APPS RUN THE WORLD

Healthcare

Vertical Applications Market Report 2009-2014,
Profiles Of Top 10 Vendors

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Summary

This applications market sizing report analyzes the 2009 performance of the top 10 applications vendors in the healthcare vertical, which presents considerable growth opportunities for technology providers because of government subsidies and demographic shifts that favor continuous investment in healthcare-specific solutions to boost quality of medical care in rich and poor countries alike.

Electronic health records, coupled with health information exchanges for clinical data connectivity, have begun to revolutionize how healthcare service is being delivered and information is aggregated and disseminated to the key stakeholders. Applications vendors in turn are jockeying for the best position to capitalize on such opportunities that in many cases are manifesting themselves globally with increased collaboration among governments and healthcare providers.

Top Line and Bottom Line

On the top line, as aging population becomes the norm in industrialized nations, healthcare spending has skyrocketed. United States, with the most lavish healthcare spending in the world, already spends about 17% of its GDP on healthcare. Japan, with the oldest population among developed countries, could be spending 18.2% of its GDP on healthcare by 2050, compared with less than 10% currently.

Disease control, preventive care, home-based healthcare have emerged as the new paradigm shifts to contain healthcare spending, while both government and private-sector organizations from hospitals to insurance carriers have made electronic connectivity the centerpiece of next-generation healthcare services. The US government is dangling billions of dollars in front of physicians as incentives and subsidies as long as they put healthcare information technology into meaningful use.

All these initiatives will have far-reaching implications for the healthcare industry and the applications vendors are gearing up for their share of the bonanza.

The bottom line is that structural changes may be sweeping across the healthcare vertical, which remains labor intensive and hidebound to a fault(judging from the number of paper forms a patient has to fill out before receiving care). In other cases, it is fraught with administrative and business process challenges because of the life-and-death as well as the legal risks involved. If only half of these changes from electronic health record to universal healthcare coverage is carried out, the amount of cost-saving and quality boost for healthcare providers and recipients could be staggering.

Market Overview

The market for applications for the healthcare vertical rose 4% in 2009 as healthcare providers and physicians switched from indecision to action against the backdrop of the passing of the landmark legislation on healthcare reform into law in the United States.

The promise of the long-awaited healthcare reform might have already sowed the seeds of a series of IT initiatives that hospitals and physicians have been contemplating and the passage of the bill simply made their decision-making process much more deliberate.

Applications vendors have been preparing for a significant increase in their sales over the next few years as the American Recovery and Reinvestment Act, which helps fund the expanded use of healthcare information technology, begins to open up the spigot.

For example, Compugroup, which until recently was selling healthcare-specific applications to hospitals and physicians in Europe, expanded into the US market by paying €8.6 million for the majority stake in Noteworthy Medical Systems for its ambulatory healthcare applications in America.

Similarly iSoft and Quality have expanded rapidly through acquisitions with the former establishing a credible presence among hospitals and physicians in Latin America and the Middle East and the latter setting its sights on small and rural healthcare facilities in the US.

The rolling of Misys Healthcare into Allscripts in 2008 also paved way for the combined firm to leverage each other's strengths to create end-to-end solutions for hospitals and physicians. The strategy appears to be working by combining Allscripts' electronic health record offerings with Misys' physician practices applications, along with connectivity support that integrates the two to streamline workflow and optimize revenue management for providers. In the first quarter of 2010, Allscripts saw a 39% jump in earnings on a 12% rise in sales.

The blockbuster merger between Allscripts and Eclipsys – announced in June 2010 – underscores the fierce battle among the key healthcare applications vendors all vying to dethrone McKesson and Cerner through high-stakes mergers and acquisitions.

The good news comes at a time when global economic recovery is still tentative at best, suggesting that the healthcare vertical may well become one of the most dependable areas for applications vendors to exploit new and untapped opportunities.

Implications Of The Great Recession of 2008-2009

The passage of the healthcare reform legislation signaled the willingness of the public to consider an alternative to the quagmire that prevented millions of uninsured Americans from getting healthcare coverage, which in itself was a major milestone.

From that standpoint alone, the number of future customers(or patients in this case) could explode, resulting in additional revenues for healthcare providers. Major healthcare providers such as Tenet and HCA are expected to be leading the charge to capture such opportunities, which may require them to make incremental investments to handle the extra workload. Already HCA has announced its plan to go public in order to raise $4.6 billion.

The enlarged marketplace is likely to bode well for applications vendors even though such incremental investments may not be apparent for quite some time due to the slow pace of moving projects forward in a traditionally risk-averse industry.

Then there is the government fund that many expect could reshape how hospitals and physicians conduct their business through much of the decade.

The government subsidies offer anywhere from $44,000 to $64,000 per physician when adopting new healthcare information technology and putting it to meaning use. That alone could mean substantial revenues for applications vendors over the next few years, meeting the demands of the 800,000 US doctors, many of whom are still sitting on the sidelines when it comes to bringing electronic health records into their practice.

What that suggests is that the recession has resulted in a quiet revolution in the healthcare vertical, something that has been brewing for a long time and its impact on the applications market is expected to become much more apparent as technology use becomes standard practices among healthcare providers and physicians.

Customers

While the HCA and the like will be among the biggest spenders in new applications for their employees, smaller healthcare providers are also expected to ramp up their infrastructure investment in order to compete for business as industry consolidation is likely to be on the upswing.

Another major area of investment for hospitals may well be the healthcare supply chain because of the increased pressure to hold down the costs of supplies, pharmaceuticals and other indirect materials purchases. A greater emphasis on internal procurement applications could spark a wave of implementations among smaller and independent hospitals that need to find an alternative to using traditional group purchasing organizations such as Novation and Premier.

Around the world, applications implementations will be driven by fast-growing economies where quality healthcare is still lacking. The same applies to the increased popularity of medical tourism, which could spawn more investments on the part of these hospital facilities in remote places to improve their billing, customer care as well as mission-critical clinical systems.

Top 10 Applications Vendors In Vertical

The following table lists the 2009 shares of the top 10 applications vendors in the healthcare vertical and their 2008 to 2009 applications revenues(license, maintenance and subscription) from the vertical.

Vendor	2009 Share(%)	2009 Applications Revenues From Healthcare($M)	2008 Applications Revenues From Healthcare ($M)
McKesson	16.3%	1150	1195
Cerner	12.0%	846	822
Allscripts-Misys Healthcare Solutions	5.6%	396	400
GE Healthcare Technologies	5.1%	360	380
iSoft Corporation	4.3%	300	330
Sage	3.8%	270	285
Eclipsys	3.6%	253	240
Compugroup	3.1%	221	166
Meditech	2.7%	190	196
Quality Systems, Inc	2.5%	175	137
Subtotal	59.2%	4161	4151
Other	40.8%	2873	2599
Total	100.0%	7034	6750

Vendors To Watch

Even though software as a service represents a small part of the market, its growth is expected to accelerate with the increased acceptance of on-demand healthcare applications for everything from electronic health record to clinical systems and from billing to analytics from vendors such as Athenahealth, eClinicalworks and EMIS.

Other vendors worth watching include Aprima for its successes in selling EHR applications into independent and group practices, as well as Cegedim Dendrite for its dominance in certain markets such as France, which could serve as a springboard for its expansion throughout Europe.

Ambulatory care, or out-patient services, will become increasingly important for healthcare providers as a growing source of revenue as well as a differentiating factor aided by technology advances such as minimally invasive surgery procedures that render hospital stays discretionary. Demand for applications designed for ambulatory care facilities will rise as a result.

Another trend to watch is the home-based medical care market. For example, GE Healthcare struck a deal with Mayo Clinic and Intel to develop an in-home monitoring system for seniors by using a combination of technologies from clinical and video conferencing systems, extending the use of GE's healthcare applications beyond the confines of hospitals. Both GE Healthcare and Intel plan to invest $250 million over the next five years for the research and product development of home-based healthcare technologies.

If that succeeds, it could presage the development of a new wave of healthcare applications that could have major ramifications for the entire industry.

