

The Ambulatory EHR Competitive Landscape: Prominent Market Factors

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SUMMARY

Catalyst

Over the last five years, the ambulatory EHR market has experienced considerable market expansion. Much of this expansion has been a direct result of consistent and significant government investments in EHRs in the form of incentives, loans, and grants. Healthcare stakeholders are placing greater emphasis on properly leveraging EHRs to enhance the quality of care and to constrain costs. EHR vendors have taken advantage of this government-sponsored "stimulus" and greater emphasis, and have expanded product offerings and services to better respond to physician and patient wants and demands. In this report, Ovum discusses the industry's most salient market dynamics, and highlights how vendor responses to these dynamics have shaped the competitive landscape.

Ovum view

Not only is the ambulatory EHR market growing, but also it is becoming more dynamic. EHR vendors must respond to physicians who are increasingly articulate and educated about HIT and to patients who understand how EHR products can best suit their needs. In addition, EHR vendors will have to increasingly contend with an oversaturated market, and in response many will move forward with aggressive merger and acquisition (M&A) strategies. Vendors will direct more attention toward building out mobile capabilities, enhancing patient portals, improving specialty-



specific features and deciding which service delivery models make the most sense. Providers who have foresight and anticipate greater collaboration among distinct points in the continuum of care and the eventual end of government assistance for EHR adoption will experience the most market success.

Key messages

- Government mandates and programs spur EHR adoption
- EHRs are experiencing tremendous growth in adoption, but rates will eventually slow
- Consolidation, delivery models, and mobility will greatly influence the near future market landscape
- Some vendors focus on niche markets, while others focus on specialties
- On-demand offers advantages over on-premise for ambulatory care
- Vendors without robust patient portals will be left behind
- EHR vendors are beginning to shift toward native mobile applications

RECENT FACTORS HAVE ENCOURAGED SIGNIFICANT INCREASES IN EHR ADOPTION

The expansion in utility and functionality of EHR systems is in large part a result of a changing and rapidly growing customer base. A range of recently emerged factors have compelled providers to consider EHRs, a technology many had previously neglected. This has tremendous implications and presents a new set of challenges for vendors who have had to respond to an increasingly diversified client population by offering a wider range of products and solutions. Moreover, factors increasing the uptake of EHRs have not only increased the number of vendors offering EHR products, but have also made the landscape more dynamic and competitive.

The potential of EHRs to remedy healthcare ills promotes adoption

Government investments in EHRs are likely to produce significant cost savings over the long term. In the US, for example, the Congressional Budget Office (CBO) estimates that federal investments in HIT, including EHRs, will generate nearly \$13bn in savings for federal healthcare programs between 2009 and 2019. While cost-containment and reduction are primary benefits and goals of EHR use, healthcare stakeholders stand to gain a great deal more, much of which can help to improve quality of care, including:

- Reduction in medical errors and unnecessary actions, including duplicate testing, procedures, and prescriptions
- Improvement in administrative efficiency
- Promotion of coordination of care
- Provision of alerts and reminders to both patients and providers
- Improvement in risk-management and assessment outcomes
- Customization of information and processes to tailor to the needs of various specialties
- Enhancement of healthcare worker productivity and timeliness
- Ability to e-prescribe
- Increased disease and public health surveillance.

If properly leveraged and managed, EHRs have the potential to change for the better the way healthcare is delivered.

Government mandates and programs spur EHR adoption

Across the globe, many nations are opting to provide government assistance with the intention of encouraging adoption and enabling implementation and maintenance of EHRs. This assistance has come in many forms, but the predominant modes include grants, loans, incentive payments, and in some cases program development. In the US, for instance, the 2009 American Recovery and Reinvestment Act (ARRA) allocated roughly \$47bn toward HIT, the bulk of which was set aside for EHRs.

Government investment in EHRs has direct and immediate implications for the market landscape. Principally and perhaps most obviously, more capital means greater EHR adoption and a larger number of customers. Entrepreneurs and established vendors alike now see opportunities in the realm of EHRs. This has contributed to further saturation and segmentation of the market, making mergers and acquisitions all the more likely. It has also increased competition and created a greater emphasis on innovation as market players attempt to find products and solutions that will distinguish them.

Consolidation, delivery models, and mobility will greatly influence the near future market landscape

Over the next few years, Ovum believes the following trends will dominate and heavily influence the ambulatory EHR market:

- **Greater consolidation:** The EHR market is highly fragmented and oversaturated. While a significant number of these vendors will eventually fade out, many will respond to market pressures by either merging with or acquiring another vendor.
- **Gravitation toward a software-as-a-service (SaaS) delivery model:** Ambulatory-based clients are often hit hardest when it comes to healthcare reimbursement schemes. Their very livelihood often hinges on reducing costs and limiting the utilization of precious resources. SaaS offers providers the opportunity to accomplish just that.
- **Proliferation of native mobile applications:** Virtually every physician and patient owns or routinely uses a mobile device. EHR vendors will begin to build out native applications that better respond to customer demands. Long gone are the days when vendors simply ported over functionality from desktop-based systems to mobile platforms.

