3. Telehealth 14%
4. AI and Machine Learning 14%

- Survey of 1000 health care leaders
- Survey was conducted by Definitive Healthcare, a healthcare data and analytics company
<https://medcitynews.com/2019/04/survey-consolidation-consumerism-telehealth/>

Consolidation

- Health Systems

Sued for monopoly pricing



Sutter Health

- Insurance Companies

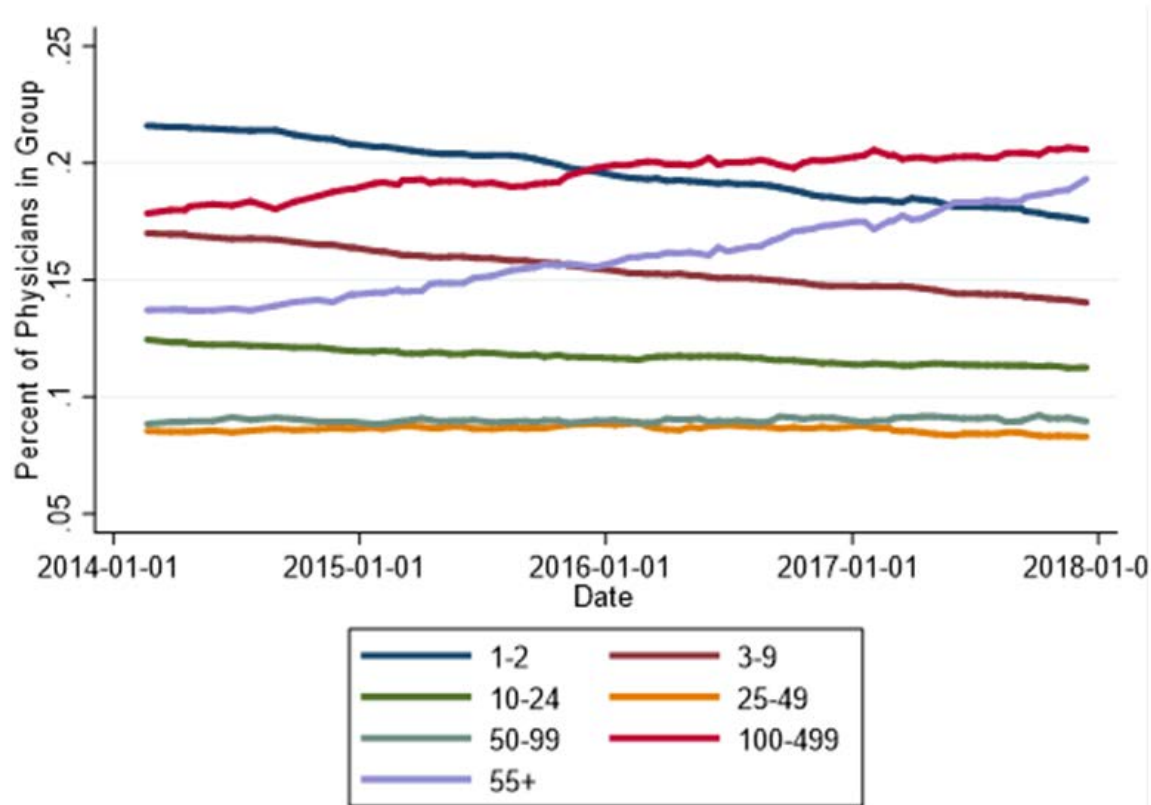
\$70B merger



- Walmart and Humana

Medicare drug cooperative to steer patients to Walmart

Medical Groups



From the Leavitt group

What about Radiology?



2018

More than 1/3 of top 30

2019

More than 1/3 of top 100

Who are the players in Radiology?



Mednax and Envision

- Multispecialty companies. Radiology is not the core business
- Buy the practice assets for cash multiples. No stock
- Publicly traded on the Stock Exchange -- except Envision was taken private by KKR about 4 months ago
- Physicians are salaried

RadPartners, Lucid, US Radiology

- Models are similar
- Purchase assets at a multiple including cash and stock
- Radiology is the core business
- Goal is to parlay size into improved payer contracts, including those with risk
- Economies of scale primarily HR, IT, RCM
- Radiologists are shareholders. Salary and bonus structure may not be similar amongst these entities

WHY?? WHY???