Outlook

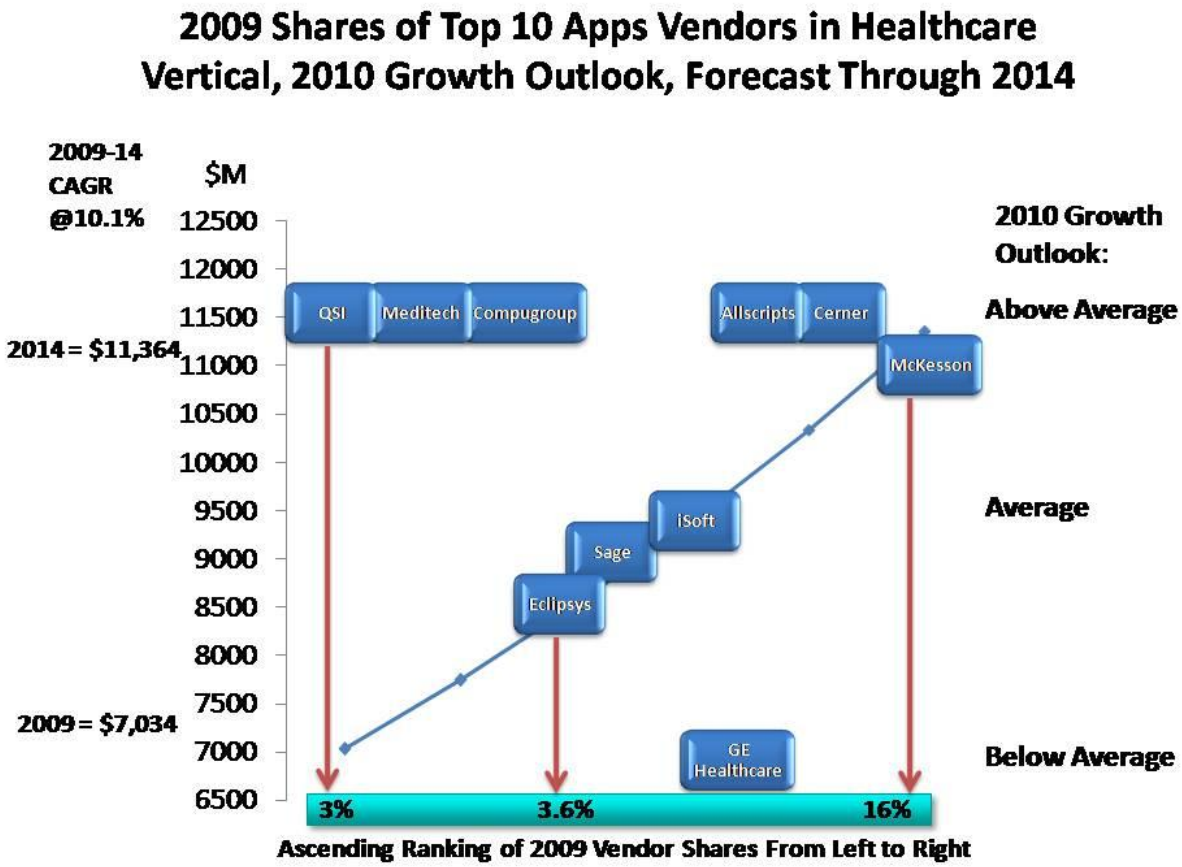
As healthcare assumes a greater percentage of the global economic output, the debate will pivot around the quality of healthcare providers as well as the efficacy of healthcare information technology being used to achieve consistent results, both of which would mean greater use of analytics to determine how and where healthcare should be delivered. If home-based monitoring catches on, that could render many procedures being done at a hospital obsolete saving time and money for all the stakeholders involved.

On the upside, the healthcare vertical is reaching an inflection point where much of the growth will be based on how well these applications – ranging from EHR to on-demand clinical systems – meet the present and future requirements of hospitals and physicians. Once that critical mass is reached, it is difficult to fathom the size of the cumulative opportunity.

On the downside, many of the applications vendors are still waiting to get their systems certified for the meaning use clause in order to achieve the seal of approval from the Office of the National Coordinator, which is a part of US Department of Health and Human Services. Any delay in getting the certification could hamper their growth in the short run.

SCORES Box Illustration

The following graphic shows the 2009 shares of the top 10 healthcare applications market with McKesson claiming the top spot at 16%, followed by Cerner, Allscripts, GE Healthcare, iSoft and others. Based on our SCORES methodology, Cerner, Allscripts, Compugroup, Meditech and QSI are rated above average for their growth potential in 2010. The market is expected to achieve a 10.1% compound annual growth rate rising from $7 billion in 2009 to $11.3 billion by 2014.



Profiles of Top 10 Applications Vendors In Vertical

- McKesson
- Cerner
- Allscripts-Misys Healthcare Solutions
- GE Healthcare Technologies
- iSoft Corporation
- Sage
- Eclipsys
- Compugroup
- Meditech
- Quality

McKesson

San Francisco, CA

www.mckesson.com

Overview:

Following a series of acquisitions, McKesson has become a leading applications vendor for healthcare providers and pharmacy chains through its technology division that complements its drug and surgical and medical supplies distribution business. Typical customers range from integrated delivery networks to hospitals with more than 200 beds.

Applications Revenues In Healthcare:

	2008	2009
$(M)	1195	1150

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	1058	92%
EMEA	69	6%
Asia Pacific	23	2%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	575	50%
Large(1K-5K ees)	345	30%
SMB(1K ees and below)	230	20%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	350	30.4%
Maintenance	650	56.5%
Subscription	150	13%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 16.3% share in the healthcare vertical, McKesson's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Founded in 1833, McKesson is one of the oldest and biggest companies in America. In 1999 it significantly boosted its presence in the applications business by acquiring HBOC, a leading healthcare applications vendor.

Over the past few years, McKesson stepped up its push into the healthcare IT market by acquiring applications and technologies that help providers and payors automate a full range of their business processes.

Examples include Intelliclaim for claims processing performance management, Medcon for Web-based cardiac image and information management, Per-Se for healthcare provider back-office and front-office systems, RelayHealth for patient and physician self-service portal and connectivity solutions, Healthcom Partners for patient billing, Physician Micro Systems for electronic health records, billing and scheduling applications, Awarix for Patient care visibility, EN-Chart Enhances Emergency Care Solutions, Vivalog for case sharing and clinical conferencing, Rosebud Solutions and HTP.

McKesson posted more than $100 billion in sales in 2009 and within the giant company the technology arm that is responsible for applications development and sales has become a $3-billion business capable of handing the full continuum of healthcare-specific solutions.

The healthcare reform mandate, coupled with the move toward the building of all-digital hospitals in many parts of the country, is expected to fuel the growth of McKesson as it straddles the delivery of technologies and drugs to providers and the public at large.

Key Applications For Healthcare Vertical:

Paragon Patient Accounting, Horizon Clinicals, Practice Partner, Lytec, Medisoft, Star 2000, ANSOS One Staff, Pathways Materials Management, Horizon Surgical Manager, McKesson Anesthesia Care, Enterprise Rx, Horizon Cardiology, OR Benchmarks Collaborative, Pathways Healthcare Scheduling, Horizon Emergency Care, Horizon Expert Notes, Horizon Expert Orders, Horizon Optical Imaging, Horizon Order Management, Horizon Patient Folder, HorizonWP Physician Portal, AcuDose-Rx, Enterprise Rx, Horizon Contact Center Management, HorizonWP Physician Portal

SCORES Analysis

Strengths

The breadth of McKesson applications portfolio, ranging from clinical to revenue management solutions, is meeting the requirements of healthcare providers regardless of their size. While hospital IT systems remain the priority of McKesson, it has also expanded heavily into doctors' offices, pharmacies and insurance payors. Because of its size, the strength of its application portfolio serves as a key enabler for the vendor to further its reach into every segment of the healthcare market

In addition to hospitals, McKesson has a number of applications designed for physicians to automate different aspects of their solo or group practices with capabilities such as patient accounting, insurance billing, collections and receivables, and practice analytics.

It also sells a slew of applications for pharmacies to run their operations. For example, its Enterprise Rx is a pharmacy software system that operates with a centralized database of patient, prescriber, drug and payor information. Its features include central filling, order processing, inventory management, and point of sale automation.

For insurance payors, McKesson has been relying on its Relay Health division, which provides a connectivity solution for all parties including health systems, pharmacies, payors, physicians, government agencies and consumers to share health information. The division now boasts the participation of one million patients who in turn become the chief beneficiary and recipient of quality healthcare services from the key stakeholders.

What it boils down to is the fact that McKesson has become one of the primary building blocks for next-generation healthcare service delivery that is technology-based and more collaborative and transparent than ever, allowing all constituents to share and receive reliable information thus boosting the quality of the overall system.

Customers

With more than 5,000 hospitals and 200,000 physicians as customers, McKesson has become the pervasive technology enabler for a broad spectrum of the healthcare vertical.

In 2009 its customer wins included Abington (Pa.) Memorial Hospital, Baptist Healthcare System, Gulfcoast Oncology Associates, Marquette General, Novation, OSU Pathology Services, LLC., Safeway Inc., St. Joseph's Hospital Health Center, St. Rose Hospital of Hayward, Suburban Hospital Healthcare System, and VHA Inc.

Opportunities

Over the past year McKesson has been promoting heavily the benefits of its connectivity solutions, while extending its applications platform to include new capabilities such as Horizon Patient Folder Release of Information.

For its RelayHealth connectivity solutions, McKesson has been beefing up the compliance angle by working with Identity Force to add identity protection, compliance and data breach capabilities. In addition it has created RelayHealth FastTrack5010, an online informational resource center created to help health insurers prepare for and comply with new HIPAA 5010 transaction standards.

The overriding factor is the ability of RelayHealth to serve as the common connectivity platform for all stakeholders to share patient and financial information meeting full interoperability and data exchange requirements for hospitals and physician practices using both McKesson and non-McKesson applications.

In addition, McKesson introduced a new version of Horizon Enterprise Revenue Management that improves the capabilities of hospitals to manage their financial, administrative and other back-office functions, while meeting such requirements as pay for performance, which reimburses providers based on clinical outcomes as well as quality, structural and patient satisfaction measures.

Increasingly the combination of the two has significantly improved the productivity and the bottom line of healthcare providers. For example, some early adopters of Horizon Enterprise Revenue Management experienced a 10% improvement in their claim rate.

Many of these enhancements are expected to help the vendor cross-sell and upsell a slew of products and services to providers as a part of their overall strategy to revamp their operations and transform the healthcare vertical along the way.

