Healthcare Informatics 100 and the Healthcare IT Vendor Sector

By Chuck Appleby
You might call it favored-nation status. The 2015 Healthcare Informatics 100, Healthcare Informatics’ annual ranking of the top 100 healthcare IT (HIT) companies by revenue, has a combined revenue of $53.5 billion, equaling the gross domestic product of a small nation. Throw in another billion or so from IBM and Oracle, which do not report HIT revenue but hover in the estimated half-billion-dollar range each, and combined 2015 HCI 100 revenue (based on 2014 figures) climbs to nearly $55 billion.

There’s high drama behind the bottom line, of course, as healthcare moves from a volume-based, fee-for-service model to one based on value, accountable care and population health. We know this emerging world depends on IT, but how well the HIT market delivers on the promise more than ever reflects such a complex interplay of regulatory, financial, clinical, socio-political and technological factors that it makes the term “churn” seem inadequate.

U.S EHR vendors have reached a classic inflection point, says Mitch Morris, M.D., vice chairman and global healthcare leader, Deloitte. “As meaningful use incentives have ended and most U.S. health systems have implemented EHRs [electronic health records], there’s limited potential for U.S EHR sales. Many are turning their eyes to the global market and selling to developed countries like the U.K., Australia and New Zealand. They’re trying to figure out how to configure their systems for Chinese, Japanese and even Cyrillic lettering in addition to the Romance and Germanic languages.”

Another factor is that physician-user satisfaction is at an all-time low, underscored in a recent survey by the Deloitte Center for Health Solutions in which three fourths of U.S physicians said their EHR cost too much and took too much time to use. The frustration is triggering a self-examination in the U.S market, he says: Did we choose well? Did we implement well? How do we get value from our EHR? “They think by and large that the EHR as an industry benefit has failed. Maybe I can choose a replacement,” says Morris.

Some of this failure has less to do with technology than with implementation. “I’ve always maintained that EHR implementation is both art and science. The science is technology and it’s good. The art is in getting doctors, nurses and pharmacists to use the system correctly, it’s in change management, to convince clinical users that the EHR has value,” he says. Many providers have achieved improved outcomes with sub-par software because they implemented it well using change management. In contrast, some very good EHRs have failed due to poor implementation.

Cloud on the horizon
Despite simmering physician discontent, ambulatory EMR vendors like Athena Health, eClinicalWorks and NextGen are battling for market share in an increasingly consolidated provider market. “If you’re a Mayo Clinic you can afford to research, select and implement the best IT solution. If you’re a four-person doctors’ office, you won’t have an IT director to lead an implementation. It’s driving the trend toward consolidation of medical groups,” says Morris.
At the same time, disruptive IT clouds are moving into healthcare from other industries. SaaS (software as a service) and cloud-based computing threaten the traditional client-server platform of most legacy EHR vendors. Cloud-based companies like Salesforce.com, which makes customer relationship management (CRM) software, Workday, a financial and HR management software vendor, and Infor, an ERP (enterprise resource management) company (formerly Lawson), are challenging traditional HIT vendors.

Salesforce.com’s sophisticated CRM tools could make a big play in the area of patient and consumer engagement by facilitating communication between physicians and patients. “We’re going to see cloud-based software and software as a service really change the market. If I were a dominant legacy system I would be asking, ‘Is there a disruptive technology out there that threatens me?’” says Morris.

Data analytics is a sine qua non of value-based healthcare. However, the market remains in flux, muddied by overwhelming hype from vendors at this year’s HIMSS. “Right now, the analytics community is very confused,” he says, causing health systems to delay heavy investment. Morris cites a recent survey of 60 CIOs who said analytics is important, but they have no plans to increase spending for it in the next three years. Several factors figure into that ambivalence, including lack of data-governance structures at their organizations.

**Filling the gaps**
The top 50 vendors in the *Healthcare Informatics* 100 account for 90 percent of the total revenue on the list, and many of those larger companies are acquiring smaller firms to fill gaps in areas like data analytics, population health and customer service, notes Fran Turisco, Boston-based consultant with Aspen Advisors, a unit of The Chartis Group, and a member of Healthcare Informatics’ Editorial Board. IBM’s April acquisition of Cleveland-based Explorys is a case in point. A cloud-based, data-analytics startup spun off from the Cleveland Clinic in 2009, Explorys has one of the largest clinical data sets in the world, representing more than 50 million lives.

