



Healthcare-IT Quarterly Analysis (First Quarter)



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This study (Ref: TP0198R04V01) provides brief look on activities in the Healthcare-IT Market in the second quarter as well as TekPlus' analysis on major announcements. Please follow the licence conditions agreed during the original sale, as any breach of the terms of sale will constitute an illegal act. Please make sure that if you have a single site licence you do not send this issue to other sites or any third party.

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Quarterly Analysis – First Quarter

Major Tek

Fujitsu gets NHS LSP contract for south

In our last QTek (published in December 2003), we have already discussed the NHS LSP contracts in England. The remaining last LSP contract for the southern region worth about £896 million has been awarded to Fujitsu Services with its clinical partner IDX. The overall picture of NHS LSP contracts is shown below in Table 1.

| 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 | Fujitsu | IDX | 896 |
| Total (so far) | | | | 4,898 |

Source: TekPlus

Southern contract winner 'Fujitsu Alliance' has Fujitsu Services, IDX, TCS, PwC and BT. Fujitsu is the prime contractor. IDX Systems Corporation will provide the core clinical applications. TCS – Tata Consultancy Services will provide clinical application implementation and data migration services. PwC – PricewaterhouseCoopers will provide security and training. BT will provide systems integration; it will design, build and test the integrated systems solution. As BT (in London) and Fujitsu (in Southern region) both have IDX as their clinical applications partner, they will share common systems architecture.

The Southern cluster is the largest region in the English NHS with a population of 12,838,000, 256,000 NHS staff across 7 Strategic Health Authorities, 12 NHS Ambulance Trusts, 19 Mental Health and Community Trusts, 43 Acute Trusts, 82 Primary Care Trusts and 1,938 GP practices. The £896 million contract will run for ten years (till 2013). According to the contract Fujitsu will introduce EPR throughout the region, integrate existing electronic records where possible and implement new systems where needed. To ensure the full benefits of the integrated systems, training will be provided to NHS staff.

With this NHS modernisation plan, authorised NHS staff such as GPs or hospital clinicians will have access to a patient's NHS Care Record from anywhere in England.

Apart from the LSP contracts, the NHS has also awarded a £620 million worth '**data spine**' contract to set up and run the NHS Care Records Service to **BT**, £530 million worth **New National Network** contract to provide and manage a broadband network to link all the NHS organisations in England to **BT** and \$106 million worth '**e-booking**' contract to **SchlumbergerSema** and **Cerner**.

Overall in the NHS modernisation play, **BT** and **iSoft** remain the biggest winners and **IBM**, **EDS** and **Cerner** are the biggest losers.

IBM's \$250 million Healthcare initiative

In February 2004, IBM announced a \$250 million global initiative over three years to increase its presence in the healthcare industry. IBM plans to use this money for solutions development, research and development, business partner collaborations and to hire new healthcare specialists.

IBM's new offerings for the healthcare industry includes –

- Safe and Lean Healthcare Provider – a solution that helps hospitals to improve resource allocation, utilisation and planning.
- Aligned Clinical Environment – a solution for hospitals and healthcare organisations to integrate, analyse and manage complex and disparate clinical, research and administrative data from multiple systems.
- Centre for Healthcare Management – a resource for information on critical issues that healthcare payers and providers face. It will also support development and research reports and case studies on innovative industry approaches to improve quality and efficiency.

- Clinical Transformation Practice – that brings healthcare consultants (physicians, nurses, administrative staff, other medical personnel) together with business intelligence experts to help hospitals/healthcare organisations to transform their systems/operations.
- The Information-based Medicine business unit – that brings greater focus on high-growth emerging fields.

With its offerings IBM plans to help a healthcare organisation or a hospital to run its business like an enterprise in any other industry – taking all the benefits of IT and making more knowledge-based decision to improve its delivery of care.

IBM clearly intends to tap into the lucrative healthcare-IT market with its new products and services offerings for the healthcare sector. Even though it lost significantly in the UK NHS contracts, it has achieved major contracts in Denmark and Austria. At Jutland, Denmark IBM has been chosen to implement a communication system for sharing medical information and at the Austrian Social Security Institutions, IBM (along with Siemens and TeleKom Austria) has won the technology infrastructure contract for a project to issue electronic health cards to Austrian citizens.

