

So What's the Deal with Joint Ventures?

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Agenda

1. You Call THAT a Joint Venture?
2. Market Drivers
3. Regulatory Environment
4. Joint Venture Models
5. Critical Success Factors
6. Action Plan

"You Call THAT a Joint Venture?"

- **Traditional / Equity JV**
 - Physicians
 - Third Parties
- **Management Agreements**
 - Fee-Based
 - Equity Based
- **Acquisition of Existing Imaging Services**
 - Freestanding
 - Physician Ancillaries
- **Co-Management (Contract JV)**
 - Physician Alignment

Market Drivers

	2000-2005	2005-2010	2010...
Demand	Rapid Growth ↑↑	Slowing Growth ↑	Steady Growth ↑
Supply	Rapid Increase ↑↑	Slow Growth ↑	Consolidation ↓
Reimbursements	Stable & Profitable	Hospital ↔ Freestanding ↓↓	Hospital ? Freestanding ?
Market Share	Hospital ↓ Freestanding ↑	Hospital ↔ Freestanding ↔	Hospital ↑ Freestanding ↓

Demand: Historical Growth

National MRI Outpatient Utilization (Medicare Beneficiaries)

National CT Outpatient (Medicare Beneficiaries)

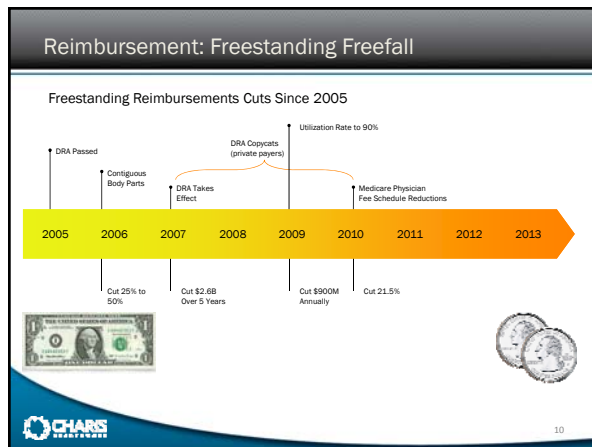
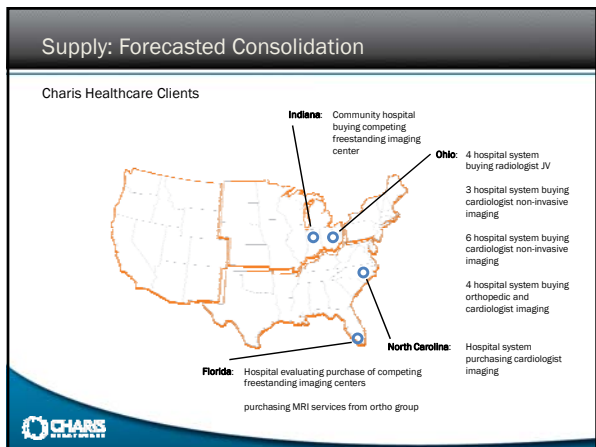
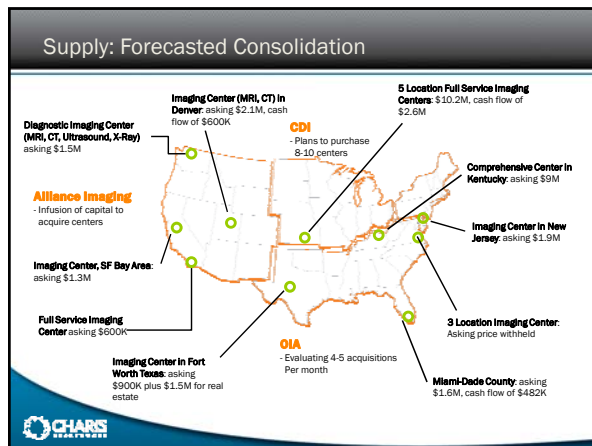
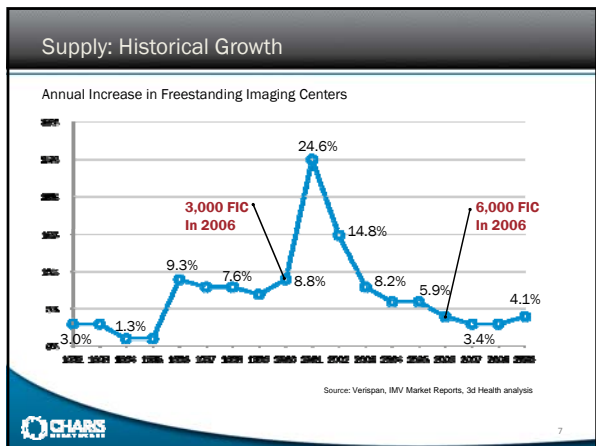
Source: Published in Health Affairs January 2010