Risks

Despite the fact that its technology solution division carries higher margin, McKesson continues to derive the majority of its revenues from its drug distribution business, a combination that makes it difficult for the former to demonstrate its true value.

Also the volatility of drug distribution, compounded by the supply challenges of vaccines in the event of a global pandemic, will overshadow the consistent performance of its technology business, something that could make it difficult for McKesson to deliver the full potential of its core competency.

Another risk McKesson faces has to do with the increased complexity of its clinical and connectivity applications, even though the vendor has the capability to do both. Still the burden on its professional services organization, exacerbated by a proliferation of healthcare-specific and integration technologies, could further extend the implementation cycle.

Ecosystem

McKesson primarily relies on its direct sales force to sell its hospital information management systems, but its low end physician practice applications are being sold through its direct sales force and a network of value-added resellers.

While McKesson direct sales force focuses on products such as Horizon Clinicals, Practice Partners and Paragon product lines, its resellers sell Lytec, Medisoft and others. Lytec and Medisoft were picked up as a part of the acquisition of Per-Se Technologies. Currently McKesson has a network of about 100 resellers, which account for 20% of its software revenues.

One of the biggest initiatives to expand its ecosystem is through the alliance with HP, which will deliver hardware preconfigured with McKesson's physician practice management applications including Practice Partner, Lytec MD and Medisoft Clinical EHR/practice management systems. A national network of EHR-certified, value-added resellers will provide the bundled McKesson and HP solutions with training, implementation and support services for physicians in their local communities.

Shares

With 16.3% share in the healthcare vertical, McKesson's ability to gain share is average because of typical customer inertia associated with any vendor that has a huge installed base of risk-averse customers.

On the upside, McKesson's broad product portfolio will yield considerable upselling and cross-selling after a series of integration efforts aimed at delivering a cohesive sales and marketing strategy.

On the downside, the biggest challenge of McKesson lies in upgrading its huge installed base of healthcare provider customers, many of which have been adding non-McKesson applications for workforce management and other mission-critical functions that could render a standardized McKesson environment far less practical.

Cerner

Kansas City, MO

www.cerner.com

Overview:

With a visionary leader guiding the company, Cerner has built a formidable presence among large integrated delivery networks as well as regional healthcare providers. Increasingly the vendor is aiming to become a leading global software provider for the healthcare vertical, while making strategic acquisitions to expand into adjacent markets such as retail pharmacy and capitalize on its well-established beachhead in the physician practice segment.

Applications Revenues In Healthcare:

	2008	2009
$(M)	822	846

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	676.8	80%
EMEA	143.82	17%
Asia Pacific	25.38	3%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	380.7	45%
Large(1K-5K ees)	296.1	35%
SMB(1K ees and below)	169.2	20%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	254	30%
Maintenance	493	58.3%
Subscription	99	11.7%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 12% share in the healthcare vertical, Cerner's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Cerner has begun to pursue a grand vision of helping transform the healthcare vertical by expanding into new markets, shoring up its product portfolio with strategic acquisitions and extending its reach through strategic alliances.

Since 1980, Cerner, which started as a developer of laboratory information systems, has been boosting its spending on R&D in order to deliver a complete set of clinical and administrative systems for hospitals and physicians. Currently Cerner invests about 16% of its revenues on software development.

The vision of its founder and chairman Neal Patterson has been instrumental in raising the profile of Cerner as it steers healthcare providers on their path toward becoming all-digital smart hospitals with transformative results because of reduced medical errors and business process improvement that facilitates higher profit.

Additionally Cerner has been making inroads into community hospitals and physician practices by partnering with CDW, a distributor of technology products that has been contributing heavily to Cerner's pipeline in recent quarters.

Another major alliance is a recent deal with CareFusion, a medical device vendor, to improve the data communication between CareFusion's Pyxis medication dispensing supply and anesthesiology systems, and Cerner CareAware device connectivity architecture. Cerner will also become a VAR for CareFusion, while working jointly to develop full integration of EHR and clinical information in the medication management, pharmacy and perioperative processes.

The same level of tight integration development has already been in the works between Cerner and University of Missouri to create the Tiger Institute for the building of a statewide automated IT healthcare information network in Missouri and elsewhere. Ucern, another major initiative from Cerner, will also help usher in real-time collaboration among its customers to put healthcare reform and best practices implementations into action.

Key Applications For Healthcare Vertical:

Cerner Millennium, Cerner PowerWorks, Cerner LifeSciences

SCORES Analysis

Strengths

Cerner's growing clout has elevated its status as the powerbroker in the ongoing healthcare overhaul, leveraging its domain expertise to deliver innovation and value throughout different parts of the healthcare IT continuum.

In addition, its deep domain expertise as well as extensive relationship with key stakeholders

of the healthcare delivery system has helped reinforce its leadership position, which in turn could result in sustainable returns in the coming years.

Then there is the breadth of its product portfolio boosted by years of acquisitions. Some of its recent acquisitions included Gajema for laboratory information management, Vitalworks' Medical Division for private physician practice management, Bridge Medical for point of care applications, Axya Systemes for financial, administrative, clinical solutions for hospitals, and Etreby Computer Systems for retail pharmacy management system.

What Cerner is seeking to accomplish is to complete the continuum of healthcare IT delivery by ensuring that even when one part of the delivery chain experiences sluggish growth because of government attempts to contain healthcare costs, the vendor will still be able to expand elsewhere.

Customers

With more than 8,000 customers in the vertical, Cerner has built a critical mass that covers the full range of healthcare service delivery from hospitals to physicians to pharmacies. Typical customers range from large healthcare providers to independent physician practices.

Some of its recent wins included Albert Einstein Healthcare Network, Atos Healthcare, Clínica Las Condes, Fisher-Titus Medical Center, Dr. Horacio E. Oduber Hospital, Magruder Hospital, Tenet Healthcare, United Arab Emirates Ministry of Health, Universal Health Services and Valenciennes Community hospital.

Opportunities

In the coming year, all eyes will be on how Cerner takes advantage of the government stimulus dollars. Already Cerner has completed the certification of Cerner Millennium applications for the American Reinvestment and Recovery Act.

Furthering that strategy is the continuous upgrade of the Cerner Millennium installed base, which is on track of reaching 10,000 installations. The more healthcare providers running the latest release of Cerner Millennium, the easier it is for the vendor to cross-sell and upsell other systems such as revenue cycle to these customers, which in turn will serve as a launch pad for Cerner to sell to physicians, pharmacies, and other parts of the healthcare continuum.

Judging from its alliance with CareFusion, the medical device extension opportunity will represent another pot of gold for Cerner. That paves the way for healthcare providers to run their Electronic Medical Records applications to incorporate medical device data capture, while Cerner and its partners are delivering medical device connectivity solutions that ensure interoperability and elimination of redundant data entries.

Risks

With its broad product portfolio and extensive reach into the healthcare IT marketplace, Cerner has established a core platform for medical record keeping. Its flagship product Cerner Millennium has become the proxy for clinical and revenue management information at many healthcare providers.

The alliance with CareFusion, for example, is helping expand that platform to medical device connectivity. The question is whether other medical device manufacturers that make everything from stents to dialysis machines would want to incorporate their devices into the Cerner platform and give Cerner a competitive edge over other healthcare applications vendors.

As Cerner’s sphere of influence grows, open interoperability will be an issue that defines its future success.

To that end, Cerner is positioning itself as the provider of the New Middle, which suggests that its applications are fast becoming the switch layer that keeps tab of every transaction that flows through the healthcare vertical.

The reward of becoming a standard bearer of medical information connectivity is considerable, putting Cerner in the front and center position to tackle a series of challenges from system reliability to data security that could reshape the future of healthcare delivery and perhaps how hospitals and physicians will get paid for their work.

Ecosystem

Cerner primarily sells direct, but it also works closely with partners such as CareFusion in certain areas such as medical device data capture.

Shares

With 12% share in the healthcare vertical, Cerner’s ability to gain share is above average because of its large installed base and extensive relationship with key stakeholders in the healthcare vertical.

On the upside, Cerner is well positioned to take advantage of the government stimulus dollars that could jumpstart healthcare IT investments among some of its biggest healthcare provider customers.

On the downside, while Cerner has been particularly effective selling into major healthcare providers and community hospitals, it continues to face stiff competition in pharmacy and physician practice market segments. It’s not clear whether Cerner is capable of reaching beyond its traditional installed base and yield sustainable gains in new and emerging markets such as ambulatory and global healthcare system delivery.

Allscripts-Misys Healthcare Solutions

Chicago, IL

www.allscripts.com

Overview:

After its merger with Misys in 2008, Allscripts has strengthened its operations by providing an enlarged product portfolio, scalable network support as well as a clear direction on how its hospital and physician customers can take advantage of the move toward electronic health record. Typical customers range from major healthcare providers to group practices of fewer than 10 physicians.

Applications Revenues In Healthcare:

	2008	2009
$(M)	400	396

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	396	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	158.4	40%
Large(1K-5K ees)	198	50%
SMB(1K ees and below)	39.6	10%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	129	32.6%
Maintenance	222	56.1%
Subscription	45	11.4%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 5.6% share in the healthcare vertical, Allscripts' ability to maintain and win share in the market segment in 2010	Above Average

Full overview:

The 2008 merger between Allscripts and Misys has created a formidable applications vendor in the healthcare vertical resulting in a $700-million company with extensive reach into some of the biggest integrated delivery networks as well as independent group practices.