So many radiology groups

- General trend to consolidation
- Concern about APM
- Fear of larger and larger health care systems and forced employment
- Increasing expenses from IT and regulatory burden
- Internal realtime 24-7 coverage
- Compliance
- And(famous words of my esteemed colleague)



Follow the money

Three financial incentives

- Time value of money
- Capital gains
- Sale of Non-liquid assets



Am I totally under the bus?

National practice

- Shareholder ..no buy-in
- Salary and bonus structure
- Clout with payers—bigger piece of the pie
- Local autonomy??
- Uniform IT platform
- standardized peer learning
- Physician boards of expertise
- **Ability to influence the specialty
- **Clinical quality improvement
- Long term????!!

Independent practice

- Local autonomy absolute
- Increasing fixed expenses
- Time is money. Your time is your money, and everyone who works for you
- Traditional model, comfortable
- Usually a buy-in. Can be extended time for hard assets
- Local loyalty
- You are the boss!!
- Long term????!!!

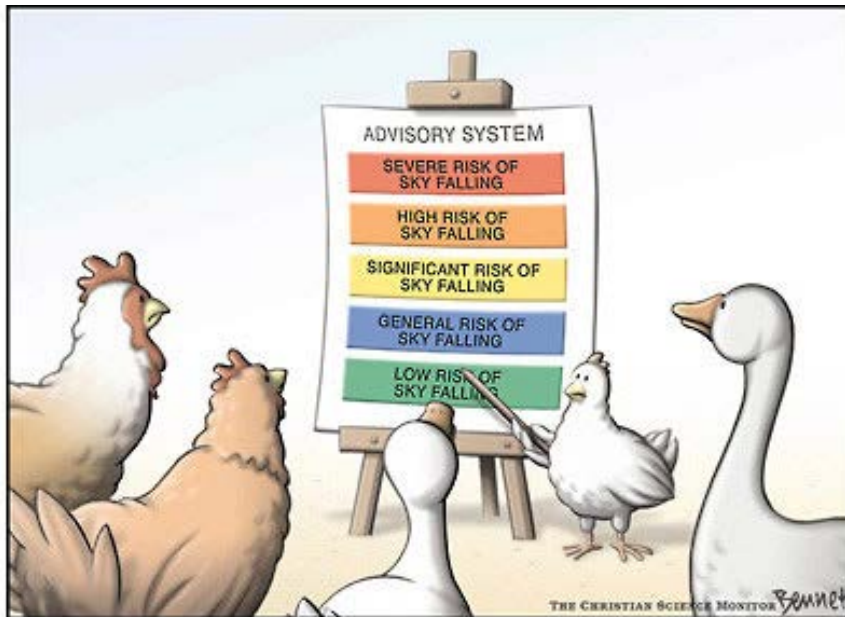
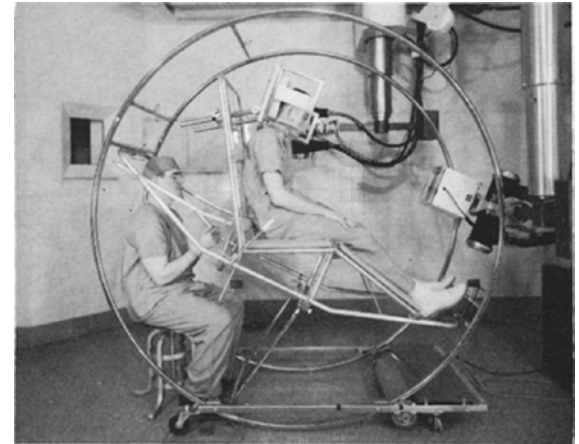
Young Physician in Practice

- Learn everything you can about your practice
- Know financial language, and key numbers for your group... you should have walk-around knowledge of your EBITDA. That's how you get paid
- Participate in governance
- Use your head....not your feelings. Evaluate Evaluate..change is the norm
- Keep your, and your practice's core values and Mission statement in your phone notes. Refer to it often.
- There are good groups and bad groups....corporate or not. If you find yourself in a bad one, cut your losses. It's a growth opportunity

I am interviewing...help!!