NHS clinical applications – Made in India !!!

iSoft, after winning the three of the five NHS LSP contracts becomes the major clinical application provider in England. It is also expecting to win more similar deals globally. Therefore it comes as no surprise that the company has announced it is to invest about £53.89 million in its Indian application development operations over the next three years. It plans to make its India operations in Chennai the main software manufacturing centre. iSoft also plans to increase its workforce in India from 300 to 800. The investment in staff at Chennai will partly be used to resource the delivery of products for the NHS. Investment plans are already in place for the Indian expansion. It is believed that this will deliver increased capacity, strengthen delivery infrastructure and the deployment of technology. iSOFT's R&D recently expanded its Indian operations into a purpose-built 30,000 square foot facility in Chennai.

TekPlus believes that the expansion of the Indian operations will provide iSoft with a major competitive advantage. It will have access to leading edge technology resources at a much cheaper price. However it is important to realise that on the other hand the company will lose a substantial amount of experience of the NHS systems should it have recruited in the UK. iSoft is not the only Healthcare-IT vendor to venture into India and it will definitely not be the

last one. If they can get their integration strategy right and deliver on time then this strategy will have paid off.

HIS related news

CareGroup, a Boston-based five-hospital organisation has selected StorageTek's Remote Managed Storage offerings to manage and monitor back-up and restore performance in its data storage environment.

Cerner has signed an agreement with group purchasing organisation VHA to supply laboratory, radiology and pharmacy information systems for VHA's 2200 members.

McKesson Information Solutions in France has bought the CrossWay-Hospital business of Integrated Care Systems, France, a subsidiary of CEGEDIM, specialised in publishing and implementing patient file and medical file software solutions for the hospitals. The transaction involves the sale of public and private customer contracts, transfer of CrossWay-Hospital employees and sell of intellectual property rights relating to the CrossWay-Hospital software.

Eclipsys has signed a definitive merger agreement with the Clinical Practice Model Resource Centre, Inc. (CPMRC) to expand the clinical content available within its SunriseXA information solution. CPMRC is a leader in cultural transformation services and the development of evidence-based content that forms the basis of a unique documentation system. Eclipsys plans to develop Knowledge-Based Charting™, an automated version of CPMRC's clinical methodology that will be incorporated into SunriseXA.

In February 2004, Eclipsys formed an alliance with Wolters Kluwer Health, a multinational information services company. This will enable Eclipsys to utilise Wolter Kluwer's medical content to expand the clinical knowledge embedded in its SunriseXA advanced information solution.

In March 2004, Eclipsys Corporation has formed a strategic alliance with Clinician Support Technology, an application service provider of Internet-based, collaborative, healthware technology. The alliance will enable Eclipsys to provide speciality-specific content and communication in Paediatrics and Oncology to the healthcare organisations.

In March 2004, TietoEnator, provider of healthcare information systems has acquired a medical imaging and archiving business of Jons-Medical. The acquisition will enhance TietoEnator's position as a provider of total medical IT solutions.

IBA Health has purchased KCS, an Australian provider of integrated IT solutions to the Aged and Community Care sector for \$1 million (\$750000 cash + \$250000 IBA shares). KCS is one of Australia's leading developers of business software systems for the Primary Care, Co-ordinated Care, Aged Care, Health & Welfare and Community sectors, delivering systems and services to more than 300 clients nationally. The acquisition will expand IBA's presence in these areas.

iSoft has formed an alliance with NEON Systems, provider of enterprise-class mainframe integration to co-market and co-sell the Shadow â mainframe adapter technology with the iSoft Commerce Suite B2B gateway solution. The joint offering allows organizations to seamlessly integrate AS2 interactions with communities of enterprise users and external business partners with mainframe data, applications and programs.

TietoEnator have signed a strategic partnership agreement with Helsekomponenter AS to develop software components within standardised application architecture. TietoEnator has also acquired a 22 percent share in Helsekomponenter whose majority owner is Ullevål University Hospital. It enhances both companies' strategy of developing modular integrated hospital solutions for the Norwegian healthcare market.

