

Early Career Outlook for National Practice

DANIEL A. ORTIZ, MD
VIRGINIA RADIOLOGICAL SOCIETY
2021 ANNUAL MEETING
AUGUST 7, 2021

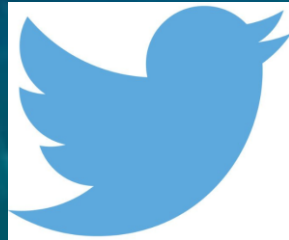
Disclosures

- I have no financial disclosures of conflict of interest.
- I acknowledge I have an inherent bias given that I am an early career radiologist in private practice.
- I do have a fiduciary duty to disclose.
 - As a member of the ACR YPS Executive Committee, I have a duty to advocate for the YPS members and young professionals across the country.

Twitter consents

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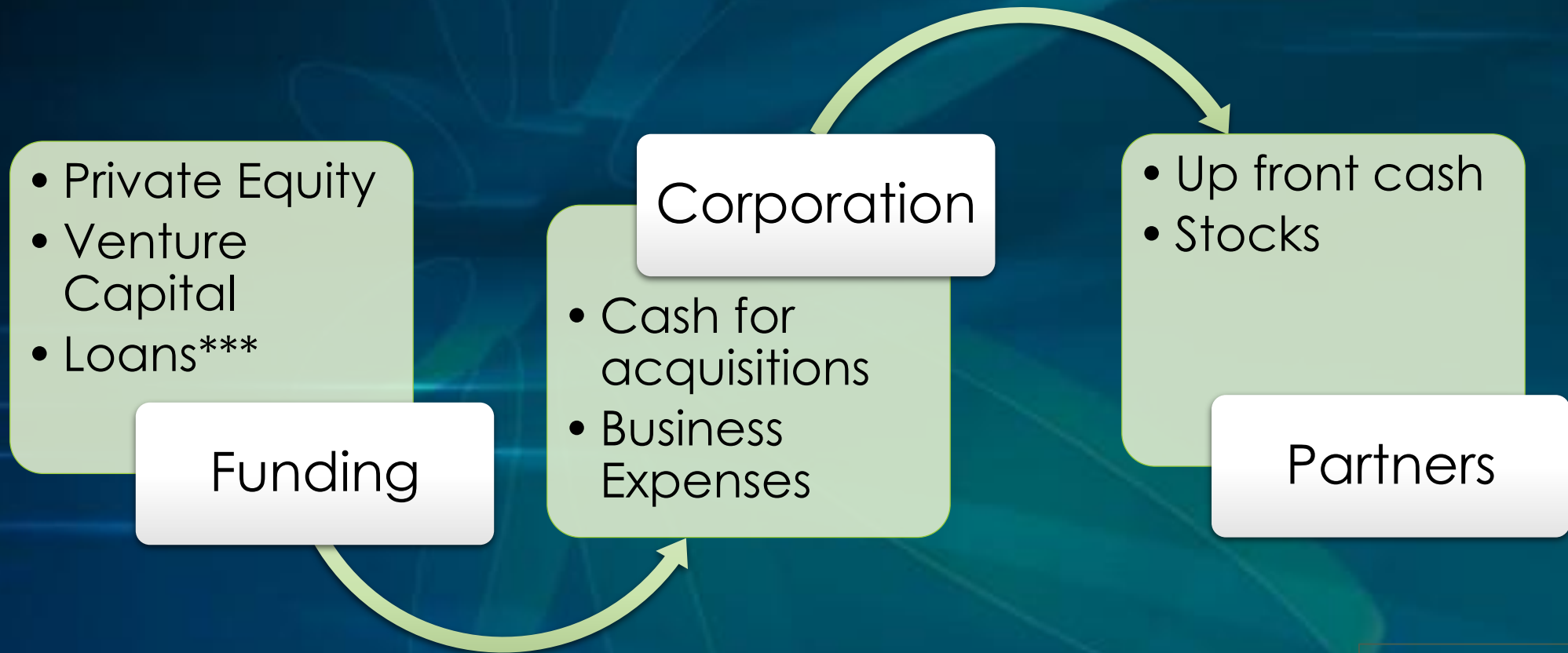
- You have my consent to tweet the contents of this talk.
- You have my consent to take pictures of my slides.
- You have my consent to mention (@) me with feedback and your perspective on any of the concepts in this talk.