- Core values. Ask !! Work volumes, off time, community support, expectations of external shareholders, consideration of family and home life.
- If its mostly about money for you (nothing wrong with that—be honest) make sure you know the true buy-in and partnership. Is it tiered? Hard assets? At what value?
- Governance structure. Who makes decisions.
- Talk to young and old. Talk to staff. Talk to extenders and technologists.
- Trust your instincts.
- Ask about potential sale. But remember...non-disclosure may make them unable to tell you.

Radiology





Basics of Corporatization

Lawrence R. Muroff, M.D., FACR

LRMuroff@hotmail.com

Disclosure

Regrettably, I have nothing to disclose.

Important Point: All national radiology entities/practices are not identical. If you are contemplating joining one, make sure that you understand what it can do for you and/or do **to** you.

The common premise of these national entities is that upfront money is traded for some portion of the practice's cash flow.

Basically, shareholders are given a “variable, but usually generous” amount of money, **BUT** compensation for the practice is usually lowered significantly (and possibly capped) going forward.

While the shareholders that are paid upfront may seem satisfied (at least initially), the lowered compensation has the potential to limit the opportunities for younger radiologists who did not participate in the upfront payments.

Why Radiologists Join a National Radiology Entity

- 1) To monetize their shares
- 2) To obtain more sophisticated business expertise/management
- 3) To provide subspecialty expertise on a 24/7/365 basis
- 4) To have better negotiating power with hospitals and third party payers
- 5) To achieve “economies of scale”

Why Radiologists Join a National Radiology Entity

- 6) To have access to best practice protocols
- 7) To participate in opportunities that require geographic reach and/or a national presence
- 8) For real or imagined protection from other groups and/or hospital systems
- 9) To get in while there is still leverage, as opposed to being forced to join

What Is the Downside?

- 1) Potentially no say in how the practice is run or structured
- 2) You may be subject to practice metrics- some of which may seem unreasonable
- 3) Money has been siphoned from the system which could have gone to you
- 4) You may be managed by people you don't know and never see

What Is the Downside?

- 5) Your compensation package will almost invariably be lowered
- 6) Stock may go down and/or company may cease to exist
- 7) Company may be sold to a different entity with a set of goals far different from yours
- 8) What exists now could be significantly different from what happens down the road

What Is the Promise?

- 1) You will make up the money that you have forfeited by:
 - a) The increased value of the shares paid to you
 - b) National and regional contracts that we will bring to you
 - c) Management expertise and practice efficiencies
 - d) Economies of scale

What Is the Promise?

2) Continuing medical education

3) Leadership training

4) Back office expertise

a) Revenue cycle management

b) HR and associated skills

c) Pension/profit sharing coordination

Have These Promises Been Fulfilled?

Too early to tell- but the math doesn't look appealing for young radiologists and the future seems more restrictive for potential new hires.

Furthermore, it is not unreasonable to ask that if someone/some entity approached your practice and offered new contracts, economies of scale, CME, best practices, and sophisticated revenue cycle management, why would they have to pay you for the privilege?

Wouldn't you be willing to pay for those services, but keep your current compensation package so that you did not have difficulty with recruiting or have a potentially divisive group issue?

We've barely scratched the surface of this issue. BUT with only 10 minutes allocated time...





Basics of Corporatization Early Career Radiologist Perspective

Daniel A. Ortiz, MD
Summit Radiology Services, P.C.
@danortizmd

Financial Conflicts of Interest

- None



Daniel Ortiz, MD @danortizmd · Oct 8

Sorry. Can't join for the whole hour: anniversary night, but I'll give a few thoughts. Daniel Ortiz, private practice (the real kind) general and MSK radiologist and immediate past chair of @ACRRFS #RadResChat



ACR RFS @ACRRFS · Oct 7

Calling all #RadRes + #iRadRes !! Applying to be a #RadFellow this year ? Come join our first #RadResChat tomorrow 10/8 at 8 PM EST discussing fellowship! Here's a sneak peak ! Bring your questions and your tweets ! @RobertPengMD @nakoontz @DarelHeitkamp @SIRRFs @TheNRMP



Yamile Blain

@yamiebl

Replying to @danortizmd and @ACRRFS

Happy anniversary! And thanks for the great advice! Just curious of what you call the 'real kind of private practice'. Care to elaborate?