“IBM has always had the computing hardware and horsepower, but until now it could never quite make the application side stick. They’re marrying the Explorys data set from 360 hospitals and 317,000 providers with IBM’s data-warehouse technology and the smarts of Watson,” she says.

Explorys is part of Watson Health, IBM’s new healthcare unit (also debuted in April) that markets IBM Watson Health Cloud, an open-platform enabling data to be de-identified, shared and combined with other clinical, health and social research data. IBM’s data-driven healthcare initiative hinges on commercializing Watson, the artificially intelligent computer system developed in 2011 to answer questions on the quiz show Jeopardy.

“IBM’s vision is good and right. They’re offering their data smarts, hardware and querying capabilities to clients to create the next-generation of data-driven apps. That’s where they should be—combining data-driven analytics and decision-making on a global basis. This is truly big data in healthcare,” says Turisco.
Generational intersection

On one level the HCI 100 reflects the convergence of generational need and next-generation technology.

“As Baby Boomers, we’re all getting older and healthcare is becoming a bigger part of our lives,” she says. “Hospitals haven’t done very much in understanding the data. If you’re really trying to change healthcare you have to look at it from a macro perspective. We’ve been looking at it from a micro perspective, the hospital level. IBM has been on the sidelines of healthcare until now and Watson has been a sideshow. Now IBM is trying to make a huge leap forward.”

Optum (#1 in the 2015 Healthcare Informatics 100) is another acquisition-hungry firm. The traditional IT arm of health insurer UnitedHealthcare, Optum is positioning itself—and its parent—for value-based accountable care and population health by moving into patient-care and pharmacy management services.

“The world is changing rapidly, and health plans are facing a whole new spectrum of challenges,” says Turisco, referring to the competitive convergence of providers and payers. Optum’s most recent purchase was MedExpress, a Morgantown, W. Va.-based retail clinic firm with 141 sites in 11 states. MedExpress brings with it a turnkey IT solution for retail clinics and walk-in services like prescriptions and blood work. Optum will be able to implement its care-management and clinical programs at MedExpress’ sites, expected to expand to 170 this year.

Optum can also fund further expansion of the MedExpress model, so efficient at treating patients—typical time from walk-in to service is 30 minutes—that when it moved into one Pennsylvania community, even employees at the local integrated delivery network started going there. “There is no loyalty” to IDNs, health systems or hospitals, she says. Consumers want the same convenience and reliability they get from most non-healthcare industries.

Noteworthy deals

Ben Rooks, founder and principal of ST Advisors, which advises HIT firms on strategy and finances, casts the 2015 HCI 100’s M&A activity into three categories: One, large notable transactions; Two, lesser-scale transactions that are nevertheless evolutionary and noteworthy; Three, “tuck-in” acquisitions, in which larger companies gobble up much smaller firms (which may include startups).

A troika of transactions tops the first category, says Rooks, a member of Healthcare Informatics’ editorial advisory board and a recognized expert on healthcare mergers and acquisitions, as well as columnist. If not the most expensive, perhaps the most noteworthy deal was Kansas City-based Cerner Corp.’s acquisition of Siemens Health Services for $1.3 billion on Feb. 2 of this year. Cerner expects the acquisition to boost 2015 revenue to nearly $5 billion. “It could be called a tuck-in of a major competitor, except for the scale,” he says. The purchase was a value as Cerner paid a relatively low price for a hospital software vendor whose products have more of a financial focus to complement its own more clinically focused EHR.
A second highly noteworthy deal was Teaneck, N.J.-based Cognizant’s acquisition of TriZetto Corp. last November. Cognizant, a $2.5 billion HIT outsourcer that consistently ranks in the top 10 of the HCI 100, now has Trizetto’s core claims software system which is used to manage nearly half the insured population of the United States and supports about a quarter of U.S providers.

Becton Dickinson’s acquisition of CareFusion for $12.2 billion on March 17 of this year surely ranks as one of the top HIT transactions of the year. CareFusion’s product offerings include Pyxis automated drug dispensing systems and Aleris infusion pumps, complements BD’s broad product line of medical supplies, devices, lab equipment and diagnostic products and global reach. BD’s acquisition brought it significantly closer to the point-of-care using software, rather than just devices, says Rooks.

