

Australia

Identifying International Healthcare IT Business Opportunities
For Small & Medium-sized British Companies

Phase 2
In-depth Analysis Of The
Australian Healthcare IT Market
Final Report

Australia

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Australia



Note

- \$ currency figures are Australian dollars
- Euro conversions \$1 CAD = €0.58

Source is XE.com (<http://www.xe.com/ucc/>)

Australia

- **01: Healthcare Sector Overview**
 - Public Health System
 - Healthcare Delivery
 - Healthcare Expenditure
 - Health Insurance
 - Major Healthcare Challenges

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Public Health System

Two-tier Healthcare System: For Control, Funding and Delivery

Tier 1: Federal Government

National healthcare policy and overarching initiatives

Public hospitals (creation & funding)

Community Care Services (funding)

Medicare (Public Health Insurance)

Pharmaceutical Benefits Scheme (PBS)

Control over Import/supply of medicine and medical devices through Therapeutic Goods Administration (TGA)

Regulation of GPs

Tier 2: State Government

State structure for healthcare delivery

Public hospitals (management, healthcare delivery & funding)

Community Care Services (funding & primary responsibility)

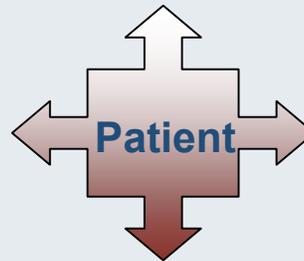
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Healthcare Delivery (1)

Specialists

Private Hospitals

GPs First point of contact for patient is the GP. GP referrals take patient to relevant Specialist and / or public / private hospital or Day surgery.



Public Hospitals

Other Health Professionals
eg. Dentists

Community-based Care eg. Mental Health, Family Planning

Free-standing Day Surgeries

Pharmacies Prescriptions – made out by the GP – are dispensed by Pharmacies. Pharmacies outside hospitals are run by private community pharmacists.

Ambulance Services take the patient to the hospitals in case of emergencies

Public Health Services
eg. Awareness Programs, Disease Control, Injury Prevention, Food quality etc

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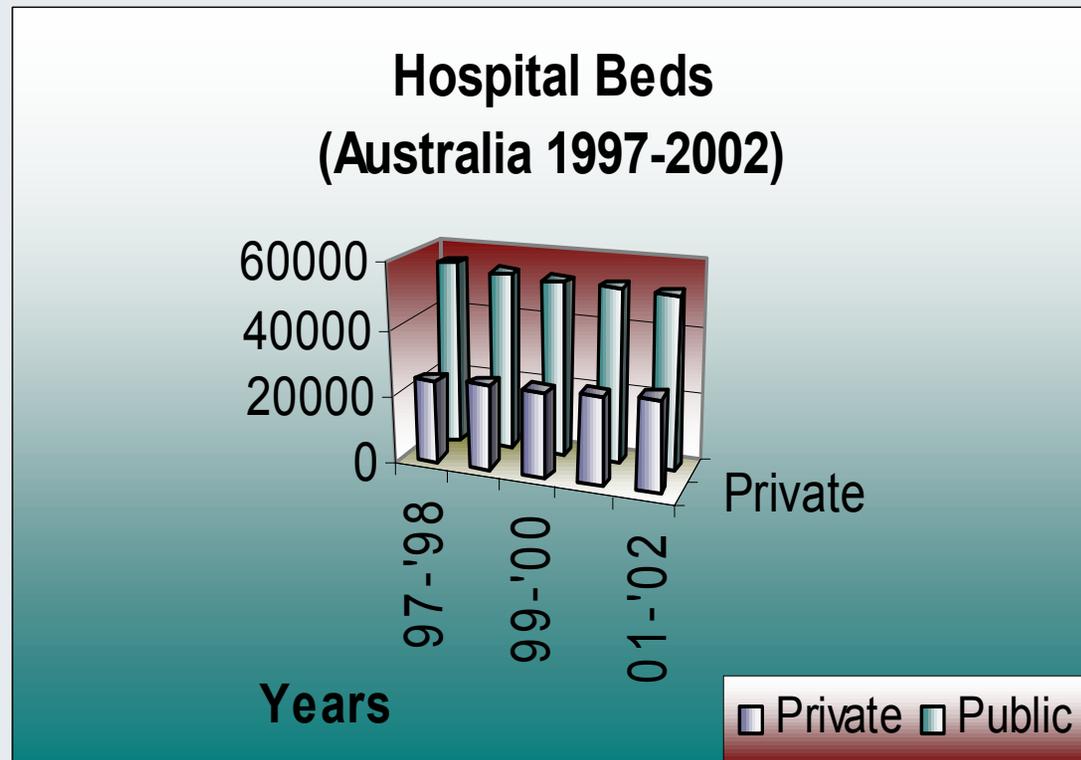
Healthcare Delivery (2)

