

[Music by C. Ezra Lange]

David Burda: Welcome to the 4sight Health Roundup podcast, 4sight Health podcast series for healthcare revolutionaries, outcomes matter customers count and value rules.

Hello again, everyone. This is Dave Burda, News Editor at 4sight Health. It is Thursday, September 7th. I hope everyone had a fun and safe Labor Day weekend. It was nice to chill before the fall. Work season has us all working long hours until the week of Thanksgiving. Now, here's something we may or may not be thankful for, and that's electronic health records. EHRs have electrified medical record keeping, but no one seems to like them.

A new report is out that says three EHR vendors control more than 75% of the EHR market. We're going to talk about the market pros and cons of that dynamic on today's show with Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson, partner at Transformation Capital.

Hi Dave. Hi Julie. How are you guys doing this morning, Dave?

Well, Dave, when I took out the garbage this week, I felt that first hint of a chilling wind from the north. The NFL opens its season this weekend like they used to say on Game of Thrones, winter is coming, Thanks Dave. Julie, how are you?

Julie Murchinson: Well, when I haven't been in on a plane or in front of a computer for work, I've been glued to the television for the US Open, so I would just do anything for tennis right now.

Thank you. Now before we talk about the current and future EHR market, let's talk about your Labor Day holiday.

Dave, you've mentioned the Hams parade several times on this show now. It sounded so silly that I was never 100% sure that it was real. In journalism school, they tell you if your mother says she loves you, check it out. Then on Monday night, I'm watching the 10 o'clock news and they actually had a short segment on the parade. Now it did look silly, but it was real. Video never lies. So did you march in this year's Hams parade or did you do something else?

David W. Johnson:

You know what, Dave? I'm actually a little surprised you didn't ask me if my mother loved me

David Burda:

Next

David W. Johnson:

Week. That's how close the Gins parade is to my heart. But to tell you the truth, it was too hot. This Labor Day, you might remember it was pushing, I think into the nineties, so we didn't march. Instead, we sat on our porch and sipped mint. Like the Kentucky Derby.

Julie, what did you do this Labor Day weekend before the fall work season is upon us?

Julie Murchinson:

Well, we spent Labor Day in the fine state of Rhode Island. Haven't been on the East coast for Labor Day in a long time, which is really nice, but it kept me up too late to watch the US Open, which I did for hours, so nice, nice relaxing time. I'll say that.

Rhode Island is a pretty cool state. I've been there a few times. Dave, you lived there right at

David W. Johnson:

One point? Yeah. I mean, my comment on Rhode Island is it's too nice for the people who live there. It's such a corrupt little state, but it's actually gotten a lot better

Well, we didn't go to Rhode Island, we went to the Cain County flea market, which is real. I'm a sucker for cheap junk. So we came home with a trunk full of stuff that will go right into my crawl space and then get thrown out by my kids when I die. So good luck to them

David W. Johnson:

Fueling the man cave.

David Burda:

That's right. Speaking of junk, let's talk EHR systems. They're not cheap, but many people think they're junk. A definitive healthcare is out with a new report that calculated the market share of the top 10 EHR vendors in the us. Collectively, the 10 vendors control more than 97% of the market, but just three vendors control more than 75% of the market. The big three are Epic at 39.5% Cerner, which is owned by Oracle at 23% and Meditech at 13.1%, and that means just two vendors, Epic and Cerner control more than 62% of the market. We're going to break this discussion down by current and future implications

Dave, give me two current market implications of three vendors controlling more than 75% of the market, and how do you see those market shares changing and why?

David W. Johnson:

Well, before we go into the current implications, I'd like to dig into these percentages a little bit relating specifically to your big three. I'm having trouble believing Epic is only 40% of the market. I really do wonder what that percentage would be if Definitive's analysis only examined the a hundred largest health systems. As far as I can tell Cerner, Oracle, which supposedly controls just a little over 20% of the market, only has Intermountain Banner and Adventist as clients. They lost their big VA contract, so I don't see them as a major player or they're a much smaller major player among the a hundred largest health systems. And does Meditech have a client other than HCA? That's of consequence. So when I look at it, as it relates to the hundred largest health systems that drive a of the provider-based behaviors in the country, that Epic is far more than 50% and very dominant. I mean, it is to the point when I go to industry forums that have large health system participants and we get onto this EHR executives from these health systems that don't have Epic from a place like Banner are actually apologizing for the fact that they aren't on Epic. I honestly think down deep, they're scared of Epic now and don't want to do anything unnecessarily controversial to get Epic on their wrong side. So you want to talk about market power. That's real market power. What I will say on the positive side, class grades, the systems and the 2023 grades for the three system. Epic got an A, Meditech got a B, and Cerner got a gentleman's D plus. So you can maybe see why Cerner is shrinking and Epic is growing.

