

dsn

Rx

DIGITAL REPORT

OCTOBER 2011



HEAVY hITters

Top companies riding
the health IT gold rush

Emdeon honing e-Rx capabilities

By TIM CRAIG

In the new paradigm of health information technology, where everyone and their brother is jockeying for the rights to be called a truly vital piece of the payer-provider-patient network, there are few companies who can back up the talk with as much bravado as Nashville, Tenn.-based Emdeon. Its self-described role as a “leading provider of revenue and payment cycle management and clinical information exchange solutions” may sound like the wishful ambitions of any of dozens of Emdeon’s new breed of start-up competitors, but this company has the footprint, pedigree and vision to back it up.

Born from the DNA of WebMD (Emdeon was spun off from WebMD Health Corp. in 2006), Emdeon today processes close to 6 billion healthcare-related transactions annually, or half of all electronic commercial healthcare claims in the United States, through a health information network that includes roughly 1,200 payers, 500,000 providers, 5,000 hospitals, 81,000 dentists, 60,000 pharmacies and 150 labs.

When a market leader of this magnitude makes a strategic shift, it understandably draws the attention of the rest of the field. And with no fewer than 10 acquisitions to its name since early 2008, Emdeon has more than earned its reputation as a market mover. But the deal that has garnered the greatest attention was Emdeon’s purchase of eRx Network from PDX in July 2009, a move that essentially thrust Emdeon into the forefront of e-prescribing — an area that Emdeon CEO George Lazenby referred to at the time as “one of the fastest-growing sectors in healthcare transaction processing.”

Fast forward two years and Lazenby’s words sud-

Today's Status at Clinician MU Testing	
Order Status	
Standard Orders Entered Today	0
Inactive PSC Orders (last 31 days)	0
Orders Transmitted Today	0
Reports Status	
Reports Not Yet Viewed Or Printed (last 7 days)	2
Abnormal Reports Not Yet Viewed Or Printed (last 7 days)	0
Rx Status	
New Rx(s)	0
Renewal Rx(s)	0

The Emdeon Clinician is part of the Emdeon Office Suite and offers an EHR qualification tool that helps providers meet the standard for government grant money.

denly ring prophetic. At a time when efficiency, accountability and paperless transactions in the pharmacy solutions sector are being met with government grants and large infusions of venture capital, e-prescribing is at the forefront of healthcare reform. Not surprisingly, e-prescribing also is one of the fastest-growing segments of the Emdeon business. In the last two years, Emdeon’s Pharmacy Services Segment, which is made up almost entirely of its electronic prescribing services, has more than doubled its revenue to \$82 million en route to becoming one of the fastest-growing divisions throughout Emdeon’s billion-dollar corporate enterprise.

For now, pharmacy services may only represent a small percentage (8.2%) of overall Emdeon revenue, but it’s growing. And all indications are that it will continue to grow. Among its many recent endeavors, Emdeon took an aggressive approach to the challenge presented by the U.S. Department of Health and Human Services requiring more stringent HIPAA-compliant electronic transaction standards, and last February, it began transmitting pharmacy claims in the NCPDP D.0 standard format, nearly 12 months before the mandated adoption takes effect. This proactive posturing not only helps to secure Emdeon’s role as an innovator in the sector; it also may very well have been a contributing factor in the announcement this past

HQ: Nashville, Tenn.
Annual revenue: \$1 billion*
CEO: George Lazenby

*Fiscal year ended Dec. 31
Source: Emdeon, SEC filings

EMDEON

May that the U.S. General Services Administration had awarded Emdeon a five-year contract for a comprehensive array of healthcare information technology products, services and solutions to more than 90 government entities.

In addition to its e-prescribing initiatives, a noteworthy development this year in Emdeon’s payer services sector was the agreement inked with Armada Health Care, a specialty pharmacy group purchasing organization based in Florham Park, N.J. As an enhancement to Armada’s Reach Rx patient management business, Emdeon has added a level of prior-authorization management that Armada credits with giving its member pharmacies better access to automatic transfer of claims, status follow-up with prescribers and payers, co-pay assistance and full-HIPAA compliance.

But new contracts aren’t the only thing this healthcare services company is attracting these days. No doubt compelled by Emdeon’s rapid rate of growth and well-established market position, private equity giant Blackstone Capital Partners announced in August that it was purchasing the company for about \$3 billion, or \$19 a share, a 17% premium over the stock’s closing price the day prior to the announcement. As of press time, approval of the merger was still pending.