Demand: Projected Growth

Diagnostic Imaging Industry Revenue Projections 2006-2013 (\$ Billions)

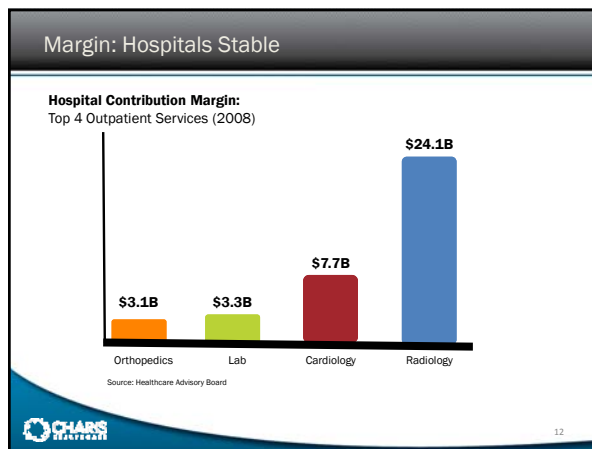
Outpatient Imaging Growth Forecast US Market 2007 - 2017

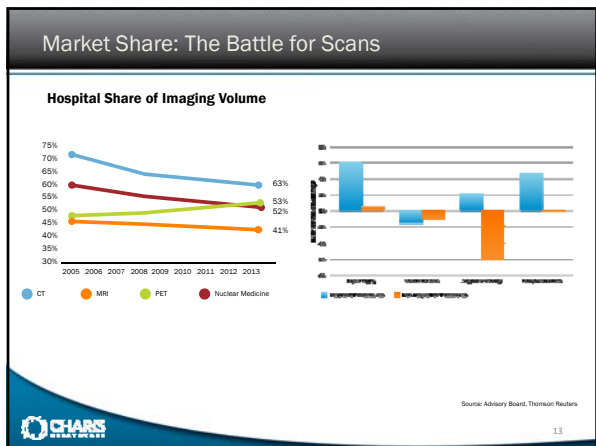
Source: Washington Q2 Reports, Sp2



Reimbursement: Hospital - Freestanding Disparity

Modality	HOPD	Local IDTF	Regional IDTF	National IDTF
CT	\$608	\$201	\$235	\$311
MRI	\$1,344	\$442	\$396	\$532



