



Global Healthcare-IT Market Subscription

September 2003

Quarterly Analysis – Third Quarter

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Quarterly Analysis – Third Quarter

Major Tek

Torex and iSoft discuss merger plans

Torex Plc and iSoft Plc are in advanced discussions on a merger to create a major U.K. provider of healthcare information systems. If the merger proceeds, the team of iSoft and Torex will be a lot stronger and have an impact on the industry. The positive side of this merger will be;

- They will be able to penetrate the full spectrum of the healthcare market from the GP's surgery to the clinicians in hospitals with fully integrated software of healthcare information systems and supplementary value added services.
- The team will be able to provide the necessary expertise and experience to participate more aggressively and fully in the £2.3bn NHS Modernisation Programme. The Merged companies will be better placed to serve the requirements of the National Application Service Providers, the National Infrastructure Service Providers and the Local Service Providers in the five geographic regions in England.
- Union of two companies will highlight their presence also at international level. Torex with its leading market positions in Holland, Germany and Switzerland complements iSoft's existing penetration of the Australasian, Irish, Scandinavian and Asia Pacific markets.
- The merger will enable both the companies to benefit from cost synergies and to capitalise on the complementary strengths of iSoft and Torex.

It remains to be seen how this deal will affect the Torex/ IBA Health relationship announced earlier. The Torex director on IBA board has already left as iSoft is regarded as a major competitor by IBA. This sounds like bad news for IBA as its previous UK assets were sold to InHealth and then onto Torex. So IBA will probably have to develop another relationship in the growing UK market. For Torex and iSoft the deal provides them with a lot of synergies and positions them well for the global market and for utilisation of their integration skills.

Kodak goes digital

Kodak plans to build on its foundation in consumer, medical and professional film imaging products and services with the power of digital technology to become a more balanced and diversified leader in the digital imaging market. Kodak is transforming its business portfolio with an emphasis on digital commercial markets. Its plans include leveraging its significant presence, and strong growth, in commercial markets and health imaging; refocusing research and development costs on bigger, bolder ideas; accelerate investments in commercial markets; and acquire other companies and technology to broaden Kodak's portfolio of digital products and services. Kodak anticipates spending as much as \$3 billion on investments and acquisitions to achieve its 2006 revenue goal (sales of \$16 billion by 2006).

The Health initiatives involve gaining more market share in the digital capture of medical images and building an information services business that takes full advantage of the convergence of images and information technology. Dan Kerpelman, who joined Kodak last year from General Electric Co., will continue to lead this effort.

Kodak has tried this before by trying to partner with Hewlett Packard. The alliance however was called off earlier this year and it now remains to be seen how Kodak will successfully exploit the digital marketplace. It no doubt will have a head start in Healthcare given its leading positioning but also given that it has been slow to acknowledge the market reality and that this move has been forced on it, there is a question of whether it will be able to lead this marketplace. We believe that Kodak will have to acquire a few more companies especially if it wants to create a leading services play.

Kodak/Siemens

Kodak and Siemens have signed a global sales agreement deal for three years where by Siemens sales force will sell medical imaging systems (Computed Radiography and digital laser printing systems) from Kodak's Health Imaging Group directly to Siemens' customers. Kodak already has previous contracts for OEM sales agreements with Siemens in the U.S. and Europe; this new agreement is worldwide in scope and positions both the companies to explore the market mutually.

This is a good move for both companies. As the market gets global, leading vendors will need to provide global end-to-end solutions and this announcement anticipates this. Since both companies are also targeting products in their specialised segments we expect this agreement to be fruitful for both parties as the potential for conflict is minimal and the benefits far out weight any drawbacks. However we believe Siemens will need a multi-supplier strategy over time and the distribution balance may be something to watch out for.

HIS market related News

- GE Medical Systems Information Technologies will acquire Triple G Systems Group Inc, Toronto, a developer of Laboratory information Systems for approximately \$55 million in cash. Triple G's laboratory information technologies and GE's clinical information systems will be important product offerings to healthcare providers from GE. With Triple G's advanced lab information systems, GE will be able to help clinicians provide safer patient care through a paperless process that automates laboratory workflow and allows for faster, more accurate ordering and reporting of patients' lab information.
- A4 Health Systems, N.C., a provider of EMR (electronic medical records) acquires Compusense Inc., N.H. Compusense's practice management system Ntierprise will become part of A4's suite of HealthMatic's EMRs. It will be marketed as HealthMatics Ntierprise.
- Misys Healthcare Systems, N.C. acquires computerised patient record/computerised physician order entry (CPR/CPOE) product line Patient I from Per-Se Technologies, Atlanta for \$30 million in cash. It will also get ownership of Decision I, the clinical data warehousing and advanced reporting tool for Patient I. Misys will develop, market and support the products as Misys CPR and Misys CPOE.
- Torex acquires operation theatre management and anaesthesia systems businesses of Civica Plc for total cash consideration of £1.4 million. It will expand Torex's clinical systems portfolio.

