

# REDUCING PATIENT LEAKAGE IN HEALTH SYSTEMS THROUGH A FREESTANDING OUTPATIENT IMAGING CENTER STRATEGY

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*Positive effects on patient leakage through a partnership with OIA*



OUTPATIENT  
IMAGING  
AFFILIATES, LLC

# ABOUT OIA

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OIA was founded in 2000 and is headquartered in Nashville, Tennessee. They partner with healthcare providers such as health systems, academic medical centers, and radiology groups to develop, market and operate quality, patient-friendly, service-oriented outpatient imaging centers. OIA's business model is to invest equity in each project alongside its local partners while providing development, management, marketing, billing and collection services to the joint venture.

OIA can assist in identifying and evaluating markets for new center development and acquisition targets. OIA manages the analysis and due diligence process, provides capital, secures financing and takes responsibility for managing and marketing the centers on behalf of the partnership once the development or acquisition is complete.

OIA's management team, which possesses more than a combined 100+ years of experience managing freestanding and hospital-based facilities, provides a turnkey solution that minimizes the effort and risks involved in operating outpatient imaging centers. OIA centers range from single to full-modality facilities offering PET/CT, MRI, CT, ultrasound, mammography, nuclear medicine, bone densitometry (DEXA) and plain film X-ray procedures.

OIA principals have established a reputation within the healthcare and financial communities as individuals of the highest integrity and character. It is a reputation we are protective and proud of, as we build partnerships driven by customer service, honest and open communications, and sound business decisions. Our strength is in our dedication to excellence in serving the needs of patients, referring physicians, employees, and venture partners.

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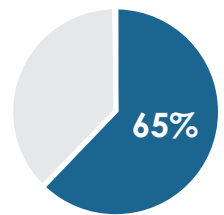
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# Understanding Patient Leakage

Patient leakage refers to the phenomenon in which a health system will initially provide services to a patient but later lose that same patient to a competing provider for subsequent services. This leakage can produce significant consequences for the patient by disrupting their coordination of care and lead to a loss of downstream revenue for the health system.

According to a recent report released by ABOUT Healthcare, **65%** of healthcare executives surveyed expressed concerns that patient leakage is obstructing their ability to meet their financial targets.



The report also reveals that among survey participants who have assessed the return on investment (ROI) from efforts to stem patient leakage, each dollar spent yielded an average of **\$31.36** in incremental earnings.



Additional data from The Advisory Board reinforces the prevalence of and impact of patient leakage. According to their 2019 study entitled, "The Consumer Loyalty Platform:"

**"Across a 5-year period, Medicare enrollees spend nearly a third of their dollars outside their established system. Annually, this loss equates to \$11,000 per patient."**

# The Importance of Imaging in Relation to Patient Leakage

For many patients, imaging is often their first entry-point into a health system. A positive experience during this encounter can instill confidence and increase the likelihood of patients returning for future care. Conversely, a single negative experience can also be profoundly impactful.

More specifically, a patient leaving the health system at the point of imaging can have both a short- and longer-term impact on the organization – lost revenue from the imaging scan itself, and the potential loss of downstream revenue generated from the results of the scan (surgeries, etc.).

There are many reasons why patients might leave the health system for their imaging scans, with some of the leading factors being:

- **Lack of convenience:** Hospital-based imaging centers might not always be geographically convenient for patients, requiring them to travel longer distances. This inconvenience is compounded by difficult parking, the need to navigate through a hospital, and the possibility of having an appointment rescheduled due to urgent inpatient needs. As a result, this can be a deterrent, especially for those with mobility issues, limited transportation options, or busy schedules.
- **Long wait for appointments:** Backlogs and long wait times for imaging appointments at hospital-based centers can result from a high volume of cases, complex administrative processes, or limited resources. This delay can be frustrating for referring physicians, as well as patients, who may require prompt diagnostic services. Many hospital executives look at these backlogs as an asset, but they are often a liability for the health system, as backlogs in excess of just two weeks are a leading cause for leakage to competitive providers, physician and patient dissatisfaction, and the loss of downstream revenue.
- **Insurance payor steerage away from hospital-based facilities:** Increasingly, commercial payors are directing patients to non-hospital-based imaging facilities through lower co-pays, better coverage, or in some cases, direct financial inducements. Payors are also creating more stringent policies on sites of service:

## Mandatory shifts from HOPD to OP via new policies

### Sources:

[www.radiologybusiness.com/  
topics/economics/  
unitedhealthcare-radiology-  
outpatient-imaging](http://www.radiologybusiness.com/topics/economics/unitedhealthcare-radiology-outpatient-imaging)

[www.beckershospitalreview.com/  
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cigna-unitedhealth-s-  
hospital-based-imaging-  
policies-entail.html](http://www.beckershospitalreview.com/payer-issues/what-anthem-cigna-unitedhealth-s-hospital-based-imaging-policies-entail.html)

Since 2017, **Anthem** will only pay for outpatient MRIs and CTs if members get them at freestanding imaging centers (not HOPD), unless Anthem's subsidiary RBM (AIM) find it medically necessary to occur in a hospital.

Since 2019, **United** started reviewing every order for a MRI/CT directed toward HOPD in nearly every state.

Effective August 2020, **Cigna** stopped covering MRIs and CTs performed in a hospital setting that don't meet its new/more stringent medical necessity requirements.

- **Consumer Expectations of Healthcare:** The high expectations that customers often have of their consumer-based purchases are also affecting their expectations of their healthcare providers. According to Sg2, 83% of consumers expect healthcare organizations to mirror the access and convenience of companies like Apple and Amazon.

**Source:** [www.sg2.com/health-care-intelligence-blog/2023/05/leveraging-network-integrity-to-achieve-customer-loyalty](http://www.sg2.com/health-care-intelligence-blog/2023/05/leveraging-network-integrity-to-achieve-customer-loyalty)



# Freestanding Imaging Centers Cannibalizing Hospital Scans

Given these factors, many patients are choosing to receive scans in freestanding imaging centers, which are often more convenient, accessible, and affordable for patients. The 2021 data below from the Advisory Board suggest that, on average, 24% of CTs and 45% of MRs are now provided in a non-hospital setting (largely freestanding imaging centers or physician offices), with those percentages much higher in the top percentiles of markets.

Multiple 2021 Payor Data Base		
Non-Hospital Market Share Across 266 HSS Markets		
	MRI	CT
25th Percentile	25%	11%
50th Percentile	45%	24%
75th Percentile	61%	40%
100th Percentile	96%	84%

**Sources:**  
Source: Advisory Board, *Site of Care Shifts, 2021*. Note on the data: This data represents derives from Optum's de-identified Clinformatics® Data Mart which is derived from a database of administrative health claims for members of large commercial and Medicare Advantage health plans and looks at 2021 imaging volumes across various sites of care by market (Health Referral Region). The sites of care represented include hospital sites (both outpatient HOPDs and inpatient) and non-hospital sites (freestanding imaging centers, physician offices, and other sites).

This shift is not overly surprising when looking at the key benefits freestanding centers provide to patients:

## Benefits to Patients:



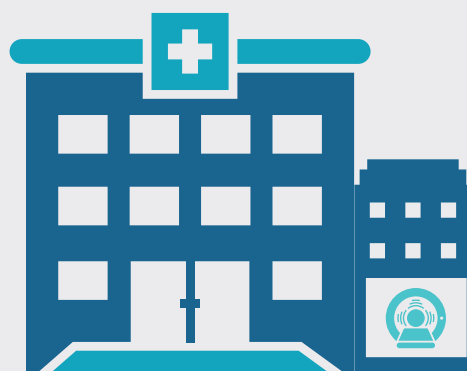
- Shorter Wait Times:** Freestanding centers often boast shorter wait times for appointments and examinations. The streamlined and specialized nature of these centers allows for more efficient scheduling and patient throughput. Patients can typically receive the care they need more promptly and more quickly than they can receive at a hospital location.
- Convenience:** Freestanding centers are strategically found in easily accessible areas, with easy ingress and egress, simplified parking, covered patient drop-offs, etc. This accessibility is particularly valuable for patients to schedule appointments and receive the care they need close to home or work.
- Lower out-of-pocket costs:** Given that scans provided in freestanding centers often cost less, that also translates into lower co-pay and deductible-related payments for patients.
- High Patient Satisfaction:** Based on the above and other reasons, freestanding imaging centers often excel in patient satisfaction metrics. Their patient-centric approach, coupled with reduced wait times and a more convenient experience, all at a lower cost, tends to result in consistently high patient satisfaction scores. Satisfied patients are more likely to return for future care and recommend the center to others.