MARKET DYNAMICS INFLUENCE VENDOR STRATEGY

Market trends within the EHR space often influence vendor strategy. Ovum believes that when developing strategies as a response to the market, vendors will focus on several prominent EHR-based considerations.

Some vendors focus on niche markets, others on specialties

Over the last few years niche vendors have been gaining significant market traction. As physicians become more in tune with EHR offerings and capabilities, they are better able to articulate the kinds of features and functionality that best suit their needs. Often the needs they convey are best met by the products and solutions offered by niche vendors. These vendors tend to offer narrowly defined products that are specifically designed with a particular specialty or practice in mind. Mainstream EHR vendors are noticing the expanding market penetration of their niche competitors and have responded by offering targeted EHR solutions. These targeted versions are often augmentations of the core EHR product with modifications that seek to better meet the needs of particular specialists.

Ovum believes that niche EHR vendors will continue to gain market traction over the next three to five years. Physicians are demanding solutions that are more highly customized and meet specialty-specific needs. Because niche vendors make this their primary concern, those that focus on customization will remain viable market players. Mainstream vendors that try to compete with niche vendors by offering customized versions of core EHR products will experience considerable market traction, but will be unable to completely dislodge niche vendors altogether. Physicians appreciate large-name brands like GE, but also gravitate toward solutions that are developed specifically for them as opposed to solutions that were only customized for them.

Meaningful use is not a concern for all, but it should be considered

Physicians who don't rely on Medicare and Medicaid reimbursements or who practice in specialty areas that aren't included in meaningful use guidelines are less concerned about meaningful use. Also, some EHR vendors (niche) do not even consider incorporating meaningful use features or references into their solutions.

Ovum believes that these providers and vendors are positioning themselves to be at a disadvantage. The federal government and many healthcare pundits are recommending and in some cases instituting reform measures that more heavily emphasize coordination of care. This will mean that now, more than ever, providers will be forced to interact more and it will be increasingly more essential that EHR vendors consider the interoperability and integration of their



EHR systems with those of other vendors. A more coordinated ecosystem will prompt an increasing number of practices for which meaningful use is a direct concern to expect that their counterparts will adopt a similar concern (even though meaningful use may have not direct relevance). Ovum recommends that vendors who currently elect not to pursue meaningful use certification or include meaningful-use related features begin to take note of this eventual change.

On-demand offers advantages over on-premise for ambulatory care

In the current ambulatory EHR market, there are two primary service delivery models: on-demand and on-premise. In the on-demand model, the EHR vendor hosts and manages all data at a vendor-operated site. Providers generally access the EHR system through the internet and pay fees on a per-month subscription basis. Under the on-premise delivery approach, hardware servers are operated by the provider at the practice site. Providers usually purchase EHR software up front and pay annual fees to cover software upgrades and customer support.

Many prominent ambulatory EHR vendors already provide on-demand models and Ovum believes other vendors will follow suit. On-demand is a superior choice for many practices, especially for small-to-medium practices that often lack the resources to regularly employ IT staff, perform the required maintenance, and purchase and ensure adequate security. In addition, the pricing models tend to be more convenient and affordable for ambulatory practices.

Although Ovum projects that the on-demand model will become a more dominant force over the coming years, we do not recommend that vendors abandon the on-premise delivery model altogether. There is a significant contingency of physician practices that enjoys having ultimate purview and control over storage and exchange of patient data.

Vendors without robust patient portals will be left behind

The practice and culture of medicine is changing, with greater emphasis being placed on the role that the patient plays in improving care. Patient portals are specifically designed for the patient and may offer many capabilities, such as the display of medical records and appointment scheduling, that can help to promote more patient interaction. EHR vendors are noticing that physicians are now demanding that solutions have patient portals and that these patient portals are seamlessly integrated into provider EHR portals.

While many vendors have developed patient portals, others are reluctant and have yet to jump on the bandwagon. Ovum recommends to these vendors that they begin the development process now. We predict that over the next two to three years when deciding which EHRs to use,



physicians will heavily weigh the availability of a patient portal. Vendors that do not have a robust patient portal will be left behind.

Ovum believes that the future of patient-directed IT (PHRs and patient applications) lies in complete integration with EHRs. Patient-centric technologies such as PHRs have long experienced dismal usage rates. However, this dynamic is changing for PHRs that are fully integrated into EHR platforms. Ovum recommends that PHR vendors that have stand-alone software and applications begin to develop partnerships with EHR vendors to ensure integration.