Follow the Money



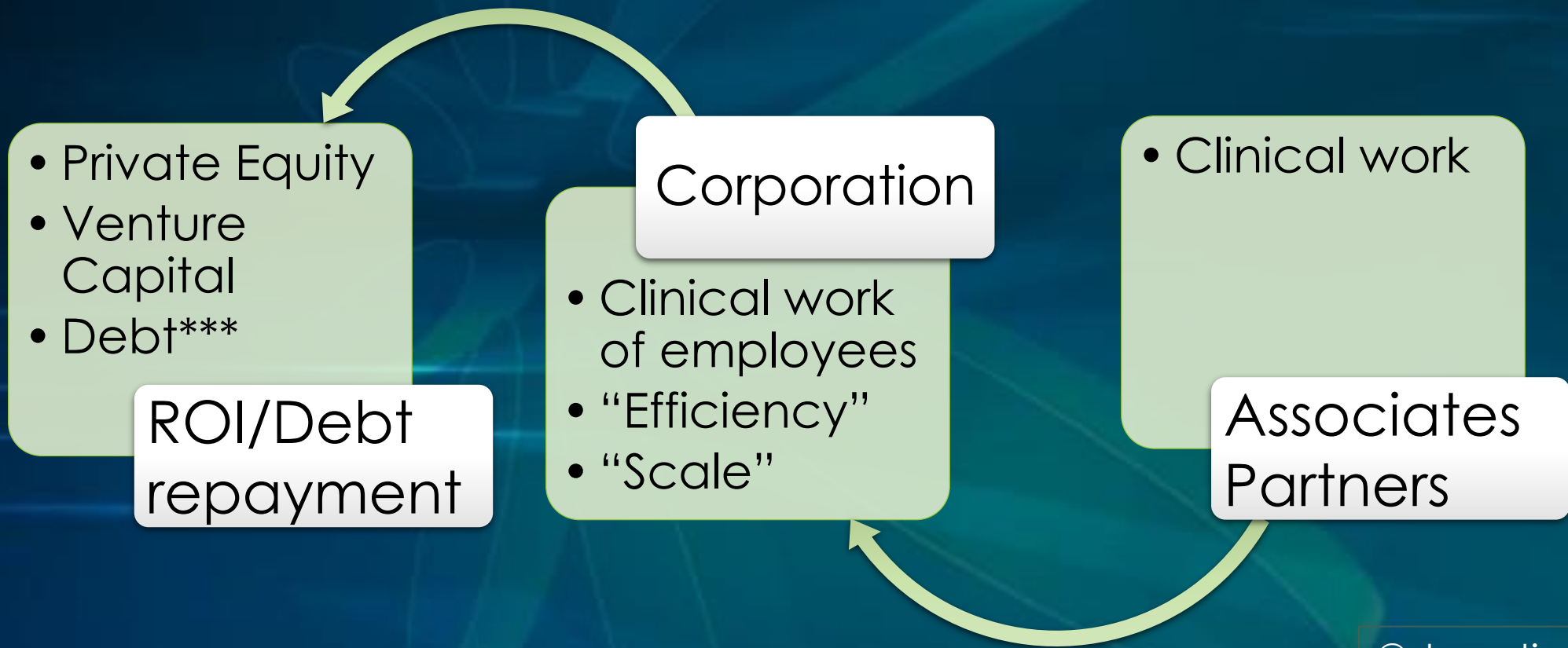
Flow of Money (Phase 1)



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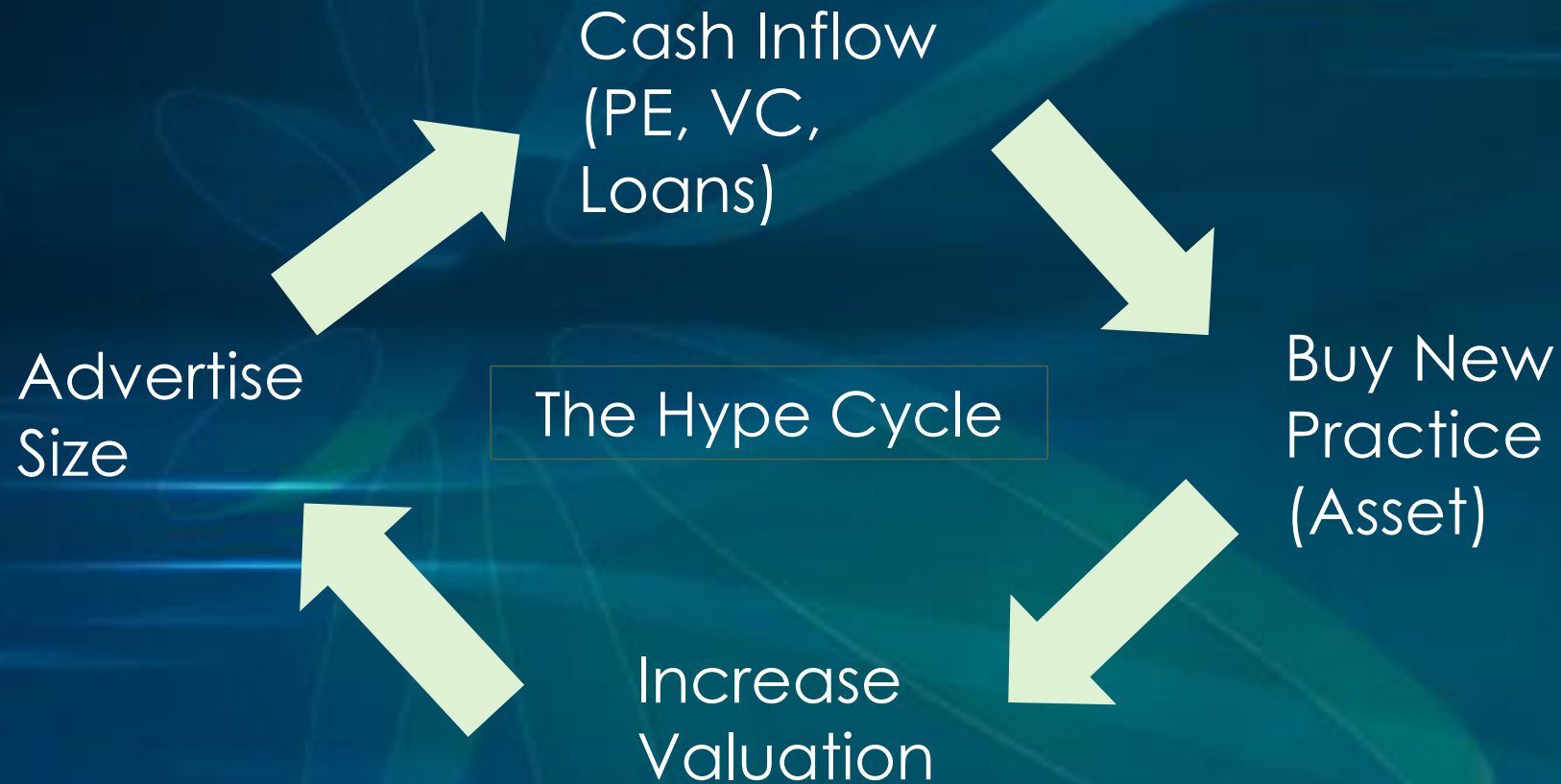
Flow of Money (Phase 2)



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Corporate Practice Cycle



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What does it mean to be “partner?”