The merger, which followed Misys' decision to spin off its healthcare division to focus on financial services vertical, combines Allscripts' electronic health record offerings with Misys' physician practices applications, along with connectivity support that integrates the two to streamline workflow and optimize revenue management for providers.

Greater acceptance of electronic health records by physicians and hospitals is expected to bode well for Allscripts-Misys, which is gearing up for increased adoptions of new and upgraded systems to deliver quality care and reduce administrative expenses for all parties involved.

Key Applications For Healthcare Vertical:

Misys EMR, Misys MyWay, Misys Tiger, Misys Vision, Misys eScript, Misys Payerpath, Misys Mobile, Misys PatientLink, Misys Homecare

SCORES Analysis

Strengths

One of the key benefits of the merger of Allscripts-Misys is its ability to cover both ends of the healthcare market ranging from large integrated delivery networks to physician practices with fewer than 10 practitioners.

On the high end, Allscripts-Misys is well equipped of handling electronic health record, connectivity and e-prescription requirements of large hospitals. For example, the vendor has secured more than 100,000 users for its e-prescription applications that have processed more than 100 million prescriptions.

On the lower end, Allscripts-Misys has established an all encompassing network that facilitates widespread distribution of its applications to physicians through resellers and major healthcare distributors. In 2009 Allscripts-Misys signed a deal with Henry Schein, a major distributor with 625 field and telesales representatives who will market the vendor’s applications to physicians nationwide, including Henry Schein’s customer base of more than 100,000 physician practices.

Customers

With more than 800 hospitals and 160,000 physicians as customers, Allscripts-Misys has built a sizable presence in the healthcare vertical.

Over the past year, Allscripts-Misys customer wins included AnMed Health, Baptist Memorial Health Care, Capital Region Orthopaedics, Cardiology Associates of Mobile, Carolinas Health System, Catholic Health, Clinics of North Texas, Covenant Health, Dallas Nephrology Associates, Danbury Office of Physician Services, EMH Regional Healthcare System, Golden Living, Hospital Sisters Health System, Huntington Memorial Hospital, Integrated Medical Services (IMS), Lake Region Healthcare, Memorial Hospital at Gulfport, Northeast Alabama Regional Medical Center, North Florida Surgeons, North Shore Long Island Jewish Hospital, NUHealth, Parkview Health, Sacred Heart Medical Group, Sharp HealthCare, Soundview Medical Associates, Southeastern Regional Medical Center, Tallahassee Memorial HealthCare, Thomas Jefferson University (TJU) and Jefferson University Physicians (JUP).

Opportunities

For future growth, Allscripts-Misys is counting on the government stimulus program designed to overhaul the healthcare system.

For example, Allscripts-Misys has sought to drive customer implementations through its own growth strategy, which includes customer financing and a guarantee that its applications would meet certification criteria outlined by the government stimulus program.

Another opportunity lies in increased sales of its applications through the on-demand delivery model, especially to customers that aim to reduce their operating costs by streamlining their IT environment. On-demand sales now account for 24% of Allscripts-Misys' bookings and the figure could rise to one third over the next two years because of the flexibility and ease of adoptions of applications modules by new and existing customers.

Then there is the Allscripts-Misys' plan to become more entrenched among small and midsized group practices eager to boost their bottom line through system overhaul and electronic healthcare record. For instance, after implementing Allscripts-Misys system, a solo physician practice experienced considerable savings and a 25% profitability growth.

Risks

Integrating Allscripts and Misys remains a significant challenge for the combined company, whose extensive product portfolio has been cobbled together through a series of acquisitions.

Since 2006 its acquisitions have included A4 Health Systems, Payerpath, Extended Care Information Network, not to mention the merger between Allscripts and Misys. It's not clear how some of the underlying applications will be extended and enhanced over time.

As Allscripts-Misys goes after the volume business by working with distributors such as Henry Schein, the issue is whether the expanded network - along with its hodgepodge of practice management applications for both on-demand and on-premise implementations - will be able to deliver consistent customer experience.

Ecosystem

Since 2005 Misys Healthcare has been using resellers to sell its physician practice applications to doctor offices in North America. Currently it has about 50 resellers.

The biggest resellers are Etransmedia Technology and The Pinnacle Group. Other resellers include A&A Technology, Medical Management Systems of Michigan (MMSM), Ware Langhorne & Associates, Inc. (WLA), Keane, Calyx, Precision Healthcare Delivery (PHD) and Sterling Medical Consultants, Louisiana Physician Corp, M3 Healthcare Solutions and Medical Business Resources, CIMplify (Franklin, Tenn.), CompONE Services Ltd. (Tulsa, Okla.), DataFuzion (Littleton, Colo.), Doctor's Resource Specialists (Phoenix, Ariz.), Neltner Billing & Consulting (Independence, Ky.), OSSO, Partners in Practice (Sarasota, Fla.), Peninsula InfoMed (Marquette, Mich.), Physician Discoveries, Plettner Hart Management Consultants and QuestCare.

Shares

With a 5.6% share in the healthcare vertical, Allscripts-Misys' ability to gain share is above average because of its relentless push into the government stimulus program.

On the upside, the move toward electronic health record adoption is likely to bolster Allscripts-Misys'sales to both healthcare providers and physicians.

On the downside, the integration between Allscripts and Misys remains a work in progress when it comes to sales, go-to-market and professional services strategies, not to mention future applications roadmaps from both companies. In fact, there are signs that the Misys part of the business may be subsumed by Allscripts, which could render its low-end push much more problematic because of the brand equity Misys has established through the years in the physician practice market.

GE Healthcare

Atlanta, GA

www.gehealthcare.com

Overview:

Since making its major foray into the healthcare applications space by purchasing IDX Systems in 2005, General Electric has continued to expand through strategic alliances with key stakeholders and tucked-in acquisitions to shore up its offerings. Typical customers range from integrated delivery networks to community hospitals and group practices.

Applications Revenues In Healthcare:

	2008	2009
$(M)	380	360

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	252	70%
EMEA	86.4	24%
Asia Pacific	21.6	6%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	180	50%
Large(1K-5K ees)	126	35%
SMB(1K ees and below)	54	15%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	108	30%
Maintenance	252	70%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 5.1% share in the healthcare vertical, GE Health's ability to maintain and win share in the market segment in 2010	Below average

Full overview:

GE Healthcare, which sells everything from portable medical devices to clinical information systems, has become one of the major players in the healthcare applications after its $1.2-billion purchase of IDX Systems in 2005.

With thousands of installations, IDX offered clinicals, financials, administrative and electronic medical record applications to healthcare providers, group practices and physicians.

Another key application purchase was in 2008 when it picked up Agility Healthcare Solutions for its hospital workflow and patient care management solutions.

Over the past few years, GE Healthcare has been accelerating its push by entering into strategic alliances with major players in the healthcare vertical, while making inroads into fast-growing markets such as healthcare information exchange and in-home monitoring.

At the same time, GE Healthcare's applications have been instrumental in helping the vendor cross-sell and upsell its large portfolio of hardware and services offerings.

Key Applications For Healthcare Vertical:

Centricity Enterprise, Centricity Perinatal, Centricity Perioperative, Centricity Imaging, Centricity Patient Accounting, Centriciity Pharmacy, Centricity Laboratory, Centricity PACS, Centricity Radiology Information System (RIS), Centricity Patient Information Management, Centricity Practice and Centricity Business Access Management

SCORES Analysis

Strengths

As a part of one of the world's largest companies, GE Healthcare has considerable management and development skills at its disposal. Capitalizing on that advantage, GE Healthcare has marshaled plenty of resources – including strategic alliances with other heavyweights - to bulk up its presence in different segments of the healthcare vertical over the past few years.

The breadth of its applications portfolio has allowed GE Healthcare to become the primary technology provider for its strategic accounts. For example, the Centricity Enterprise Clinical Data Repository enables any healthcare organization to establish an electronic health record by collecting and maintaining information from multiple encounters and sources.

Its Centricity Enterprise Orders offers physicians, nurses and pharmacists the ability to enter, verify and dispense medication orders. Other features of Centricity Enterprise Orders include patient medication and non-medication order creation, patient-specific order profile management, order sets initiation, and conditional order creation. It also supports electronic, online signing and verification of medication orders, while creating order reports, maintaining order audit trails, supporting future orders, and creating order renew notifications by provider and by patient.

Many of its healthcare customers can deploy applications from GE Healthcare to automate their revenue management and backoffice functions as well as the capability to digitize medical records. Additionally they can continue to run an assortment of hardware and medical devices from GE Healthcare to create a standardized environment for optimized scalability, performance and maintenance.

Customers

GE Healthcare has more than 150,000 physicians as customers and its applications have been installed at more than 3,400 customer sites, including approximately 850 group practices and approximately 370 integrated delivery networks serving more than 500 hospitals..

In 2009 its customer wins included East Orange General Hospital, InConcertCare, Jane Pauley Community Health Center , and Virtua.

Earlier wins of customers primarily adopting Centricity included Huntsville Hospital, Inova Health System, Marion General Hospital, MetroHealth system, Ministry Health Care, and Moses Cone Health System.

Opportunities

GE Healthcare's opportunities lie in its ability to cross-sell and upsell the Centricity software products to its vast base of hospitals and healthcare providers, many of which have standardized on surgical imaging products and other hardware solutions from the vendor.