PACS market related News

- Cannon Medical Systems is evaluating its position and interests in the PACS market and may even plan an exit. The main reason behind this move is thought to be its lack of web-based distribution capability.
- Eastman Kodak has agreed to acquire dental imaging firm Practice Works, Atlanta for \$500 million in cash plus \$34 million in assumed debt and fees. The acquisition will allow Kodak to offer practice management software with its dental imaging technology. Kodak will also own Paris-based unit Trophy Radiologie S.A., a manufacturer of dental digital radiography equipment, which PracticeWorks acquired in December. The agreement is subject to regulatory and shareholder approvals.
- Merge Technologies (Merge eFilm) has acquired RIS Logic Inc., a privately held company that develops radiology information systems software for cash (\$2.725 million) and stock (772,000 shares of Merge Technologies common stock) and issuance of replacement employee stock option. Merge eFilm provides integrated healthcare image and information workflow systems, now it will be able to deliver RIS and PACS functionality to its customers.
- Konica Medical Imaging and ScImage have signed an agreement where ScImage will be able to market Konica's full line of CR products and dry laser imagers as a part of a total PACS network.
- Fujifilm, Pakistan has signed an agreement with Rogan-Delft, a radiology informatics developer to distribute Rogan's PACS products along with its current CR and film-related offerings.
- Fujifilm Medical systems and orthopedic imaging informatics developer Medstrat have partnered to provide filmless capabilities to orthopedic practices. The collaboration combines Medstrat's orthopedic PACS technology with Fuji's Smart CR systems.

- Inphact, PACS and radiology information systems and digital cardiac imaging systems developer Electromed plans to merge. The combined company will be named Evolved Digital Systems. Under the terms of the merger, Inphact will own 70% of Electromed. In return, Electromed will obtain financing of approximately \$20 million (U.S.) for working capital, acquisitions, and general corporate purposes.
- RADIN, a German PACS firm has formed a strategic alliance with a healthcare-IT firm Arondor, France whereby Paris-based Arondor will distribute RADIN's image management system into the French PACS market.
- Image streaming developer RealTimeImage, CA, has signed a licensing agreement with clinical reporting system provider MDexchange. Under the terms of the deal MDexchange will implant RealTimeImage's iPACS DICOM viewer and Web-based image streaming technology into its software.
- Merge eFilm, a RIS and PACS provider has signed agreements with four European companies to resell or distribute Merge eFilm's Fusion RIS/PACS and eFilm workstation products throughout Europe. New Fusion RIS/PACS value-added resellers include Leuag, Switzerland; DuMed, Denmark and Softgate, Germany. Hospital Services of Dublin, Ireland, will distribute the eFilm workstation.
- Cassling Diagnostic Imaging, a PACS provider has signed an agreement with MSI Systems Integrators to provide healthcare institutions with their PACS Blue digital image management system. PACS Blue combines Siemen's Sienet PACS offering with IBM storage technologies from MSI and is designed for healthcare organizations seeking to digitise medical records and remain compliant with the HIPAA.

Other Significant HIT Related News

- EMC, a storage vendor acquired Legato Systems, California, a data backup and recovery vendor for a stock exchange deal of \$1.3 billion. It will allow EMC to widen the breath of its offerings and also acquire essential expertise.
- Intuitive Surgical, California and Computer Motion, California have planned to merge. Their combined product range will cover solutions for operative surgical robotics, tele-surgery and operating room integration.
- AMISYS L.L.C., Rockville, Md., a provider of payer solutions to the healthcare industry and Oracle, California has entered into a reseller agreement that enables AMISYS to sell the Oracle9i Database to its customers migrating to AMISYS Advance.
- Medifax-EDI, Tenn., has acquired Medi Inc., Calif., provider of healthcare financial transaction processing software and services.
- Rorke Data, a digital storage provider and Procom Technology, Irvine announced a partnership to provide secure data storage to the hospitals, labs and research facilities. Rorka Data will distribute the complete line of Procorm's NetFORCE storage applications and install, integrate and support them for the high bandwidth networks of digital archiving.
- Integrated Document Technologies (IDT) Inc., a provider of document imaging, workflow, enterprise resource planning and customer relationship management software, has acquired certain assets and professional staff of Rapid Process Management (RPM) Inc., a consulting firm. Both companies are based in Itasca. Existing RPM clients will be served under the IDT/RPM Consulting Services name.
- PeopleSoft has purchased approximately 88% of outstanding shares of J.D.Edwards and expects to acquire all the remaining shares. PeopleSoft's applications include integration, customer relationship, supply chain, human capital and financial

management. J.D. Edwards offers collaborative enterprise software, consulting, education and support services.

