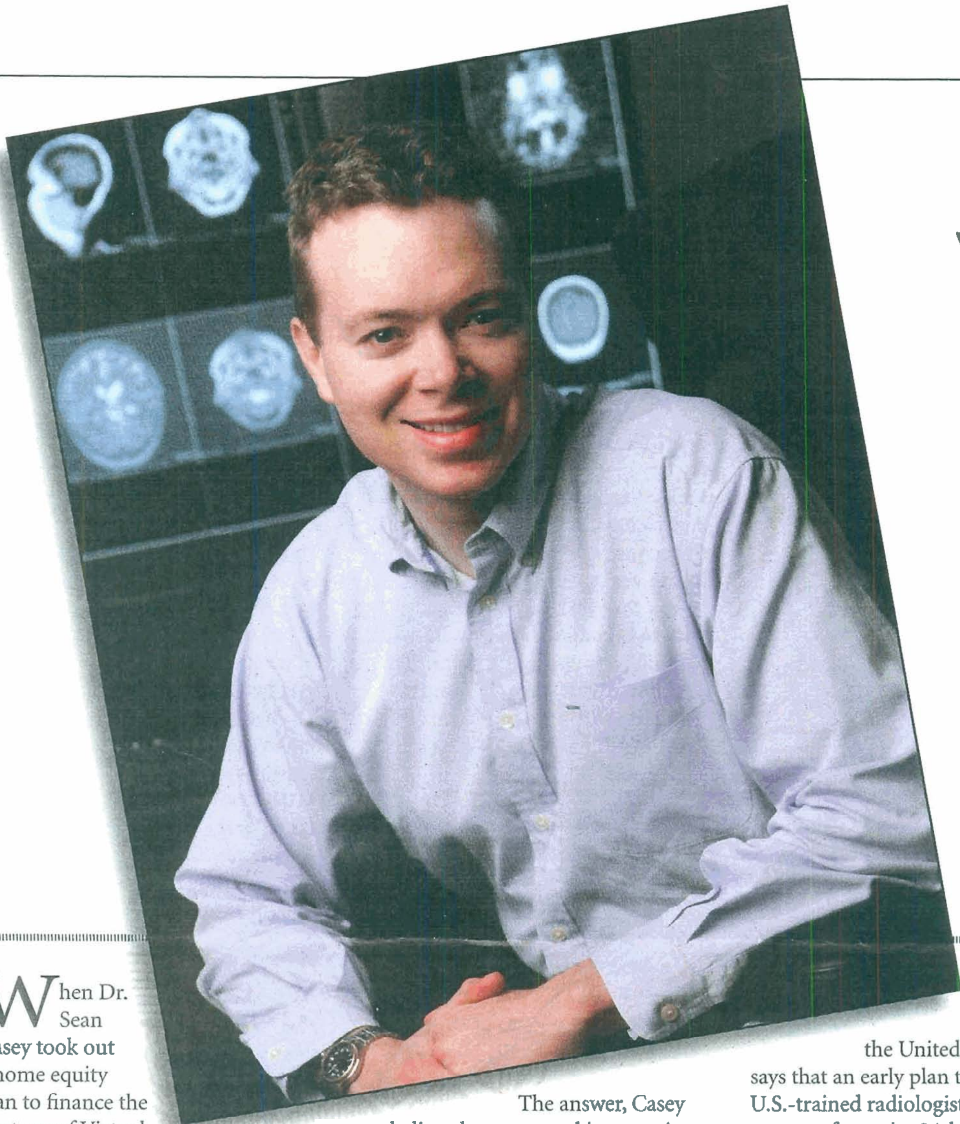
LIFE SCIENCES CATEGORY

Dr. Sean O. Casey

VIRTUAL RADIOLOGIC CORPORATION



Headquarters:
Minnetonka
Founded:
2001
Revenues:
$87 million (2007)
Employees:
245 (plus 138 radiologists under contract)
Ticker:
VRAD (Nasdaq)
Web Site:
virtualrad.com
What It Does:
24/7 subcontracted reading of radiology results for hospitals throughout the U.S.

BY JACK GORDON

PHOTOGRAPH BY JOHN MOWERS

When Dr. Sean Casey took out a home equity loan to finance the start-up of Virtual Radiologic Corporation in 2001, he was responding to a growing national problem. A practicing radiologist and associate professor of neuroradiology, he would work all day at the University of Minnesota Medical Center, then drive across town to a trauma center to interpret more radiologic images—X-rays, CT scans, MRIs.

A growing national shortage of radiologists was beginning to make itself felt in rural areas. And even in big cities, Casey says, the radiology centers to which hospitals contract work were struggling to staff their overnight shifts. The problem intensified whenever a specialist in a subfield such as pediatric radiology was required, especially for an emergency interpretation at 2 A.M.

The answer, Casey believed, was to send images via the Internet to radiologists, wherever they might be, instead of requiring the interpreters to come to the images. The practice, known as teleradiology, was handicapped at the time by generally low bandwidth and low-resolution computer monitors. But as broadband access became increasingly common, more radiologists could work from home. And "thanks to the videogame industry," Casey says, monitors got much better as well.

Virtual Radiologic's clients now include more than 800 hospitals—13 percent of all U.S. hospitals. The Minnetonka-based company has about 245 employees in addition to 138 radiologists under contract (compared to two, including Casey, at the start). All but a handful of those contractors are in the United States. Casey says that an early plan to persuade U.S.-trained radiologists to move overseas for easier 24-hour staffing was scrapped, due mainly to regulations that require images to be read on U.S. soil to qualify for reimbursement under Medicare. Contractors in California and Hawaii, as well as night-owl radiologists elsewhere, have solved the overnight staffing dilemma.

In 2005, with revenue standing at about $12 million, the company got an infusion of venture capital from Connecticut-based Generation Partners, launching a growth spurt that shows no signs of slowing. Virtual Radiologic went public with an IPO last November. It posted 2007 revenue of $87 million. First-quarter 2008 revenue was $23.3 million, up 29 percent from the previous year. Casey has been the company's chairman and CEO since its founding.

Virtual Radiologic's technology platform allows it to route large files of images and information not only to the right specialist, if necessary, but to the right person in terms of work flow—the doctor best able to jump on the case in a hurry. The company is able to turn around preliminary reports on images in less than 30 minutes.

In addition, he notes, teleradiology is only one branch of the expanding field of telemedicine. That efficiency and expertise would transfer readily to embryonic fields like telecardiology, teledermatology, and telepathology. Those and more are likely to be spurred by a health-care system increasingly reliant on physicians with rare and esoteric specialties at the same time it is under heavy pressure to cut costs.

"I view us as a telemedicine company," Casey says. "The low-hanging fruit is radiology in the United States. But the eventual market is medicine. And it's global." TCB