



Headliners

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Healthlink Inc. - Houston

100 rank: 51

To hear CEO Ivo Nelson tell it, the reason Healthlink grew 60 percent in the last two years is because his company is, well, so dull. "We're really just kind of a plodding, boring company that sticks to our roots while everybody else is trying to jump onto whatever the cool thing is," he says.

That meant skipping the dot-com boom. "We never really developed whole subsidiaries to address the dot-com industry, for the simple reason that we didn't see our clients buying those services," he says. "Actually, I thought for a while that I was just flat-out dumb...that I was missing something."

Healthlink, founded in 1992 on an investment from Compaq Computer founder Rod Canion, initially provided IT re-engineering and implementation consulting to various industries. It switched to healthcare early on, largely on the strength of Nelson's leadership in that area. Previously, Nelson helped launch the healthcare outsourcing division of Perot Systems, Plano, Texas (profiled on page 72).

The privately held company advises hospitals on systems implementation and helps them conduct vendor contract negotiations. Plus, it has expertise in clinical systems, resource management tools, enterprise software and IT management technology. In its latest initiative, known in-house as the "Fine Wine Project," Healthlink spent several million

dollars defining 70 internal hospital processes and developing IT optimization plans for them.

In 2002, Healthlink revenues totaled \$46 million, up from \$36 million in 2001, and 25 percent growth is expected this year. Healthlink also has steadily added new "thought leaders" to its payroll. One measure of its success, Nelson says, is that Healthlink has never laid anyone off, and turnover is 12 percent, well below the consulting-industry average. "People like to be part of an exciting, successful company," Nelson says.

Kevin Featherly is news editor of Healthcare Informatics.

InterSystems Corp. - Cambridge, Mass.

100 rank: 39

Since its inception 25 years ago, InterSystems has remained a private company, a status that CEO Terry Ragon wants to preserve. "The public format is not suited to software companies," he believes. "The industry is too volatile and it leads to bad habits. Executives start to wonder, 'Do I serve the customer or the financial markets?'"

For now, that attitude is keeping the company healthy. Last year, revenues for its object-oriented database and application-development tools climbed more than \$7 million--to \$82.7 million. Healthcare accounted for about 60 percent of those revenues.

InterSystems uses an unusual business model: It distributes its development tools for free. Then, once a customer is satisfied with a resulting application, InterSystems charges licensing fees based on the number of people using the new program. Ragon also has an unorthodox attitude about research and development. "I devote as little as possible to R&D," he says. Instead, he hires experienced technical people and gives them an entrepreneurial environment. "We clear the decks and let them be creative and come up with something new," he explains.

The high point of the last year for Ragon was the developer's conference InterSystems hosted in Las

Vegas on the eve of its 25th anniversary. "We had people from all over the world come to it, including our initial customers," he says. But geopolitical turmoil over the last year has been troubling to the company, which derives about a third of its sales from overseas. "I'm convinced that international business promotes peace. What's going on now is rolling a lot of that [effort] back," says Ragon. Customers are reluctant to invest in new software in a time of war, and sometime last summer InterSystems noticed a spending downturn beginning.

Alan Joch is a business and technology writer based in New England.

Kronos Inc. - Chelmsford, Mass.

100 rank: 32

Kronos marked its 25th year last year by posting respectable gains in revenues while the overall economy continued its post-recession struggles. It used the unsettled market to convince hospitals that its employee-tracking products are the right tool for the times.

Kronos' Workforce Central software records when hourly workers punch in and out and keeps detailed records of when clinical staff are on duty to adjust pay rates for shift differentials. It also creates reports that compare the previous day's staffing levels to the patient population and to staffing data gathered from similar-size medical centers throughout the country. "As things have tightened up, hospitals have realized how important it is to run more efficiently," says CEO Mark S. Ain.

Kronos doesn't depend solely on software sales, however. Sales of specialized, Kronos-optimized hardware terminals for running Kronos software establish a second revenue stream.

