

HEALTH CARE

Tech companies hope to catch health IT windfall

BY PATRICK HOGE

San Francisco Business Times

Numerous Bay Area technology companies are positioning themselves to benefit from the \$19 billion-plus federal stimulus for health care information technology, particularly electronic medical records, either directly or indirectly, through selling hardware, software or consulting services.

A small number directly offer electronic medical record technology, but a host of others like Cisco, Hewlett-Packard and Intel see a looming windfall selling the infrastructure, services and components needed to make electronic medical health records functional and worth the investment.

Mike Chaput, CEO of Endsight, a 3-year-old Berkeley-based technology outsourcer catering to small and medium-sized businesses, says his 35-person company has invested heavily to be ready to convert local medical operations from paper to digital records.

"We think that this is a huge growth area for IT, a virtually untapped IT market," Chaput said. Interest in electronic records has surged, and Endsight, a \$6 million a year firm, is working to convert existing client Marin Community Clinic and is near signing a 23-clinic group, he said.

President Obama's stimulus package provides for Medicare and Medicaid incentives from 2011 to 2015, with larger payments to early adopters and lower federal health care reimbursements thereafter for non-adopters. Doctors typically will be able to get \$44,000, while hospitals can get up to \$11 million while the money lasts.

The real surge of economic activity is not expected until after the feds determine what "meaningful use" of electronic medical records means. The Department of Health and Human Services is required to set standards by year's end. But



SPENCER BROWN

THE STIMULUS

Early adopters of medical information technology will get bigger chunks of \$19 billion-plus in federal stimulus funding aimed at digitizing health care records.

■ Doctors can get \$44,000 each.

■ Hospitals can get \$11 million each.

Doctors can use Practice Fusion's free service and pocket stimulus cash, says Howard.

companies are already doing significant customer outreach and/or lobbying, and industry experts expect a wave of industry consolidation.

As a direct result of the stimulus package, San Francisco-based Medem, which provides electronic communications among doctors, patients and pharmaceutical manufacturers, is in the midst of merger talks with other companies in an effort to scale up for the market opportunity, said Dr. Ed Fotsch, the company's CEO.

The biggest local firm that already provides comprehensive electronic health records is San Francisco-based McKesson Corp., the venerable health-care services giant, which has a Georgia-based medical technology unit with annual revenue around \$3 billion. McKesson has electronic medical record offerings for hospitals and doctors' practices of all kinds.

Nipping at McKesson's heels is Practice Fusion, a venture capital-backed San Francisco startup with 18 employees that is offering doctors in smaller settings free online records management. It makes money with medical ads and by using and selling anonymous patient data. Ryan Howard, Practice Fusion's chairman and CEO, says doctors can use his free service and pocket the federal incentive money, which has no strings on its use.

Oracle has increasingly been focusing on health care, particularly regional health information exchanges, but may have to buy another company to become a major player in electronic health records, some experts believe. The stimulus package includes about \$300 million for health information exchanges.

phoge@bizjournals.com / (415) 288-4949