



Teleradiology Firms Move in on PACS

October 26, 2011 | By Nadim Daher

When the concept of radiology commoditization was brought about, the concern that it would cause a migration of U.S. radiology offshore emerged, causing worries that a price-based, Ebay-like bidding model would ultimately take over the practice.

For reasons such as these, the medical imaging community, striving to provide more qualitative and personalized services, has long feared the non-stop rise and omnipresence of the teleradiology firms.

The telerad firms — small and large radiologist groups providing diagnostic imaging services remotely — are fully enabled today by the recent advances in information technology. Putting aside emotional perceptions, one has to recognize that teleradiology also brought much needed balance into the supply and demand equation for medical imaging services, un-constraining it from geography. And one also has to give the telerad firms their deserved credit for being able to overcome regulatory, medico-legal and quality concerns in such a short period of time.

The growing apprehension in the imaging community is not without good reason. It is fueled by the fact that the telerad firms evolved considerably over the last few years, from providing merely night coverage for “wet reads” to now providing 24/7 nationwide coverage for final, subspecialty reads to an ever larger customer base.

Within this process, they have also stimulated the large academic centers that have a resource overhead in their specialized radiologist workforce to consider providing specialty reads to the community, thereby acting themselves as teleradiologists, and creating an additional revenue opportunity by the same token.

The climate is changing in the teleradiology industry. Amidst heightening levels of competition, pricing has become more of a differentiating factor, while average prices per procedure have continued to decline. This has prompted more aggressive merger and acquisition activities, as well as more predatory behavior by firms in the marketplace.

Industry consolidation has also led to the emergence of the single largest teleradiology player, Virtual Radiologic, which acquired its largest competitor, Nighthawk, in September 2010. Today, the company partners with more than 2,500 hospital facilities in the U.S., which represents nearly one out of two hospitals.

The teleradiology firms had to do something about this changing climate, to attempt to change the game rules from being a price-driven commodity market. In this effort to modify the driving forces in the business and the decision factors for customers, they have sought to differentiate themselves through ultra-subspecialization, faster turnaround times, and more efficient workflow IT solutions.

They have been doing this so thoroughly — to the point in which the workflow solutions that they had originally developed for their own internal organizations and their respective customer bases now constitute complete product suites that they can sell to the greater medical imaging marketplace, including the PACS replacement market.

Virtual Radiologic's Enterprise Connect solution; RadNet's eRad PACS products that it acquired in September 2010 (before it also acquired Telerad firm ImagingOnCall in January 2011); StatRad's Stat360 solution; and USARad.com cloud storage Radiology-On-Demand RadStore solution are all good examples of recent image management and IT workflow solutions brought to you live by the teleradiology firms.

What's more, some of the telerad firms are in a very good position today to build and operate a private cloud infrastructure, deploy it into their customer base, and make it large enough to provide the added benefits of large public clouds. They are well positioned to create ever larger economies of scale; address the "Big Data" issue of long term image archiving; and apply healthcare information exchange (HIE) technologies to imaging facilities, physicians and patients.

Frost & Sullivan Principal Analyst Nadim Daher has more than eight years of medical imaging expertise. His industry analysis covers the U.S. and Canadian markets and includes a focus on medical imaging informatics and medical imaging modalities.

- See more at: <http://www.diagnosticimaging.com/blog/teleradiology-firms-move-pacs#sthash.eUjSQnY.dpuf>