Evolving toward value
In the evolutionary-yet-still-of-note category, Emdeon, a Nashville-based claims-processing company that links 5,000 hospitals, 450 laboratories, 700,000 physicians and 1,200 government and commercial payers, acquired several smaller firms to bolster its strategic presence in the emerging value-based environment. This month, Emdeon announced it has agreed to acquire Altegra Health and its data-aggregation and analytics platform with member engagement and reporting capabilities for population health. That follows its 2104 purchase of Capario, whose integrated, cloud-based platform enables real-time checking of eligibility, claims submission and tracking, and payment at the point-of-care—even on mobile devices. Last fall, Emdeon announced acquisition of Change Healthcare, whose software marries cost and quality information with consumer behavior data (similar to Castlight).

“ZirMed, an Emdeon competitor, also made three small acquisitions that help move them away from simply transmitting claims and toward a population-health solution,” Rooks noted.

Last September, Atlanta-based MedAssets, which provides group purchasing (GPO) and revenue-cycle management tools, paid $142 million for Sg2, a healthcare business-intelligence, market analytics and clinical consulting company. Traditional GPOs like Charlotte, N.C.-based Premier Inc., which in the past decade has already transformed itself into a healthcare process-improvement alliance of hospitals and providers, bought three small software companies to strengthen its migration to value-based care.

Work in progress
With labor the biggest chunk of the healthcare cost equation, last February GE Healthcare purchased API Healthcare, a workforce-management company with sophisticated time & attendance software, moving it to GE’s HIT unit. Finally, in the evolutionary cycle of M&A, 3M acquired Treo Solutions, a payer-focused population-health company. 3M, which has focused on healthcare coding in the past, purchased Treo (a former client of ST Advisors) as a way “to move into the purchaser/payer part of the market,” says Rooks.
In the tuck-in category, Optum, mentioned above for its acquisition of MedExpress, also acquired MedSynergies, Audax and some assets of Alere. MedSynergies brings Optum software and services for physician practice management, revenue management and physician referral, all products aimed at physicians aligned with large health systems. Audax software helps consumers manage their health and integrates with wearable devices for fitness tracking and wellness.

Other good tuck-in examples were Ann Arbor, Mich.-based Truven, a healthcare data analytics firm, acquiring four very small firms to bolster or expand current service and product offerings. Press-Ganey also made three small acquisitions in that vein. Rooks predicts both companies will become increasingly active to please shareholders (Press Ganey completed an IPO in May).

“We’re seeing a lot of smaller M&A activity, partly because there’s both a robust IPO market and private equity market in healthcare IT,” he says. “There’s lots of capital sloshing around and as a result, there’s the ability to pick up a lot of products that are masquerading as companies. It used to be that people wanted to be the next Cerner or Allscripts. Now they want to be acquired by Cerner, Roper or Optum.”

Eyes on the prize
Despite the increasing heft of some HIT heavyweights, many provider executives are less concerned about vendors’ ups and downs than keeping their eyes on achieving the Triple Aim of improving the patient experience of care, improving population health and reducing the per capita cost of healthcare.

“The transition from fee-for-volume to fee-for-value requires Cedars-Sinai to relentlessly focus on providing high-value, high-quality care,” says Scott Weingarten, M.D., senior vice president and chief clinical transformation officer at Cedars-Sinai Health System in Los Angeles. “That means high quality at an affordable cost while assuring an outstanding patient experience. The ability to adapt to these changes will determine which organizations will have the opportunity to care for patients in the future.”

HIT vendors that can help health systems like Cedars-Sinai improve quality of care while improving the affordability of health care will be in demand, he says. For example, Cedars-Sinai uses Epic as its core EHR and is now expanding its functionality to Healthy Planet, Epic’s software for population-health analytics.

Still, Weingarten, who founded his own clinical software company, Zynx Health, prior to taking his current position at Cedars-Sinai, says any vendor’s product is only a part of the equation of transformation. “It’s a combination of technology, data, optimizing care processes, and having a highly talented group of people to help with the transformation process. We’ve made substantial improvements in our care-management capabilities in order to identify high-risk patients for our population health management programs. The result has been a dramatic drop in avoidable hospital admissions,” he says, adding that an organization that lacks effective change-management processes will falter regardless of the technology it utilizes.

“It’s a combination of technology, data, optimizing care processes, and having a highly talented group of people to help with the transformation process.”

– Scott Weingarten, M.D.
In the patient care business

“We’re looking for vendors and technologies that can help us achieve better quality of care and high value health care. We’re in the patient care business so we don’t want a technology for technology’s sake. We remain focused on our patient care strategic goals,” says Weingarten.

