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Medical Records Go Digital

By Kathleen Kingsbury

The complex field of health-care information may soon be a little more streamlined. On Tuesday, Chicago-based electronic medical records provider Allscripts announced it has agreed to merge with British rival Misys PLC in a cash-and-stocks deal worth more than \$1 billion.

The new firm, which will operate under the name Allscripts, will become one of the largest players in the U.S.'s \$20 billion electronic health-record industry. In its present form, Allscripts manages data for more than 40,000 American physicians. Once the firm merges with Misys, that figure will treble to 150,000 — or roughly one-third of all practicing doctors in the U.S. It's a level of penetration that could finally lend consistency to the country's electronic health-records industry, which to date has been plagued by thousands of conflicting software systems. Along with cost and privacy concerns, doctors often cite this lack of connectivity as a major reason they haven't made the move from paper to digital record-keeping. The Allscripts-Misys agreement could help overcome that barrier. "Our aim is to create the Microsoft Office for health care," Allscripts CEO Glen Tullman says, "to develop a standard all doctors can rely on."

Under the deal, Allscripts will absorb Misys Healthcare, the U.S.-based subsidiary of Misys PLC and a market leader in this industry, serving more than 110,000 physicians in 18,000 practices and 600 home care providers. Going forward, Misys will hold a 54.5% stake in the new company but Tullman will remain at its helm, with the publicly traded Allscripts handling day-to-day operations. Allscripts CFO Bill Davis will also continue in his post. Last year Allscripts' revenue topped \$280 million, up 60% from 2005, and its earnings reached \$20 million. Despite this sales growth, Allscripts' shares are now trading 60% off an October high, having fallen nearly 50% since January, after failing to meet quarterly profit projections since June 2006. Still, Tullman says, "Misys is paying our shareholders a premium for a controlling interest."

Only 14% of U.S. medical practices currently keep electronic records, according to the Department of Health and Human Services. HHS hopes to achieve 50% adoption by 2014, and President Bush has also called for the majority of Americans to have electronic access to such records by that year. Studies consistently show that going digital can reduce health-care costs and help prevent medical mistakes. Each year prescription errors alone kill about 7,000 patients and cost the U.S. health-care system as much as \$6 billion. Many of these mistakes could be avoided with electronic records, says Dr. Steve Klasko, vice president of USF Health, an Allscripts customer. Last year Allscripts teamed up with Dell Computers to provide electronic prescribing free to doctors nationwide. "Say I put something incorrect or unusual in the system," explains Klasko, who is also dean of the University of South Florida College of Medicine. "I immediately get a big red warning asking 'Is that really what you want to do?' You catch things you'd miss with paper."

In late February, Google announced plans to launch an online database where patients can easily store and maintain health information. The website, called Google Health, mirrors similar efforts by rival Microsoft and Revolution Health Group, led by AOL founder Steve Case. All three products will allow patients to access records from anywhere in the world, letting the user upload medical records from one health-care provider and then easily share them with another physician or hospital — a capability more and more health-care providers are looking to adopt. Tullman says Allscripts plans to collaborate with both Microsoft and Google, particularly in the area of providing patients with prescription data, and emphasizes that such initiatives should further alleviate privacy worries associated with electronic records. "We're putting patients for the first time in charge of their own records," Tullman says. "They're adding information to a vault only they can unlock."

Critics often note that electronic records leave sensitive data vulnerable to hackers or system failures. Allscripts customer Dr. Jim Morrow, however, argues his patients' privacy is actually more secure. Morrow is CIO of Atlanta's North Fulton Family Medicine group, whose 11 doctors adopted electronic records in 1998. "With paper, what's to stop the night janitor or front desk clerk from reading your record?" Morrow says. "Our charts all require passwords to limit access." Plus, Morrow adds, with Allscripts, which gives health-care providers online access to records and enables them to automate everyday tasks such as billing, scheduling and writing prescriptions and patient charts, the practice saves as much as \$33 per patient visit and has all but eliminated overtime for its physicians and nurses. "It's time for doctors to stop crying and whining and just do this," Morrow says. "Because ultimately it's the best thing we can do for our patients."