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What happens after buy out?

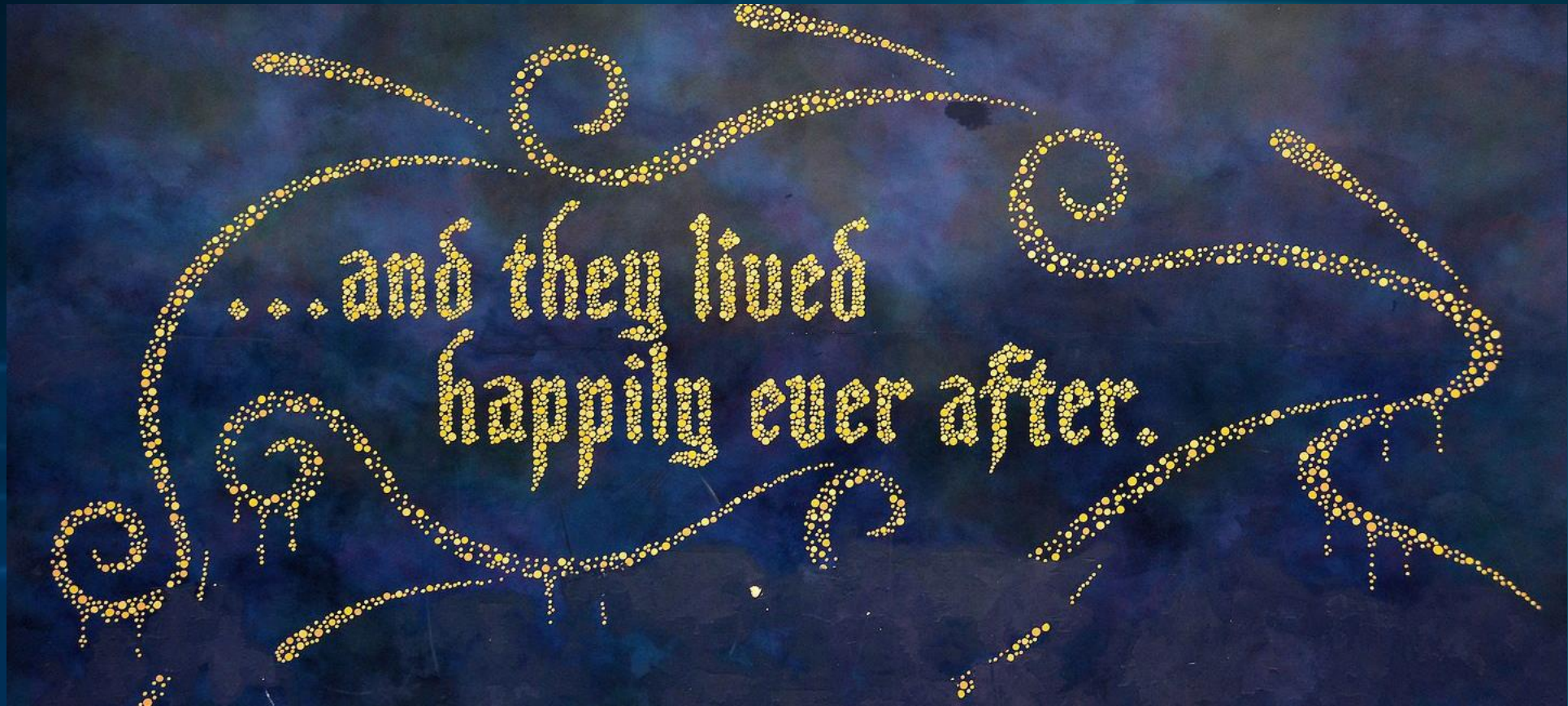


Handing over of the reins.

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Happily Ever After?



Back to the future?



Failure of Physician Practice Management (PPM)

The departure of Medpartners, the largest company in physician practice management, would leave the field to Phycor Inc., which said last month that it was considering offers to take it private in view of its low stock valuation. FPA Medical Management, another big manager of physician practices, filed in July for protection under Chapter 11 of the bankruptcy laws.

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actice*

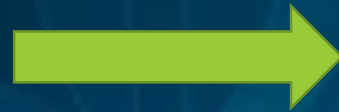
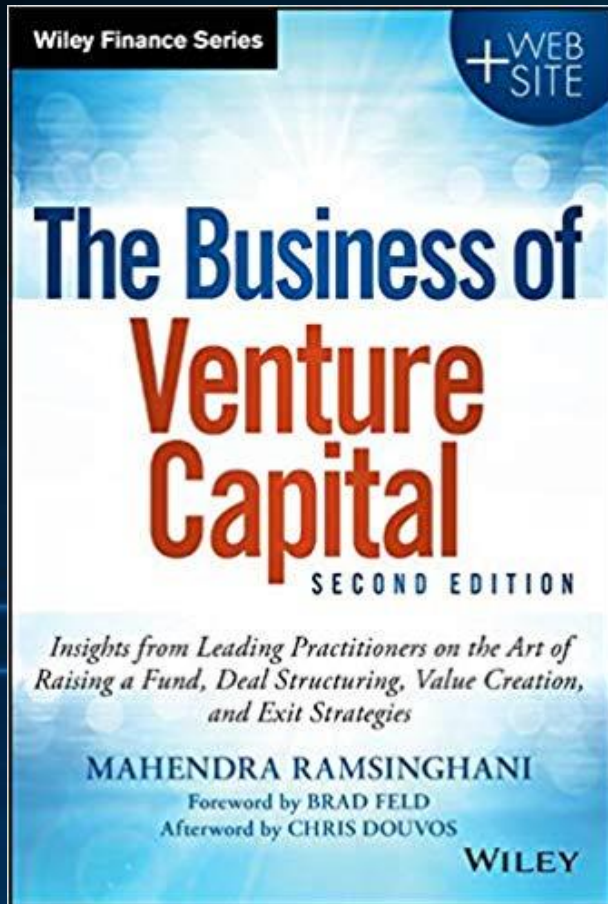
Dr. Kenneth Brin, board chairman of the 85-physician Summit Medical Group in Summit, N.J., said Medpartners did not inform member groups like Summit of its plans until after the stock markets closed on Tuesday. The Wall Street Journal reported the plan yesterday.