Public hospitals provided 51,461 beds (65 percent of the national total) in 2001–02

Private hospitals provided 27,407 beds (35 percent of the national total) in 2001-02

Between 1997–98 and 2001–02, bed numbers in the public sector decreased by an average of 2 percent per year

Over the same period, the private sector grew by 2.9 percent per year



Source: Australian Hospital Statistics 2001-02, Australian Institute of Health and Welfare (AIHW)

Australia

Healthcare Delivery (3)

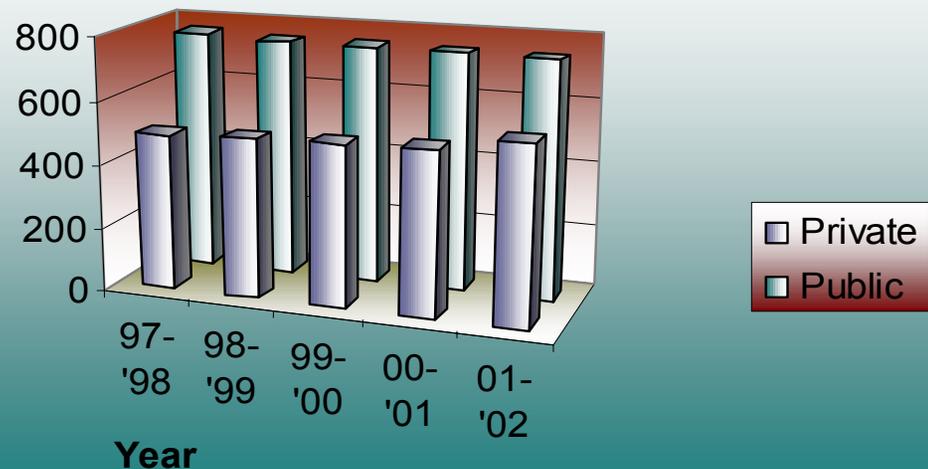
746 public hospitals and 560 private hospitals in 2001–02

Changes in the numbers of hospitals can be due to changes in administrative or reporting arrangements and not necessarily to changes in the number of hospital campuses or buildings

Source: Australian Hospital Statistics 2001-02, Australian Institute of Health and Welfare (AIHW)

Ratio of admitted hospital patients treated in Australia - Public hospitals:Private hospitals & Day Surgeries - 60 percent:40 percent

Private and Public Hospitals (Australia 1997-2002)



Australia

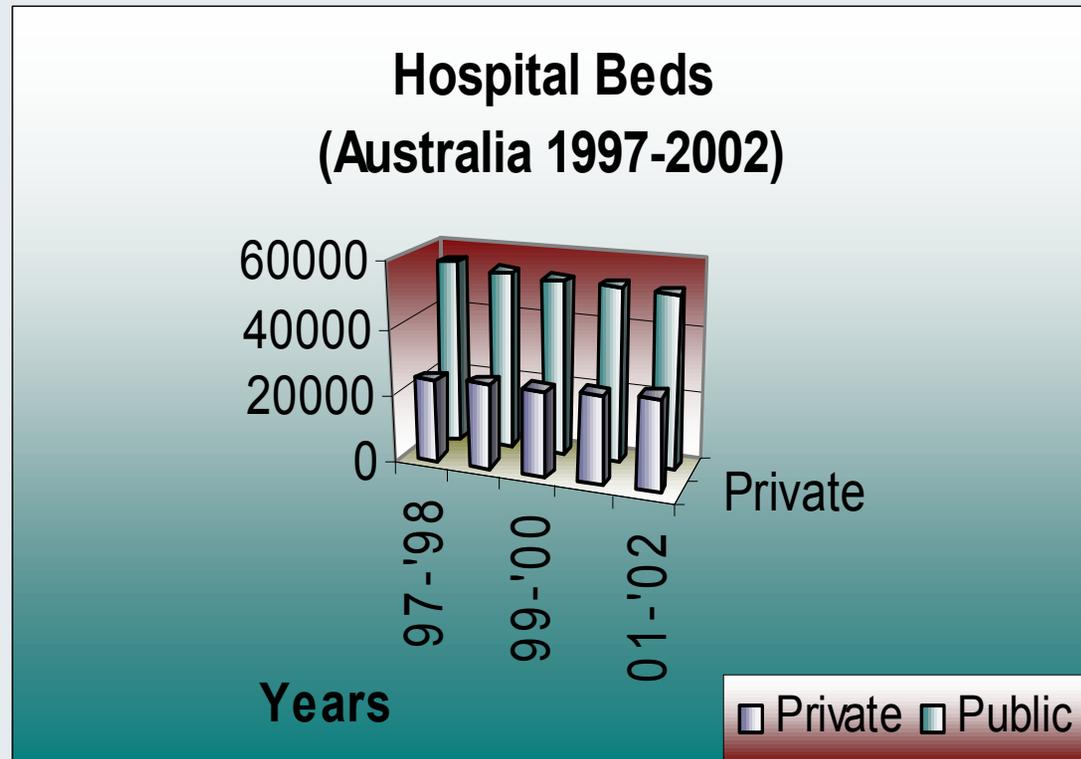
Healthcare Delivery (4)