What is “private practice?”



private practice **noun**

Definition of *private practice*

: a professional business (such as that of a lawyer or doctor) that is not controlled or paid for by the government or a larger company (such as a hospital)

// After years as attorney general, he returned to *private practice*.

What is a “corporation?”

corporation **noun**

cor·po·ra·tion | \ ,kɔr-pə-'rā-shən  \

Definition of *corporation*

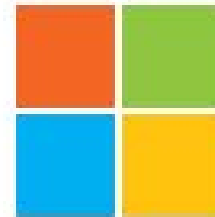
- a** : a group of merchants or traders united in a trade guild (see [GUILD](#) sense 1)
b : the municipal authorities of a town or city
- 2 : a body formed and authorized by law to act as a single person although constituted by one or more persons and legally endowed with various rights and duties including the capacity of succession
- 3 : an association of employers and employees in a basic industry or of members of a profession organized as an organ of political representation in a [corporate](#) state
- 4 : [POTBELLY](#) sense 1

What happens after buy out?



Handing over of the reins.

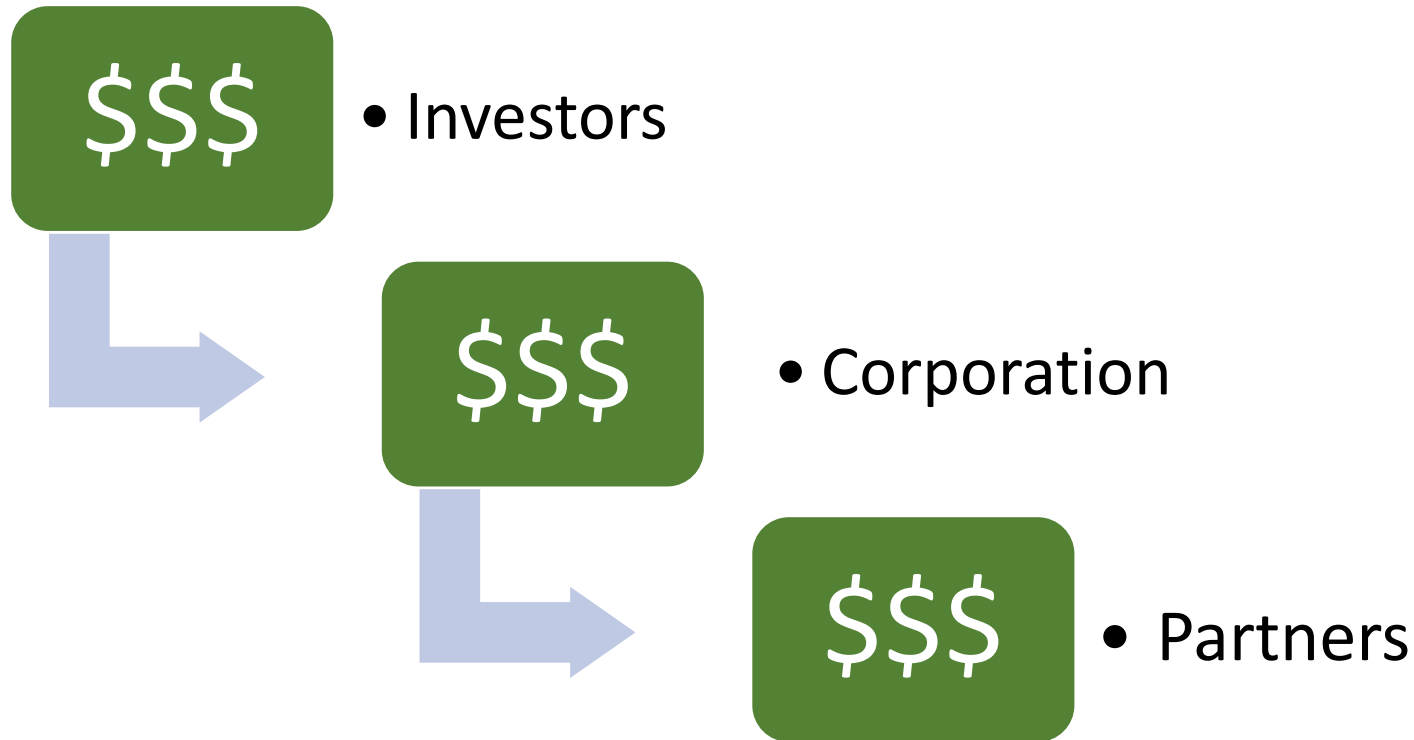
What does it mean to be “partner?”