EHR vendors are beginning to shift toward native mobile applications

There is a new and emerging trend among ambulatory EHR vendors. Some are opting to create mobile versions of their EHR products in native environments. A large number of EHR vendors already have mobile applications, but the bulk of these applications are based on technology that is simply ported over from existing non-mobile desktop platforms. What is interesting is that vendors that have decided to invest in native EHR applications for tablets have chosen only one tablet and have selected Apple's iPad as the platform of choice. Our analysis indicates that this decision was made because the vast majority of physician customers who use tablets use only the iPad. Essentially, it was a choice made in response to market demand. Two vendors in particular, Allscripts and eClinicalWorks, have made significant headway in their development efforts. Allscripts recently announced the release of its iPad solution called "Wombat", and eClinicalWorks recently announced at a user conference that its solution will be released in the next few months.

Ovum finds value in developing native applications. For one, native applications tend to be better integrated into the device's hardware and operating system, allowing for enhanced functionality. It also has marketing value. Customers usually consider their tablets to be a large investment and are often eager to use applications that are specifically designed for their tablets. However, Ovum also sees some disadvantage in focusing all efforts on building out applications for only one platform. The consumer technology market can at times be unpredictable, indecisive, and fickle. While Apple currently dominates the market and is likely to continue to do so in the near future, at any time one of its competitors could take its place of dominance. For some EHR vendors it will be difficult to respond to these market shifts. Some vendors will have invested so much time, money, and energy that they won't have the resources to appropriately and quickly respond to the surging prominence of a newly viable iPad competitor and will miss out on the opportunity to develop optimal native applications for other tablet platforms.



DIVERSITY CHARACTERIZES THE EHR LANDSCAPE

Ovum finds value in presenting profiles of select vendors in the ambulatory EHR space. The purpose of these profiles is not to promote, support, endorse, or recommend any one vendor. Instead, our goal is to present readers with more detailed information about specific vendors that are representative of the types of vendors that physicians will encounter. This list is by no means comprehensive and provides only a snapshot of a market composed of hundreds of vendors.

Allscripts

Allscripts Healthcare Solutions is a multinational company offering practice management IT and both ambulatory and hospital EHR solutions and services. The company, founded in 1986, is publicly traded and headquartered in Chicago, Illinois. Like a significant number of EHR vendors it has experienced consolidation and merged with Misys in 2008 and Eclipsys in 2010. Allscripts serves 180,000 physicians and 50,000 physician practices. In the most recent fiscal year, the company had revenues of \$1.3bn non-AAP.

While Allscripts offers its hospital-based solutions to clients around the globe, its ambulatory EHR is more local and only serves clients in North America. Unlike most ambulatory EHR vendors, Allscripts segments its product offerings into three solutions intended for physician practices of varying sizes.

eClinicalWorks

eClinicalWorks, founded in 1998, is a privately held Westborough, Massachusetts-based company offering EHR and practice management technology to both physician practices in the ambulatory space and hospitals. The company currently serves over 60,000 physicians and 180,000 providers. In 2009 it had revenues of about \$106m, and over \$150m in 2010.

This company is unique among most EHR vendors in that it does not actively sell its products. All of its sales are conducted on a word-of-mouth basis. For now, the company has restricted its market presence to North America and has customers in all 50 US states. The company has considered expanding into Europe and Africa, but for now has made the strategic decision to concentrate its efforts on market presence in the US before looking elsewhere. When the time comes to consider international markets, the company is likely to initially focus solely on developing partnerships with existing EHR vendors in those markets.

Vitera Intergy (formerly known as Sage Healthcare Solutions)

Vitera Healthcare solutions, formerly known as Sage Healthcare Solutions, is a privately held healthcare company offering EHR and practice management products and services. In November 2011, the company was acquired from The Sage Group by Vista Equity Partners, and since then has undergone a complete rebranding, evident from its new website and product marketing tools. The company is headquartered in Tampa, Florida.

The company's Vitera Intergy EHR solution serves physician practices of all sizes. Currently Vitera's customer base numbers over 80,000. It has just one core product and does not segment its products based on practice size. It does, however, have customizable clinical content based on specialty. Vitera Intergy enables physicians to make customizations that complement individual workflow.

A core marketing strategy for Vitera has been to align itself with healthcare organizations to create health awareness and health promotion campaigns. Vitera has also identified its patient portal as a key marketing talking point.

WebPT

WebPT is a privately held "niche" ambulatory EHR company providing solutions solely to physical therapy practices. The Phoenix, Arizona-based early-stage company was founded in 2008. In 2010, it was awarded over \$1m in series A funding. Since its inception, the company has expanded its customer base to support 10,000 physical therapists at 2,000 different clinic sites across North America. Last year the company experienced a 300% increase in revenues and expects future revenues to meet or exceed this percentage.