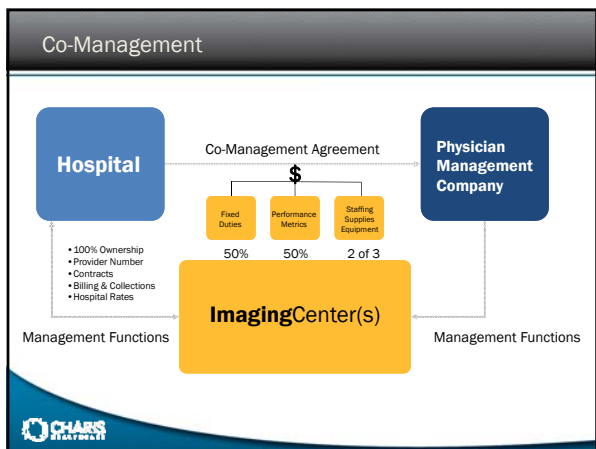
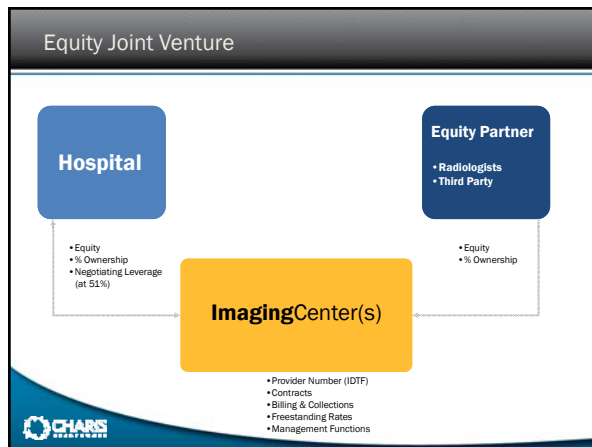


Regulatory Environment

2000-2005	2006-2010	2010...
<ul style="list-style-type: none"> Stark I Stark II Anti Kickback 	<ul style="list-style-type: none"> Stark III Under Arrangements "RIP" "Stand in the Shoes" Return of RBM's <ul style="list-style-type: none"> ↓ 2.64M CT ↓ 1.66M MRI (2005-2008) 	<ul style="list-style-type: none"> Reform! Bundled Payments ACO's P4P

Regulatory Environment

Equity Joint Venture (Shared Ownership)	+ Aligned Incentives - Limited Legal Models - Freestanding Rates	Radiologists Third Parties	↓
Management (Hospital Ownership)	+ Hospital Rates + Management Expertise + Retail Model + Aligned Incentives - No Physician Integration	Third Parties Physicians	↔
Acquisition & Restructuring (Hospital Ownership)	+ Hospital Rates ? Partial Physician Integration ? Aligned Incentives	Physicians	↑
Co-Management (Hospital Ownership)	+ Hospital Rates + Physician Integration + Aligned Incentives	Physicians	↑



- ### Critical Success Factors
- 1 Understand Opportunity and Create Urgency
 - 2 Develop a Unifying Vision and Strategy
 - 3 Design the Right Structure
 - 4 Develop Strong Leadership and Governance
 - 5 Focus On Culture and Service
 - 6 Balance Compensation and Fair Market Value
 - 7 Align Incentives
 - 8 Measure and Monitor Performance
 - 9 Demonstrate Value
 - 10 Promote Communication and Transparency

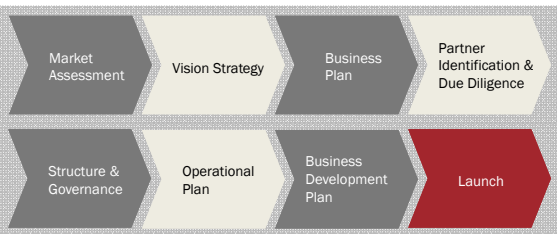

Critical Success Factors

- **Balance Compensation and Fair Market Value**
 - Qualified Valuation
 - Commercial Reasonableness
 - Physician Caution
- **Align Incentives**
 - At-Risk Compensation
 - Performance Metrics
 - Physician Integration
- **Measure and Monitor Performance**
 - Baseline Performance
 - Incremental Thresholds



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Action Plan

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Action Plan – Key Considerations

- **Market Assessment**
 - Demographics
 - Competitors / Providers
 - Physicians
 - Payers / Leverage
- **Partner Identification and Due Diligence**
 - Volume and Market Share
 - Physician Relationships
 - Payor Contracts and Reimbursement Rates
 - Accreditation
 - Operations and Business Development



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Healthcare Reform?




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