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Healthcare-IT
Market Subscription**

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Quarterly Analysis – Fourth Quarter

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Quarterly Analysis – Fourth Quarter

Major Tek

Who is the real winner in Local Service Provider contracts for the NHS?

<i>Table 1: Outlay of NHS LSP contracts</i>				
Region	Bidders	Winners	Main Application Provider	Contract value £ Million
North East, Yorkshire and Humber region	Accenture Cerner	Accenture	iSoft	1,099
North West/West Midlands	BT CSC Fujitsu IBM	CSC	iSoft	973
East Midlands/East of England	Accenture Cerner CGEY Plexus (EDS-Logica)	Accenture	iSoft	934
London	BT IBM	BT	IDX	996
South West/South East	Fujitsu Plexus (EDS-Logica) SchlumbergerSema	???	???	-
Total (so far)				4,002

Source: TekPlus

BT and Accenture the early winners.

NHS announced two early winners of its major £4.7 billion national clinical information system (data spine and regional) contracts as BT and Accenture. The vendors competing for data spine contract were IBM and BT whereas the major vendors competing to provide actual clinical software for five regional contracts are Cerner, IDX, iSOFT, Accenture, CSC, EDS, Fujitsu, HP, IBM, CGEY, Perot Systems, SchlumbergerSema and Tata Consulting.

BT won large contracts worth £1.65 billion for both the data spine and the London Region. Among the two contracts – the national ASP contract (for data spine, to set up and run the NHS Care Records Service) is worth £620 million and the London LSP (Local Service Provider) contract is worth £996 million over 10 years. The NHS Care Records Service to be delivered by BT will connect more than 30,000 GPs and 270 NHS trusts in a single, secure national system. By 2005 the 'Data Spine' is expected to be handling 8 billion transactions a year. For the London LSP contract, BT will design, deliver and operate an integrated local electronic patient records applications as well as systems for the whole London care community. IDX Systems is its preferred main clinical solution partner in London. IDX is already present in Chelsea and Westminster NHS Trusts and has recently been selected by University College Hospitals London NHS Trust. BT is already the NHS's biggest IT and communications supplier with about £200 million of on-going business.

Accenture also won two large contracts. It won a £1.099 billion contract to install and run new systems in the North East, Yorkshire and Humber region and another contract for the East Midlands/East of England worth £934 million. Its main rival bidders were Cerner, CGEY and PlexusCare. In both this region the main clinical solutions will be provided by iSoft.

The contracts will bring substantial business for Accenture and BT subcontractors including Oracle, Logica and Microsoft. BT has also started awarding subcontracts for the 'Data Spine'. BT has awarded LogicaCMG a 10 year contract expected to be worth over £100 million to help design, deliver and manage the national patient record database. It has also awarded Sun Microsystems a 10 year contract. Sun will provide the software, Java systems, services, computer systems and storage systems. Other firms working with BT on the 'Data Spine' includes Oracle and Mastek.

CSC also won one of the remaining two LSP (Local Service Provider) contracts worth £973 million. CSC won the LSP contract for the North West/West Midlands against rivals BT, Fujitsu and IBM. The contract will run until 2013 and covers the provision of local systems and services to access and to use the NHS Care Records Service, provision of IT support at the local level, provide essential infrastructure and integration to existing systems in the NHS.

CSC also has iSoft as its main partner. The principal CSC alliance members also include Hedra (change management specialist) and SCC (management services – Infrastructure and Desktop).

The award of the last LSP contract (for the south of England) is postponed until January 2004.

iSoft – the biggest winner, IBM – The biggest loser

A Summary of the Npfit (National Program for IT) contracts are shown in Table 1. As can be seen, out of the four LSP contracts already awarded- iSoft will be the main application provider (clinical system provider) in three regions. The regions are in the North, the West and the East of England. Also given the close alliance of iSoft with Microsoft, it seems Microsoft will also be one of the main beneficiaries. This does not bode well for the main reason behind the Npfit awards – which was to create competition and not a monopoly!! It will be interesting to see what sort of licensing agreements (especially applications) emerge in a few years time as well as how much 'open-source' software is present! It seems to TekPlus that more power in the future will be in the hands of the application providers/ LSPs and not the NHS.