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Source: Australian Hospital Statistics 2001-02, Australian Institute of Health and Welfare (AIHW)

Australia



Healthcare Delivery (5)

2001-02	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	AUS
No. of Public Hospitals	218	144	181	89	80	26	3	5	746
No. of Private Hospitals	191	137	106	42	63	11	8	2	560
Hospital Beds (Public)	17402	11641	9880	5142	5057	1109	670	560	51461
Hospital Beds (Private)	7394	6446	6396	3231	2457	1004	372	107	27407
Beds/1000 population (Public)	2.6	2.4	2.7	2.7	3.3	2.3	2.1	2.8	2.6
Beds/1000 population (Private)	1.1	1.3	1.7	1.7	1.6	2.1	1.2	0.5	1.4

Source: Australian Hospital Statistics 2001-02, Australian Institute of Health and Welfare (AIHW)

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Healthcare Delivery (6)

Categories Of Private Hospitals

- For-profit independent hospitals
- For-profit group hospitals
- Religious/charitable hospitals
- Other not-for-profit hospitals (Such as Memorial or Community Hospitals)

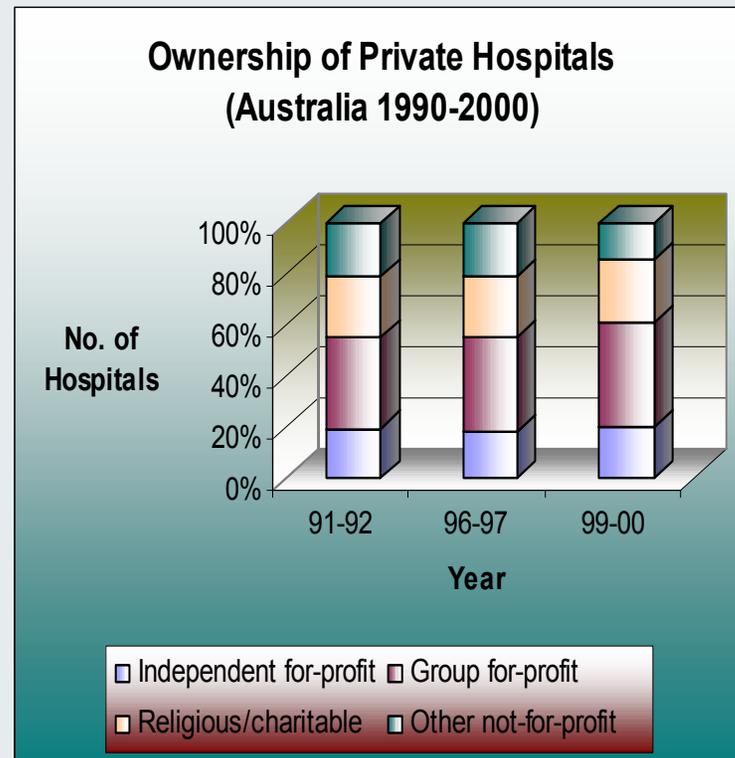
Corporatisation Of the Private Hospital Sector

Across the 1990s, the number of private hospitals owned by for-profit groups showed the highest increase (from 35.7 percent in 91-92 to 41.1 percent in 99-00)

-ABS data reported in Productivity Commission 1999

Main Corporate Groups

- Affinity Health (formerly Mayne Health)
- Ramsay Health Care
- Benchmark Healthcare
- HealthScope
- Nova Health
- Uniting Healthcare
- Community Private Health Care



