

Gov't spending to ignite rivalry among health IT vendors

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Dr. Elliot Menschik's job just got a whole lot easier, thanks to the \$19.2 billion allocated for health-care information technology in the American Recovery and Reinvestment Act.

Nine years ago, Menschik founded [Hx Technologies](#). The Philadelphia company markets technology to health-care providers and insurers that enables the "seamless and secure" flow of clinical data between health-care organizations.

While the company has added some big name clients in recent years, like [Fox Chase Cancer Center](#) in Philadelphia and AmeriHealth in South Jersey, Menschik said it has struggled, at times, to convince potential clients of the value of being able to share data.

"You can cut down on unnecessary repeat exams that cost the health system money," Menschik said.

"Under [ARRA], medical practices will get \$45,000 for using electronic medical records. That has everyone's attention. In the past some providers have had difficulty with the sharing concept. It's kind of ridiculous. People should have learned that lesson in kindergarten."

ARRA has changed the landscape. It has allocated \$17.2 billion to reward doctors, hospitals, health centers and other providers — in the form of higher Medicaid and Medicare reimbursement rates for four years starting in 2011 — for using health IT in a "meaningful way." Providers who don't embrace IT will be punished by having their rates cut starting in 2015.

"There's definitely a carrot-and-stick approach with the way this has been legislated," said Jason Fradin, director of marketing at Hatboro-based [InfoLogix](#), a provider of mobile health-care IT infrastructure products and consulting services.

Fradin said the competition among health-care IT vendors is likely to boil down to who can best help providers meet the government's still-undefined definition of "meaningful use" of electronic medical records (EMRs).

“One thing that sets InfoLogix apart from others that do EMR implementations is we have actual RNs, clinicians, pharmacists, radiologists, engineers, lab techs and other certified practitioners on staff who have worked in the hospital environment before and understand all of its challenges, nuances, and needs,” Fradin said.

The [W Delaware Valley Healthcare Council](#) estimated that large hospitals could see an extra \$2 million to \$3 million under the initiative, and smaller hospitals could receive \$800,000 to \$1 million.

Another \$2 billion in ARRA money is slotted for health-care infrastructure investment and the creation of regional health-information exchanges.

Scott Decker, senior vice president at [W NextGen](#), said potential customers have been flocking to the company’s Web site since the health IT component of the stimulus package was unveiled in February. The Horsham company specializes in developing and marketing integrated electronic medical-record and practice-management systems.

In the last quarter, the site had 150,000 visits — up 50 percent from the previous quarter — and a recently created “microsite” devoted solely to ARRA has already logged in more than 12,000 visits.

“It’s a great catalyst for us,” said Decker, of the stimulus bill. “It hits the segment we serve and have always served.

“Cost has always been one of our biggest challenges,” he said. “The issue in the physician’s mind is how is this going to help my business. The act is putting almost \$50,000 in the pocket of nearly every physician to buy products we make.”

The company also has worked extensively with community health centers and Indian Health Service programs, which are slated to receive separate allocations of \$1.5 billion and \$85 million, respectively, under the act.

Decker expects business to pick up during the second half of this year as the economy picks up, hopefully, and the government’s expectations concerning IT use is more clearly defined.

Specifics about use, and which certified health IT firms will provide the necessary technology, are expected later this year.

“There’s still a lot of ambiguity,” said Rich Carroll, a health-care consultant with [WIMA Consulting](#) in Chadds Ford. “But nobody can deny, at 30,000 feet, it’s a wonderful investment for the health-care industry and all those who revolve around it.”

Beneficiaries, Carroll said, include health-care providers, health IT vendors, broadband services providers like Verizon and Comcast and health-care architectural firms.

The ultimate beneficiary are patients who are expected to see the quality of care they receive increase and the cost decrease because of the investment.

Decker said it’s important that all the involved parties educate the public and deliver on that promise. “If people see this as the government writing checks to doctors, if that’s all people see, there will potentially be a lot of backlash on this.”

Health IT vendors agree “meaningful” use of health IT is expected to include e-prescribing; interoperability, which is communicating between systems on different IT platforms; and the ability to share of key data from electronic medical records on health outcomes that will help measure the quality of care being delivered.

Brad Rostolsky, a health-care attorney with Reed Smith in Philadelphia, said the plan to begin rewarding providers for the “meaningful use” of health IT in 2011 is setting a frenzied pace for getting infrastructure in place.

“Logistically speaking,” he said, “in order for this to work the way it is supposed to work, the government is going to have to work fast” in developing all the regulations.

Rostolsky said another challenge for government is being able to show how the increased use of health-care IT is achieving the dual goals of improved quality and lower costs.

Medecision of Wayne, which is in the process of acquiring Hx Technologies, believes it is among those who have that covered.


Scott A. Storrer, the president and chief operating officer of Medecision, said what separates his company from other health-care IT firms is its focus on providing EMRs used by health insurers for care management, disease management and utilization review. Its software helps payers of health-care services improving care while reducing costs.

"We've been doing this for 20 years," Storrer said.

The pending acquisition of HX adds the sharing of diagnostic-quality imaging to its capabilities.

Storrer said the company is actively talking with the large health IT vendors about adding Medecision's care management software to their health IT infrastructure marketed to providers.

Storrer said business at Medecision is up 40 percent and the company expects to add about 100 employees this year.

Charlene Underwood, director of government and industry affairs for Malvern-based  **Siemens Medical Solutions**, said the stimulus package "to some extent creates a chicken and the egg" scenario for cash-strapped health-care providers who need to invest in technology today to be rewarded in the future.

"Some hospitals and health systems don't have two nickels to rub together because of the economy, but there are incentives for them in the future," Underwood said.

She said Siemens, like others, is eagerly awaiting the government definition of meaningful use of technology to see where its products and services fit in.

"The good news is it will be around patient safety, interoperability and some kind of reporting measures," she said. "We've been doing all of that for years. We think we are well-positioned."

Siemens Medical laid off about 3 percent of its U.S. sales and service work force earlier this month in a move the company blamed on the country's "worsening financial environment."