Last year, the company introduced terminals with biometrics, which eliminate the need for time cards and guard against hourly workers punching in for coworkers. Ain says that the biometrics terminals also accommodate a more security-conscious world. "Post 9/11, people want to know who is in their facility," he says.

A third source of revenues is professional services for sales, installation, maintenance and training. In the last year, services accounted for about half of revenues, with software garnering 35 percent and hardware the remainder. This three-pronged revenue model helped Kronos increase 2002 sales by about \$17 million over the previous year.

Ain called the 25th anniversary celebration the highlight of 2002, a milestone that Kronos recognized publicly when it rang the opening bell at the NASDAQ stock exchange. Ain declines to name a low point, saying only that recessions are times when "we have to refocus our efforts."

--A.J.

Merge eFilm - Milwaukee

100 rank: 82

When Merge Technologies Inc. and eFilm Medical joined last summer, it wasn't just another consolidation in the healthcare industry. Given the economic climate, the marriage was necessary to pave the way for growth in the year ahead.

Merge eFilm, the new company, now has an end-to-end platform in the medical imaging market. The eFilm front-end software application runs with the Merge back-end server software within a new product called Fusion. This filmless clinical imaging and workflow system provides PACS, teleradiology and image distribution. Its target market: the thousands of small- and medium-size hospitals and imaging centers that haven't yet made the transition from film to digital imaging.

Recent financial results indicate some early success for this strategy. Net income for the 2002 calendar year rose to \$3.6 million, while operating margins climbed 10 percent. The new product wasn't the only force behind the better numbers. The old Merge relied solely on direct sales. This model continues for North American customers, but it's bolstered by a growing OEM and VAR network from eFilm that will be the primary vehicle for international Fusion sales.

Merge eFilm plans to use this combination to push

for greater software and services sales in 2003. To keep its technology innovative, it's devoting more than a quarter of both its operating budget and its 130-person workforce to research and development.

Although CEO and president Richard A. Linden counts the merger, the product launch, and financial performance as the high points of the last year, he recognizes their costs: "It took a tremendous effort and intensity by every employee to accomplish this, which was exhausting at times. The economic conditions in 2002 required even more effort for us to achieve our numbers, because the economy was not as strong as we had hoped it would be."

--A.J.

SAS Institute Inc. - Cary, N.C.

100 rank: 33

To make sure it provides the right business analytic tools for its customers, SAS keeps a running list of the feedback it receives throughout the year. Then each fall, it posts these comments on a special Web site and invites users to vote for their favorites. Incorporating the suggestions that make the short list into future releases "becomes a high priority," says James Goodnight, CEO.

SAS values innovation, devoting about 25 percent of its annual budget to research and development and striving to foster creativity among its staff. "Software comes out of the minds of developers. You want people to be happy so the juices really start flowing," Goodnight says. The company's efforts have paid off. It placed 19th on *Fortune* magazine's most recent Best Places to Work rankings, and turnover is only 4 percent. Among the reasons: employees receive \$300 a month in childcare benefits and have access to a company gym and health clinic.

Goodnight credits being a private company with his having the flexibility to run the company as he sees fit. "The pressures that public companies have in meeting quarterly estimates is just not worth the hassle," he asserts. SAS bucked layoff trends and increased its workforce by about 8 percent, he says, and "because we spent the last two years hiring and

training new sales people and developing additional products, as the economy comes back, we're going to be far out front of where we would have been if we had held the line on staffing."

The high point of 2002, Goodnight says, was release of SAS 8.2, which supports high-performance, 64-bit computers. The low point: 4.4 percent overall revenue growth. "We want to see it back in the teens this year," he says, adding that first quarter sales are up 18 percent.

--A.J.