The company's EHR solution is delivered solely as SaaS and does not allow for a client/server model. WebPT intentionally chose to deliver its product as a SaaS to cut down on costs to its clients and also to allow for more seamless and frequent software updates. Significant updates are made every 6 weeks, two of the most recent of which include a Home Exercise Program (HEP) module and customized templates for therapist profiles.

Future plans include the development of native iPad and Android applications. These applications are expected to be released in Q1 of 2012. In addition, the company expects to begin aggressive expansion into global markets toward the end of 2012.

RECOMMENDATIONS

Recommendations for enterprises

The EHR market is moving toward a mature state, offering enterprises a wealth of vendor and product options. Ovum suggests that when selecting a new vendor or considering changing vendors, enterprises keep a few points in mind, including:

- The EHR landscape is vast and the enterprise must carefully assess its options
- Weigh the pros and cons of service delivery models
- Better leverage patient portals

The EHR landscape is vast and the enterprise must carefully assess its options

There are hundreds of vendors currently in the EHR market. Enterprises must take special care to first assess their specific needs and then invest the necessary resources to understand the types of solutions offered in order to select the vendor that best suits them. Adopting an EHR system requires significant investments of both time and capital. It is therefore imperative that the enterprise selects the ideal vendor from the beginning so as to avoid potentially irreparable harm down the line.

Weigh the pros and cons of service delivery model

On-demand models have a different set of advantages and disadvantages than those of on-premise models. When choosing a vendor, enterprises should be aware of the pros and cons of choosing one option over the other

Better leverage patient portals

Patient portals are becoming a staple in the land of EHR-based products and solutions. Ovum suggests that enterprises explore every possible way to leverage these portals to enhance quality of patient care and improve administrative efficiency.

Recommendations for vendors

Ovum recommends that vendors hoping to further cement and expand their market success and revenues consider the following recommendations:

- Delve deeper into mobility



- Further explore patient portals
- Anticipate the eventual end of federal initiatives and respond accordingly

Delve deeper into mobility

The healthcare industry, much like many other arenas, is ready to ride the wave of mobility. Fortunately for EHR vendors this ride has just begun for healthcare providers. Ambulatory providers can lead relatively mobile work lives, and mobile applications can help make their lives a lot easier. Vendors should take advantage of the new provider fixation on mobility and continue to develop applications specifically for mobile platforms.

Further explore patient portals

Ovum believes that in the near future nearly all EHRs will come equipped with patient portals. Vendors should take note of this eventuality and begin to develop innovative applications that encourage the patient to regularly engage with the portal. When going through the development process for features intended for the patient, astute vendors will find ways to leverage patient engagement to their benefit. For example, more engagement means more data, specifically around how the patient uses the portal. Vendors would be well served to come up with innovative ways of tapping into this additional set of data and potentially monetizing it.

Anticipate the eventual end of federal initiatives and respond accordingly

Vendors should be aware that at some point government programs and monies aimed at increasing EHR adoption will dry up. Vendors should anticipate this burden and plan for it. Ovum recommends that vendors begin to re-evaluate existing pricing structures to reflect greater affordability, and possibly provide more assistance to providers in realizing greater return on investment.

APPENDIX

Abbreviations

ACO – accountable care organization

ARRA – American Recovery and Reinvestment Act

EHR – electronic health record

HIT – healthcare IT

HIE – health information exchange

NHS – National Health Service

NPfIT – National Programme for IT in the NHS

ONCHIT – Office of the National Coordinator for Health Information Technology

PACS – picture archiving and communication system

PHR – personal health record

RIO – return on investment

SaaS – software-as-a-service

Further reading

Healthcare IT revenues set to grow, Segmentation of the healthcare IT market by spending opportunities in North America, Australia, and Europe (OI00133-002, September 2011)

FDA medical mobile app regulation will create challenges for developers (OI00132-017, August 2011)

Liberating the NHS? The Implications of the UK Health and Social Care Bill for Healthcare IT (OI00133-003, July 2011)

A Look at Hospital Investment in Personal Health Records (OI00133-026, 20 July 2011)

Key IT Considerations for Making ACOs a Success (OI00133-027, June 2011)



Healthcare IT Market Forecast Model, Interactive Model (OI00147-030, June 2011)

Business Trends: Healthcare Technology, Understanding Your Healthcare Technology Customer 2010, Survey (OI00040-003, February 2011)

2012 Trends to Watch: Healthcare Technology, Brief (OI00133-031, October 2011)

Electronic Health Records in 2010, Brief (OVUM052470, June 2010)

Business Trends: Healthcare Technology, Understanding Your Healthcare Technology Customer 2010, Survey (OI00040-003, February 2011)

Methodology

- Primary research/vendor briefings: ongoing briefings with technology vendors serving the healthcare industry
- Secondary research: industry publications, companies' annual reports, and press releases and data from public databases

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We hope that the analysis in this brief will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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