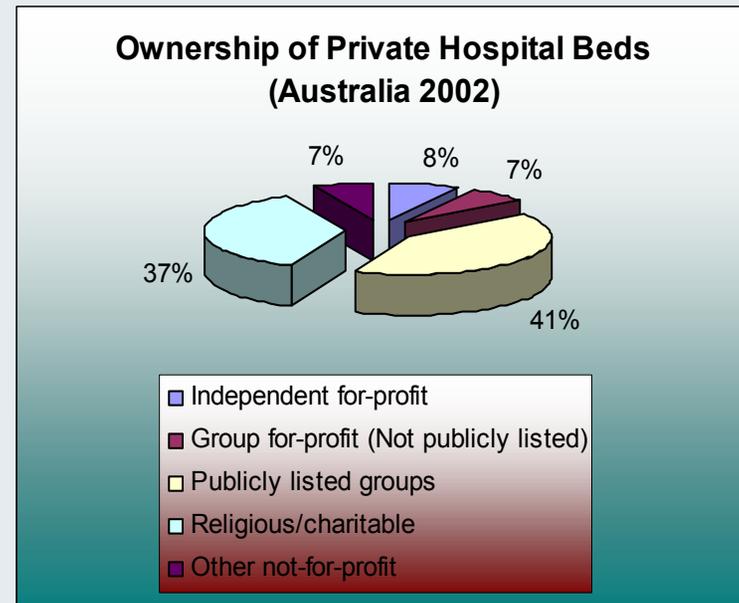
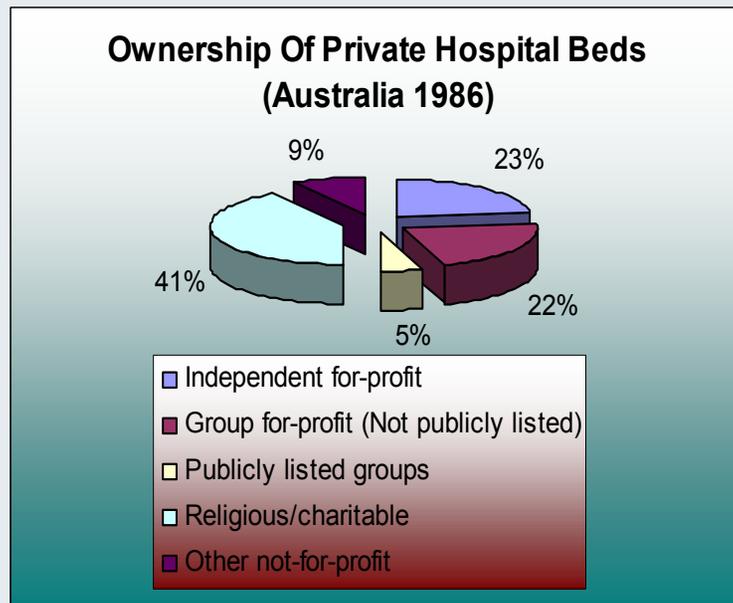
Source: ABS data reported in Productivity Commission 1999

Private hospitals now perform 52 percent of surgeries in Australia

Australia

Healthcare Delivery (7)

Ownership In the Private Hospital Sector



Source: Senate Select Committee 1987 and Australian Private Hospitals Association 2002

Publicly listed companies grew from an estimated 5 percent of private hospital bed ownership in 1986 to 41 percent in 2002, making them the largest owner in the private hospital sector.

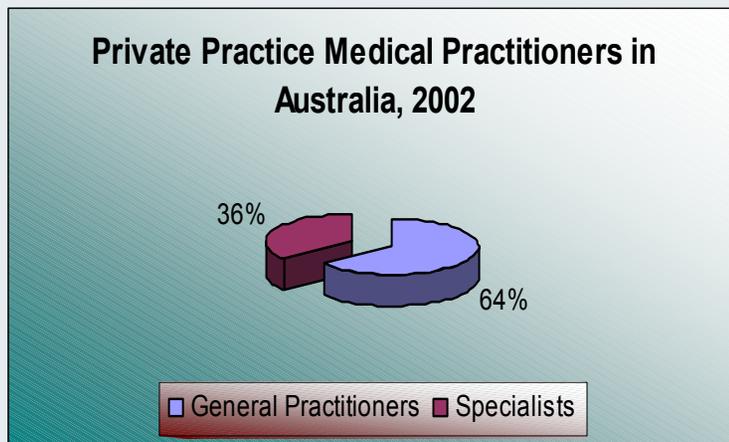
-Senate Select Committee 1987 and Australian Private Hospitals Association 2002

Australia

Healthcare Delivery (8)

Primary Care

GPs play the role of ‘gateways’ to the rest of the healthcare system in Australia.



Per Week Data	GPs	Specialists
Average hours worked	47	54
Average private patient contacts	136	81

Practitioners

According to the Australian Bureau of Statistics (ABS), there were 18,867 private practice GPs and 10,509 private practice specialists in Australia for the year 2002 (*2002 survey of Private Practice Medical Practitioners*).

2002 survey of Private Practice Medical Practitioners

Australia



Healthcare Delivery (9)

Primary Care

Practices

At the end of June 2002, there were 19,464 GP practices and specialist medical services/practices* in Australia, comprising 9,600 GP and 9,864 specialist services/practices. These medical practices employed 101,957 persons.