The big loser so far has been IBM. IBM lost out both in contracts for the Data Spine as well as the contract for the LSP for the North West/West Midlands Region. Although having put in a substantial amount of money in bidding and a great deal of time they have ended up with nothing to show for. It seems difficult to justify what competition will be achieved if the largest Global IT- Services Company could not tender a competitive bid. This will be even more so if Cerner loses out on all contracts. (It is still present in bidding for the last award).

Eclipsys and its 'response time issues'

In October, Eclipsys shares fell nearly 40% because of 'response time issues' with its new SunriseXA software products that help doctors to process data electronically. Software problems are beginning to impede stock valuations and harming brand reputations and it seems healthcare has been badly affected this year. Misys had problems earlier on in the year. It has emerged that in Eclipsys's case the new application suite was not powerful enough to meet their customers' requirements. This badly affected its new sales momentum and Eclipsys has reported a quarterly loss of \$11.1 million.

Eclipsys had announced that it was working closely with iSoft for future products. Both companies want to exploit new web developments and have announced future collaboration based on Microsoft.Net architecture. It was thought that this might be the source of some of the problems. However, Commenting on their relationship with iSOFT over the 'response time issue', Eclipsys issued a statement stating that there was no linkage between the iSOFT product line and the response time issues. The response time issues were identified in the Sunrise XA workflow engine and at no time has iSOFT's software relied upon any SunriseXA based technology.

Recently, Eclipsys has announced that it has resolved its 'response time issue' and has achieved significantly improved performance results. Using actual patient transactions, the company claims the upcoming version of SunriseXA achieved a greater than 30-percent performance gain, sub-second response time for tasks other than orders and a consistent sub-second response time for simple orders, and sub two-second response time for complex orders or multiple order sets. Eclipsys have also rescheduled its SunriseXA delivery schedule. TekPlus hope that healthcare-IT software companies learn from these situations and not rush out with applications without proper tests but also respond better to any problems highlighted thereafter.

Blow to IBA Health!

As we had predicted in our last Quarterly-Tek (September 2003), currently IBA Health is under tremendous trouble with Torex - their distributor in the UK.

Earlier this year (in March 2003), IBA sold its legacy, UK specific, patient administration system to Torex. Torex was also appointed as their exclusive distributor for their clinical products in the UK, Ireland, Netherlands, Switzerland and Germany.

In July, Torex announced a proposed merger with iSOFT, one of IBA's major competitors. In October 2003, IBA Health started proceedings to begin legal action against Torex and its chairman Chris Moore. IBA was counting on the Office of Fair Trading (OFT) to refer the merger of Torex and iSOFT to the Competition Commission but the OFT decided on 6th November not to refer the merger to the Competition Commission and gave a green light to the merger. IBA using the new provisions of the Enterprise Act 2002 appealed to the UK's Competition Appeal Tribunal (CAT) for a review of the OFT's decision under recently introduced legislation (the Act permits a third party to challenge the OFT's merger decisions). CAT decided on 3rd December to grant IBA's application challenging the OFT's decision and

therefore quashing the original merger decision. The matter was referred back to the OFT with a direction to reconsider and make a new decision.

Although iSoft has indicated that it is proceeding with its original timetable for the merger, it seems likely to TekPlus that this will have to be put on hold especially if the OFT reconsiders and refers the transaction to the Competition Commission. They could also be a appeal to CAT's decision from the OFT, iSoft or Torex. TekPlus believes whether the Torex and iSOFT merger proceeds or not, it is definitely costing IBA Health a high price. Its UK business, which contributed to nearly 17% last year and its channel to Europe are facing big question marks right now especially given the huge recent wins by iSoft in the NHS National Program for IT. We believe IBA will find it hard to recover and seriously needs to consider partnering big time.

