

ZDNet Healthcare

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Where is the money going in health care, and why?

Posted by Dana Blankenhorn @ 8:59 am

I stumbled today upon an ADVANCE 2008 investment outlook for health care, and decided you might like me to hit some of the high points.

The piece is written by James Brennan (right), managing director of VirtualCDO, a medical merger outfit whose Web page describes him as the company's "head coach."

Their deal tracker, a collection of press releases, is a good way to follow the M&A end of the industry.

Some of Brennan's more provocative opinions:

HSAs replace HMOs — Health Savings Accounts are the new cost-cutting measure du jour, Health Maintenance Organizations having failed to do the job.

Brennan expects 30 million people to be in HSAs by 2010, driving down prices as consumers use the Web to get the best deals on routine care.

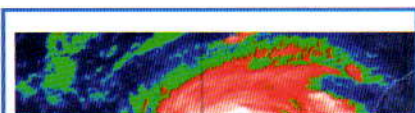
Brennan expects many employers to embrace HSAs, with small catastrophic policies on the side, as a full replacement for current coverage.

Out patient, out — The pressure to treat sicker uninsured people will force hospitals to increase bed turnover, sending more patients to nursing facilities, surgi-centers and long term acute care specialists.

If you think of a hospital as a department store, it's being replaced by big box retailers.

Specialist roll-ups — Ancillary care facilities, like dialysis clinics, rehabilitation and imaging centers, are ripe for consolidation.

The next HealthSouth is just a few deals away, hopefully this time without the scandal.



The Katrina Effect — What really may be driving the move to Electronic Medical Records (EMRs) is Hurricane Katrina, in



which over 1 million patients lost their records.

Disaster preparedness is now a prime mover behind EMR uptake, Brennan writes, with the use of Personal Health Records (PHRs) and the growth of online health communities as the pull of demand alongside Katrina's push.

Case Management — There is an enormous opportunity in case management. Hospitals under cost pressure are doing more of this, they're dissatisfied with present computerized tools, and see this as a way to maximize revenue.

The Kaiser Effect — Hospital Information System (HIS) funding is driven in large part by the success of Kaiser with its controversial Epic deal, now coming to market as Kaiser's HealthConnect.

Despite ongoing attempts to kill it, the Veterans Administration's VistA program is also drawing high praise from administrators. Both of these mega-projects are spurring great interest in all-in hospital computing systems, which is why Microsoft is now pushing hard into the market.

Overall Brennan calls 2007 a "great year" for the industry and expects more of the same this year, despite the darkening political clouds. But even those clouds may rain down a flood of big contracts. The glass is always at least half-full.

Dana Blankenhorn has been a business journalist since 1978, and has covered technology since 1982. He launched the Interactive Age Daily, the first daily coverage of the Internet to launch with a magazine, in September 1994. Write him at

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