Corporate GP practices* accounted for 11 percent of total employment in GP practices. Drivers of the corporatisation trend in General Practice include better access to capital for equipment purchase, improved management and support services.

*Specialist Medical Services/Practices include anaesthesia, dermatology, diagnostic imaging, internal medicine, obstetrics and gynaecology, ophthalmology, paediatrics, psychiatry and surgery.

*ABS defines Corporate GP practices as GP Medical businesses contracted to a corporate administrative entity for a fixed period. The Corporate entity is generally owned by persons who are not medical practitioners. Corporate practices have purchased the goodwill of at least 10 GP medical businesses and generally own the facilities and infrastructure within the practice arrangement.

(%) Medical Practices using computers for:	General Practice	Specialist Medical Service/ Practice
Patient Records	57.7	55.7
Prescription Packages	60.4	7.9
Financial management or accounting	72.6	85.3
Research, teaching or preparation of articles	35.3	56.5

ABS 8685.0 Private Medical Practices

Australia

Healthcare Delivery (10)

Primary Care Practices

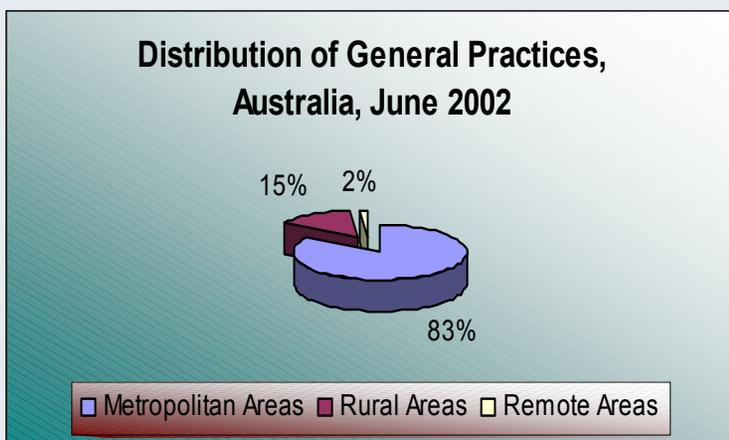
2001-02 (%)	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
No. of Locations (GP)	40.2	24.1	16.3	6.8	7.8	2.8	1.3	0.7
No. of Locations (Specialist Medical Service/Practice)	34.3	30.7	15.5	7.2	8.4	3.8		
Employment (GP)	37.6	24.9	16.8	8.2	7.7	2.9	1.3	0.6
Employment (Specialist Medical Service/Practice)	33.8	27.1	16.9	8.6	8.3	5.3		

ABS 8685.0 Private Medical Practices

Australia

Healthcare Delivery (11)

Primary Care Practices



ABS 8685.0 Private Medical Practices

Specialist Service / Practice	No. of Services / Practices	No. of persons employed
Anaesthesia	1093	3598
Dermatology	205	1414
Diagnostic Imaging	324	8320
Internal Medicine	2190	8076
Obstetrics and Gynaecology	800	3224
Ophthalmology	503	3133
Paediatrics	478	1636
Psychiatry	1275	3219
Surgery	2547	10247
Other	449	2179

Australia

Healthcare Delivery (12)

Primary Care

Pharmacies

According to the Pharmacy Guild of Australia, as of 30 June, 2002, there were 4,926 approved community pharmacies in Australia.

The guild estimates that for the 2001-02 financial year, sales of around A\$8.9 billion were made through community pharmacies.

Aged and Community Care

There are around 3,000 aged and community care facilities in Australia. It is estimated that less than 50 percent of these facilities have a business solution that has been designed for their specific needs.

The federal government's 2004 budget presents a series of new allocations over 5 years - totalling A\$2.2 billion – representing a large investment boost to the aged care sector.

Community Nursing

Community nurses perform a variety of tasks such as:

Physiotherapy, occupational therapy, dietetics, medication management, stomal therapy, wound management, midwifery, health screening procedures such as venipuncture, ECG recording, abdominal palpation and spirometry, immunisation (early childhood immunisations, school based immunisation programs, workplace immunisation programs and public health immunisation programs) and specialist tasks (palliative care, diabetes education, lymphoedema management and continence management)

Australia

Healthcare Delivery (13)

Primary Care

Optometry and Optical Dispensing Services

Registered optometrists fulfil the tasks of testing sight, diagnosing sight defects and prescribing or dispensing spectacles or contact lenses. This segment includes optical dispensers mainly engaged in dispensing spectacles or contact lenses, and registered orthoptists mainly engaged in diagnosing and treating ocular muscle disorders.