HIS related news

NHS has awarded SchlumbergerSema and Cerner an 'e-booking' contract to revamp the system – used by consumers to make appointments with their doctors. The contract is valued at more than \$106 million. Appointments currently made via postal services will be made instantly 'on-line'. SchlumbergerSema and Cerner won this contract over larger rivals like EDS and Fujitsu. The contract calls for the two companies to build and maintain the system for five years. For the e-booking contract Cerner would provide its Millenium software and the required training and SchlumbergerSema will provide the networking and IT infrastructure.

Cedara software has signed an agreement with Cerner to provide medical imaging technologies and related support services. The agreement is valued at a minimum of \$5.4 million.

Capital and Coast District Health Board, New Zealand plans to integrate its health records using web-based technology from IBA Health. This \$3.8 million licence, service and support deal will be implemented over a period of two years.

Eclipsys Corporation and Microsoft announced a multiyear strategic alliance to advance Eclipsys SunriseXA enterprise solutions based on Microsoft platforms and .NET technologies. The two companies will collaborate on marketing, sales and software development efforts.

Philips Medical Systems and Epic Systems have signed an agreement to integrate their enterprise software, medical imaging and patient monitoring IT solutions. The agreement combines Epic's HIS products with Philips' medical imaging, PACS and patient monitoring technologies to provide fully integrated enterprise IT, imaging and monitoring solutions.

Health Information Systems firm Eclipsys has selected security application developer Sentillion as the provider of its sign-on technology. Sentillion would provide one password access for all the applications, centralised HIPAA privacy auditing and advanced authentication including biometrics and proximity sensing.

Per-Se Technologies has signed an expanded business agreement with iRAD Medical Imaging. The radiology group has selected Per-Se to provide business management outsourcing services, including billing, coding, and accounts receivable management.

Information systems firm Guardian Technologies has agreed to acquire RIS provider Wise Systems. With this acquisition Guardian plans to provide a fully integrated offering to the radiology enterprise.

Australian health informatics vendor IBA Health has completed the acquisition of Medical Spectrum – GP and medical specialist software company for \$2.2 million in cash. It is expected that it will contribute to around \$0.5 million EBITDA annually. This acquisition will strengthen IBA's position in the primary healthcare market.

IBA Health has terminated plans for the proposed acquisitions of the businesses Rx Healthcare and Medwin from Australian Healthcare Technology Limited.

Misys Healthcare Systems has opened a new headquarters for the UK in Sussex. It also announced Duane Lawrence as the General Manager and Head of UK International Sales.

IDX Systems plans to form a national service centre as a part of their multi-year plan to enhance customer success and satisfaction. The centre will look after integrating support services for workflow applications and image management.

PACS related news

Eastman Kodak Health Imaging has acquired Israeli PACS and 3-D image processing developer Algotec for \$42.5 million in cash.

Eastman Kodak Company and IBM have announced that Kodak has chosen IBM as a strategic provider of storage servers for its medical imaging systems, including PACS. Kodak will integrate IBM TotalStorage with Kodak Directview Versatile Intelligent Patient Archive

software to provide enterprise wide management of images and information across multiple storage devices and locations.

Agfa has entered into a strategic alliance with Germany-based Hectec GmbH. It will enable Agfa to distribute OEM versions of Hectec's orthopaedic surgical planning software - mediCAD as an integrated part of Agfa's IMPAX OT3000 orthopaedic workstation. It will advance the capabilities of Agfa's current orthopaedic solution.

3-D software developer Vital Images has renewed its US and international marketing distribution agreement with Toshiba Medical Systems. The new agreement is effective through to December 31, 2004 and can be renewed by mutual consent. In the first nine months of 2003, Toshiba accounted for 45% of Vital Images' revenues.

Radiology Information Systems provider VitalWorks acquired PACS firm Amicas for \$30 million in cash and upto an additional \$30 million based on attainment of earnings targets and executive incentive plans. The deal will add PACS system to VitalWorks' radiology product line. Integrated version of CitalWorks RIS software and Amicas PACS is available and are in use at several joint customers.

StorCOMM has signed an agreement with Russia-based Petromed, which will serve as an exclusive distributor/integrator for StorComm's software in Russia. They also plans to work together to further develop the interface between Petromed's hospital information system (HIS) and StorComm's PACS network.