# Two Different Paths to Outpatient Imaging: Hospital-Based Outpatient Department or Freestanding Centers

Given the importance of retaining imaging patients, many hospitals have already made the move from solely providing inpatient imaging to the development of hospital-based outpatient imaging departments away from the hospital's campus. Even with this significant step, health systems remain at a key strategic crossroads - stay the course with hospital-based reimbursement or create a value-based network of freestanding imaging centers outside of the hospital campus. Two key differentiators between these options are location and ownership.

## Hospital-Based

HOPDs are on or near the hospital campus and are owned and run by the hospital itself.



## Freestanding

Freestanding centers are typically in medical office buildings or other stand-alone facilities, with a variety of ownership structures.





The average hospital\* could recapture up to \$12,541,000 in revenue through the development of a value-based outpatient imaging center

## Balancing Differentials in Payment Rates with Higher Volumes

One of the biggest concerns for health systems when making this choice is the difference in rates received from payors for care performed in HOPDs compared to freestanding centers.

For Medicare patients, payment rates for HOPD scans (paid through Hospital Outpatient Prospective Payment System (HOPPS) are higher than those received when scans are performed in a freestanding center. This payment differential also plays out with commercial payers.

That difference in rates, however, must be weighed against the additional volume to gain (or inversely, to lose) by having a freestanding imaging offering.

Below is an analysis looking at the impact that a freestanding center could have on recapturing leaked imaging volumes. Even at lower rates per scan in the freestanding arena, this analysis estimates that the average hospital\* could potentially recapture as much as \$12,541,000 in imaging revenue annually by stemming leakage through the development of a value-based outpatient imaging center location.

Hospital Leakage	50,000	75,000	100,000	125,000	150,000	175,000	200,000	225,000	250,000	300,000
20%	\$2,090	\$3,135	\$4,180	\$5,226	\$6,271	\$7,316	\$8,361	\$9,406	\$10,451	\$12,541
40%	\$4,180	\$6,271	\$8,361	\$10,451	\$12,541	\$14,631	\$16,722	\$18,812	\$20,902	\$25,082
60%	\$6,271	\$9,406	\$12,541	\$15,677	\$18,812	\$21,947	\$25,082	\$28,218	\$31,353	\$37,624
80%	\$8,361	\$12,541	\$16,722	\$20,902	\$25,082	\$29,263	\$33,624	\$37,624	\$41,165	\$50,165

\*The figure provided is derived from a proprietary OIA opportunity calculator, which utilizes historical OIA data. In the example above, OIA defines the characteristics of an average hospital as one that performs approximately 150,000 imaging studies annually with a 40% leakage rate.