Physiotherapists

Physiotherapists in Australia are university-trained, registered healthcare professionals.

They work in different practice locations including hospitals, private practice, rehabilitation centres, nursing homes and sports clubs. Patients do not need a doctor's referral for access to physiotherapists. However, GPs may recommend physiotherapy to help treat certain conditions or injuries.

Dentists

In 2000, the Australian dentist labour force comprised 8,991 practitioners employed and practising in dentistry (8,681 were in clinical practice and 310 were in non-clinical roles as administrators, educators/researchers and other roles).

By 2010, Australian dental services will be able to service 29.4 million visits, 3.8 million short of the projected demand (from middle and older-aged Australians and for diagnostic, preventive, endodontic and crown and bridge services). - *Australian Research Centre for Population Oral Health*

Australia

Healthcare Delivery (14)

Private Radiology

In 2002, around 54 percent of radiology revenues from the private sector were directly or indirectly accounted for by four publicly listed companies. This figure was 10 percent four years ago, reflecting the trend toward consolidation.

-2002 Royal Australian and New Zealand College of Radiologists (RANZCR) workforce publication.

Market Leader in the private radiology space: Sonic Healthcare

Private Pathology

Consolidation in the radiology sector follows similar consolidation in the pathology sector.

There were 50 businesses operating pathology laboratories in Australia at the end of June 2002. These businesses employed 14,534 persons.

Day Surgeries

There are around 200 freestanding day surgeries throughout Australia, which are responsible for over 500,000 procedures every year. These surgeries now perform an ever-widening array of procedures for admitted patients on a day-only basis.

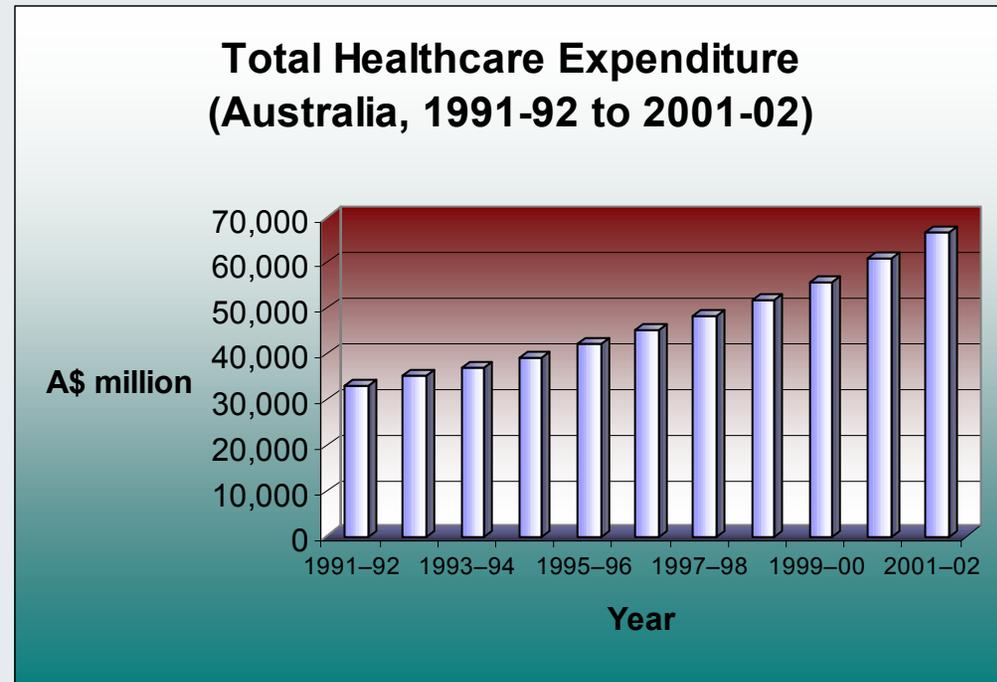
Australia

Healthcare Expenditure (1)

Total Health expenditure for 2001-02 was A\$66.58 billion (€41.28 billion*).

Funding for healthcare comes from both state and federal governments, with the Commonwealth government accounting for 46.1 percent of expenditure in 2001-02.

Health expenditure as a proportion of GDP more than doubled over the last four decades, from 4.2 percent in 1960-61 to 9.3 percent in 2001-02.



Source: *Health Expenditure Australia 2001-02*, Australian Institute of Health and Welfare (AIHW)

*Exchange Rate of 1A\$ = 0.62€ used throughout the study

Australia

Healthcare Expenditure (2)

Total healthcare expenditure for 2003-04 is estimated at A\$76.5 billion (€47.43 billion)

The Australian Health Care Agreements (AHCAs), between the Commonwealth and each State and Territory, provides the basis for the Commonwealth's financial commitment to public hospital services.