PACS related news

DeJarnette Research Systems has signed a distribution partnership deal with AllHealth, whereby AllHealth will be offering DeJarnette's dyseCT software (which helps PACS networks manage the multiple procedure studies generated by CT).

PACS firm ScImage has formed an alliance with Stryker, an orthopaedic medical device firm to offer orthopaedic-focused imaging and information management system.

American Medical Sales, a PACS firm has formed a strategic partnership with 3D software developer Rapidia. Now Rapidia's 3D viewing software will be integrated with the American Medical Sales' Catella PACS product line.

Group purchasing organisation Amerinet, St. Louis has expanded its contract with Fujifilm Medical Systems USA to include Fuji's Synapse PACS. The contract is effective through December 2006. It will make Synapse image and information management system available to over 1800 hospitals and 18000 non-acute care facilities.

Cedara has signed an agreement with Siemens Medical worth about \$4.9 million to supply some of its medical imaging technologies. Cedara has also signed an agreement worth a minimum of \$2.3 million with Aloka, an ultrasound vendor to provide its medical imaging technologies and services.

Agfa has integrated Voxar's 3D software into its Impax PACS network. This will provide a user with unlimited, site-wide 3D viewing capabilities.

RADIN, Germany has collaborated with Philips Speech Processing, Vienna. According to the partnership agreement, RADIN and its sales partners will be able to offer a RIS/PACS solution that integrates the Philips SpeechMagic speech recognition technology.

RADIN is expanding its distribution channel. It has signed a strategic partnership deal with Therapevo Medical, a radiology specialties company. Under the agreement it will jointly market RADIN's web based PACS in Canada. It has also signed a co-operation agreement with Beijing based Human Interactive Technologies and its affiliate Advanced Information Storage Systems that will distribute RADIN products in China.

3D software developer Viatronix has completed integration of its V3D-Vascular software into Swedish PACS vendor Sectra's PACS products.

Kodak has expanded its agreement with Radiology Partners, Inc., a group purchasing organisation through January 2006, whereby Kodak will be the sole supplier of digital imaging products to Radiology Partners' over 2500 members.

Other significant HIT related news

In January 2004, McKesson announced that it has signed a definite agreement to acquire Moore Medical. Under the agreement McKesson will pay \$12 in cash for each outstanding share of Moore Medical or approximately \$40 million in aggregate. Moore Medical is an internet-based, multi-channel marketer and distributor of medical and surgical products to non-hospital provider settings. The acquisition will benefit McKesson in two distinct ways –

1. It will enhance McKesson's presence in non-hospital healthcare segment.
2. It will enhance McKesson's channel strategies. Moore Medical's telesales, direct marketing and catalogue capabilities will complement McKesson's existing field sales force.

Cerner had to face big disappointments in its bid for the NHS-LSP contracts. Even though it had good solutions and substantial influence in the industry, it failed to get any of the LSP contracts. Earlier, in October 2003, Cerner did get a NHS 'e-booking' contract in partnership with SchlumbergerSema.

In February 2004, GE Medical Systems changed its name to GE Healthcare.

In February 2004, McKesson announced an agreement with SureScripts to provide connectivity between physicians and pharmacies. SureScripts' SureScripts Messenger Services will be integrated into McKesson's Pharmaserv pharmacy management system and eventually with McKesson's physician office applications. McKesson plans to re-establish its leadership in e-prescribing with this partnership.

In February 2004, GE formed a strategic alliance with healthcare provider Virtua Health. This collaboration will look into strategic business development, technology optimisation, leadership development and clinical and operational excellence.

Vital Images, a 3D software developer has completed its acquisition of another 3D firm HInnovation. The transaction includes \$12 million initial payment (\$6 million in cash+\$6 million in stock) and \$6 million in contingent milestone payments (\$3 million in cash+\$3 million in stock).

Heartlab, a cardiac image management firm has reached an agreement to acquire teleradiology firm CardioNow to expand its offerings. It has also signed an agreement with cardiology equipment distributor Medical Sales Partners according to which Medical Sales Partners will distribute the firm's Encompass cardiac image management product in the U.S.

