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# The Right Fit


## How UPMC's Altoona Regional Health System Makes a Hospital-Employed Radiology Group Work

By **Timothy W. Boden, CMPE**

The conventional wisdom throughout the health care industry holds that hospitals can't successfully employ radiologists directly. At the same time, a growing number of radiology groups are struggling to maintain their independence in the medical marketplace. As provider consolidation—fueled in part by the pressure to form accountable care organizations—starts to spread across the nation, many radiology groups wonder how they can best fit in this new world.

At least one system—the University of Pittsburgh Medical Center (UPMC) Altoona Regional Health System—seems to have found a way to balance physician autonomy with the security and benefits of hospital employment. The hospital and the radiologists alike have learned that collaboration can yield far better results than control.

The town of Altoona sits along the eastern slope of the Allegheny Mountains in central Pennsylvania and is home to approximately 46,000 of Blair County's nearly 130,000 residents. Altoona relies on the UPMC-affiliated Altoona Regional Health System for most of its medical care. Like many regional systems, the Altoona organization has experienced extensive consolidation in recent years.

Bon Secours-Holy Family Hospital and Altoona Hospital joined forces in 2004 to become Altoona Regional. Now a full-service tertiary care facility, the 380-bed hospital has acquired accreditation as a level 2 trauma center serving

almost 250,000 Pennsylvania residents. Emergency department visits number about 65,000 annually, and admissions approach 20,000.

Altoona Regional has a cancer center and well-developed neurosurgery and cardiac care programs. The hospital employs about 300 physicians—one-third of its medical staff—and it became part of the UPMC system this past July.

Prior to the merger between Bon Secours-Holy Family and Altoona hospitals, each facility had an exclusive services agreement with separate physician-owned radiology practices. Bon Secours used the smaller of the two groups, a three-physician group that subsequently dissolved when the physicians left the region. According to Altoona Regional administrator Jerry Murray, the remaining group serving Altoona Hospital began to struggle with the significantly increased workload, just as the merged organization rolled out its new PACS.

Two of the radiologists left the remaining group to form their own freestanding imaging center in Altoona. The remaining radiologists increasingly turned to locum tenens services in a desperate attempt to keep up with their workload. Recruiting efforts bore little fruit and, at one point, the hospital's credentialed locum physicians numbered around 150.

The group continued to fall behind, developing an unmanageable backlog of imaging reports while amassing considerable debt as it struggled to pay locum fees. As the group's service contract came up for renewal, the physicians looked to the hospital for some type of bailout.

The hospital began exploring teleradiology services as a possible fix for this situation. One proposal would put two or three physicians on site with the overflow handled remotely. It appeared to be the only workable solution. That was when Altoona Regional became acquainted with Radiology Business Solutions (RBS), a national consulting firm located in Flint, Michigan.

RBS principals, including its director of business development, Daniel Corbett, traveled to Altoona for what he expected to be a preliminary meeting with a core of leaders. Instead, the team found themselves making a presentation to the entire hospital board, the hospital's administrative chiefs, and all the physicians from the affiliated radiology group. Altoona Regional hired RBS to conduct an in-depth analysis and make strategic recommendations to bring radiology services to a level that would meet the system's needs.

## Improving Service

Corbett says RBS examined the problems plaguing the hospital's radiology department, discovering a fragmented radiology group, with several senior partners eyeing retirement. That retirement remained out of reach because of the group's growing debt. A hospital medical staff satisfaction survey returned results placing radiology dead last. The radiology department was losing a large number of cases to the new freestanding imaging center operated by its former partners.

Few hospitals can successfully compete with an independent freestanding imaging center unless they establish their own facilities outside the hospital, according to RBS President Mark Weiss, MD. He says patients don't want to go to the hospital for imaging services if there's an alternative available. Both the hospital and RBS recognized that Altoona Regional would have to develop its own freestanding center.

In light of Altoona Regional's need for a freestanding center, RBS recommended its client to pursue a strategy that included the following:

- proceed with plans to build an imaging center;
- offer to buy out the radiologists' debt and disband the group; and
- develop its own group of hospital-employed radiologists.