Drivers of Increased Spending on Healthcare In Australia

- Ageing population demographics: According to the Australian Bureau of Statistics (ABS), the proportion of people aged 65 years or more will double over the next 50 years (from 12 per cent to 24–27 per cent). In this same period, the proportion of the population under 15 years old will fall from 21 per cent to around 15 percent.
- Very high public focus on patient safety and risk management: Apart from media and public focus, this is a potent 'campaign' tool used to far-reaching effect by political parties in their efforts at denting opposition credibility.
- Growing cost of new healthcare technology
- Increasing use (and cost) of services
- Strong consumer demand and expectations

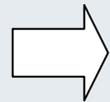
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Health Insurance (1)

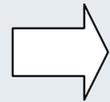
Public Health Insurance (Medicare)

Funded by Taxes

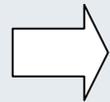
Administered by Health Insurance Commission (HIC)



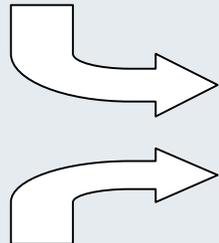
Free treatment as a public patient in a public hospital



Free/subsidized treatment by GPs and certain Specialists



Affordable pharmaceuticals through the Pharmaceutical Benefits Scheme



Health Insurance

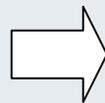


Private Health Insurance

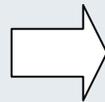
Funded and managed by Private Insurance Co.s

Regulated by the Private Health Insurance Administration Council

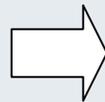
Tax incentives from Federal government to encourage patients to take private cover



Covers expenses in a private hospital



Covers expenses for 'private' status in public hospitals



Covers expenses for ancillary services not covered by Medicare eg: glasses, contact lenses

Australia

Health Insurance (2)

Public Health Insurance

Changes to Medicare

In November 2003, the Australian federal government announced initiatives (under the title - MedicarePlus) to augment Medicare. Key features include:

- Helping meet out-of-pocket non-hospital expenses such as MRI, CT scans, ultrasound, and specialist visits
- More doctors/nurses
- Greater affordability of health services for children and concession card holders
- Better access to medical care for residents of aged care homes
- Improved patient convenience

The total cost of MedicarePlus: A\$2.85 billion (€1.77 billion). Changes to run though till 2007.

Private Health Insurance

Government Support: In 1997, the federal government introduced a 30 percent rebate on premiums for private health insurance and lifetime cover, resulting in a surge in membership.

Key Industry Challenges: Rising premiums and widespread criticism over the government tax rebate for private health insurance.

Market Penetration: According to the Private Health Insurance Administration Council, for the quarter ended 31 Dec 2003, 43.4 percent of the Australian population were members of a private health fund for hospital cover.

Market Leader: Medibank Private (Over 30 percent of the total private health insurance market)

Australia

Major Healthcare Challenges (1)

Lack Of Co-operation Between The Commonwealth And States In Funding And Delivery Of Healthcare Services

Political differences (the Commonwealth government is currently Liberal and all state governments are currently Labour*) result in inconsistencies, inefficiencies, cost-shifting and weak integration. There is duplication/overlap of resources, roles and responsibilities that is reducing efficiency levels overall.

Funding Crisis Facing Hospitals

Limited funding is putting an added strain on resources, infrastructure and the healthcare workforce at hospitals. This invariably leads to compromises in planning, staffing, resource allocation and healthcare delivery. Aggravating the problem is multiple funding streams for each healthcare project. This results in blurred lines of governance and accountability, duplication of funding and lack of cohesion in performance measures/evaluation criteria for each project.

Slump In Public Confidence In The Reliability Of The Healthcare System

Recent media attention given to complaints of adverse events through negligence / inefficiencies / misconduct / mismanagement etc at hospitals over the last 2 years has sparked off public debates regarding the reliability of the system. Prominent examples being investigations into the Campbelltown and Camden hospitals in Sydney regarding complaints relating to the period 1999 to 2003.

* Elections in the second half of 2004 could change that scenario

Australia

Major Healthcare Challenges (2)

Case Study: Investigations into Camden & Campbelltown Hospitals Complaints

In November 2002, four nurses complained over mismanagement and patient neglect in Camden and Campbelltown hospitals in Sydney (New South Wales). These hospitals have so far been implicated in the deaths of 19 patients.

In December 2003, the final report of the Health Care Complaints Commission (HCCC) pointed out systemic failures at the hospitals, but steered clear of holding any individuals responsible for the adverse events.

Shortly thereafter, the government dismissed the head of the HCCC and instituted the Special Commission of Inquiry (by Bret Walker) to investigate the cases at the two hospitals.