One cool feature that I just learned about regarding Epic comes from Corwell. The massive Payvider system in Michigan controls about 25% of the market, and they now have just one instance. So one installation of Epic across all of their hospitals, clinics, doctor's offices, ambulatory centers and so on. And as I said, they have a very large insurance priority. And when the electronic medical record pops up for one of the individuals for whom they have financial risk, a blue R comes on and that kicks in another set of additional protocols related to managing the care of that person somewhat differently. So I didn't realize that the EHRs had gotten to that level of sophistication, and that to me potentially could be a breakthrough. So before I start hammering on pick, let's, let's give credit where credit is due. That's a real breakthrough.

But regarding your two current implications of Epic's market domination, I'm not even going to include Cerner in this.

MyChart, which is the consumer interface that all the Epic EHR users use. I'll use a technical term here. It sucks. It's only had 30 to 40, it's been around for over 10 years. It only has 30 to 40% uptake. It's very cumbersome, tends to be landing pages with a lot of links. I've just written about a horrible experience I had trying to reschedule an appointment through MyChart made me want to pull what little hair I had left out. And Judy Faulkner, Epic, CEO is on record is saying they want to be the digital front door for health systems for their health system clients, essentially for the country. And I got to say, if that digital front door is going to be my chart, and if health systems are waiting for Epic to deliver them to digital Nirvana where customers are delighted by the experience, they're going to be waiting a long time.

Providence, the big health system in your neck of the woods, Julie had developed a fairly user-friendly overlay of MyChart that it was using to interact or to have its customers interact with its EHR. And because of changes in the app Orchard Epic's way of supposedly innovation that's going to end up making this overlay Providence overlay obsolete.

And that gets to my second point. Because of the way they operate their app Orchard and just operate generally, they stifle innovation. I personally know of three companies who had breakthrough technology where Epic used their market leverage to step in and limit their ability to come to market. I mean it was truly anti-competitive behavior In the App Orchard, if you want to participate in that, like with Apple, Epic has this way to build apps that can go into their EHR. They want the right to use the intellectual property at some point. I mean, talk about intellectual theft.

So my conclusions for all of this are it's not a two horse race or a three horse race. It's a one horse race and Epic is far ahead.

David Burda: Quite the critique. Thanks Dave. Julie, any questions for Dave?

Julie Murchinson: Well, that is quite something. So Dave, let's say that happens. Is there any regulatory action you think should be taken to address ethics increasing market concentration, like productive?

At a minimum, I think the FTC should come in and investigate some of the policies relating to the App Orchard and maybe start exercising some penalties relating to Epic's seemingly intentional efforts to limit interoperability of health records.

I would be looking at Epic as a monopoly provider and making sure that they're adhering to interoperability guidelines and truly making it easier for innovative companies to access basic patient data and not using their market leverage in any way to limit competition.

We definitely need a level playing field. Thanks Dave. Julie, it's your turn. Give me two future market implications of three vendors controlling more than 75% of the EHR market and what should we hope for or expect from future EHR systems?

Julie Murchinson:

Well, before I answer your question, I look to other industries to try to build a bit of a thesis that would be different. So I went to some of the top consolidated industries and even though I didn't find the perfect supporting information here, I wanted to share a couple of tidbits that I thought were funny. So I looked at the highest four firm concentration ratio. Do you know there was such a thing in the US and this is 2017 data and aside from space and armored car services and other things that were so obviously price gouging, I mean selling into the government, there were definitely some important consumer services like did you know the passenger car rental has over 90% market concentration of the top four companies Makes perfect sense. Actually we all know this but we don't think about it. Of course, kidney dialysis made the list with almost 88% and of course couriers and express delivery warehouse clubs and super centers all over 88%.

So it's kind of interesting when you do a little digging into other industries, but I digress. So for the future, I mean the issues are not that different, but I worry about price gouging and of course worry about innovation and price gouging really is about pricing for the broader market for all those that are not sizable healthcare systems. So think community hospitals, critical access hospitals, ambulatory physician groups and other offices, surgery centers, SS, NFS, all sorts of organizations where that clinical data is actually important for treating patients in multiple venues.

So first for critical access hospitals, it looks like smaller vendors and proprietary systems are still holding their own there. And I thought the good news actually was that O N C said that about 80% or so of critical access to neural hospitals report using some sort of basic EHR. So assuming they can hold on and get to some sort of interoperability and competition stays in that market, I worry less and I worry less about Epic actually wanting to enter that market. Same is kind of true with ambulatory care practices.

There's more competition in that market certainly, but as the landscape of who owns those practices shifts, that's shifting rapidly. So we have to worry about that class. Did their own market share report earlier this year? Dave, you were actually mentioning a little bit of this. If you look at everybody else, hospitals, academic medical centers, children's hospitals, especially hospitals, we are certainly dealing with the issues that Dave talked about.