Another vehicle of growth has to do with GE Healthcare’s extensive relationship with key stakeholders in the healthcare delivery continuum. For example, it has established an alliance with Intermountain, an integrated delivery network in Utah, to develop an enterprise clinical information system that takes advantage of Intermountain’s expertise in clinical informatics and GE Healthcare’s clinical software applications and market depth and breadth. The agreement covers solutions for imaging, perioperative, PACS, pharmacy, lab and ambulatory electronic medical records.

More recently, GE Healthcare struck a deal with Mayo Clinic and Intel to develop an in-home monitoring system for seniors by using a combination of technologies from clinical and video conferencing systems, extending the use of GE’s healthcare applications beyond the confines of hospitals. Both GE Healthcare and Intel plan to invest $250 million over the next five years for the research and product development of home-based health technologies.

Risks

Because of the size of GE Healthcare, a $17-billion business unit within a conglomerate that covers a gamut of business solutions, it’s not apparent how much of its research and development budget is actually spent on enhancing its healthcare applications.

In fact GE Healthcare is offloading much of that to its technology partners. The recent agreement with InterComponentWare to integrate and co-develop their health information exchange connectivity solutions is a case in point.

And there are signs that GE Healthcare is aiming to outsource additional applications development. For example, GE Healthcare has been working with Microsoft to incorporate the vendor’s Dynamics applications into its hospital information system framework for GE customers.

The net result is that GE Healthcare runs the risk of undermining its differentiating factors as it acts more like a distributor of applications and technologies for other vendors.

Ecosystem

GE Healthcare, which acquired IDX Systems in 2005, has been relying on its direct sales force to sell the Flowcast, Groupcast, Carecast and Imagecast products that it picked up from IDX. The products have been renamed Centricity.

A number of consulting firms specialized in doing consulting work on IDX Systems software prior to its acquisition by GE Healthcare. Though GE Healthcare has shifted its focus to a direct-selling approach, these consultants continue to provide advisory services to the healthcare clients they work with. However these consultants do not resell any GE Healthcare products. These consultants include Health Directions, Healthcare Services Management, Hayes Management Consulting, and Healthcare Margins.

GE Healthcare does not have direct relationships with these consulting firms, nor any other system integrators and VARs in North America.

Shares

With 5.1% share in the healthcare vertical, GE Healthcare's ability to gain share is below average because of its heavy emphasis on selling medical equipment.

On the upside, the upgrade cycle of Centricity could pave way for GE Healthcare to gain incremental revenues from its base of 3,400 installations, many of which have been using different versions of the IDX applications for a number of years.

On the downside, the future of its applications depends on their synergy with the vendor's hardware and medical device business, which does not appear to be evident. Nevertheless GE Healthcare may have an edge over others when it comes to medical device data capture because of its large medical equipment business.

iSoft Group Ltd.

Sydney, Australia

www.isofthealth.com

Overview:

iSoft was founded in 1994 as a healthcare information business unit of KPMG. Since that time, the vendor has barreled ahead by picking up a growing base of healthcare providers as customers while continuing its push into the global hospital IT market through acquisitions and product enhancements. Typical customers range from government-funded healthcare systems to fast-growing hospitals in emerging markets.

Applications Revenues In Healthcare:

	2008	2009
$(M)	330	300

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	6	2%
EMEA	252	84%
Asia Pacific	42	14%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	150	50%
Large(1K-5K ees)	90	30%
SMB(1K ees and below)	60	20%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	140	46.7%
Maintenance	160	53.3%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 4.3% share in the healthcare vertical, iSoft's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Over the past few years iSoft has been building a thriving business of selling electronic health record applications and connectivity solutions to ensure clinical interoperability and its momentum has been gathering strength through acquisitions and product enhancements.

In February 2010 iSoft acquired UltraGenda BV, a Belgium-based vendor for its hospital scheduling and resource management applications. That followed three purchases it made in 2009 including Patient Safety International Pty Ltd. for patient safety applications with proactive recording and monitoring capabilities; Hatrix for electronic medication management applications for acute care, aged care and community health care providers; and BridgeForward for connectivity solutions that integrate health information from different sources.

iSoft was founded in 1994 as a part of KPMG focusing on healthcare information technology and it went through multiple mergers and acquisitions until it was picked up in 2007 by IBA Health Group, a major healthcare applications vendor in Australia.

Following the purchase by IBA, iSoft has been focusing on new markets in Latin America and the Middle East, while consolidating its gains in Europe with major wins with independent hospitals.

Key Applications For Healthcare Vertical:

Lorenzo, Enterprise Electronic Patient Record

SCORES Analysis

Strengths

With a lion's share of the UK healthcare market, iSoft has been embarking on an ambitious applications strategy to penetrate all corners of the healthcare market, one that used to be considered primarily a local market with unique rules and regulations.

However the proliferation of electronic health records among hospitals has made iSoft's value more tangible than ever when delivering integrated applications to customers in more than 40 countries.

For instance, Siriraj Hospital Thailand went live in 2009 with Thai language version of Enterprise Electronic Patient Record applications. The iSoft package, which has been localized in Thai language, is now being used by 10,000 healthcare providers.

Similarly, instead of using highly customized applications to solve a host of healthcare service delivery challenges when it comes to data integration, doctor patient communication, and revenue management, hospitals are increasingly turning to off-the-shelf applications from vendors such as iSoft, which has been investing in the latest service-oriented architecture to build out its applications portfolio.

Following an extended development cycle, iSoft started shipping its next-generation healthcare applications for electronic health record, clinical collaboration, physician practice, and patient care management, in early 2009 to pilot customers. A new version of Lorenzo for ambulatory and primary care is due out in 2010. Already a number of hospitals in Germany, Netherlands and the UK have implemented Lorenzo, fulfilling its mission as one of the first healthcare applications designed for the global audience.

Customers

With more than 13,000 customers in the vertical, iSoft has built a sizable installed base throughout Europe. Increasingly it has added customers in countries such as Honduras, Libya, Mexico, Oman and other emerging markets.

In 2009 its customer wins included Academic Medical Centre, Al Khadra Hospital, Christophorus-Kliniken, Consorzio Regionale Servizi Sociali(CRESS), Erasmus MC, Heatherwood and Wexham Park Hospitals, Hospital Diaconessenhuis Leiden, Keningau Hospital, MOH hospitals in Malaysia, Royal Flying Doctor Service, and Siriraj Hospital Thailand.

Opportunities

The lucrative US healthcare market has become one of the biggest opportunities for iSoft following its acquisition of BridgeForward, which has been selling connectivity solutions to more than 4,000 healthcare providers in North America and Europe. With more than 1,000 sites in the US, BridgeForward's customers include Partners Healthcare in Boston and Cleveland Clinic.

In 2009 iSoft also introduced in the US market the Lorenzo Health Studio, a SOA-based toolkit that allows healthcare providers to incorporate more than 2000 reusable care services across multiple care settings into their existing healthcare information systems. That could turn Lorenzo into common building blocks for a new wave of healthcare applications that are fully interoperable with one another, ending fragmentation of information among users.

Risks

iSoft's heavy reliance on the National Health Service, the government-funded health system in the UK, is getting heavier still. Last year it accounted for nearly a quarter of its revenues, compared with 19% in 2008.

Because of its relationship with CSC, the lead contractor of the NHS project, iSoft faces considerable risks when the current contract is up for negotiation. Additionally repeated delays in the project could also become a drag on iSoft's performance. As a result, iSoft's long-term success may depend on its ability to diversify its revenue stream in the UK and Ireland, which together accounted for 57% of its revenues.

Ecosystem

iSoft primarily sells direct and it has also established a network of partners primarily health benefits funds in Australia for health insurance claims and payments service. In the case of BridgeForward, it has partnered with systems integrators including Atos Origin, Cap Gemini, Fujitsu, Hitachi, IBM, LogicaCMG, Perot Systems, and Wipro.

Shares

With a 4.3% share in the healthcare vertical, iSoft's ability to gain share is average because of its global applications portfolio as demand for advanced hospital information systems surges.

On the upside, the balanced approach of its global sales strategy is sustaining its growth largely from posting strong gains in emerging countries, offsetting any decline in established markets such as Australia and New Zealand.

On the downside, iSoft's ability to generate organic growth remains in doubt following its costly purchase by IBA Health. For the time being, the Lorenzo launch has resulted in a relatively small number of early adopters and it might take at least another three to five years before the product becomes widely used among its long-time customers because of its extended delay.

Sage

Irvine, CA

www.sagesoftware.com

Overview:

After making a major acquisition in the physician practice management applications segment, Sage, a UK-based enterprise application vendor, has begun to reap the benefits of its investment by strengthening its healthcare division with new executives and improved results. Typical customers are independent physicians and small group practices.

Applications Revenues In Healthcare:

	2008	2009
$(M)	270	285

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	270	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	0	0%
SMB(1K ees and below)	270	100%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	99.9	37%
Maintenance	170.1	63%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.8% share in the healthcare vertical, Sage's ability to maintain and win share in the market segment in 2010	Average

Full overview:

After acquiring Emdeon Practices Services for $600 million in 2006, Sage has begun to realize tangible gains from its healthcare strategy. By streamlining the operations, Sage has managed to boost the operating margins of its healthcare division to 17% in fiscal 2009, compared with 8% a year earlier.

Recently Sage has named a new president to head the healthcare division, which offers practice management, electronic health record applications to more than 80,000 physicians in the United States.