Radiology PACS provider Inphact and cardiology image management firm Electromed have merged to form Evolved Digital Systems.

Merge eFilm is bidding to buy RIS provider RIS Logic for over \$13 million. If Merge eFilm purchase RIS Logic, it will be able to offer a single-source, integrated RIS/PACS network to the market.

Konica Medical Imaging and Minolta have merged to form Konica Minolta Medical Imaging USA. The merged companies plan to take advantage of broader assets in research and development, manufacturing, marketing, and service capabilities. The merger should not affect Konica's relationships with its sales and distribution partners.

Agfa and Voxar have signed a global distribution agreement. The agreement enables Agfa to integrate Voxar's flagship 3D software – Voxar 3D – into its IMPAX solution.

Cedara is targeting small and mid-sized hospitals with its full line of I-Suite PACS solutions through systems integrator Imagenable.

Cedara Software has signed a memorandum of understanding (MOU) with IBM China to jointly explore and identify opportunities in the Chinese market. Under the terms of agreement, IBM and Cedara will develop a channel strategy where both firms will promote Cedara software and IBM hardware as well as integrate it with their business partners' technology.

Cedara has also signed an agreement with Beijing Invention & Technology to market its I-Suite PACS family to China. Beijing Invention & Technology is a healthcare information systems provider and is certified to sell to the Chinese military hospitals; this should provide Cedara with good opportunities to better penetrate the Chinese market.

StorCOMM has done a deal with UK based orthopaedic software firm Meridian Technique to integrate Meridian's Orthoview – digital templating and surgical planning software with StorCOMM's OrthoNET – orthopaedic image management product. It will enable surgeons to pre-plan surgical procedures and offers access to a library of digital templates.

At the recent RSNA show Canon Medical Systems has acknowledged that it is looking for an exit strategy in PACS that will take place by the year's end as the company plans to focus on DR instead.

Other significant HIT related news

GE Medical Systems has completed the acquisition of Finland-based Instrumentarium. As a combined entity they will offer a range of medical imaging, patient monitoring, anaesthesia delivery, critical care, and information systems. Helsinki, Finland-based Instrumentarium will serve as the European headquarters for GE's \$2.6 billion healthcare IT unit.

GE has announced plans to acquire Amersham – a leader in diagnostic imaging agents and life sciences (subject to regulatory approval and other customary conditions). Amersham will complement GE Medical's diagnostic imaging and healthcare-IT business with its diagnostic pharmaceutical and life sciences business. The combination of this technological and market knowledge will allow GE to accelerate the development of molecular imaging and personalised medicine.

IDX Systems has teamed up with BT in a bid to deliver clinical information technology systems and services to the NHS for the London region. IDX expects to finalise the subcontract agreement to provide its clinical information system technology to British Telecom.

Cedara Software has signed a development agreement with Alion Science and Technology to supply the US military with ultrasound guidance surgical technology. Cedara will provide its imaging software to integrate with portable ultrasound equipment, including the display of 3-D images.

Konica Minolta Medical Imaging and Siemens Medical Solutions have inked a reseller agreement whereby Siemens will market Konica Minolta's CR and dry laser imaging products and Konicare technical and professional services.

Siemens Medical Solutions and TomTec Imaging Systems have entered into a formal strategic cooperation contract whereby TomTec's proprietary 3D/4D technology and quantification solutions will be integrated into Siemens' Acuson and Sonoline ultrasound systems.

IBM is strengthening its presence in healthcare technologies in the middle-east region. Its first of a series of regional seminars for healthcare professional has started in Dubai. These seminars are to be held in UAE, Kuwait and Jordan as part of a drive to increase awareness of advanced healthcare technologies among the Middle East clinicians.

Siemens Medical Solutions and Agfa Healthcare have signed a three-year agreement designating Agfa as Siemens' preferred supplier of hard-copy printers and CR readers.

Display provider Barco and Japanese distributor Toyo have set up a joint venture to provide custom medical modality OEM displays for the Japanese market.

Computer-aided detection developer iCAD and mammography vendor Fischer Imaging have expanded their development and distribution agreement.