## A New Day, a New Deal

RBS recommended against simply firing the existing radiologists, contending that it would send the wrong message to the rest of the medical staff. Instead, those physicians would be eligible to apply for positions in the new group; each would be looked at individually on equal footing with other applicants and recruits.

Taking a cue from Altoona Regional's physician-employment arrangements among other specialties, RBS proposed employing the radiologists despite an industrywide bias against such arrangements. The hospital already had learned to give its employed physicians a great deal of autonomy and self-governance. They believed that model could work for radiology, too.

In 2010, the hospital decided to proceed with RBS' proposed strategy, and it formed a new group practice, Lexington Radiology, retaining three radiologists from the original group and one of its long-term locum radiologists. RBS successfully recruited six new radiologists

to the area in the first 2½ months. Recruiting efforts have continued, and the group today consists of 12 radiologists, including several subspecialists.

The hospital awarded a management services contract to RBS to provide ongoing executive management, strategic and contracting direction, and operational resources for the new group. RBS doesn't provide billing services, so it contracted with an independent billing company as well. Lexington Radiology, a wholly owned subsidiary of Altoona Regional, has one primary function: to employ the radiologists. Each one has the same employment agreement, and Lexington has a service contract with the hospital that mirrors the employment agreement.

Unlike many hospital employment models—wherein one physician receives a bigger salary to serve as chairman and the "boss" who represents hospital administration—Lexington operates almost exactly like a private practice. Lexington has its own board of directors that includes two radiologists, one hospital administrator, and two hospital board members. This board meets quarterly and provides general oversight for the group.

The group has its own medical executive committee of five radiologists overseeing clinical operations and physician schedules. The group meets monthly and makes decisions in a more or less democratic fashion. The hospital avoids getting involved in the group's operational discussions. The group's chairman, Peter James, MD, calls the governance "very democratic" and attributes much of its success to the fact that every physician has a say in those decisions.

RBS provides an on-site operational manager, and one of its partners, CEO Cliff Crabtree, RPh, spends several days on site twice each month to provide the high-end expertise that guides the practice and facilitates communication and cooperation between radiologists and the hospital. Although the hospital pays for RBS' services, it allows RBS to maintain a neutral third-party posture in all discussions, advice, and decision making. Therefore, the radiologists do not perceive RBS as being on the hospital's side whenever they struggle to see eye to eye with administrators.

## Results Speak for Themselves

The newly formed Lexington Radiology began to turn around the bleak situation almost immediately. Corbett reports that the department handled 216,000 cases in 2011 compared with 185,000 in 2010. Bottlenecks in the system were identified and all but eliminated. The group cut the imaging backlog (which had exceeded 1,000 cases per day) to a fraction of what it had been.

A medical staff satisfaction survey conducted in 2013 revealed very different results from those in 2009. The physicians serving Altoona Regional gave the radiology department high marks; the department came out on top—by a sizable margin. Improved performance and efficiency has won back much of the business previously lost to the independent imaging center.

The new group and arrangements with the hospital have proven attractive to potential recruits. Lexington's candidate pool has become rich with highly qualified, interested radiologists. In fact, plans are under way for Altoona Regional to step away from its reliance on overnight teleradiology services and hire additional radiologists specifically to "take back the night."

By almost any standard, the formation of Lexington Radiology has been wildly successful. Leaders at Lexington, in the hospital administration and at RBS, share almost identical opinions regarding what has contributed to its success.

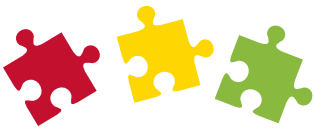
Each of the key leaders quickly attributes these accomplishments to "the people." Hospital administrators hold RBS principals and the physician leaders they have recruited and mentored in the highest regard. Similarly, the consultants and radiologists praise the hospital's leadership as well. This society of mutual admiration didn't happen by chance; it grew from well-ordered priorities and purposeful planning. Specifically, four key strategies are driving Altoona and Lexington's success:

**1. Altoona Regional has an effective physician employment philosophy.** Murray describes the Altoona employment model as "professionally managed and physician driven." The system employs orthopedic surgeons, internists, and a large multispecialty practice. Each has its own leadership that controls most of the day-to-day operations and clinical concerns. Issues such as hiring or terminating physicians, large strategic decisions or financial investments, and contracting go before the groups' respective boards.