The vendors on the HCI 100 list, including Epic, Cedars-Sinai’s EHR vendor, completely understand where the industry is going. “It’s not complicated. Health care costs are growing at an unsustainable rate and CMS is accelerating the pace toward value-based healthcare. The recently passed federal legislation SGR Repeal Bill strongly confirms the future direction of health care delivery. We know where health care is today and where we are headed in the future. I don’t believe there are any mysteries about the direction, just the rate of change. It’s not about the technology alone. It’s about customers addressing patient care and strategic goals,” he says.

And while huge obstacles such as the lack of interoperability remain, Weingarten is highly optimistic about the future. He believes that a combination of a very talented work force, new processes, and innovative technologies will enable the delivery of higher quality healthcare at a more affordable cost.

No swapping out

“I do and I don’t” pay attention to the HIT vendor community, says George Conklin, senior VP and CIO at CHRISTUS Health, an Irving, Texas-based health system with more than 40 hospitals and facilities in seven U.S. states, Chile and six states in Mexico, with assets of more than $4.6 billion. The “don’t” perspective, he says, stems from the fact CHRISTUS’ organizational strategies are focused on four areas:

one, continuous operational enhancement and efficiency; two, population health and greater assumption of risk; three, domestic U.S growth; and four, international growth.

In the latter, he has dealt closely with Alert, a Portuguese HIT company that has a good footprint in South America, Spain and Portugal, but little if any in the U.S.—ironically, it is not even listed in the 2015 HCI 100. “We work directly with Alert in Chile and with a potential implementation in Mexico,” he says.

“My focuses in the HIT space are on acute-care systems that we have including Meditech and Cerner. I’m not concerned about them going away. Our hospitals generate the bulk of our revenue and their margins ranging from 1.25 percent to 1.5 percent. We’ve achieved reductions in admissions, addressed payment changes and achieved huge operational efficiencies. Why would we want to replace our acute care systems and lose our focus? Our position is as long as our systems are robust and we can introduce interfaces into them, we’re good,” says Conklin.
“We don’t care what the system is. We don’t replace the systems anymore. We focus on moving the data to standard data definitions and a CHRISTUS-branded data warehouse,” he says. The same goes for CHRISTUS’ ambulatory EMR which is from athenahealth and population health software from Wellcentive. “We’re not replacing anything. It’s too expensive and disruptive and we can’t take six months to a year for an implementation. It has to be complete in four to six months.”

Like most health systems, CHRISTUS has turned its focus outward and away from acute care. “We’ve done what we can do with inpatient operations. Why would we want to swap out Meditech with Epic? It would cost $350 million and I’d have to add 150 people to my staff and we’d lose focus on population health and international growth, while achieving quality and value.”

Fewer EHRs
Industry consolidation is undeniable. “If you look at the core EHR market, there are fewer and fewer players,” says Taylor Davis, VP of consulting Services at Orem, Utah-based KLAS, which conducts research on HIT vendors and user satisfaction. While the maturity of EHR solutions has risen, the number of provider options has dropped. “There’s lots of debate around whether there’s a duopoly,” he says, referring to Cerner and Epic as sales leaders. And, while having fewer product offerings is likely not good for buyers, not every customer is unhappy.

“The reaction from many Siemens customers [at the Cerner acquisition of Siemens] was very surprising. Many were very optimistic. There was a lot of pessimism among customers regarding Siemens’ product line,” says Davis.

Ironically, interoperability is easier with fewer EHR vendors, he notes. For example, a Chicago-based health-system CIO recently told Davis that connecting to other systems in the area is easier now because half of them are on Epic, the EHR his organization uses.

Upstart
Among ambulatory EMR vendors, athenahealth is gaining ground in a market that includes Epic, Cerner, eClinicalWorks and NextGen. Epic’s success is no surprise given their ambulatory roots, he says, and while Cerner originally lacked a strong ambulatory EMR, it has since developed one that has snared sales by IDNs. But the real battle for physician practices in 2015 is between athenahealth and eClinicalWorks.

Athenahealth’s responsiveness and collaboration with customers during implementations has paid off: athenahealth has won sales eClinicalWorks might have taken in the past, according to Davis, including a recent deal with a 500-plus physician group practice. Although eClinicalWorks has a robust EMR and athenahealth’s product is priced relatively high, many healthcare organizations view athenahealth as an appealing upstart.

“It would cost $350 million and I’d have to add 150 people to my staff and we’d lose focus on population health and international growth, while achieving quality and value.”

