MARKET INTELLIGENCE

CASE STUDY 0023 - MRI Center: Too many eggs in one basket?

We recently concluded an engagement with a well-established MRI center after just five months. The client is now in the midst of slashing costs and payroll after their single largest referral source “imploded”. In hindsight we were brought in too late in the game to protect this client’s referral funnel from the catastrophe they encountered.

This privately owned MRI center is located next to a large metropolitan hospital where they had the unique opportunity to serve as the hospitals exclusive MRI source. For many years they enjoyed a steady stream of referrals from the hospital and affiliated specialists with no need to market at all. They were extremely profitable within the first month of founding, and every quarter since then. With a steady stream of assured referrals there seemed to be little need to analyze their business beyond the bottom line year after year. Referrals were never tracked and referral sources were never prioritized.

Like many medical markets this community had seen a major university health system buying smaller hospitals and medical groups over the past ten years. During this same period one large referral, a large orthopaedic surgery practice, continued to grow and send more and more referrals. This growth of one large referral source effectively masked the loss of smaller referrals as specialty practices began to be absorbed by the university while others fled the grasp of the university health system.

In April of 2011 rumors began to circulate that political trouble was brewing within the Orthopaedic practice and these troubles soon became evident in their procedure volume as well as referrals to our MRI client and by late July we were brought in to market the MRI center in an effort to expand their referral sources.

During our initial audit we asked the administrators to analyze and rank all current, past, and future referral sources. The results were astounding. We soon discovered that the practice had realized significant losses from almost every previous referral source. Their overall revenue was down by just 10% but their current primary source of referrals was the Orthopaedic Surgery practice which now accounted for nearly 60% of their current referrals, and this source was at political risk. To complicate matters we found a significant portion of the catchment area to be capitated elsewhere and the remaining population was insured by Bravo.

With a contract of just 16 calls per month we scrambled to make in-roads into an adjoining catchment area dominated by the blues as we worked in the field to develop referral relationships with five key practices over five months.

In December of 2011 the large Orthopaedic Surgery referral practice essentially imploded with multiple partners leaving to join university practices across town while others retired or relocated entirely. The resulting impact on our MRI center had been devastating and we were released along with many long term employees.

This scenario is not uncommon. We audited an 11 man cardiology group some years ago and discovered that 80% of their referrals came from just five groups!

I guess the lesson here is to track your referrals by month/quarter/year by doctor so that you can quickly address changes in referral. Work to make sure your practice maintains a broad range of referral sources and that they are continually growing. Change occurs in every market place and we need to stay a step ahead of these in order to maintain a healthy practice.