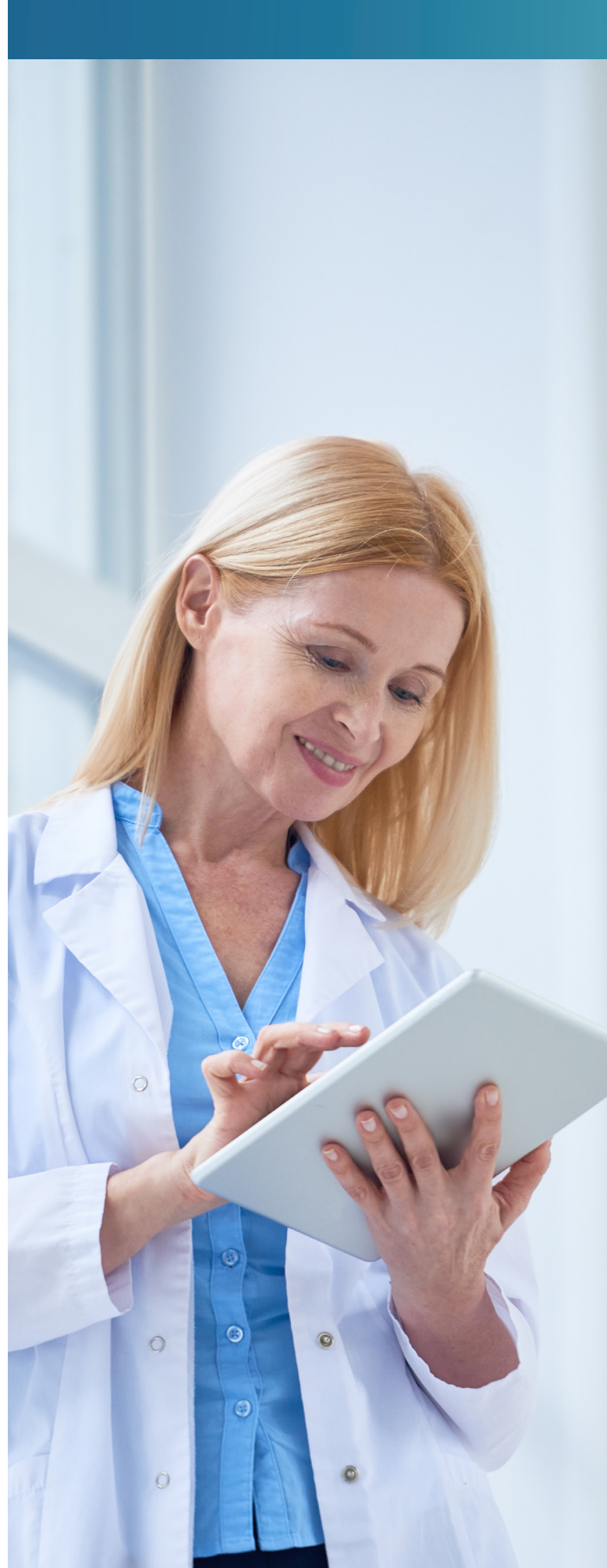
In addition to the improvement in patient leakage, investing in a freestanding imaging network has a number of incremental benefits for a health system:

- **Lower Capital Investment:** Setting up a freestanding center requires less capital investment than expanding or upgrading in-house hospital imaging departments.
- **Lower Overhead Costs:** Freestanding facilities typically have lower overhead costs compared to HOPDs. Freestanding centers do not have to support the same level of administrative staff, utility expenses, and infrastructure costs that hospitals do.
- **Improved Patient Throughput:** With a primary focus on outpatient care, these facilities often have shorter wait times and quicker patient turnover. This level of productivity can lead to increased patient volume and revenue.

## Partnering vs. Going it Alone

An additional and equally important strategic question is whether a health system should develop a freestanding imaging network alone or through partnership.

Creating and managing a well-run set of freestanding centers is often a dramatically different undertaking than running a hospital, or non-imaging ambulatory sites. Given this, creating a joint venture with a pure-play imaging company partner can yield significant advantages, as they not only can help offset the capital requirements of building the imaging network, but can provide expertise in managing the centers day-to-day.



Specifically, a partner can and should bring unique expertise in the following areas:



## Experience in Action: Outpatient Imaging Affiliates

Founded in 2000, Outpatient Imaging Affiliates (OIA) is a national owner and operator of patient friendly, physician focused freestanding outpatient imaging center locations. Operating under the joint venture model, OIA partners with hospitals, health systems and academic medical centers to provide comprehensive outpatient imaging management services, exceptional patient care and innovative solutions. OIA currently operates 63 centers in 15 states, mostly in partnership with leading health systems in those markets.

OIA's many years of experience in planning for, and managing, freestanding imaging networks, has resulted in great outcomes for our partner health systems, especially as it relates to stemming patient leakage.

To learn more about how OIA combats leakage via the effective management of our outpatient imaging center locations, see our "Best Practices PlayBook for Managing Free Standing Imaging Centers".

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Interested in learning more? Visit [oiarad.com](http://oiarad.com) or send us a note at [hello@oiarad.com](mailto:hello@oiarad.com)

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