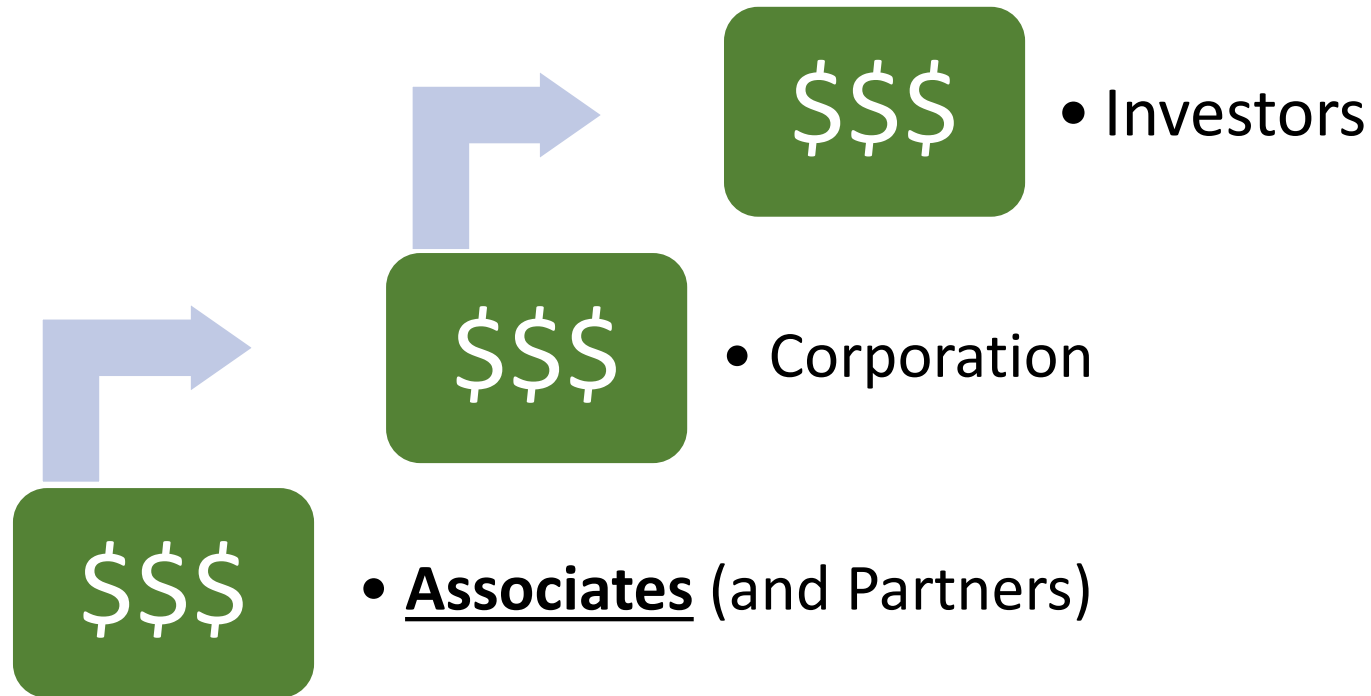
Follow the Money



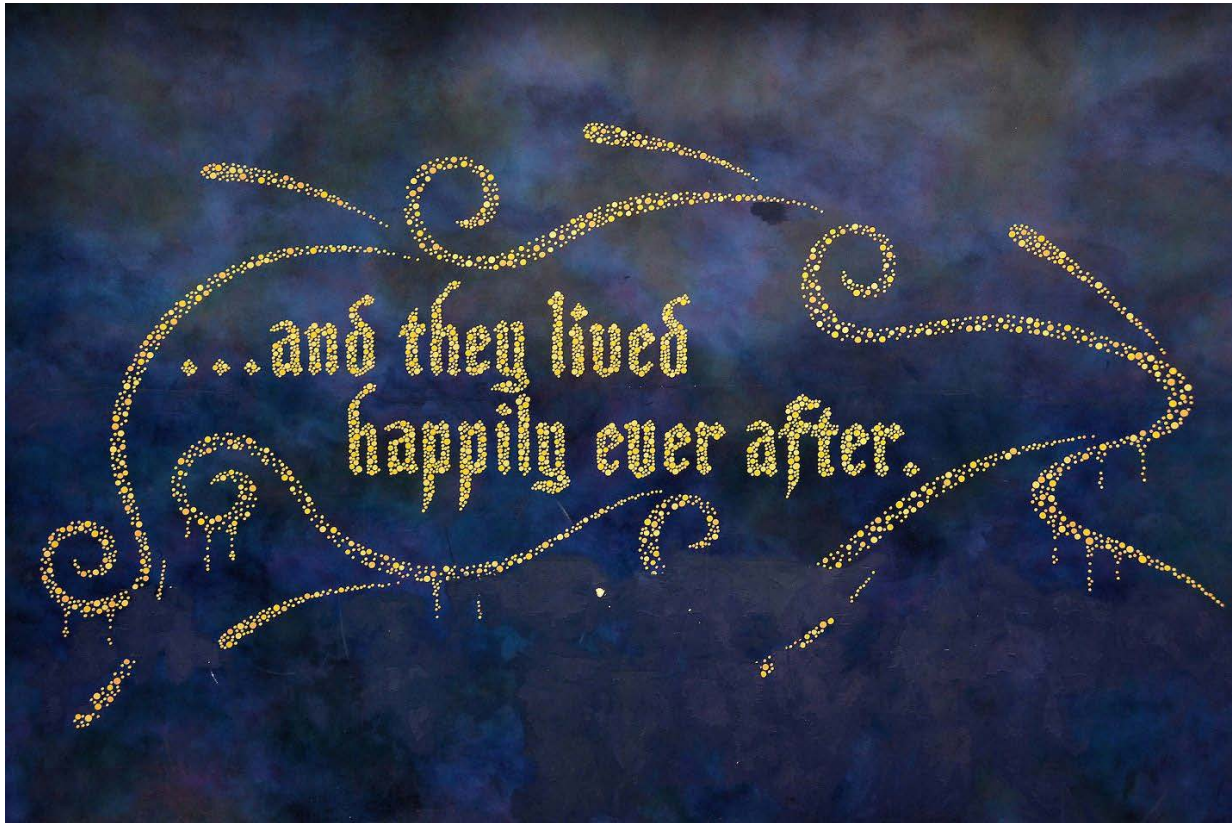
Flow of Money (Phase 1)



Flow of Money (Phase 2)



Happily Ever After?



What if the practice wasn't a good investment?

Atrium and Mednax part ways after months-long battle