Over the past two years, Sage appeared to have turned around the healthcare division by investing heavily in customer retention, while enhancing its EDI transaction services and customer support capabilities.

Key Applications For Healthcare Vertical:

Sage Intergy and Sage Intergy EHR, Sage Medical Manager, Sage Medware, Sage Health Network, Sage MENDS, Sage Practice Analytics, Sage Intergy Practice Portal

SCORES Analysis

Strengths

Sage Healthcare offers a full array of applications for electronic health record, physician practice management, and connectivity solutions. With the backing of a $2-billion software vendor, Sage Healthcare is capable of expanding into adjacent areas especially those that have been using accounting, HR and payment processing applications from Sage.

In 2009 much of Sage Healthcare's focus was on the new Sage Intergy version 5.5, an integrated electronic health records and practice management application. The new release offers many new features and workflow enhancements. For example, OB chart helps physicians recognize medical complications and manage high risk pregnancies.

Such best-of-breed capabilities are expected to help Sage retain customers that have come to depend on its popular healthcare applications.

Customers

With more than 15,000 customers that cover 80,000 physicians in the vertical, Sage has maintained a healthy presence among independent physician and group practices.

In 2009 its customer wins included Annapolis Pediatrics, Associated Cardiovascular Consultants, Black Hills Orthopedics & Spine Center, Danville Polyclinic, FQHC Stigler Health and Wellness Center, Healthcare Billing Consultants, Health Choice Network, Horizon Gynecology & Obstetric Associates, Michigan Cardio Vascular Institute and South Jersey Healthcare.

Opportunities

Sage is expected to tout the extensibility of its healthcare offerings, while generating incremental revenues by tapping into its vast base of accounting, CRM and payment processing customers.

Risks

While Sage has made tremendous progress in turning around its healthcare division, a series of management and execution changes have complicated the customer renewal process. And it will take considerable time and effort to regain its momentum. When it was purchased in 2006, the healthcare division had 20,000 customers, compared with the current count of 15,000. While the contraction has shown signs of stability, Sage's challenge is rebuild its installed base by investing heavily in new products as well as channel programs.

Ecosystem

For its healthcare products like Sage Intergy, Sage primarily sells directly.

Shares

With a 3.8% share in the healthcare vertical, Sage's ability to gain share is average because of structural problems with its healthcare division.

On the upside, the recovery of Sage Healthcare appears to be more apparent than ever and the company's commitment to the vertical is resolute.

On the downside, even as Sage Healthcare starts extending itself to the vendor's complementary products such as Payments to yield synergy, its ability to cross-sell and upsell products from other parts of Sage is a work in progress. In addition Sage Healthcare's contraction over the past few years could leave it vulnerable with reduced presence in certain markets.

Eclipsys

Atlanta, GA

www.eclipsys.com

Overview:

Positioning itself as the Outcomes Company, Eclipsys has been riding a wave of automation projects among healthcare providers helping them achieve improved clinical, financial, operational and patient care outcomes with a suite of industry-specific applications. Typical customers range from regional healthcare systems to independent providers.

Applications Revenues In Healthcare:

	2008	2009
$(M)	240	253

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	247.94	98%
EMEA	2.53	1%
Asia Pacific	2.53	1%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	75.9	30%
Large(1K-5K ees)	126.5	50%
SMB(1K ees and below)	50.6	20%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	33	13%
Maintenance	170	67.2%
Subscription	50	19.8%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.6% share in the healthcare vertical, Eclipsys' ability to maintain and win share in the market segment in 2010	Average

Full overview:

Eclipsys has been a stellar performer in the healthcare applications vertical, racking up major customer wins as well as reaching important product milestones that allow its customers to meet meaning use of electronic health record requirements under the government stimulus program.

In 2009 Eclipsys showed a modest increase in sales with the help of a number of $10-million plus orders from long-time customers. That followed the completion of three acquisitions including Premise for its patient flow software, MediNotes for physician practice information applications and Enterprise Performance Systems, Inc.(EPSi) for financial performance management.

More recently Eclipsys has been focusing on strengthening ties with key partners. For instance, Eclipsys, which has been a major healthcare ISV for Microsoft, announced key components of its Sunrise Enterprise applications will be integrated into Microsoft Amalga Unified Intelligence System (UIS), a data aggregation platform that integrates clinical, administrative and financial data from disparate information systems.

Similarly Eclisys is working with Medicity to create a health information exchange that enables easy access, exchange and sharing of patient-centric clinical information that is now scattered across acute care, ambulatory and community settings usually held in disparate systems.

In both cases, Eclipsys is striving to help healthcare providers achieve the best possible outcome through system interoperability, open collaboration and data transparency even when they are running different clinical and patient care systems alongside their Eclipsys applications.

Key Applications For Healthcare Vertical:

Sunrise Enterprise, Sunrise Clinical Manager, Sunrise Access Manager, Sunrise Patient Financials, Sunrise Decision Support, Sunrise Record Manager, Sunrise Laboratory, Sunrise eLink, Sunrise Radiology, Sunrise PA

SCORES Analysis

Strengths

Unlike other tier-1 healthcare applications vendors that have been expanding primarily through acquisitions, Eclipsys has been sticking to its knitting by continuously enhancing its Sunrise applications suite.

The latest release Sunrise 5.5, which became available in April 2010, underscores the fruits of its labor by zeroing in on two major attributes. The first is its usability, which is still sorely lacking in many healthcare applications built during the client/server days. Sunrise 5.5 features a customizable workspace that is designed with tailored user experience in mind facilitating easy access to patient data and other mission-critical information with an intuitive look and feel.

The second attribute has to do with the extended functionality that helps healthcare organizations meet the expected meaningful use requirements of the American Reinvestment and Recovery Act of 2009 (ARRA).

Jefferson Regional Medical Center has already made plans to upgrade to Sunrise 5.5 in late April to help meet such requirements. Additionally four customers have signed up for the pilot launch.

Such enhancements underscore Eclipsys' key differentiator by extending its core competency to meet the current and future needs of its customers, many of which have been standardizing on the Sunrise solutions for a number of years.

Customers

With more than 6,000 customers in the vertical, Eclipsys has made significant inroads into regional and independent healthcare systems. Some of them such as North Shore-Long Island Jewish Health System have contributed heavily to Eclipsys' bottom line. The New York healthcare system accounted for nearly $70 million, or 13.2% of its revenues in 2009, up from $55 million, or 10.7% in 2008.

In addition to North Shore, North Mississippi Medical Center was cited as one of its largest wins in 2009 purchasing a full suite of applications from Eclipsys including Sunrise Acute Care, Sunrise Pharmacy, Sunrise Clinical Care, Sunrise Emergency Care and Sunrise Clinical Analytics.

Other major customer wins in 2009 included Athens Regional Medical Center, Blessing Hospital, Bronx Lebanon Hospital Center, Brooklyn Hospital Center, Genesis Physicians Group, Greenwood Pediatrics, Karmanos Cancer Institute, Lahey Clinic, Madonna Rehabilitation Hospital, New York Downtown Hospital, NewYork-Presbyterian Hospital, Orlando Health, St. Barnabas Hospital, St. Mary's Hospital of Michigan, Singapore General Hospital, Sound Shore Health System, Sunnybrook Health Sciences Centre, United Hospital System, and Wheeling Hospital.

Opportunities

Eclipsys targets healthcare providers of a variety of sizes and specialties, including small, stand-alone hospitals, large multi-entity healthcare systems, academic medical centers, community hospitals and other healthcare organizations. In 2010 one of Eclipsys' major opportunities lies in 600 healthcare organizations with 150 beds and above that either have a legacy or no enterprise clinical system.

In terms of its sales organization, Eclipsys' direct sales force is structured by US geographic regions, with sales staff dedicated to either new business or existing client sales. Sales teams focusing on certain specialty solution areas, such as ancillary department software for pharmacy, laboratory and radiology, outsourcing and/or remote hosting, etc., augment the regionalized sales teams.

Additionally Eclipsys has started selling into a growing number of English speaking countries such as Singapore, Australia and the United Kingdom.

Risks

Despite its steady revenue growth over the past few years, Eclipsys has not been able to achieve the same result with its bottom line. As a result, it launched Project Drive in 2009 to optimize efficiency throughout the organization. What that entails is that its internal operations, coupled with research and development and go-to-market strategies, will go through systematic changes in an all-out effort to reduce expenses and boost its margins. What's not clear is whether the cost reduction drive will have any impact on employee morale and client satisfaction as the program goes into full effect in 2010.

Ecosystem

Eclipsys sells its software primarily through its direct sales force, which is supported by a number of VARs that help with ambulatory system sales. Eclipsys also partners with systems integrators including ACS Healthcare Solutions, Enterprise Software Deployment, maxIT Healthcare and Vitalize Consulting Solutions.

Additionally it has partnered with CSC and IBM Healthlink that served as strategic IT and business process consultants to Eclipsys customers advising them on how to optimize the Eclipsys software.

CSC has been offering Eclipsys healthcare customers project management and process redesign services designed to identify high priority process work steps to enhance patient safety and streamline their workflow along the way. IBM Healthlink, on the other hand, has been focusing on providing clinical implementation and application outsourcing for healthcare providers.

Shares

With a 3.6% share in the healthcare vertical, Eclipsys' ability to gain share is average because of its reliance on fairly large transactions that may become far and few in between in the current economic environment.