<https://www.nytimes.com/1998/11/12/business/medpartners-plans-divest-itself-business-physician-practice-management.html>

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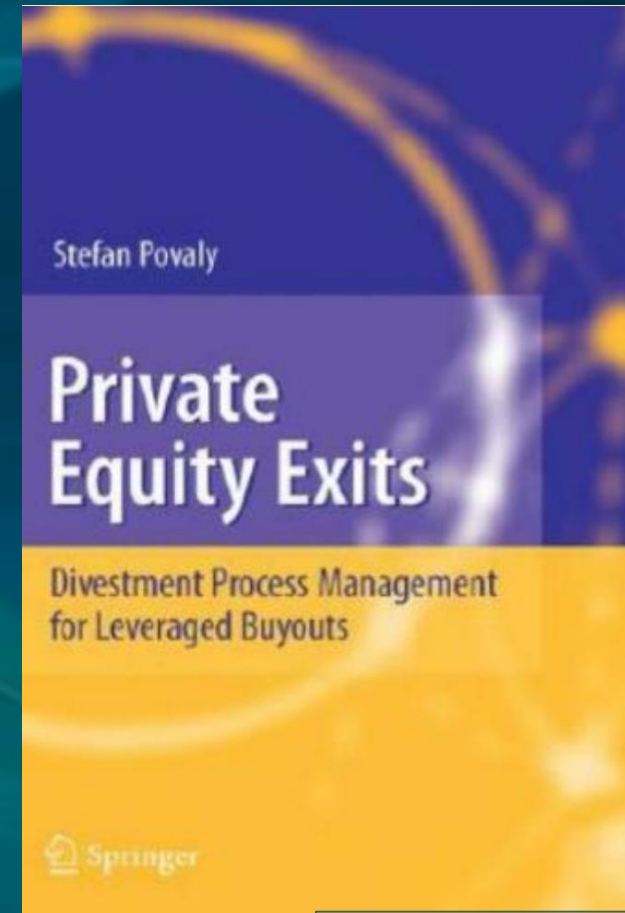


Flow of Money (Phase 3): The Exit



and Exit Strategies

Exits



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Triggers to sell and potential buyers

Potential Triggers Sell or Bankruptcy

- Funding sources dry up – Aris Radiology
 - 2007: Founded as a mixed teleradiology/onsite radiology provider
 - 2011: New funding from Great Point Partners (private equity)
 - 2013: Acquire Pediatric Radiology of America
 - 2015: Acquire Optimal Radiology
 - 2016: Acquire USTeleradiology

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Potential Triggers Sell or Bankruptcy

- Funding sources dry up

Aunt Minnie

National radiology group Aris shuts down

By Erik L. Ridley, AuntMinnie.com staff writer

March 17, 2020 -- National radiology group Aris Radiology has discontinued operations and ceased all services, effective March 13. The shutdown occurred after its lending agency apparently declined to provide the company with additional funding.

Repeated attempts to contact Aris for more details have been unsuccessful. However, in a March 6 email obtained by *AuntMinnie.com*, the group told clients: "Given that our lending agency has decided to no longer fund us, we are in a position where we unfortunately will be ceasing and desisting operations on or before March 13."

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Potential Triggers Sell or Bankruptcy

- Asset (practice) is a poor performer

Radiology Business

- Mednax to sell its \$550M Radiology Solutions business line, change name back to Pediatrix

Marty Stempniak | June 05, 2020 | Economics



Company leaders said they had already been in advanced discussions to divest the radiology division before COVID's arrival in the U.S. But they were forced to put those conversations on hold and will now wait until market conditions improve to execute a deal. Future proceeds will go toward paying down the company's more than \$1 billion in outstanding debt.

Prior to the public health crisis, MRS—which employs about 825 rads in hospitals and telemedicine—was expected to generate about \$550 million in revenue and \$90 million in adjusted earnings before interest, taxes, depreciation and amortization. However, its study volume plummeted roughly 50% in April due to COVID-19 and roughly 25% by the end of May, officials said.

To counter this slide, Mednax in April said it was cutting top executives' pay, furloughing nonclinical employees and forgoing cash payments to its board of directors. Mednax also announced that it was selling its troubled anesthesiology line last month amid a similar slowdown in that specialty.

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Potential Triggers Sell or Bankruptcy

- Funding sources dry up
- Asset (practice) is a poor performer
- Major change in market landscape (i.e. COVID-19, Legislation)
- Reach valuation target with willing buyer

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Potential Buyers

- Other investment firms

Virtual Radiology In a Major New Consolidation, Radiology Partners to Acquire

By AuntMinnie

B Bloomberg.com

Nov 15
Mini

KKR-Backed Envision Healthcare to Consider Bankruptcy Filing

ME

Envision Healthcare Corp. has hired restructuring advisers and is contemplating a bankruptcy filing after the Covid-19 pandemic halted ...