Cerner's actually gained a lot of growth in smaller hospitals with double digit growth but losing a lot because of declining bed numbers. So Cerner's really not getting much ground. Meditech, as Dave said, is losing share. So it's really only Epic that's having positive change in the us and MedTech and Cerner seem to both be looking beyond our borders for their growth.

So what I'm seeing happening on the oligopoly monopoly front is concerning and what's happening on the innovation front as a result, as Dave said, I think evolving. If you look at what Epic's doing, I applaud their marketing and I applaud the approach they're taking in many ways, but they are trying to now take their control and throw it over a broader number of companies, but a very controlled number of companies that then really does block innovation in the long term. So Dave, I don't know if you read about their new partners and PALS program.

The partners, they're more well established companies. So think like Nuance and Press Ganey, they were just in the news for having established real partnerships with Epic. And what's new about this is that EPIC is actually doing real structured deals that aren't just like a marketplace deal where hundreds of companies can come in and interoperate with Epic to a certain extent with a certain amount of data. These are true deeper partnerships. And then there's the PALS program where much smaller companies

like those that we might invest in are doing deals with Epic. So companies like a Bridge and Talkdesk two of the first to be Epic pals. And this is I think a great way for Epic to really embrace innovators. And Epic says that both the partners and the PALS are chosen based on the biggest challenges and obstacles that health systems are facing.

Of course they are hand selecting who they work with and while neither of these are exclusive, they will not pick one per category. They're not going to pick 20 per category. So that leads to the concerns about innovation in a major way and we don't want the entire world to be directed by Epic. So we want an ecosystem that's creative and we want adoption of new ideas and scaling things that actually work to solve problems. And I think Epic Partners and PALS will solve some of that, but it shouldn't solve all of that and we need to have a more open system. And Epic has shown itself to want to be fairly closed in terms of the way in which it shares data and access to its system for others to be able to do things that hospitals like Providence want to do to achieve their business goals in their markets. So it's concerning. There's no doubt.

it's a very GPO like behavior. Either you're in or you're out and if you're out, you have a much steeper hill to climb.

Thanks Julie. Dave, any questions for Julie?

David W. Johnson: Wondering whether we will ever have a complete and interoperable electronic health record for everyone in the United States the way they do in France and even here in the United States for veterans enrolled in the VA healthcare. Is that an impossible dream? Cue the orchestra to dream the impossible dream or is it achievable? I mean it should be achievable. It's not technologically impossible. What do you think?

The problem has never been technology. We have standards of the wazoo. We have interoperability associations, groups, memberships, coalitions, collaboratives, you name it. And they're continuing to spread up. I mean, Anish Schore continues to be the greatest champion here and there are new efforts every day, but until the business itself wants to give up information in order to get information to treat patients in a way that's most beneficial to its business model, it's never going to change.

And I love getting back to Providence. This might be called the Providence episode, Aaron Martin and Saray back in the day, we're talking about transaction readiness before anybody else was talking about transaction readiness in healthcare. Actually, I think frankly no one talks about it still, but when you think about other industries that are transaction ready, when you charge that latte better you 100% at Starbucks and your credit card charge hits like Visa's ready for it? It takes it, it approves it, it's done. It's on your card, you're good. I mean, that's not really transactional, but part of it is when you think about just everything that we do in our everyday lives around payments, we can't do that today in any aspect of healthcare in a scalable way. Certainly it's happening in some places. So again, until we want to be able to do things fast, real time logically, it's not going to happen. We don't have the central force forcing us in that direction.

Thanks Julie and thank you Dave. Great discussion. Let's hope something can be done to break up this monopoly.

Now let's briefly talk about other news that happened this week. It wasn't all bad, was it Julie, anything else worth a mention?

Julie Murchinson:

Well, I'm still hearing GLP-1, rego and Ozempic and all that chatter out there on literally an hourly basis these days. And there was a huge article this week on calibrate one of the companies that promised to make well provide a service to make those drugs available. That's running into massive issues because of

the shortage of the drugs, because of the payment issues and a lot of health plans basically putting their foot down and saying, no, we're not going to pay for it. So we are getting to a crescendo on these issues.

Thank you Dave. What else should we know about?

CMS came out this week with a new payment program or CMM I came out with a new payment program through CMSS called States Advancing All Payer Health Equity Approaches and Development or States Advancing Ahead or Simply Ahead. I don't know who picks these acronyms for the federal government, but I've been led to believe by my good friends Emanuel that the paper or the article two two-part series that he Meryl Goner and I wrote in Health Affairs about the Maryland system and its potential applicability to other states was influential in designing this new program, which will be pushing toward all payer rates within global budgets.

Dave, you're the power behind the throne. Thank you, and thanks Julie. And that is all the time we have for today.

If you'd like to learn more about the topics we discussed on today's show, please visit our website at [4sighthealth.com](http://4sighthealth.com). And don't forget to tell a friend about the 4sight Health Roundup podcast. Subscribe now and don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.

[Music by C. Ezra Lange]