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RADIOLOGY GROUP (un)GOVERNANCE

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Radiology groups face many challenges in the marketplace. Many of those challenges are external, such as the level of payment from Medicare, and scope of practice infringement by cardiologists. It's simply stupid to further hinder your group's business by making it difficult or even impossible to make business decisions on a timely basis. Yet this is what many groups do through their processes of fully participatory decision making.

Although democracy is the absolute choice in terms of political authority, it just doesn't work for radiology groups of more than a few members, at least not on any level past the election of a leader.

You might be familiar with the common expression, “money likes speed,” the notion being that you have to move quickly to take advantage of a profitable opportunity. Success in business in general requires the ability to quickly analyze a situation and come to a decision.

Recently, I was contacted by a radiologist who was, at least in title, his group's president. The group provides radiology services at several facilities. The group's income had been declining over recent years and the group expected further erosion of its revenue. Younger members had been threatening to leave the group for some time, but the board had been unable to approve any plan for revenue enhancement. He described several practice expansion possibilities designed to bring increased and better reimbursed business to the group, and we came to a general agreement on how we would work together to develop and implement a strategy to revitalize the practice. Unfortunately, the group's leader was unable to obtain the support of a majority of the board, which he told me was dominated by older physicians who were unwilling to fund any expansion of the practice. The board impasse which had dogged his group for the past several years in terms of practice expansion was continuing.

I asked my contact how many radiologists were on the board and he responded with a significant two digit number. I then asked how many shareholders there were in the group and he gave me the same response – all of the shareholders were on the board.

I can't say that I've conducted a scientific study, but over the course of decades, I've come across far too many groups that have painted themselves into a corner, unable to make decisions because they allow far too many to participate in the decision making process.

Perhaps this results from the collegial nature of most physicians. I often hear from clients that everyone on the “team” is equal because everyone is a radiologist. That philosophy doesn’t work for baseball teams – and it doesn’t work for radiology groups, either.

A recent exclusive contract negotiation provides another example of the roadblock resulting from full group participation in governance. I was concluding the negotiation of a two-year exclusive contract providing my client with a significant seven figure annual stipend. Shortly prior to signing, the hospital offered to increase the term of the contract by an additional year. My client’s response was that it would require a shareholder vote and, due to vacations, a quorum would not be available until sometime at the end of the following month. The hospital did not want to wait.

There’s no way to know for two years whether the default position resulting from the group’s inability to make a decision will unfold into a better or worse future for the group. What is certain is that the group’s management structure rendered it unable to exercise any leadership in attempting to determine its own future. Even a hastily made decision is better than simply permitting a third party to make a decision based on *its* best interests, not yours.

It makes no difference if your group is organized as a corporation or as a partnership, it is essential that you adopt a corporate-style structure for decision making. This involves a basic level of democracy in terms of electing a board, which in turn elects a leader. Small groups may dispense with the notion of a board.

Simply adopting a corporate-style structure for decision making is not enough. In order to be effective in terms of business decision making, the rules pertaining to power sharing among the owner/board/leader levels must err on the side of allocating too much power upward in the chain.

At the basic level of shareholder or partner, group members should be entitled to vote for board members and on those major events that state law reserves to equity owners, such as dissolution of the group. The fewer other voting rights, the better.

If the group has a board, its purpose should be limited to major policy decision making and to electing the president or managing partner. The board should not be empowered to make day to day business decisions or to override the operational decisions of the group's leader.

That leaves the group's leader free to make decisions.

Understand that this is not meant to belittle the "we're all doctors" mentality. Of course you are. You are all human beings, too. It's just that you all can't be leaders or there will be no leadership. Sorry, it's tough love.

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