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Apr 20, 2020



nounced
mega-

—

Golden State among backers of California company

GEERT DE LOMBAERDE MAR 7, 2017

Potential Buyers

- Hospital systems

Healthcare Dive

BRIEF

HCA, KKR reportedly make bid for Envision amid deal frenzy

Published May 21, 2018

<https://www.healthcaredive.com/news/hca-kkr-envision-possible-buyout/523949/>

Potential Buyers

- Insurance Companies

Fierce Healthcare

UnitedHealth part of \$2.2B acquisition of hospitalist staffing company

by Evan Sweeney | Jun 7, 2018 2:02pm

OptumHealth will be one of the two primary physician staffing firms based in Tacoma, Washington, according to Moody's on Thursday.

UnitedHealth's care delivery arm will own the company alongside the private equity firm Summit Partners, which agreed to purchase the controlling stake of Sound from the Germany-based dialysis provider Fresenius Medical Care in April.

DaVita drops price of Medical Group to \$4.3B in sale to UnitedHealth

by Tina Reed | Dec 17, 2018 2:09pm

Potential Buyers

- Retailers

Radiology Business


Walmart continues its push into imaging, primary care with new clinic

Marty Stempniak | February 03, 2020 | Economics



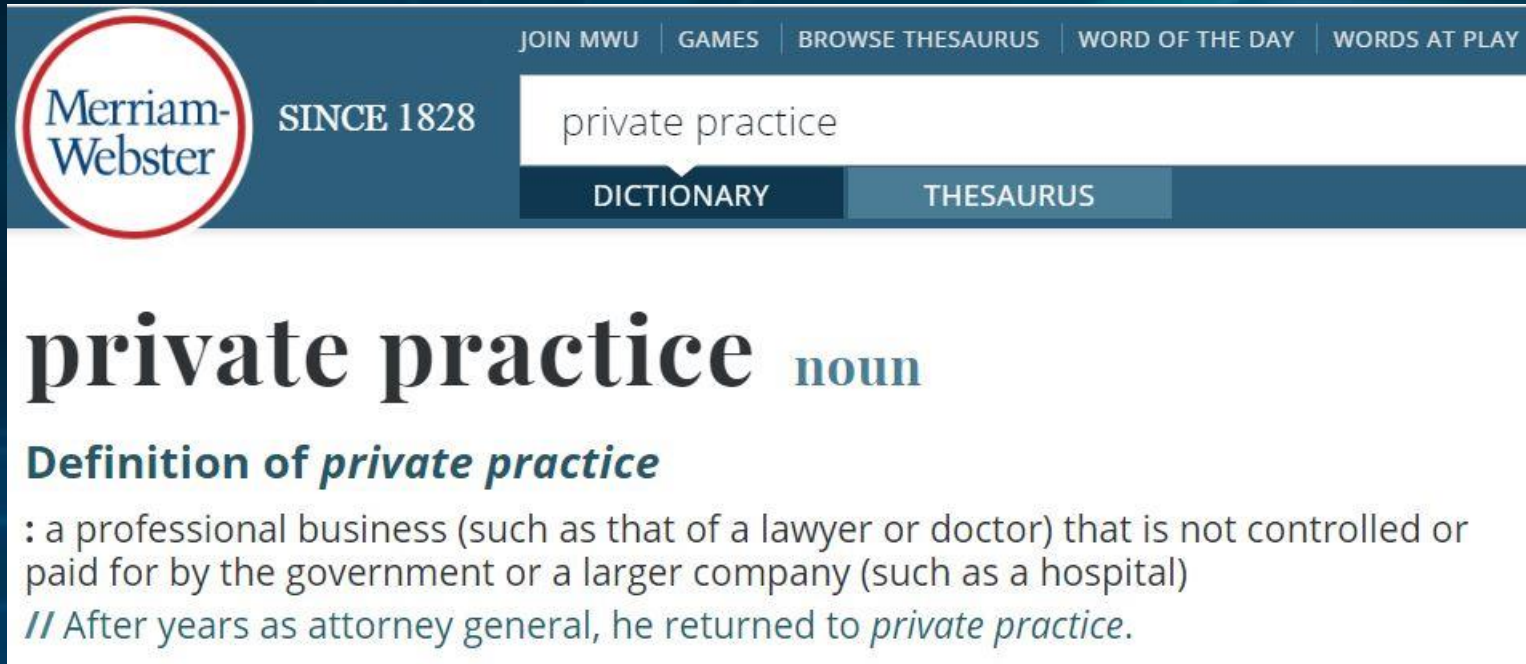
The company also made waves in radiology last year, when it [announced](#) a partnership with startup Covera Health to help its covered employees [pinpoint the best imaging centers](#) and “avoid misguided and unnecessary treatment based on [inaccurate radiology diagnoses.](#)”

Walmart
Care Clinic

The background is a solid teal color with faint, overlapping outlines of leaves or petals in a lighter shade of teal, creating a subtle botanical pattern.

Private practice challenges and touted benefits of national practices

What is “private practice?”



Merriam-Webster SINCE 1828

JOIN MWU | GAMES | BROWSE THESAURUS | WORD OF THE DAY | WORDS AT PLAY

private practice

DICTIONARY | THESAURUS

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*.

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What is a “corporation?”

corporation **noun**

cor·po·ra·tion | \ ,kôr-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
- : 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
- : 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
- : [POTBELLY](#) sense 1

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Experiences in Private Practice

- As an associate or partner, ultimately the outcome of your business is on you
- While, the earning potential is higher than other career options, there are potential risks of account receivable losses (i.e. COVID, lost contract, legislation/regulation)
- Must keep engaged to keep contracts and referrals
- Responsibility to maintain appropriate staffing
- Responsibility to maintain awareness of healthcare landscape and be proactive

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Touted benefit of national corporations – “Scale”

- Infrastructure/IT

Alternative to national corporations

- Infrastructure/IT
 - Hire networking engineer or contract out.