By David Milenberg Posted July 30, 2018 In August 2018

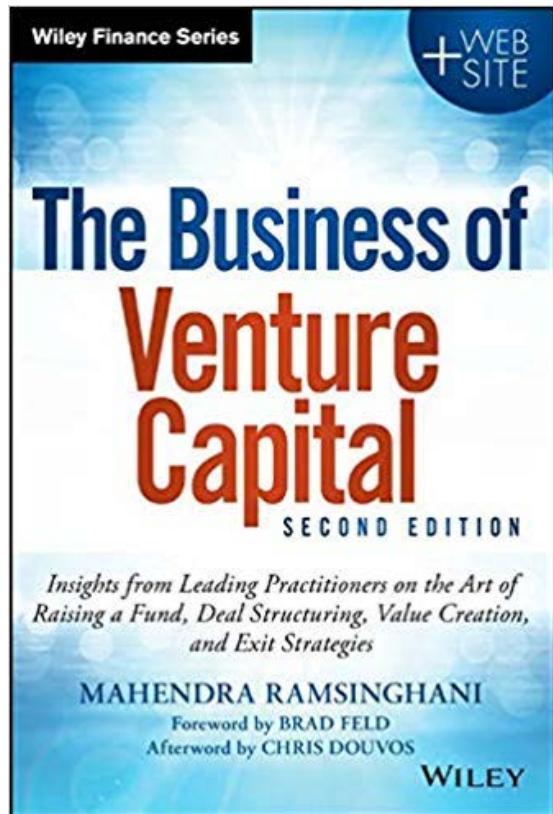
Private Equity's Latest Scheme: Closing Urban Hospitals and Selling Off the Real Estate

Thousands are expected to rally Thursday against the closing of Hahnemann University Hospital, a 171-year-old facility in Center City Philadelphia.