Significant solution news

In December, IBM announced an integrated storage management solution that is designed to help hospitals, clinics and other medical facilities protect, manage, and quickly access growing volumes of medical images. Doctors can quickly access patient diagnostic images and information from any standard computer within a hospital system for faster and improved patient care. The new IBM Medical Archive Solution consists of IBM disk and tape storage, server systems and storage management software that is pre-configured and customised to

PACS applications. The solution has up to 80 Terabytes of storage capacity and that can be expanded on demand.

eMed Technologies has launched Matrix - its next generation PACS platform and workstation. Matrix employs "smart client" technologies, a redesigned user interface, and dynamic peer-to-peer communication and collaboration tools.

Pyramid Medical has launched Digital Imager – a laptop based image and video PACS device. Digital Imager is designed to capture, archive, and transfer images and patient files, including full-motion video, audio, colour data, and reports, over wireless or wired networks.

Rogan Delft has rolled out a range of new digital imaging management technologies. Its new archiving suite - Online Archive, consists of Entry Model, XS, CXS and DXS model.

StorCOMM – clinical image management firm has rolled out mobile image management technologies. It includes use of PDA to access patient exams, images, reports, audio reports and scanned documents. It also includes use of tablets as a mean for physicians to take patient image and historical information into the exam room.

Cedara software has introduced I-Acquire/FD, a film-scanning console application. I-Acquire/FD allows hospitals and clinics to convert film libraries into digital format. The software can also be deployed in hospitals and clinics without a PACS network, and can digitise multiple films consecutively.

Agfa launched 'initia DDM'. It is an entry-level, modular data management solution that enables imaging centres to expand the capability of their imaging systems by allowing them to gather data and create a single radiology patient file that can then be sent or archived. The product is mainly targeted at small imaging facilities and small hospitals.

Philips have introduced CareVue Chart – a critical care information system developed on Windows.NET platform architecture. It offers essential charting and care management applications to hospitals. It automatically collects and charts data from patients monitors, bedside devices and Laboratory Information Systems.

McKesson Information Solutions have introduced Horizon Cardiology and Horizon Radiology. Horizon Cardiology is a comprehensive, image-enabled workflow solution designed for the workflow and imaging needs of cardiology departments. Horizon Radiology is an integrated medical imaging and workflow management solution for RIS-PACS. Use of these technologies enable healthcare organisations streamlined administrative and clinical workflow, faster turnaround of medical images and improved patient care. Horizon Cardiology enables

the organisation to include integrated, digital cardiology information and images as part of the electronic health record.

GE Medical systems have introduced a clinical software application called AutoBone that allows the visualisation of vascular anatomy on computed tomographic angiography (CTA) images. It provides automated bone removal for the abdomen and lower extremities in CTA imaging studies and reveals blood vessels that would otherwise remain hidden in traditional imaging views.

Agfa introduces its Qdoc Radiology Information System in Germany. It enables full context integration with the Agfa IMPAX (also with other PACS), HIS or EPR.

Eastman Kodak Health Imaging has launched a new family of storage services to the healthcare IT market, including disaster recovery, data migration, and managed storage. The new family, known as Kodak Storage and Archive Services will enable U.S. healthcare providers to comply with HIPAA requirements and assist customers in other countries in protecting patient records as required by local regulations

Display provider Planar Systems has introduced Adara QX line, which is a family of referral quality greyscale displays calibrated to the DICOM standard and intended for general medical viewing. It expands Planar's offerings in the flat panel display market.

Display provider Barco has introduced Color Coronis 2MP, a new member of its Coronis LCD family. This 2 mega pixel, 20.1 inch colour LCD is suitable for PACS, ultrasound and orthopaedic imaging applications.

Monitor distributor Quest International has begun marketing Totoku's CCL212L, a 2 megapixel (MP) full-colour LCD medical monitor, and the ME213L, a 2 MP greyscale LCD. It has also released a new software solution for management of Totoku displays, the PM Medivisor.

DeJarnette Research Systems has renamed its Breakaway software as dyseCT. It helps PACS networks to manage the multiple procedure studies generated with a single multi-slice CT acquisition.