Touted benefit of national corporations – “Scale”

- Infrastructure/IT
- After hours coverage

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
 - Hire to suit desired group lifestyle

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
 - Hire to suit desired group lifestyle
 - Teleradiology services

Touted benefit of national corporations – “Scale”

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- Subspecialty reads

Alternative to national corporations

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- ~~Subspecialty reads~~
 - Overemphasized.
 - General radiologists should be able to handle bulk of work.
 - Phone a friend.

Touted benefit of national corporations – “Scale”

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- ~~Subspecialty reads~~
- Business operations

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
- Subspecialty reads
- Business operations
 - Many options for consulting firms

Alternative to national corporations

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- ~~Subspecialty reads~~
- ~~Business operations~~
 - Many options for consulting firms
 - Hire and support in house business staff

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
- Subspecialty reads
- Business operations
 - Many options for consulting firms
 - Hire and support in house business staff
 - Management Service Organizations (MSO) & Coalitions

Alternative to national corporations

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- ~~Subspecialty reads~~
- ~~Business operations~~
 - Many options for consulting firms
 - Hire and support in house business staff
 - Management Service Organizations (MSO)
 - Identify and support business-orientated radiologists (RBMA, RLI, MBA)

Touted benefit of national corporations – “Scale”

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- ~~Subspecialty Reads~~
- ~~Business Operations~~
- Payor Rate Negotiations

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
- Subspecialty Reads
- Business Operations
- Payor Rate Negotiations
 - MSO

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
- Subspecialty Reads
- Business Operations
- Payor Rate Negotiations
 - MSO
 - CIN

Alternative to national corporations

- Infrastructure/IT
- After hours coverage
- Subspecialty Reads
- Business Operations
- Payor Rate Negotiations
 - MSO
 - CIN
 - Coalitions

Touted benefit of national corporations – “Scale”

- ~~Infrastructure/IT~~
- ~~After hours coverage~~
- ~~Subspecialty Reads~~
- ~~Business Operations~~
- ~~Payor Rate Negotiations~~
- National Influence

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Alternative to national corporations

- Infrastructure/IT
- After hours coverage
- Subspecialty Reads
- Business Operations
- Payor Rate Negotiations
- National Influence
 - Why not get involved in the ACR?

ORIGINAL ARTICLE FOCUS ON CORPORATE TRANSFORMATION OF MEDICINE | VOLUME 17,
ISSUE 3, P349-354, MARCH 01, 2020

Early-Career Radiologists' Perceptions of National Corporations in Radiology

Daniel A. Ortiz, MD   • Lawrence R. Muroff, MD • Arvind Vijayasarathi, MD, MPH, MBA

DOI: <https://doi.org/10.1016/j.jacr.2019.12.013> •



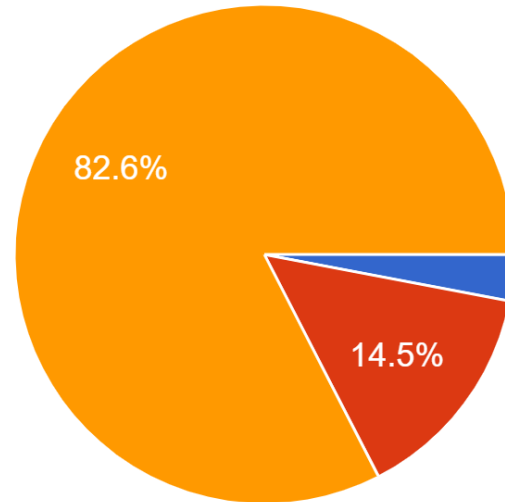
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What do early career radiologists think?

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.

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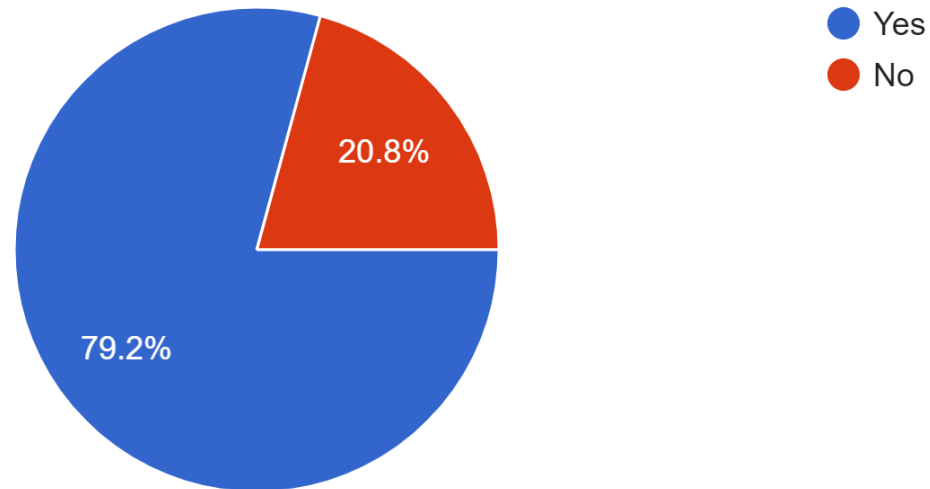


Preference for an independent practice (83%).

What do early career radiologists think?

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

602 responses



Desire to engage in the business and leadership (79%).