Perot Systems - Plano, Texas

100 rank: 10

Ross Perot Jr. sounded ecstatic. The president and CEO of Perot Systems Corp. was speaking about a large contract with Blue Cross Blue Shield of Rhode Island, Providence. The organization had asked 183 executives and employees to pick the technology partner they wanted to work with, and everyone chose Perot Systems. "Rhode Island is a fabulous state for us because we have a chance to work with the hospitals, the doctors and the state to put in what I feel will be the model system in our country," one that the federal government and other states will copy, he claims.

Perot Systems offers full-service business and IT consulting, business-process outsourcing, application development and management to various industry sectors, but healthcare demands 45 percent of its attention. The company provides IT operations for more than 330 healthcare providers and 200 insurers. Earlier this year, the 7,500-employee, \$1.3 billion company released "Diamond," a health benefits administration software suite that will be used in the Rhode Island project.

In looking toward the future, Perot pointed to a growing business portfolio in New England, with clients including Boston-based Tufts-New England Medical Center and the \$450 million Rhode Island contract. As part of a strategy to develop a government services division, Perot Systems acquired ADI Technology Corp., Alexandria, Va.,

and Soza & Company, Fairfax, Va., within the past year.

Although the publicly held company saw 40 percent growth in each of the last three years, tech-wary Wall Street remains unimpressed. "Wall Street's been good at giving us and other technology companies plenty of low points in 2002," Perot says, but clients are satisfied. "People hire us for results. If you check our references, one reason we've built momentum is we have happy clients."

Frank Jossi is a technology writer in St. Paul, Minn.

Per-Se Technologies - Atlanta

100 rank: 16

Doing for others has become a successful business model for Per-Se. Revenues for the healthcare services company climbed to \$354 million in 2002, thanks in large part to its growing services business, which helps physicians and hospitals process insurance claims efficiently.

"The challenges of processing reimbursements today make necessity the mother of invention," says Philip M. Pead, CEO and president. Per-Se has found significant opportunities "in automating the process and in having the expertise to interpret Medicaid, with its hundreds of thousands of pages of regulations," he says. "By modeling most of the complexities of reimbursement into some level of automation, we can improve [payment] turnaround times, and it also improves our margins."

Further growth in the service business in the coming year will depend largely on how successful the company is in convincing individual physician offices to turn claims processing over to it rather than doing the work themselves. Per-Se also hopes to capitalize on its investments in the electronic links that deliver claims to more than 1,000 payers throughout the country.

In the last year, the company reached some business milestones: the second straight year of profitability and a respectable earnings per share of 28 cents. Still, Pead is frustrated by the continuing struggles

of financial markets. "Unfortunately, Wall Street did not reward us. Our performance was not met by corresponding appreciation in our stock value," he says.

Nevertheless, with a customer base that generates more than 240 million medical transactions a year, Per-Se remains committed to developing ways to further automate claims processing, and Pead believes it has the in-house talent to accomplish this. "We have people who find it rewarding to help physicians battle the vagaries and complexities of Medicare and commercial reimbursement."

--A.J.

StorageTek - Louisville, Colo.

100 rank: 55

Despite a rough economy, StorageTek, Louisville, Colo., has managed to grow its healthcare market by helping clients store voluminous amounts of data and comply with Health Insurance Portability and Accountability Act (HIPAA) regulations. To assist healthcare organizations identify problems they may have in meeting data and privacy standards, the company offers consulting services and has developed, with Stockell Consulting, St. Louis, such products as Fast Gap Analysis.

"Until now, many healthcare providers have maintained isolated IT infrastructures and have battled over proprietary information," says Patrick Martin, StorageTek CEO, chairman and president. "HIPAA is forcing organizations to revisit their IT strategies and, in most cases, centralize the data. This is good news for both patients and healthcare providers. Patient data will be more accessible to those who need it, and at the same time, better protected from those who should not have access."

StorageTek also offers tape and disk products for backup protection, consolidation of system libraries and creation of storage area networks. The recently upgraded BladeStore--a relatively new product already tweaked to produce higher performance--offers a disk subsystem suited for high-volume content, such as medical images and the video required by healthcare clients. An alliance

announced earlier this year with Rorke Data, Eden Prairie, Minn., promises to open StorageTek's products to a larger base of midsize hospitals looking to store data and images.