BY MIKE ELK JULY 11, 2019

RLI Power Hour Webinar Series

Flow of Money (Phase 3): The Exit



and Exit Strategies

“The Second Sell”



Proposed Corporate Strategy

1. Target “trophy” practices to gain legitimacy.
2. Target practices with large salaries.
3. Target practices with many associates/climbers.
4. Offer “stock options” with maturation matching projected holding period.
5. Target practices with local near monopolies.
6. Target practices in attractive geographic markets.

What do early career radiologists think?

What do early career radiologists think?

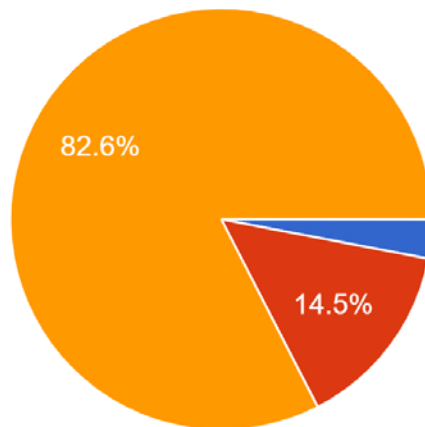
When looking at potential private practice job opportunities, what best describes your actions?

- A.** I prefer to find a job in a practice affiliated with one of a private equity supported national radiology entities.
- B.** I don't care if the practice is affiliated with one of these private equity supported national radiology entities.
- C.** I prefer to find a job with an independent practice.

What do early career radiologists think?

When looking at potential private practice job opportunities, what best describes your actions?

602 responses



- I prefer to find a job in a practice affiliated with one of these private equity supported national radiology entities.
- I don't care if the practice is affiliated with one of these private equity supported national radiology entities.
- I prefer to find a job with an independent practice.

Preference for an independent practice (83%).

What do early career radiologists think?

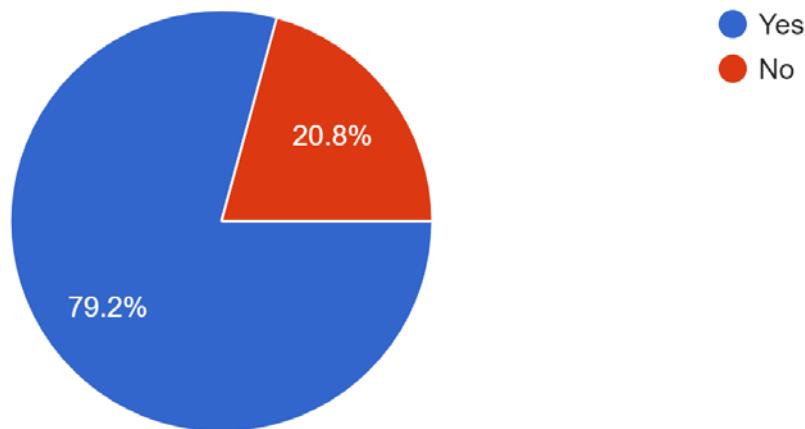
Are you looking to actively participate in the business/leadership of your radiology practice?

- A. Yes
- B. No

What do early career radiologists think?

Are you looking to actively participate in the business/leadership of your radiology practice?

602 responses



Desire to engage in the business (79%).

What do early career radiologists think?