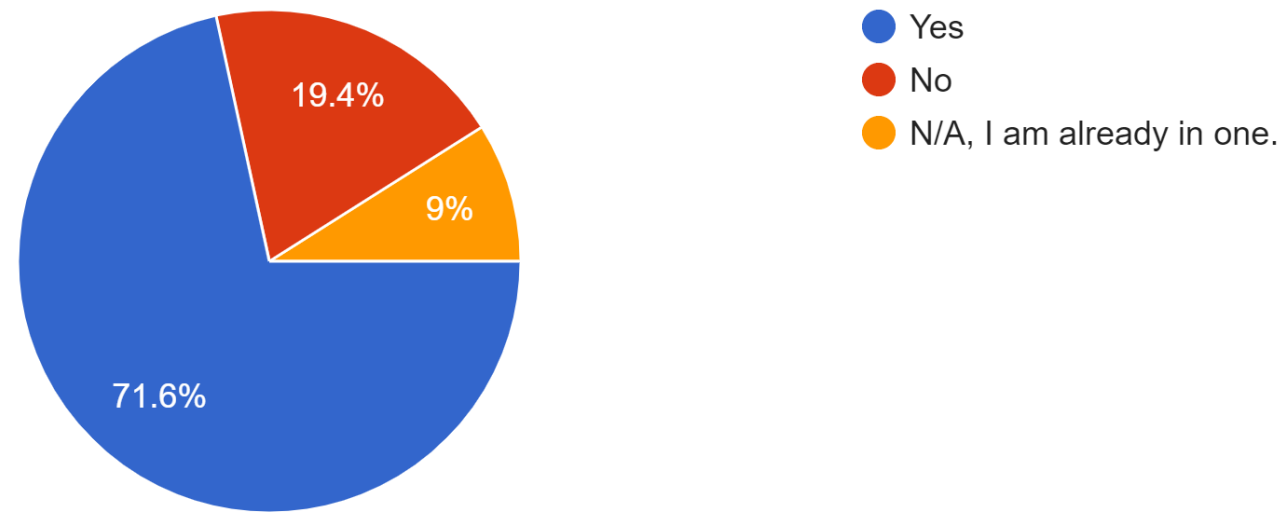
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What do early career radiologists think?

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%).

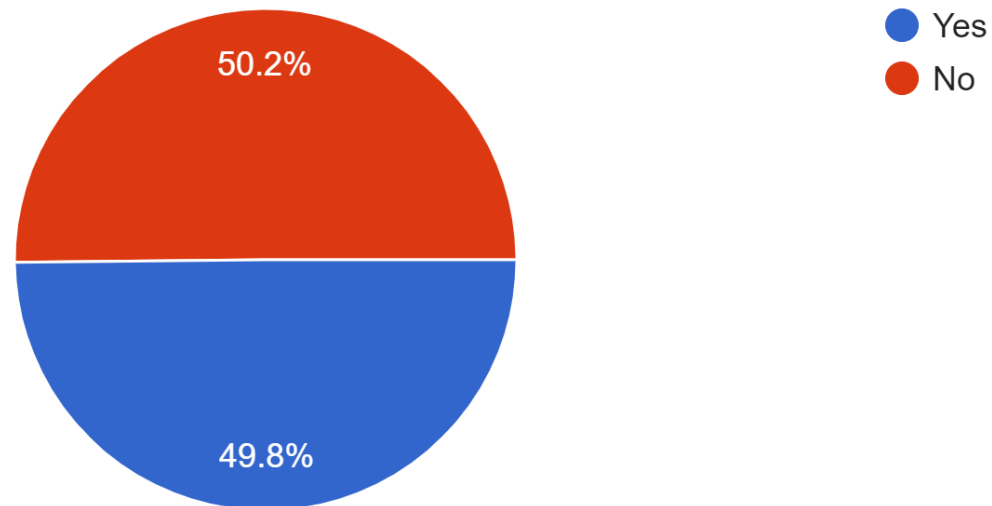
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What do early career radiologists think?

Have you or a junior radiologist you know been negatively affected by a private equity supported national radiology entity practice acquisition?

602 responses



Know an ECR negatively affected by corporatization (50%).

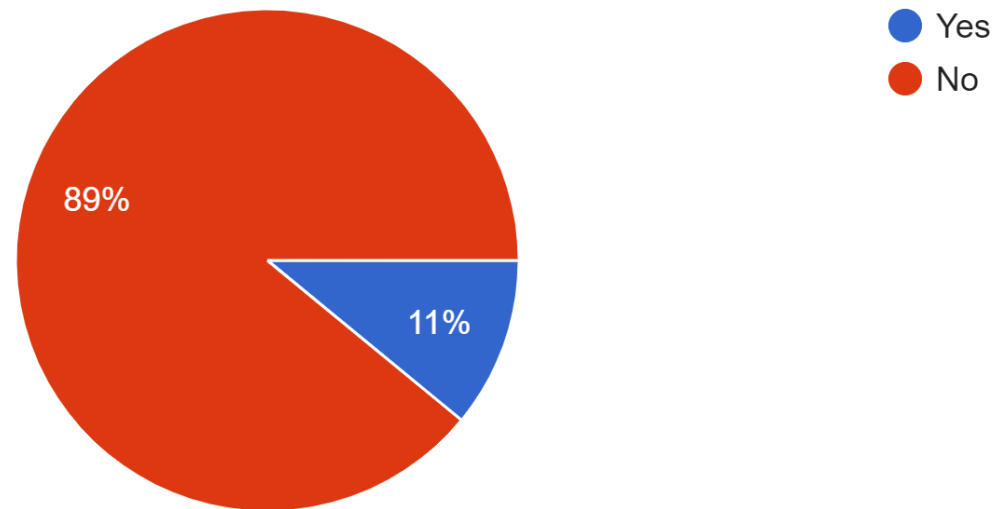
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What do early career radiologists think?

