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Partnership gives Butler Health System bigger presence in Allegheny County

Pittsburgh Business Times - by Kris B. Mamula

Butler Health System is extending its reach well into Allegheny County through an innovative partnership with a medical imaging company.

The health system is partnering with Charleroi-based Image Radiology Group LP to offer laboratory services at imaging centers in Seven Fields, Ross Township and Monroeville.

Under the five-year agreement, Butler also will lease a mobile PET-CT unit to do sophisticated scans at each of the three centers, depending on need, according to Butler spokesman John Righetti.

“The focus is convenience for customers,” Righetti said. “Our clients in those areas will like it a lot.”

Butler Hospital will staff the imaging centers with blood-draw and lab tech personnel, and give Image Radiology access to its medical scan archiving system. Image Radiology also may benefit from increased traffic to its centers.

The deal was effective March 1 and did not require an up-front cash investment, Righetti said. The new services could be offered as early as June.

The Seven Fields site is only a few miles from an imaging center operated by Butler Memorial Hospital at the YMCA in nearby Cranberry Township; the Ross and Monroeville sites are well outside Butler County, the hospital’s core service area.

But Righetti said the hospital does lab work for nursing homes, assisted living facilities and doctor’s offices in Pittsburgh’s suburbs, and the imaging centers will make it easier to serve these clients. The centers also will be open for walk-in patients.

“It may become a one-stop shop,” said Gary Gosai, Image Radiology’s managing partner. “It’s not like reinventing the wheel,” which the opening of separate laboratory clinics would require.

Outpatient migration of hospital services is part of a broader trend among hospitals and nowhere is that more evident than at Butler Hospital. The partnership brings to 18 the total number of Butler’s outpatient clinics.

But the investment in an advanced scanner comes at a time of growing pressure on reimbursement and an intensively competitive environment.

Vendors often offer tier pricing with fees for PET-CT scans ranging between \$800 and \$1,100 per procedure for mobile units, which includes medicine used in the scan, experts say.

The margin for each study ranges between \$300 and \$1,300, depending on payer, and operators need four to eight procedures daily to break even.

Medicare cut medical scan reimbursement in 2006 and 2007, and the Medicare Payment Advisory Commission last month urged further cuts.

In testimony March 17 before a House subcommittee, chairman Glenn Hackbarth recommended changing the reimbursement formula for PET-CT scans, which critics say would take another bite out of operating margin.

That's on top of a 12.7 percent cut in physician imaging services enacted between 2006 and 2007, according to David Harlow, principal of The Harlow Group LLC, a Newton, Mass.-based consultant. The Centers for Medicare and Medicaid Services hasn't yet adopted Medpac's latest reduction.

"The reimbursement has been ratcheted down," Harlow said. "It's a significant cut."

Sophisticated scans are targeted for cuts because of explosive growth — and cost to the government — in recent years. Between 2000 and 2006, Medicare spending on medical imaging more than doubled to \$14.1 billion, driven mostly by more sophisticated scans, according to the General Accounting Office.

What's more, Image Radiology's Monroeville center is among five such facilities within a few miles of each other. But Gosai said his facility was first in the area eight years ago, giving his facility a leg-up in physician referrals.

"It's a healthy competition," Gosai said. "We have to do whatever we can do."

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