



# FUTURE PROOF SECTRA

JOHN GOBLE, President of Sectra North America Inc., says his company is ready for the future.

## What kind of developments will we see in the radiology IT space this year?

We think this year will be an exciting one, but will also be extremely challenging from several perspectives. Our industry is adapting to crippling cuts in reimbursement rates for Medicare patients under the Deficit Reduction Act of 2005. These reimbursement cuts will have an enormous impact on those physicians' offices and outpatient imaging centers that have a high proportion of Medicare patients. Similarly, many centers have long-term contracts with third-party insurers where reimbursement rates are tied to Medicare rates.

## How do you think that these cuts will impact your company and the market for RIS/PACS?

I think we are already seeing some of those effects. Many centers will initially react by restricting all capital asset purchases until they understand the overall impact of the reimbursement cuts on their practices. We are already seeing some of that with softening numbers for multi-slice CT, PET-CT and high-end MRs. These are, in fact, the modalities used for procedure codes where DRA has taken the biggest bite.

In the long-term, we expect that radiologists will react and adapt to these cuts in a predictable way. I really expect three things to happen simultaneously.

First and foremost, efficiency and throughput will become a driving factor, and Sectra is well positioned to take advantage of these requirements. Imaging centers will focus on procedure volume growth, trying to amortize their fixed costs over a larger number of patients. We saw this same phenomenon when the reimbursement cuts were applied to common Medicare procedures in orthopedic surgery, like primary total hip replacement. Many surgeons simply increased volumes to maintain their total reimbursement levels.

The Scandinavian market is by and large a single party payer model, and Sectra has always focused on effectiveness of delivery. In the imaging center, this has meant tight integration with RIS components that enable high throughput. Now, in orthopedic surgery or office-based practices, this may in fact mean integration with some other practice management system, scheduler or reporting system. The key is that the Sectra PACS system is designed to flexibly integrate with the other IT components that the practice needs to improve workflow.

Secondly, we expect to see some trend toward re-affiliation of imaging centers and office practices with their "parent" inpatient facilities. Some studies indicate that the DRA rates leave free-standing imaging centers with a net 18 percent to 20 percent deficit relative to the same codes performed in an inpatient environment. Radiologists may find business models that let them maintain the effectively higher hospital-based rates.

Here again, Sectra has a compelling story. Our systems were among the first to work well in mixed vendor PACS



environments. Similarly, we have long handled complicated issues related to multiple patient IDs, multiple RIS feeds and routing of reports to the appropriate facility. These complicated network architectures are the places that Sectra's knowledge and experience really pay off. Our experience in the ortho-PACS market has taught us how to build systems that optimize workflow in the imaging center/office environment and still work seamlessly in transferring the images to the big medical center where the patient typically goes for the actual surgery. Then, of course, the post-op and inter-op images must be available back at the practice for follow-up and rehab.

Lastly, we predict significant consolidation in the imaging center market. In some respects, procedure growth is a zero-sum game. I think some consolidation, if not of facilities, at least of management and business structures, is inevitable.

One of Sectra's greatest strengths is our integration and migration team. Our systems have always been designed for "future proof" growth. We have customers who installed their first systems in the mid-80s who are still running Sectra PACS. Technologies, people and business relationships have gone through many changes, but we have always effected a seamless transition to a system that meets the clinical and business challenges faced by our customers.

## What are your thoughts on the acquisition of Stentor by Philips? Tell us a little about Sectra North America.

The Philips-Sectra relationship still has to be regarded as one of the most successful partnerships in the industry. In some respects, it was the perfect mix: the long-term stability and sales presence of one of the "Big Three," but also with the nimble reflexes of a small IT-focused company like Sectra. We



provide the best of both worlds. And we're certainly aware of the rumors that Sectra wouldn't survive the acquisition of Stentor by Philips, but to paraphrase Mark Twain, "rumors of our death are greatly exaggerated."

Sectra North America is now just 10 years old. I started the company in the U.S. with one lonely Swedish engineer in 1997. I had come over from Hewlett-Packard where I was the Medical Marketing Manager for the Workstation Division.

For the first five or six years, we really focused on making Philips successful in the PACS business, providing the core technology for the Inturis for Radiology line that became very successful. In the U.S. and Canada we provided sales support, contract installation and application training, and service and support escalation services.

In the late-90's, we predicted that orthopedic surgeons would also want to eliminate film in their practices, and we began to develop some incredible tools that automate pre-surgical planning of first primary and revision total hip replacement. Since then we have expanded our toolkit to include planning for knees and other devices as well as trauma reconstruction. Since our partner had little presence and even less interest in the ortho market, we developed our own sales, service and support processes, and we are now a leading supplier of PACS for orthopedic practices ranging from single surgeons to huge, dedicated ortho centers like Hospital for Special Surgery in New York and Rothman Institute in Philadelphia.

We also saw the requirement for multi-vendor, multi-modality support for women's health, so we worked with NEMA and FDA to decouple the MQSA quality testing of the workstation from the FFDM modality itself. This has given us a new product line that is fundamentally focused on this management of breast health from screening through surgical planning. Again, we built our own sales, service and support network for this very challenging market.

We used these changes to solidify our processes and became ISO-9000 listed in 2004. So after the time of the Stentor acquisition, we had tested processes in place for direct sales, manufacturing, training and support. We simply hired top-quality PACS sales people, all with extensive and successful experience in our industry, and adapted our existing organization to selling into the radiology market directly. We have also aggressively offered a service and support program to Inturis customers who were already using our product, and that effort has been very successful.

We now have more than 85 employees, with our main office still in Shelton, Conn. We have satellite offices in Shreveport, La., and will open a west coast office this year – we already have a top quality sales and service presence in the Bay area.

**What do you think are the Sectra advantages?**

We have an exceptional team in Sectra North America. When I travel around the country and talk to our customers, the one thing that always comes out is, "Sectra has great people." That doesn't mean that things sometimes don't go wrong – monitors will break, disks will fail. But it is all about how people take ownership of the problem and see it through until it is fixed. That's where our people are unsurpassed.

Customers trust our people, and now, with great growth, great ratings in KLAS and elsewhere, and rock-solid products, they trust Sectra.

Secondly, we really focus on effective delivery of care, and on our customer's challenging clinical and business problems. And finally, we will continue to innovate, adapt our systems to these challenges and provide a system that is "future proof" – ready to take on whatever changes DRA or whatever brings on.



**John C. Goble, Ph.D.,** has served as President of Sectra NA Inc. since 1997. He has an extensive background in medical computing, with experience from the research, clinical and commercial perspectives. He provided physics support for the pioneering Positron Emission Tomography program at the National Institutes of Health, and assisted with the introduction of CT and PET in the intramural program. He worked with the first generation of MR scanners at Albany Medical Center. Later, he founded the Neurosurgical Visualization Laboratory at the University of Virginia. John holds six patents for new developments relating to medical imaging, and is the author of more than 20 refereed scientific publications.