Have you or a junior radiologist you know been positively affected by a private equity supported national radiology entity practice acquisition?

602 responses



Know an ECR positively affected by corporatization (11%).

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What about other specialties?



New Position Statement: State of Emergency Medicine

The Academy asserts that the corporate practice of emergency medicine diminishes the quality of care provided to emergency patients and interferes with the relationship between the physician and the patient. We assert that there is a conflict of interest between profit and education when corporations run residency programs. We oppose the use of the term "residency" to describe the training of nurse practitioners and physician assistants. We contend that these NPP training programs have no place in the emergency department in an environment where resident physicians are unable to find employment due to supply-demand mismatch that currently exists and is predicted to continue or worsen.



Do investor group owners have the interest of their physicians at heart?

of 1



Colleagues:

Sound Physicians is proud to be the Hospitalist team working with Memorial University Medical Center. In an effort to maintain the excellent care we strive to always provide our patients, we have begun restructuring our practice model.

Starting August 3, 2021 Sound will be utilizing our Advanced Practice Providers (APPs) as day rounding providers. They will be working in a collaborative Dyad team with a Physician, however, the APP will be the primary provider taking care of a subset of our patients. Any communications regarding the patients assigned to these APPs should be directed to the PA or NP, rather than the physician. Sound Physicians strongly believes in a collaborative model of care, and as such the NP/PA will be discussing each patient and reviewing the medical records for their dyad patients daily with their partnered physician.

Thank you for your cooperation and patience during this time of transition. Should you have any questions regarding these changes, please contact Dr. Gard, Chief Hospitalist.

Regards,

A handwritten signature in black ink that reads "Dwayne Gard MD".

Dwayne Gard, MD
Chief Hospitalist - Sound Physicians
Adult Hospital Medicine - Memorial Health

Hospital Replaces All Hospitalists With CRNAs

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Do national corporations deliver on their promises?

Atrium and Mednax part ways after months-long battle

^E UnitedHealthcare knocks Envision radiologists out of its network over 'egregiously high rates'

Marty Stempniak | January 04, 2021 | Economics



<https://www.businessradiology.com/business-ach/the-places-part-ways-after-months-long-battle-en-radiologists-out-network>


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Additional long view
considerations for early
career radiologists

Compensation Models



Traditional Private Practice	Corporate Practice
Base Salary	Base Salary (relatively diminished)
Profit Sharing Bonus	Stock Dividend
Moonlighting	Moonlighting
401k	401k
Other benefits	Other benefits



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Piedmont Health: Aug 6, 2019

A1

Emory Health: Aug 6, 2019

AA2

US Radiology: Dec 1, 2020

Corp: B3

RadPartners: Dec 3, 2020

Corp: Caa1

Envision: Jun 4, 2021

Corp: Caa2

Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
C	C	C	In default
/	D	D	
/			

"Junk"



How do highly leveraged corporations work?

- Leverage (debt) used as funding to expand firm's asset base to generate risk capital
- “Highly leveraged” means DEBT >>> EQUITY
- What is Equity? Value of shares in company.
- Biggest risk? Return on assets doesn't exceed loan interest.
- Be cautious using equity in a corporate entity as a retirement vehicle.



What happens with a second sell or bankruptcy?

- Culture? What culture? – New boss. New company
- Tail coverage responsibility
- Lost value of “stock” through dilution or bankruptcy (bonds get paid out first)
- Potential variation in compensation with new contract
- Forced sell of physical assets leaves remaining physicians with less resources

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Davita culture

March 2000: New CEO Kent Thiry and others take over leadership duties and work to transform the company and unite its workforce through a mission-and values-based approach. Kent introduces the “Bridge” concept, saying to the leadership team, “For those of you who choose to cross the bridge, you may not know exactly what you will do differently...but if the intent is there, good things will start to happen.”

May 2000: More than 600 of the company’s leaders gather to vote on the new name DaVita (an Italian phrase meaning “to give life”) and the company’s Core Values. The company is also referred to as a Village to help create a sense of community.

November 2001: “The DaVita Way” is introduced at the first national meeting, Villagewide. Hundreds of the DaVita’s employees, referred to as teammates, cross actual bridges at the conference to demonstrate their commitment to make DaVita a special place.

Considerations when evaluating a practice

- Understand governance of the group
- Understand compensation package
- Understand response to COVID-19
- Understand partnership “climb,” buy-in, and equity
- Pay attention to age demographic make up of group
- Ask practice perspective on national radiology trending

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Additional Reading

- <https://www.bloomberg.com/news/features/2020-05-20/private-equity-is-ruining-health-care-covid-is-making-it-worse>

How Private Equity Is
Ruining American
Health Care

Additional Reading

- <https://www.antitrustinstitute.org/work-product/study-finds-private-equity-investment-accelerates-concentration-and-undermines-a-stable-competitive-healthcare-industry/>

Study Finds Private Equity Investment Accelerates Concentration and Undermines a Stable, Competitive Healthcare Industry

May 18, 2021 | [Laura Alexander](#), [Dr. Richard Scheffler](#)
Health & Pharmaceuticals, Competition Policy



Additional Reading

- <https://www.aaem.org/resources/key-issues/corporate-practice/ppm>

Emergency Medicine and the Physician Practice Management Industry: History, Overview, and Current Problems

Prepared by Robert M. McNamara, MD MAAEM FAAEM, Past President

Additional Reading

- <https://www.bloomberg.com/news/features/2020-05-20/private-equity-is-ruining-health-care-covid-is-making-it-worse>
- <https://www.aagem.org/resources/key-issues/corporate-practice/ppm>
- <https://www.antitrustinstitute.org/work-product/study-finds-private-equity-investment-accelerates-concentration-and-undermines-a-stable-competitive-healthcare-industry/>

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Thank you