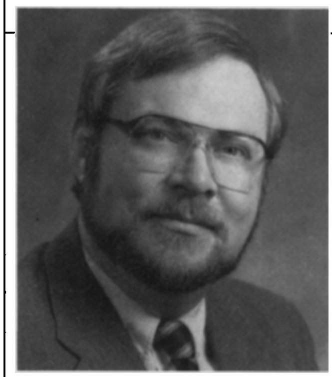
FROM THE EDITOR...

IS IT A GOOD RISK?



One of the risks of writing about cancer innovations that deal with money is that bankers start calling you for appraisals. Right after our last issue -- on freestanding cancer centers (FCCs) -- I received several of these calls. As you might guess, these guys are calling to determine if they should take THE RISK! In this case, THE RISK seems to be whether or not the bank should back a group of entrepreneurs who wish to establish "a chain" of freestanding radiation therapy centers...usually in 6 states...or something like that.

As their voice lowers to a whisper, they say, "The financial on the one freestanding radiation therapy center they have now looks awfully good."

And what they want to know from me is: "Are these good guys? Are they credible? Will this keep going, or will the Fed pull the rug out?

Is it a good risk?" You can guess what I say: "Things change. Things can change rapidly."

Just after we went to press with the last issue, the Health Care Financing Administration (HCFA) decided to change THE RULES (THE RISK depends upon the prevailing RULES). Although several people have suggested that it was merely a "clarification," this clarification significantly reduces the income of radiation therapists. Another RULE change means that radiation physicists' support will drop. When major concern was expressed, HCFA withdrew their clarification...for 24 hours anyway. Will this have implications for FCC feasibility? You bet! Does it mean FCCs are not a good investment? Of course not. But THE RULES can change...and a smart investor will know the downside risk.

The feasibility studies that bankers are reviewing show a void in radiation therapy care in some markets...especially in rural areas. What the feasibility studies can't show is the quality of care that is to be delivered. They can't tell what the Fed will do. They can't tell about the Joint Commission's evaluations of cancer care quality...or when major employers or unions or cooperatives will alter their benefit purchasing behaviors.

With an FCC chain, you wonder whether these units will be properly staffed... whether the local medical community will accept them...whether they will be cut-off by changes in the stream of benefits from insurers.

In the last issue, we described the feasibility and development of freestanding cancer centers; however, many problems beyond the basics require your attention. In this issue, we address the operational issues and other key components of FCC development.

Is it a good RISK? Filling a void sounds awfully good. You can expect a lot of traffic. You can be the provider. But, I am reminded of Dr. Tom Sawyer's injunction, "Always plan for competition." To which I would add...expect THE RULES to change requiring you to be as rigorous as though you were in the most competitive marketplace...tighter reimbursement, inspection of quality of care, discounting, facilities locking-up streams of patients, and outpatient DRGs (i.e., AVGs or RVS).

So if you are developing an FCC, you need to look for a healthy margin, a rapid payoff, the highest quality of care, solid staffing, and do a lot of political homework. These problems face us all in the cancer area in appraising our current efforts and in looking at every new project. Thus, regardless of how settled we think we are today... we need to think and act as if we are at risk all the time. Because folks, we are!

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