

[Let the commoditization of medicine begin!](#)

📅October 17th, 2008 by 📍David E. Williams of the Health business blog

Nighthawk teleradiology services, which allow offsite physicians to read x-rays at odd hours, have been a boon to hospital emergency rooms and radiology groups. Most of the business involves reading CT scans from patients who come into hospital ERs at night. Radiologists don't have to take call, and patients benefit by having their images read by wide-awake radiologists on the other side of the world. Cost-savings hasn't been a big emphasis. Many of the nighthawks are American trained, American board certified radiologists who are enjoying good lifestyles in places like Australia and Hawaii right out of fellowship rather than joining groups and being the low-person on the totem pole. They make good money: typically several hundred thousand dollars per year.

If you've spent time with radiologists chances are you've heard them brag about how much money they make. They also like to talk about when they're going to retire. Many also realize they're in a lucky spot financially. In places where typical primary care internists are making \$150,000 per year working 60 hours per week it's not unusual for typical radiologists making \$500,000 or more per year and working fewer hours. With the advent of teleradiology radiologists have begun to see the writing on the wall. Privately, many admit that the days of easy money may be competed away. As Medicare cuts have started to fall disproportionately on radiology, some of these fears are being realized.

Now along comes [Telerays](#), whose tagline is "Cut costs one bid at a time." As the site says:

Bid it out, Save a Bundle... get the best price for radiologic interpretations in the market with the Telerays network of qualified radiologists. Post your interpretation request and let the Telerays radiology auction go to work.

A [flowchart](#) lays out the process.

Here's how [AuntMinnie](#) describes the auction:

Prior to posting a project on the Web site, a hospital or imaging center registers with Telerays and has preapproved radiologists to participate in the auction. The hospital or imaging center decides the length of the auction and sets a ceiling on the price it is willing to pay. Preapproved radiologists bid on the project, and the lowest bid wins. If the lowest bid is duplicated by another radiologist, the first of the duplicate low bid gets the contract.

The length of the auction period is posted on the Web site and will typically last between one and three days. "If [a hospital] places an auction for a certain amount and no one bids, then they would logically draw the conclusion that they may have offered too low a fee," [Telerays CEO Dr. Daniel] Roubein said.

The hospital or imaging center and the bidding radiologist establish the price. Telerays has no input regarding what the price will be, but receives 15% of the hospital or imaging center's fee paid to the radiologist.

Telerays is likely to be a win-win at first. Radiologists will be able to earn extra money and hospitals will save on costs. Prices won't drop too much because radiologists are in limited supply and aren't used to working for cheap.

However, the site sets up an interesting dynamic. Unlike in some other auction communities, including eBay, the entire focus is on price, which is the very essence of a commodity. There's really no other way for a radiologist to compete (unless I'm missing something). I'd expect that in time the site will expand to include quality ratings of the radiologists. This could lead to price differentiation as the highest rated radiologists are able to extract higher fees, and it could lead to better service, too.

Over the longer Telerays could set the basis for lower priced, foreign competition to emerge. There will have to be a relaxation of regulation, payment policies and attitudes before that happens. I'm convinced it will happen over time, though, as the US gets more and more serious about cost containment.

I've emailed Telerays, asking for the opportunity to interview their CEO. Stay tuned.