– George Conklin
Other players with traditional traction in the ambulatory EMR market—Allscripts, GE and NextGen—have won few large deals in the past year and far fewer sales altogether. “You’re seeing a changing of the guard on the ambulatory side,” Davis says.

After fits and starts, the population-health software market is finally on the upswing. “We’re starting to see vendors drive outcomes,” he says, noting four firms validated by KLAS whose customers have seen positive outcomes: Phytel and Explorys (both recently acquired by IBM), i2i and Wellcentive. The question, Davis notes: “How is this market going to mature? It will be interesting to watch because IBM has traditionally not been viewed as a collaborative vendor in healthcare, while Phytel and Explorys have reputations as good collaborators. The jury’s out.”

**Conclusion**

With the U.S. EHR market mature and consolidating, Meaningful Use incentives disappearing and health systems focused outward on the ambulatory environment, the community and the international sphere, the HCI 100 is following. HIT companies large and small are developing data analytics, population health and risk-based solutions to accommodate the greatest transformation in healthcare in our lifetimes. A $55-billion marketplace attracts attention. A storm aptly called the cloud is moving toward the HCI 100 from outside healthcare that will change HIT in ways yet unseen. Who rises and who falls will provide the drama in next year’s HCI 100.
Ups and downs

While it’s difficult to characterize 2015 HCI 100 firms as rising or falling stars based on revenue that often reflects M&A activity and not necessarily organic sales growth, who’s up and who’s down demonstrates the enduring dynamism of the “almighty dollar.” In jumping 11 spots to this year’s #1, Optum arguably represents the most significant upward flight of all, as it reflects a whopping $4 billion in additional revenue. That said, some of the change arises from an accounting change—our accounting change, which allowed inclusion of HIT revenue from payer, health information management, employer and vendor-to-vendor markets for the first time.

However, Optum’s moves into the physician group practice market with its acquisition of MedSynergies and Alere Health late last year helped fuel its rise and signaled that the continuum of care is where the money is under value-based healthcare. While Cerner stayed at #2, its revenue increased to $3.4 billion compared to $2.9 billion last year. Significantly, last year’s #1, McKesson, lost revenue—from $3.4 billion to $3.1 billion—and dropped to #3. Dell dropped a spot to #4 and stayed at virtually the same revenue from last year, $2.9 billion.

GE Healthcare, Philips, Cognizant, Epic and Siemens remained in the top 10. The biggest leaps among firms on both 2014 and 2015 HCI 100s: Wipro Technologies, from #60 to #22; Imprivata, from #85 to #71; and, of course, Optum, from #12 to #1. Biggest drops from last year: T-System from #64 to #89; MedAssets, from #17 to #31; CTG, from #61 to #76; QuadraMed, from #69 to #83; Vocera, from #63 to #75; and The SSI Group, from #83 to #95.

Who’s Up

- Optum ( #12 → #1 ) $4 billion in revenue
- Cerner ( #2 → #2 ) $3.4 billion in revenue
- McKesson ( #1 ) $3.1 billion in revenue
- Dell ( #3 ) $2.9 billion in revenue

Who’s Down

The top four performers in this year’s Healthcare Informatics 100.
The 2015 Healthcare Informatics 100 is compelling from many perspectives, not the least of which is that its nearly $55 billion in combined revenue represents the most ever spent on healthcare information technology (HIT) in a single year in the history of the planet. Here are 10 other numbers that caught our eye.

1. **12**
   - Optum’s rank in last year’s HCI 100 before it climbed to #1 this year.

2. **5,227,000,000**
   - Total revenue in U.S. dollars of Optum, the most HIT revenue ever for an HCI 100 vendor.

3. **2**
   - Cerner’s “We try harder” ranking in the HCI 100 two years in a row.

4. **38**
   - The number of spots Wipro Technologies climbed this year to rank #22 from #60 last year.

5. **25**
   - The number of spots T-System dropped this year to rank #89 from last year’s #64.

6. **55,230,000**
   - Revenue in dollars of Surgical Information Systems, the bottom-ranked company in the 2015 HCI 100.

7. **13**
   - The number of companies on the list from Massachusetts, the state with the most on this year’s HCI 100.

8. **4**
   - The number of vendors from Alpharetta, Ga. on the 2015 list: They are McKesson (#3); MedAssets (#31); Healthport (#40); and Surgical Information Systems (#100).

9. **90**
   - Percent of total 2015 HCI 100 revenue controlled by the top 50 firms.

10. **109**
    - How many years Xerox, the oldest company on the HCI 100 list, has been in existence.