On the upside, much of the growth of Eclipsys will come from the upgrade of Sunrise 5.5 applications in the coming year and there are signs that the migration may be gathering steam especially among some of its long-time customers that have turned to the vendor for the bulk of their applications requirements because of the interoperability and usability of the new release.

On the downside, the vendor's drive to boost efficiency and profitability will test its staying power as well as its ability to grow its ecosystem with a curtailed channel strategy. By reducing the number of its systems integration partners from 20 to four, Eclipsys' decision could have serious consequences on customer satisfaction and how partners perceive its new positioning.

Compugroup

Koblenz, Germany

www.compugroup.com

Overview:

After a flurry of acquisitions, Compugroup has emerged as one of the largest applications vendors in the healthcare vertical with customers spanning across Europe and its presence taking hold in North America. Its pan-European expansion covers a full array of applications for healthcare and dental care facilities. Typical customers are healthcare providers running its applications as hospital information systems and ambulatory information systems, as well as connectivity solutions.

Applications Revenues In Healthcare:

	2008	2009
$(M)	166	221

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	11.05	5%
EMEA	207.74	94%
Asia Pacific	2.21	1%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	44.2	20%
Large(1K-5K ees)	66.3	30%
SMB(1K ees and below)	110.5	50%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	39	17.6%
Maintenance	182	82.4%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Above average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 3.1% share in the healthcare vertical, Compugroup's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Compugroup has grown to become one of the largest pan-European vendor of healthcare solutions, a far cry from its modest beginning in 1987 as a small developer of administrative applications for dentists.

In 2009 it expanded into the US market by paying 8.6 million euros for the majority stake in Noteworthy Medical Systems for its ambulatory healthcare applications. That followed the purchases of Avenir Télématique for ambulatory healthcare applications in France and FimeSan SpA for physician practices applications in Italy, as well as the restructuring of the 2,800-person company under the Compugroup brand.

With operations in 14 European countries, Malaysia, Saudi Arabia, South Africa and the United States, Compugroup, which posted nearly 300 million euros in revenues in 2009, has positioned itself as one of the major players providing hospitals and doctor offices with advanced applications in the synchronized push toward quality healthcare that is affordable, efficient and widely available.

Key Applications For Healthcare Vertical:

G3.AIS and G3.HIS

SCORES Analysis

Strengths

While ambulatory applications for outpatient care have been one of the major differentiators of Compugroup, the vendor has continued to expand into other mission-critical areas such as hospital information system, workflow and decision support, health insurance reimbursement and multimedia communications service to the health systems.

These complementary applications, along with its dentist information system that helped launch the vendor 23 years ago, have catapulted Compugroup to a healthcare applications juggernaut rivaling some of the largest horizontal software vendors.

Through a series of acquisitions, Compugroup has become one of the few vendors that have mastered the skills of selling into healthcare providers around the world. Its presence in keenly felt in 14 European countries including Austria, Denmark, Czech Republic, Germany, Greece, Italy, Latvia, Norway, Poland, Slovakia, Spain, Sweden, and Turkey.

In countries such as Austria, more than 50 percent of hospital and office-based doctors use Compugroup applications to run their operations from billing to electronic medical record keeping.

In addition to selling its applications to hospitals and doctors, Compugroup has been selling a subscription service called vita-X that allows consumers to create their own personal electronic health records containing private medical information. Additional revenues are based on sponsorships from key stakeholders in the healthcare vertical such as health insurers.

All these moves suggest that Compugroup has established a reliable recurring revenue stream that is diversified enough to sustain its long-term growth around the world.

Customers

The breakdown of Compugroup's installed base of more than 223,000 users running its ambulatory and hospital information systems includes 25,444 dentists, 72,541 hospital doctors and 125,101 office-based doctors.

Sample customers of its hospital information applications include Vienna Hospital Association, one of the biggest healthcare providers in Europe with 23 hospitals and 16,000 employees.

In 2009 its customer wins included Arizona's PACeHR Purchasing & Assistance Collaborative, Bintulu Hospital in Malaysia.

For its connectivity solutions, Compugroup has about 109,000 users running an array of communication, data, workflow and decision support subscription services for such functions as ad-hoc advertising on behalf of pharmaceuticals and medical equipment manufacturers, collection and mediation of clinical data. For example, it has been running an on-demand service for health insurance companies providing them with diabetes-related data from nearly 10,000 patients in Germany.

Opportunities

Compugroup's biggest opportunities in the healthcare vertical lie in the creation of a universal system for rapid deployment of hospital and ambulatory applications across Europe and elsewhere. The standardization of the framework for the G3.AIS and G3.HIS applications under development will help reduce implementation and training costs for users, while allowing Compugroup to achieve the economy of scale of selling applications that offer similar functionality to hospitals and doctor offices in different countries.

The framework, which is based on reusable components and connects directly to new standards in electronic networking of all stakeholders in the healthcare vertical, is expected to be instrumental in boosting the visibility of Compugroup customers into the entire eHealth lifecycle covering hospital doctors, pharmacies, rehab clinics and office-based doctors.

In addition, Compugroup is aiming to leverage its global capabilities by tapping into the lucrative healthcare IT market in the United States through the acquisition of Noteworthy, which has been selected by Arizona's PACe HR Purchasing & Assistance Collaborative to become one of the two preferred applications vendors to deliver electronic health record software and services to three quarters of the Arizona primary care market. That could mean doubling the size of Noteworthy's customer count over the next three years by adding nearly 7,000 physicians in more than 2,000 practices to its current base of 5,000 physicians in 1,300 practices.

Risks

Compugroup's global healthcare applications strategy is grand experiment that has far-reaching implications. On one hand, the vendor is deploying more than 740 employees, or 26% of its headcount, on software development in order to create a Service-Oriented Architecture framework that will supplant various acquired products and technologies. On the other hand, its buying spree continues. In November 2009 Compugroup acquired Innomed, a healthcare applications developer in Austria with 2,500 doctors as customers.

In order for the universal framework strategy to work, Compugroup may have to opt for the extensive use of ondemand applications in order to ease the migration path from current legacy systems being used by its acquired customers. That in itself is fraught with challenges because of the different regulatory and legislative requirements from its target countries.

Then there is recent decline in its consumer business because of reduced advertising volume from generic drug firms. Compugroup has also sold off noncore assets such as one for film and TV production of medicine journalism services.

What it all means is the fact that Compugroup may have to rationalize its product and service portfolio and place sharper focus on areas that it can prevail in the face of intense competition from entrenched healthcare applications vendors in key markets such as France, Germany and the United States.

Ecosystem

In addition to its 2,800 employees, Compugroup has built a network of 300 sales and services partners that sell into local markets in Europe and other regions.

Shares

With 3.1% share in the healthcare vertical, Compugroup's ability to gain share is above average because of its growing dominance in markets such as Austria as well as incremental growth from acquisitions.

On the upside, Compugroup has amassed one of the largest installed bases of office-based doctors and the move toward electronic health record should help Compugroup strengthen its grip in its current customers.

On the downside, Compugroup, whose meteoric rise with 330,000 physicians, dentists and other healthcare providers as customers just within the past few years, underscores the looming customer support and system upgrade challenges. It remains to be seen whether its push toward a universal healthcare application strategy would resonate with its customers while sustaining its current renewal rate of 95 percent.

Medical Information Technology Inc.(Meditech)

Westwood, MA

www.meditech.com

Overview:

Meditech has experienced rock-solid performance since it was founded in 1969, continuing its role as one of the standard bearers in the healthcare vertical serving a full spectrum of customers from the very large organizations to small community hospitals. Typical customers include major integrated delivery networks like HCA and independent hospitals and hospices.

Applications Revenues In Healthcare:

	2008	2009
$(M)	196	190

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	184.3	97%
EMEA	5.7	3%
Asia Pacific	0	0%

2009 Applications Revenues In Healthcare By Company Size:

Size	2009($M)	% of total
XL(5K ees and above)	38	20%
Large(1K-5K ees)	95	50%
SMB(1K ees and below)	57	30%

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	66.5	35%
Maintenance	123.5	65%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Above average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 2.7% share in the healthcare vertical, Meditech's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

For decades Meditech has been a fixture in the healthcare vertical with its clinical and administrative applications for a growing number of hospitals.

What started 40 years ago as a developer writing laboratory applications in a legacy programming language called MUMPS has blossomed into one of the biggest applications vendors responsible for meeting operational and clinical automation needs of some of the most advanced healthcare facilities. In addition to its healthcare information systems, Meditech offers applications for physician practice management, behavioral health, long-term care and home care facilities.

In January 2010 Meditech folded PtCT with its hospice and home care applications into the parent company through a full merger. The move is expected to allow Meditech hospital customers to tap into the fast-growing home care market by using a fully integrated solution for increased visibility into their operations.

Key Applications For Healthcare Vertical:

Meditech Health Care Information System Release 6.1

SCORES Analysis

Strengths

Meditech has been known for its innovation capabilities as well as a rich company culture that is famous for its extensive in-house training program, career advancement opportunities and generous benefits.

In 2008 Meditech introduced release 6.0 of its flagship Health Care Information System applications. Release 6.1 soon followed. The new product offers an intuitive user interface, while delivering advanced trending and reporting capabilities to help tackle the latest healthcare challenges. Additionally remote access through Citrix is a major improvement in the new release.