- IBM will market and resell wireless mobile technologies from PatientKeeper Inc., Mass. as part of its collaborative efforts. The PatientKeeper mobile platform solutions deliver patient information to handheld PDAs and run on WebSphere, IBM's standards-based infrastructure software.
- Torex acquires HAS Solutions Pty Ltd., Australia, a provider of integrated solutions for Ambulance, Accident & Emergency, operating Theatre and Key-Hole surgery procedures. The acquisition is worth a total potential consideration of Australian Dollars 28 million with an initial A\$2 million in cash.
- Philips Medical Systems has restructured its north American sales and service region to improve its efficiency and consistency. As a part of reorganisations the firm has added a mid-America sales zone and the elimination of 200 positions.
- McKesson Information Solutions and Vital Images have signed a deal to jointly distribute products. As a part of the deal McKesson will sell Vital Images' 3D imaging software (Vitrea 2) with its medical image management solution (Horizon Medical imaging) and Vital Images will offer Horizon Medical Imaging archive capabilities to its customers.
- Storage-media developer Verbatim and an enterprise-storage developer Objective Data Storage (ODS) have joined forces to launch MediDisc for capturing, storing, sharing, and tracking patient records and images. MediDisc is fully compliant with DICOM data-structure storage standards and meets HIPAA requirements for privacy, security, and tracking of patient records.

- Cerner has signed an agreement to acquire BeyondNow Technologies, a leader in the home care information technology market. This transaction establishes Cerner's presence in the home care market.
- IBA Health Limited strengthens its position in Australian primary care sector with its recent acquisition of Australian Healthcare Technologies (AHT), which includes the recently acquired GP system provider, RX Healthcare. Along with previous announcement of the acquisition of Medical Spectrum, a leading provider of practice management and clinical systems to primary-care practices these companies together with IBA Health's existing penetration, provides IBA Health with over 6000 Australian primary care sites.

Significant Solution News

- McKesson Corporation announced an Integrated solutions for Supply Chain Management that will enable hospitals to redesign their supply chain by automating manual processes to create efficiencies, and improve the quality and cost of care delivery.
- McKesson Information Solutions has released Horizon Radiology, an image management workflow software suite targeted at acute care and outpatient radiology departments. Horizon Radiology includes McKesson's Horizon Medical Imaging and Web-based Horizon Radiology Manager software, and can manage medical images in all specialties across the enterprise. Horizon Radiology includes integrated applications to provide for all radiological functions, including patient management, films, clinical history, and electronic signatures. Claims automation, management reporting, and medical image management is also provided. McKesson has also included digital dictation, voice recognition, and scheduling functionality as part of the software suite's modular design.

- Konica Medical Imaging has introduced a software upgrade for its CS-I Control Station, used with the vendor's Xpress CR system. Called Version 1.00 release 4, the upgrade features auto masking, as well as HIPAA-compliant tools such as multilevel user log in, auto logout, and audit-trail logs. The release also includes a user-activated backup job manager as well as other improvements.

- Kodak Health Imaging is bringing a number of new PACS and computed radiography offerings.
 - Web-based DirectView PACS System 5 platform in the U.S. and Western Europe. Introductions in Latin America and other regions are expected to follow later in the year.
 - System Five, which was developed in partnership with Israeli PACS vendor Algotec, offers flexible configurations to support hospitals, imaging centers, and multisite healthcare enterprises.
 - Secure e-mail messaging service that allows for encryption of e-mail messages and attachments. With this service, users can securely e-mail any type of electronic document (including radiology reports and imaging studies) without the need for additional software at the recipient's side.
 - RIS integration and RAID integration services to its existing DICOM integration program. RIS integration services enable the integration of Kodak medical imaging systems with RIS and HIS networks, while RAID integration services help customers to leverage RAID enterprise storage devices.
 - DirectView CR 500, a tabletop single-cassette CR reader. CR 500 processes more than 60, 35 x 43-cm cassettes an hour, and can locally store approximately 1,500 images. It also supports 15 x 30-cm, 18 x 24-cm, 24 x 30-cm, and 35 x 35-cm film sizes. An optional 15-inch flat-panel display or 17-inch CRT monitor is available. CR 500 is available in most countries, with launches in China, Japan, and Korea expected to follow in early 2004 following regulatory approval.

- Kodak has also released worldwide its DirectView CR 950 high-throughput multicassette system, as well as the DryView 8900 laser imager, which is suitable for CR, DR, and other digital imaging modalities. DryView 8900 was first shown at the 2002 RSNA meeting in Chicago, while Kodak highlighted CR 950 at the 2003 European Congress of Radiology in Vienna.
- Upgrade to its 2000RT CR system for oncology. The upgraded system includes a 20.1-inch ultra-high-definition flat-panel display, a high-performance computer, and a CD/DVD writer. The new system will begin shipping in the U.S. and Canada in September.
- Xograph Imaging Systems, U.K., has introduced a three-module PACS product for orthopedic surgeons. The software, OrthoPro Template, OrthoPro Wear, and OrthoPro Outcome, is designed to work alongside existing Xograph PACS products.
- Cedara Software, a Canadian medical imaging and PACS software developer has introduced I-Reach v3.0, an Internet-based medical image viewer for PACS. The product allows hospitals and clinics to acquire, distribute, and archive medical images and diagnostic reports across the Internet.
- Rogan-Delft has unveiled OnLine XS, a PACS archive offering line designed to accommodate modality archiving up to large, enterprise PACS configurations in a set up without a single point of failure.
- Sectra, Sweden has released a Windows-based enterprise PACS offering, joining a Unix-based version in Sectra's enterprise PACS portfolio. It supports high-availability clustering in all its components, and has no single point of failure.