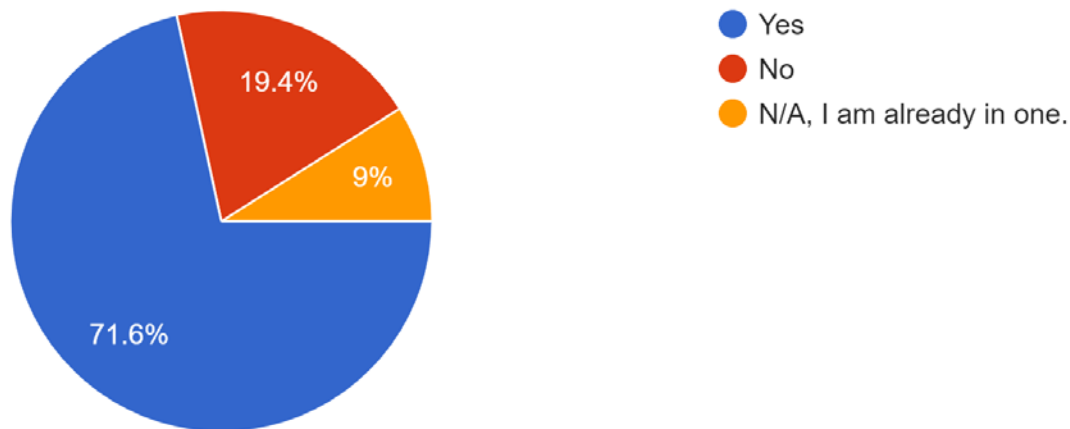
Are you worried about the possibility of your (future) radiologist practice being sold to a private equity supported national radiology entity?

- A. Yes
- B. No

What do early career radiologists think?

Are you worried about the possibility of your (future) radiologist practice being sold to a private equity supported national radiology entity?

602 responses



Worry about practice being sold (72%).

Tips for Job Applicants

- Be mindful of steep partner gradients and “climbs”
- Be mindful of group career stage diversity
- Ask if the group has been approached by a national entity.
- Ask every person their perspective on corporatization.
- Learn the local radiology landscape.
- Discuss with an attorney.

Thank you.



Q&A Time

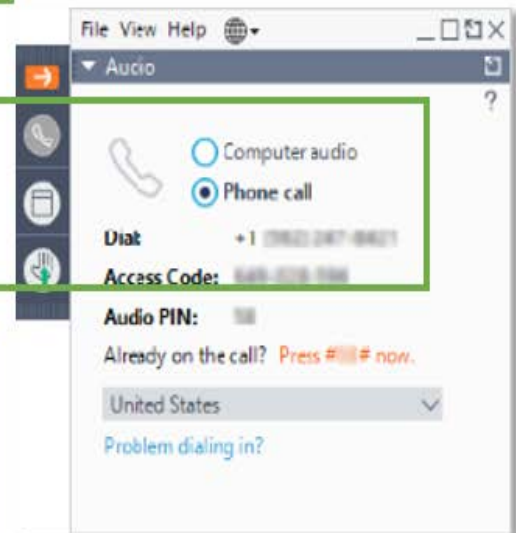
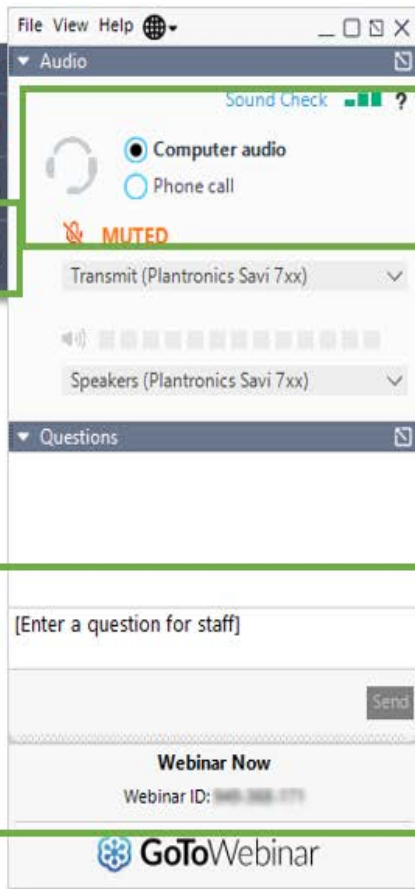
Handraising Tool

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or

Select Phone Call to see the number to call, Access Code and PIN

Type your questions or just say hello here.



Before you go...

- There are a few things you should know:
 - The next Power Hour Webinar on “Preserving Independent Practices in the Age of Corporatization” is Wednesday, December 18, 7pm ET
 - If you wish to register for the next webinar or any of the other Power Hour webinars, you must register for them individually at www.acr.org/powerhour.
 - Please complete the post webinar survey!

Thank you.