More importantly the new release enables user to streamline their workflow with quick access to patient data including digital x-ray images that are readily available in the same system, something that was not possible with the previous version.

Then there is the company culture that has largely eschewed making major acquisitions in favor of internal growth and development of its employees, which in turn has attracted some of the top minds in the healthcare field. Currently Meditech has more than 2,500 employees supporting customers in all 50 states as well as a growth strategy for hospitals in Australia, Canada and the United Kingdom.

Customers

With more than 2,200 customers in the vertical, Meditech has been mostly focusing on community hospitals. But it has also made significant inroads into major accounts such as HCA-The Healthcare Company, which has implemented Meditech's clinical information system in over 250 hospitals. HCA has been Meditech's largest customer for many years and it represented $28 million, or 7% of its revenues in 2009.

Last year its customer wins included Burk's Falls and District Health Centre, Cannon Falls Medical Center, Clinicenta, Hospital Regional De Sudbury Regional Hospital/NEON (Sudbury, ON), Huntsville District Memorial Hospital, Kindred Hospital Melbourne (Melbourne, FL), Orillia Soldiers' Memorial Hospital, Promise Hospital of Baton Rouge, Reynolds Memorial Hospital (Glen Dale, WV), Richland Hospital (Richland Center, WI), Saint Benedict's Family Medical Center, Shasta Regional Medical Center, South Coast Medical Center (Laguna Beach, CA), South Muskoka Memorial Hospital, Triumph Hospital South Bend and Whitby Mental Health Center.

Opportunities

The decision to fold PtCT into its operations underscores Meditech's desire to accelerate its push into the home care market, which complements its offerings for rehab and long term acute care facilities. Already 25 sites have gone live with the latest PtCT home care applications Maestro.

Another focus area is for Meditech to upgrade the large installed base of its Health Care Information System customers to the latest release 6.1, which should usher in additional cross-selling and upselling opportunities.

Finally Meditech has been expanding throughout Canada and other English speaking countries. Currently Canada accounts for 11% of its revenues. The latest win was Northern Health Authority, which has started implementing Release 6.1 to improve delivery of health care across Northern British Columbia in Canada.

Risks

One of the biggest challenges facing Meditech is to embrace Web components to augment its client server system architecture, which remains the dominant environment for its installed base.

Another issue has to do with its delivery model with heavy emphasis on in-house implementations. On-demand solutions are not available from Meditech, which could be an issue for hospitals that decide to streamline their internal IT infrastructure. Its system integration partner Dell Perot System does offer managed services for Meditech customers.

Ecosystem

Meditech primarily sells direct and it works with systems integrators such as ACS MediHealth, Dell Perot Systems and Presidio. It has invested in channel partner LSS Data Systems, which co-developed with Meditech the Medical and Practice Management (MPM) Suite, an ambulatory care application for clinicians and administrative staff in practices and clinics. Additionally Meditech has invested in its channel partner Meditech South Africa to sell applications and support customers in the region. In addition to their own products, both channel partners resell Meditech applications to their customers.

Shares

With a 2.7% share in the healthcare vertical, Meditech's ability to gain share is above average as it becomes more adept at implementing its latest applications releases among its installed base.

On the upside, Meditech's strong financial position, buoyed by a 17% jump in license sales in the first quarter of 2010, presages a sustainable recovery for the vendor that has become the envy of the healthcare applications vertical with a 30% operating margin.

On the downside, Meditech continues to position itself as a client server vendor at a time when Web services and on-demand solutions could upend the healthcare vertical as customers search for an affordable way to achieve the meaningful use of electronic health record threshold in order to reap the benefits of the government stimulus program.

Quality Systems Inc.

Irvine, CA

www.qsii.com

Overview:

With well-timed acquisitions and alliances with key partners, Quality Systems has tripled its revenues over the past few years riding the growing acceptance of electronic health record among healthcare providers and the general public. In addition to targeting major integrated delivery networks as its typical customers, Quality also sells into physician and dental group practices.

Applications Revenues In Healthcare:

	2008	2009
$(M)	148	164

2009 Applications Revenues In Healthcare By Region:

Region	2009($M)	% of total
Americas	164	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Healthcare By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	32.8	20%
Large(1K-5K ees)	49.25	30%
SMB(1K ees	82	50%

and below)		

2009 Applications Revenues In Healthcare By Revenue Type:

Type	2009($M)	% of total
License	78	47.6%
Maintenance	85	51.8%
Subscription	1	0.6%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Above average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 2.5% share in the healthcare vertical, Quality's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Founded in 1974 as an applications developer for dental practices, Quality Systems has been on a tear in recent years by expanding into the hospital information system market as well as launching a frontal assault on fast-growing segments such as revenue management and electronic data interchange(EDI) for healthcare providers.

The result has been a three-fold increase in revenue since 2005 and its explosive growth is becoming more pronounced than ever. In February 2010 Quality acquired Opus Healthcare Solutions, a $14 million applications vendor that served 20 hospitals - primarily small and rural facilities with 100 beds or less. That followed its earlier purchase of Sphere Health Systems for its hospital information system that included applications for patient management, decision support, financial management and human resources in August 2009.

In 2008 it made its move into the revenue management market by acquiring Practice Management Partners(PMP) for its healthcare revenue cycle applications and Healthcare Strategic Initiatives(HSI) for its receivable and reimbursement management applications.

At the same time, it has been growing its sales force with plans to have up to 100 quota-carrying sales reps, by the end of its fiscal 2010, compared with 90 a year earlier.

Key Applications For Healthcare Vertical:

QSI Dental, NextGen Healthcare Information Systems

SCORES Analysis

Strengths

Quality operates its dental division under the QSI brand and NextGen Healthcare for its physician practice management, electronic health record, EDI and revenue cycle management applications. The latter, which accounts for 94% of its revenues, has been the growth engine of Quality delivering much of its profit.

In fact, Quality's stellar financial performance with consistent earnings and hefty operating margin that hover around 30% has made its stock a darling among investors over the past five years, rivaling the performance of vendors many times of its size.

Another major strength of Quality has to do with its diversified product portfolio, which includes traditional on-premise applications, on-demand solutions for its physician and dental customers, recurring revenues from its EDI and revenue cycle management offerings.

Coupled with its sizable installed base, Quality has established key differentiators by scaling up its product offerings and network effects that have all the ingredients of a market bonanza in the fast-growing healthcare vertical.

Customers

With more than 2,500 customers in the vertical, Quality has continued to expand among its installed base by offering electronic health record as well as add-ons to the hospitals and their affiliated physicians.

Over the past year, its customer wins included Jordan Valley Community Health Center of Missouri, Mercy Health System, Trinity Health Network, and Wayne State University Physician Group

Major customer references include Adventist Health System, Banner Health, HealthCare Partners, John Muir Health, Nautilus Healthcare Management Group, South Coast Health System, Texas Health Care, United Regional, Virtua, and Warren Clinic.

Opportunities

Following the acquisitions of PMP and HSI, Quality doubled its revenue cycle management revenues to more than $27 million in 2009 and there are signs that the momentum is on its side.

Because of the sales potential for automating the revenue cycle management function, hospitals and physicians are heeding the advice of applications vendors such as Quality, which touts proven customer results as well as money-back guarantees on such software investments.

The smaller the hospital, the more likely that its revenue cycle management function is done manually and Quality's acquisition of Opus is likely to make its push into rural healthcare providers more compelling.

Risks

It remains to be seen the acquisition strategy of Quality is a prelude to a holding company strategy. For one thing, Quality's dental group practices business has seen softening demand over the past year because of the recession. Quality has sought to bolster its efforts by licensing the on-demand dental practice applications from Planet DDS. While that may satisfy the needs of some dental customers that find the on-demand offerings more flexible and affordable to deploy, it remains unclear whether such a move would undermine its on-premise solutions in the long run.

Another risk Quality faces lies in its relatively modest research and development spending, which amounts to about 5.2% of its revenues, compared with the running average of 8% a few years earlier. For a vendor that is on a run rate of $300 million, its modest R&D spending could be a double-edge sword.

The key is for Quality to start delivering a coherent product roadmap relying heavily on Web-based components and on-demand solutions to mitigate implementation, maintenance and system migration challenges for new and existing customers.

Ecosystem

Quality primarily sells direct and it has established partnership with key healthcare players such as Siemens that resell the vendor's products to their own hospital and physician practice customers.

Another major expansion of its ecosystem is based on a recent agreement with Ingram Micro, the giant technology product distributor that will help Quality recruit, train and support new resellers on an array of NextGen Healthcare applications.

Additionally Quality has partnered with Ohio State Medical Association (OSMA) to offer its 20,000 members consisting of physicians, residents, medical students and practice managers preferred pricing on NextGen Practice Management and Practice Solutions.

Shares

With 2.5% share in the healthcare vertical, Quality's ability to gain share is above average because of its acquisition strategy as well as its low-cost operations.

On the upside, Quality is seizing the revenue cycle management agenda to sustain its growth within its installed base, while paving the way for incremental revenue opportunities through partners such as Ingram Micro and Siemens.

On the downside, as Quality continues to expand at a rapid pace, it may have to hike its customer support and R&D spending to keep up with increased demand for full interoperability with products from third party vendors as well as to stay on the innovation curve at a time when its ability to deliver easy to implement and simple to use technologies for a new generation of users could become its ticket to win in the long run.