

Outpatient Imaging Growth Strategy

The primary objective of this nationally top-ranked hospital was to determine price elasticity of high volume outpatient imaging products within their market. Market Innovations, Inc. (MII) provided actionable insights to inform the Radiology Department's growth strategy in the context of both price and non-price drivers of referring physician and consumer imaging facility choice.

Strategy Context

- Hospital's Radiology Department has a strong brand rooted in clinical excellence
- Client has only about 25 percent market share in high volume imaging products
- Existing capacity provides revenue upside
- Leadership is prepared to lower prices to generate market share gains
- Key competitor gaining market share by adding imaging locations and competing on price
- Improving access and other non-price service drivers hypothesized to generate increase in future volume

Featured Client Case #90

Project

1

- Develop a product-specific growth strategy by deriving price elasticity for outpatient imaging care products based on physician referral preferences and consumer decision making preferences

Approach

2

- Conduct co-design to identify features and levels of high volume outpatient imaging care product
- Execute adaptive choice web-based research with physician and consumer samples

Analytic Results

3

- Estimate Hierarchical Bayesian models
- Derive high volume outpatient imaging product price elasticity
- Simulate strategic pricing scenarios

Recommendations & Implications

4

- Present actionable findings and insights of the local market study based on high volume outpatient imaging product demand models

Approach for Testing Proposed Pricing Tactics

MII applied their *strategic integrated market simulation (SIM²)* approach for deriving price elasticity for high volume outpatient imaging care product demand models. These models are based on the behavioral drivers (e.g.; brand, charges, out-of-pocket expenses, communication, access, scheduling, technology, and expertise of radiologist) of both consumer and physician preferences.

Outpatient Imaging Product Attributes Tested	
Referring Physician	Consumer
1. Facility where procedure takes place	1. Facility where procedure takes place
2. Insurance rate	2. Out-of-pocket medical expenses
3. Out-of-pocket expenses for patient	3. One integrated bill covers all expenses
4. Expertise of the radiologist	4. Physician order requirements
5. Coordination with specialist visit	5. Facility's level of technology
6. Electronic access to images and reports	6. Expertise of the radiologist
7. Submitting a fax or non-Epic order	7. Coordination with specialist visit
8. Call report availability	8. Type of environment
9. In-bound communications	10. Pre-authorization
10. Timing of follow-up electronic communications from radiologist	11. Obtaining physical copy of results and images
11. Time it takes for patient to get in for procedure	12. Ease of setting up procedure's appointment
	13. Time it takes to get in for procedure
	14. Convenience

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High Volume Outpatient Imaging Price Elasticity

Taking into account how familiar referring physicians are with current costs, they are relatively insensitive to changes in insurance rate for this high volume imaging product

Physicians	Today's World Price-familiarity Adjustment Made		Tomorrow's World No Price-familiarity Adjustment Made		Somewhat elastic
	Insurance Rate	Elasticity	Insurance Rate	Elasticity	
	\$550	-0.090	\$550	-0.146	
	\$1,000	-0.240	\$1,000	-0.532	
	\$2,000	-0.389	\$2,000	-1.112	
	\$3,000		\$3,000		
	\$3,500	-0.483	\$3,500	-1.156	

- Given that referring physicians direct 87% of the imaging product's volume, the increased price sensitivity that physicians are likely to exhibit in the future may create an opportunity in the future for lower prices to drive up volume
- Both referring physicians and consumers are moderately price insensitive to out-of-pocket expenses

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Outpatient Imaging Growth Strategy Findings

The Radiology Department decided to forgo price reductions; but did implement our service improvement recommendations that resulted in significant growth in volume and revenue

IMPLICATIONS OF STRATEGIC SIMULATIONS

- When comparing high volume outpatient imaging care products with those of competitors, the client has a very strong brand
- Positive volume drivers across segments include convenience, access, communication and process improvements/ease
 - Physicians are motivated by Timing and Ease – i.e.
 - *how quickly can the patient get in*
 - *how quickly can they get follow-up communications from the radiologist*
 - *how easy is it to submit a fax/non-Epic order*
 - *how easy is it to access electronic images and reports*
 - Consumers want to be seen Quickly at Convenient locations and have Easy Processes – i.e.
 - *how quickly can their child get in*
 - *how easily can they drive to and park at the facility*
 - *how easy is it to get a physical copy of the results or set up the appointment*
 - *will they receive one/integrated bill*

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