The \$2 billion company, which employs 7,500 people, has fared as well as could be expected. "Undoubtedly, the low point of [last] year was the economy--and the resulting flat sales," says Martin. "On the bright side, we were able to achieve our 10th consecutive quarter of earnings growth. We beat Wall Street's expectations in 2002. In any year, this would be an accomplishment...in 2002, I consider this to be truly exceptional."

--F.J.

Synertech Health System Solutions L.L.C. - Harrisburg, Pa.

100 rank: 34

In the great Internet boom that went bust, application service providers (ASPs) seemed like the perfect solution for companies that wanted to outsource their IT needs. Over the past four years, many upstart ASPs died or were acquired. But Synertech, with its focus on the healthcare payer industry, managed to thrive in a difficult tech economy.

The reason? Synertech hosts not only applications but business process outsourcing and many other administrative services through partnerships with Rockville, Md.-based Amisys L.L.C. (now a fellow subsidiary of Platinum Equity, Los Angeles); Claimsnet.com, Dallas; TCS Healthcare Technologies, Auburn, Calif; MultiPlan, New York; RxEOB, based in Virginia; and Quality Care Solutions Inc., Phoenix. Steve Rock, CEO, says Synertech's 1,000 employees and its partners can help clients manage and adjudicate claims, code, print and send insurance and ID cards, plus do many other back-office functions.

"We're not just an ASP. We don't host any software we don't know a whole lot about, and for the most part, we host software that we actually utilize here. If you looked at our revenue stream, the largest single component is business process outsourcing."

Yes, Rock continues, Synertech provides application outsourcing services, "but more often than not, we're going from an initial application hosting to other services our customers can use, like imaging or the Web exchange products we offer."

While the company's revenues of almost \$100 million were flat in 2002, he sees a bright future as the consumer-directed health plan market grows and new service offerings gain customers. Synertech supports a multimillion-member base of several health plans as well as more than 100,000 members of the fast-growing consumer-directed sector. Says Rock: "I think we're extremely well-positioned with basically all the key market leaders in the consumer-directed healthcare market and our full PPO market."

--F.J.

Wellogic - Cambridge, Mass.

100 rank: 88

Eleven years ago, CEO Sumit Nagpal founded Wellogic as a telemedicine solutions vendor. But it became evident early on, he says, "that telemedicine should integrate seamlessly into existing clinical practice. And an extension of that concept has become our focus, which is that we live at the interface of the physician practice and hospital." As a result, Wellogic's scope has broadened to embrace facilitation of clinical decision-making and communication across hospitals, in physician practices, and remotely.

Now, Nagpal states, results reporting, patient record access, consultations and referrals, and support for "CPOE, rules-based order entry, and clinical decision-making at the point of care" all figure into Wellogic's solutions. Having all that information available at the bedside, enabling doctors to order prescriptions, lab and radiology results, and procedures, is what makes his company's product compelling, Nagpal says. "And in that process is where our disease management and clinical decision support capabilities really shine."

The company's integration of the disease management concept into point-of-decision-making

clinical information capabilities is obviously appealing to patient care organizations. Wellogic grew 20 percent between the fourth quarter of 2002 and the first quarter of this year. And, Nagpal reports, "We're almost certainly going to do about 50 percent growth in revenue this year over what we did last year."

The 100-person company currently has 70 organizations as clients--hospitals, integrated health systems, and major vendors such as Cerner, Kansas City, Mo., and VitalWorks, Ridgefield, Conn., which are integrating Wellogic's capabilities into their own offerings. And Nagpal estimates an additional 20 to 30 clients within the year. The secret to Wellogic's popularity? Nagpal says that it's a subtle difference that makes all the difference--a focus on enhancing the patient-physician relationship rather than diminishing it.

Mark Hagland is a contributing writer based in Chicago.

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