WILL THE NUCLEAR MEDICINE INDUSTRY SURVIVE?

With costs rising and managed health care looming, the radiopharmaceutical industry is ready to throw in the towel.

Peter C. Vermeeren

HEALTH CARE REFORM: The term took on a dramatic new meaning in the United States during 1994, as legislators and the Clinton Administration struggled to resolve vexing issues such as cost control and universal health coverage. It also took on new meaning in the minds of nuclear physicians, many of whom considered joining networks to head off the changes.

Although the debate reached the boiling point in this country only recently, it has been simmering in other parts of the world for years, and despite the uncertainty surrounding new legislation as Congress changes hands, the issues won't simply go away. Contrary to popular belief, reform is likely to become even more crucial in the years ahead, because it is driven by a number of fundamental and unavoidable economic trends: the population in industrial markets is getting older; the proportion of high-cost medical conditions is growing; the development of high-tech medical care is skyrocketing; and the health care community is being pressured to simultaneously deliver broad access, high quality and low costs.

The end result is mounting pressure for a complete overhaul of our health care system and deliverables. Health care reform truly has become a global issue, and it will undoubtedly have a dramatic impact on the future of the nuclear medicine business in particular. For proof, look no further than the list of potential cures that has been suggested for the health care industry in the U.S.:

- Price discipline and regulatory oversight
- Universal coverage
- Expanded benefit packages
- Legal reform (malpractice and antitrust)
- Purchasing cooperatives
- Capitation.

Clearly, the discussion has shifted away from medical efficacy and toward economics. This shift has important implications for the future of the diagnostic imaging business—both the equipment manufacturers and radiopharmaceutical suppliers. For instance, the sales in the U.S. diagnostic imaging market have declined 26 percent overall, according to the National Electrical Manufacturers Association (NEMA). Meanwhile, radiopharmaceutical suppliers report, at best, a flat market—despite the continuing introduction of new products.

The long-term outlook isn't necessarily brighter for nuclear medicine physicians, since their revenues will be limited if there's a shift away from a fee-for-service toward a price-controlled or capitated market. In this new world of health care, hospitals will be driven more and more by trimmed budgets and economics. Treatment decisions will no longer be based only on what is best for the patient's health but the best way to contain costs.

To add to these economic woes, nuclear medicine is not expected to benefit from the demand for universal access to quality health care since it occupies a small, specialized niche. The industry will be forced to compete with other modalities over which is the more cost-effective—not necessarily which is the better imaging tool. If reform is left up to the individual states (which seems to be what's happening now), this could emerge as a critical variable in nuclear medicine's future.

The final shape of health care reform is not yet clear, of course. If and when legislation is passed, the devil will likely be in the details. Even if no law is passed anytime soon, there will still be changes based on the marketplace: price and cost pressure will continue to escalate, and less cost-effective treatments will come under attack.

The nuclear medicine industry is particularly concerned about the growing emphasis on reducing "system" costs. Without question, the trend toward hospital mergers will continue, and some hospitals will inevitably be closed. This suggests that we will eventually see a considerable decrease in the number of nuclear medicine departments, procedures and physicians who enter this specialty. Add to this the growing trend toward using other less expensive imaging modalities, and the likely result is an enormous increase in competitive pressure within nuclear medicine.

Given this backdrop of industry trends, we must conclude that the near-term outlook for the radiopharmaceutical industry is not very good. The major players in nuclear medicine may decide to scale back their investment in research and development. Although few companies will be tempted to shut down their operations (given the high exit barriers), we are likely to see a move toward further consolidation. The reason? The underlying market fundamentals are not very attractive in nuclear medicine:

- Relatively small total market size ($500 million)
- Flat growth rate — including new product sales
- A history of low profit margins
- Enormous competitive intensity — especially in distribution channels
- Negative environmental impact, due to radioactive waste.

To manage through these difficult market conditions, most companies can be expected to cut costs in any way they can—whether by eliminating unprofitable activities or reducing their staffs. Of course, these steps, even if successful,will have only a one-time impact. The real future of the nuclear medicine industry lies not in cost reductions, but in market growth from innovative products that produce higher sales and margins.

Naturally, this is easier said than done. With all the pressure to reduce costs and improve profits, radiopharmaceutical companies are finding it nearly impossible to maintain efficient R & D programs. Medical device manufacturers are in the same boat—often choosing cost containment over the productivity-enhancing potential of new technologies. But if both industries step up their research efforts, they'll be more profitable in the long run. The reason? Hospital purchasers will eventually begin to recognize that nuclear medicine technologies actually contain costs by providing more accurate diagnoses and preventing unnecessary surgeries such as biopsies. This realization should happily improve the outlook of nuclear medicine in the U.S.

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Next Month: Part 2—Strategies for Survival

WINTER SUMMIT TO DISCUSS CURRENT CRISIS IN NUCLEAR MEDICINE

Fact: More than one-third of nuclear medicine residencies go unfilled, and the profession is graying at a rapid rate.

Fact: Increasing numbers of physicians from other specialties use NRC licenses to practice nuclear medicine.

Fact: The field of nuclear medicine lags far behind other professions in developing practice guidelines and performance standards via outcome studies.

Option A: Do little and allow the field to continue to exist on less.

Option B: Implement a renewal that will restore, regenerate and rebuild the specialty.

THE FIELD OF NUCLEAR MEDICINE IS at a crossroads, and members of the Society of Nuclear Medicine (SNM) must either choose option A or option B. The choice depends on their commitment to change, says SNM President James J. Conway, MD. He is getting the message out that a major overhaul is vital for a healthy survival.

The evidence is in the statistics: the number of nuclear medicine procedures is declining every year and being replaced by other competitive technologies. Fewer and fewer nuclear medicine physicians, technologists and scientists are entering the field and the clinical applications of PET are being discontinued in major research centers.

These concerns and the facts above prompted Conway to establish a Task Force, chaired by Robert E. Sonnemaker, MD, to prepare a plan for implementing changes. The plan will be discussed at a forum that will convene at the Summit meeting in San Diego this coming February 12 and 13 immediately following the Board of Trustees Mid-Winter meeting. Titled "Nuclear Medicine in Crisis: Survival or Renewal," the forum will focus on these three issues:

- The practice of nuclear medicine (Why should a physician choose nuclear medicine? What is SNM's commitment to research and development?)
- The limitations of current training (Who are we training—practitioners or academicians? Is nuclear medicine a viable, independent specialty?)
- Unification within SNM and with other medical organizations (Does unification mean consolidation?)

The purpose of this critical Winter Summit is to allow participants to hear and weigh comments from research and policy leaders and to initiate a program that will counter the forces threatening nuclear medicine's survival. The day-and-a-half meeting will begin with a plenary session introduced by a presentation on "Developing the Clinical Practice." Two leadership forums featuring four guest speakers will follow and will focus on defining the changes needed and how they could be implemented. These discussions will frame the work of the second day, in which delegates will meet in focus groups to develop a plan of action. Focus group leaders will then present the four plans for consensus discussion and approval.

During its October 1994 meeting, the SNM Executive Committee made this forum a matter of high priority emphasizing that it could prove vital to the future of nuclear medicine. Since nuclear medicine's survival depends on the profession's ability to communicate its role as a distinct medical imaging modality to targeted audiences, the upcoming Summit meeting aims to