GE has acquired surgical navigation technology and intellectual property for spine, ENT and neurosurgery from surgical visualisation and navigation developer Cbyon.

BT has won the N3 (New National Network) contract to provide and manage a broadband network to link NHS organisations in England. BT defeated Cable and Wireless for this seven-year contract worth £530 million.

Philips Medical systems has signed a memorandum of understanding with Neusoft Group of China to set up a manufacturing and R&D joint venture for medical systems. The enterprise will be called Philips-Neusoft Medical Systems and it will develop medical imaging systems for both the Chinese and the international markets. It will be based in Shenyang in north-eastern China. Philips will hold 51% and Neusoft subsidiary Neusoft Digital Medical Imaging will have 49% of the share capital.

The NPfIT in the UK has terminated £90 million NHSmail 10-year contract with EDS (awarded in 2002) to provide email and directory services to one million NHS staff.

BT has awarded a seven-year contract worth £16 million to SeeBeyond to provide the core software for the transactional messaging service for the 'data spine' project. The sub-contract is a part of BT's gain of the NHS contracts in the UK.

In March 2004, IBA Health announced that it has reached a conditional agreement with iSoft plc and Torex plc for the settlement of all outstanding disputes between the parties and The Technology Investment Banking Group of Macquarie Bank has agreed with Torex to acquire its IBA shares on the completion of iSoft/IBA Settlement Agreement. After completion, Macquarie Bank will hold approximately 16% of the issues capital of IBA Health.

Significant solution news

In January 2004, IDX announce it will integrate eMedicine's Clinical Knowledge Base content to its Carecast system. eMedicine's Clinical Knowledge Base is one of the most comprehensive source of clinical reference materials on the web. IDX plans to build direct, context sensitive access to it within Carecast; it will add value to the solution and will help clinicians as an immediate reference guide.

Siemens Medical Solutions have introduced three new product lines from Sienet (Siemen's integrated IT solution for image management) – Sienet Sky, Sienet Cosmos and Sienet Magic to suit the size of the organisation. Sienet Sky is designed for physicians in private practices and hospitals with a capacity of up to 50,000 examinations per year. Sienet Cosmos is designed for larger radiology practices with multiple users and reporting volume up to 100,000 annual exams where as Sienet Magic suits large radiology practices and university hospitals with highest demands and large volume of data and multiple locations.

In February 2004, Misys introduced Misys Optimum, a suite of products for integrated healthcare management. It supports emerging standards for the electronic health record with administrative and clinical applications, including the firm's CPR clinical information system. It also supports hospital department clinical applications for pharmacy, laboratory and radiology; ambulatory solutions for physician practices and home-care software.

At HIMSS 2004, Philips Medical Systems demonstrated applications created through its partnership with Epic Systems. It highlighted its integrated RIS/PACS consisting of Philips' EasyAccess radiology PACS and Epic's Radiant RIS products. It also introduced an integration solution combining Epic's EpicCare electronic medical record with Philips' Xcelera CLM catheterisation lab management system.

In February 2004, RIS firm VitalWorks and its wholly owned PACS subsidiary Amicas have launched a new electronic medical records application, an enhanced practice management suite and a workflow accelerator for its web-based PACS.

In March 2004, Kodak Health Imaging has released a new software upgrade for its DryView 8900 laser imaging system. It supports the printing of high resolution digital mammography images from all FDA approved mammography modalities.

In March 2004, GE introduced new imaging system for diagnosis and treatment of cardiac vascular disease. It is the first of its kind system that performs both cardiac and peripheral studies in a single lab.

In March 2004, Toshiba America Medical Systems launched a new digital platform for its Infinix I-series of vascular and cardiovascular angiography systems. Multitasking processing and simultaneous acquisition, DICOM 3.0 service-class capabilities, processing and storing of film images and hard drive storage up to 50000 images are key among its new features and benefits.

In March 2004, Merge eFilm, RIS and PACS developer has launched its latest diagnostic workstation software – eFilm Workstation 1.9.

American Medical Sales, a PACS firm has added a self-contained CD burner to its Catella PACS product family. Catella CD Burner is an integrated, automatic DICOM CD burner designed for high-volume creation of CDs