Healthcare IT:
Annual checkup 2022

Overview

With the ongoing global health crisis now entering its third year it might be easy to overlook market activity away from Covid-19 related headlines. However, the wider Healthcare IT sector has seen extensive activity throughout 2021 with M&A activity buoyant.

Here we will take a look at some recent high-profile transactions, the challenges and expectations faced by firms operating within it, and the role that the UK Government it is taking in the sector.

Recent market activity

The Healthcare IT sector in 2021 saw a number of acquisitions and other activity that is helping to shape the industry landscape moving forward.

In December of 2021 Alcidion, an Australian specialist in Smart Healthcare Infomatics, announced the acquisition of Silverlink PCS Software Limited. This was Alcidion's second acquisition of the year and followed the purchase of, patient flow software provider, ExtraMed in April.

The strategic benefits behind these purchases include the integration of shared knowledge across these organisations. New opportunities are expected for customers around integration, automation, clinical decision support, resource management, patient observation and clinical communication. The combined entity will benefit from local knowledge allowing other products to be brought to market quickly and potential using established contractual relationships to reduce time to sell.

In February Wellbeing Software a provider of radiology and maternity software was acquired by Australia's Citadel Group in a deal worth £103 million. The move was seen to effectively dovetail with Wellbeing's Connected Healthcare offering and to support UK market growth and International market expansion.

In July WellSky International, formerly known as JAC and best known for their electronic prescribing and medicines administration solutions, was acquired by System C. This acquisition will broaden System C's product portfolio and is a highly strategic addition to the company's integrated cloud EPR suite. Moreover, this transaction brings in a number of international clients.

At the end of August Digital software provider Servelec was acquired by the health and social care division of The Access Group having itself early acquired social prescribing technology specialists Elemental Software. The acquisition will enable Access to offer integrated solutions and services across local government, health and social care, combining Access' suite of health and social care solutions with Servelec's ability to integrate technology across social care, healthcare, education and youth services.

Procurement challenges and expectations

As with any 'technology as a service provision', particularly when operating in highly regulated sectors, those operating in the Health IT sector require extensive accreditation, qualification and certification. Firms seeking to make acquisitions within the sector should have an awareness of these barriers, and of NHS security and data protection requirements. Of vital importance too is accurate and up to date market Knowledge and an established relationship with 'referenceability' which is seen as reduced risk on the buyer side.

The procurement process frequently involves the completion of a pre-qualification questionnaire (PQQ) where potential suppliers will usually be required to provide details regarding experience in providing similar services including references and adherence to a number of standards comprising quality / connectivity and resourcing. These criteria are often pass / fail. So not being able to respond in the appropriate manner will result in a supplier being unable to bid. Utilisation of a company already meeting these criteria and established in the UK will be an enabling tool.

By buying an established supplier to the NHS, acquirers can potentially benefit from long term customer relationships already in place. Furthermore, such synergies can provide cross selling and upsell opportunities. As well as complimentary products that may be able to be sold in to "home markets".

Where an acquirer doesn't have a UK presence but has a UK growth strategy it allows the establishment of a hub and hopefully proven management team to help in the acquisition of further companies and growth. Combined products may allow extended market to be targeted that previously could only be achieved by working with third parties.

Government backing for sector

Digital innovation has been a key part of the UK Government's plans for the NHS. This emphasis on the importance of digital technology has led to a recent announcement to merge NHSX, NHS Digital into NHS England to drive digital transformation in the health service. In the October budget Chancellor Rishi Sunak confirmed an additional £2.1billion for NHS IT upgrades and digital health technology.

The funding will cover "innovative use of digital technology so hospitals and other care organisations are as connected and efficient as possible". With the NHS employing over 1.3 Million staff, of which over 50% are professionally qualified clinical staff, it represents an attractive market to enter.

Integrated Care Systems in England are set to embed collaboration and promote more joined up care, the acquisition gives Access the opportunity to integrate systems and data right across the health and social care sector.

Achieving interoperability of data and IT systems is a longstanding aim and essential to current plans for digital transformation. Yet it will be highly challenging to fully achieve this goal as the NHS has many legacy systems, not all of which can meet these requirements. The Department of Health's vision for digital, data and technology sets out plans to expand the supplier market using limited contractual frameworks to ensure all technology suppliers meet standards that will allow interoperability between IT systems. Nonetheless, increasing the number of suppliers could make interoperability more difficult to achieve because there will be more system-to-system integrations required.

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