Physicians in these arrangements feel autonomous regarding the issues most important to them, but they also feel supported and relieved of larger business-ownership responsibilities. Daily life "in the trenches" maintains a certain private practice ambiance.

The group's governance allows for a fair, democratic process that seeks and values every physician's input. Monthly physician meetings give everyone a chance to express opinions and participate in operational and clinical decisions.

Confidence in Altoona Regional is so great among physicians that the hospital's plan to consolidate the



practices into a single corporate entity with separate departments has not met with resistance, according to Murray. In the new plan, specialists will continue to work in and control their practices as before; they simply will be structured as specialty departments rather than separate companies. The hospital hopes this initiative will ensure aligned strategies and consistent operations in the future while consolidating strategic planning and management.

**2. The system employs a simple, balanced compensation scheme.** Lexington's physician compensation formula resembles plans used by private practices. "It allows for a person to work harder and earn more income without relying entirely on productivity for compensation," James notes. The formula consists of four key features:

- It compensates physicians for shifts worked. Not all shifts are equally desirable, so Lexington assigns shift values and reviews them periodically to ensure fairness. Factors such as staffing, technology, and patient volumes can affect a shift's level of difficulty and effort.
- It compensates physicians for work relative value units (RVUs). The system tracks each person's work and simply aggregates RVUs (based on Medicare's resource-based relative value scale).
- It establishes a productivity "floor." The organization sets a minimum expected output from physicians. Failing to meet the minimum results in lower income. Continued underperformance results in counseling, correction, or even termination.
- It establishes a productivity "ceiling." Based on benchmarks and internal data, the plan outlines a maximum output beyond which a physician gains no further compensation. Weiss says the group recognizes that unbridled volume results in questionable care quality and disrupts the team. Continued overproduction also can result in counseling, correction, and even termination. Crabtree likes to refer to this principle as the "antigreed clause."

**3. The hospital system maintains a commitment to physician cultural integrity.** From the outset, RBS championed shared values and a balanced medical staff as priorities in its recruiting efforts. Eligible candidates must be well trained—that almost goes without saying—but they also must fit in with the organization's philosophy and vision. James emphasizes that physicians with selfish agendas need not apply. Lexington is looking for ones who have a collegial style and team-centered approach not only to the practice but also to the medical staff they serve.

"We search for a variety of individuals," Weiss explains. "We value both the mature, seasoned physician and the less experienced professional willing to learn and be mentored." It's not always a matter of age, he points out. It has more to do with experience. "Individuals who complement one another make for a strong group," he says.

Murray agrees: "Regardless of the specialty, you have to hire the right people."

**4. RBS' role maintains neutrality and transparency.** Altoona Regional allows RBS to function as it normally does when working with an independent radiology practice. Its primary contact and interaction is with the physician group. The hospital writes the checks to RBS, but RBS maintains a strong, disinterested third-party posture. It clearly doesn't side automatically with the hospital on every issue when disagreements arise.

On top of that, RBS is "all about transparency," according to Crabtree. The company's basic premises include a determination not to hide anything from anyone in a client organization. RBS provides thorough and detailed reports for the hospital and radiologists alike.

Not only does the organization allow its members to know what's going on, it creates a sense of safety for every physician to express his or her opinions without fear of repercussion. At Lexington Radiology, it's OK to disagree. This only serves to promote greater transparency throughout the organization and helps keep everyone on board with the overall strategic goals and vision for the system.

Weiss works to give physicians the information, data, and resources they need to succeed. He says RBS always tries to give the radiologists more than one option for resolving an issue. This encourages the radiologists to choose their own path when possible.

## Collaboration Beats Control

It's not surprising that Lexington Radiology has experienced little physician turnover. While radiologists weary of today's practice-ownership challenges may experience a sense of relief when accepting employment with the group, unlike many hospital-employed physicians, they don't feel they have surrendered control.

Health systems that don't understand this dynamic run the risk of fragmentation and wrestling with their physicians for control. Those who learn to collaborate effectively have a better chance of offering imaging services focused on patient and medical staff service and satisfaction.

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