Apart from calls for a system overhaul, doctors and nurses from these hospitals face further investigation and disciplinary action on account of the lapses involved in the care and management of patients.

Public indignation over this case has been fuelled by the revelation in the interim report of the Special Commission of Inquiry that the HCCC failed to respond effectively to patient complaints in its initial investigation.

It is generally agreed that this is but the “tip of the iceberg” and is representative of serious mismanagement in the healthcare sector in the country.

Australia

- **02: Healthcare IT Market Analysis**
 - Introduction to the Healthcare IT Market
 - Key Healthcare Informatics Bodies
 - Key Healthcare IT Initiatives
 - Healthcare IT Standards
 - Healthcare IT Market Drivers
 - Healthcare IT Market Restraints
 - Total Market Revenues and Forecast
 - Product Segments
 - Geographical Analysis
 - Pricing Trends
 - Technology Trends
 - Procurement Trends
 - Competitive Landscape

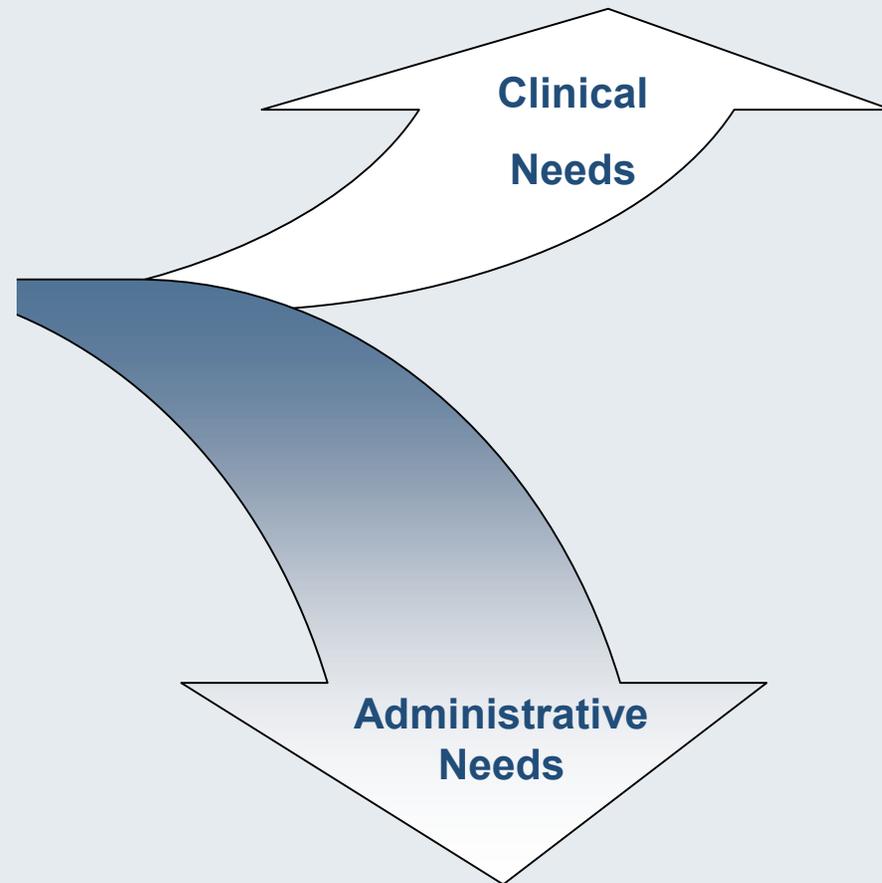
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Australia

Introduction to the Healthcare IT Market

Shift in Focus

The mandate of IT solutions in the Australian healthcare sector has changed from Administrative requirements as first priority in the 1990s to Clinical needs and Healthcare delivery needs as first priority from 2000 onward. This is mirrored in the move from organization-centric processes to patient-centric processes.



Australia

Key Health Informatics Bodies

National Health Information Management Advisory Council (NHIMAC)

Established in 1998 by Australian Health Ministers as the peak body for developing strategy for the use of information in the health sector.

Four sub-committees:

- National Electronic Health Records Taskforce
- Health Supply Chain Reform Taskforce
- Australian New Zealand Telehealth Committee
- National Health Information Standards Advisory Committee (NHISAC)

National Health Information Management Group (NHIMG)

NHIMG, which reports to the Australian Health Ministers' Advisory Council (AHMAC), works toward more efficient collection, compilation, access and interpretation of nationally relevant health information.

Standards Australia

Prepares IT14 standards in conjunction with other healthcare provider stakeholders.

General Practice Computing Group (GPCG)

Peak body for GP computing - established in 1997.

The ANZ CIO Forum

Comprised of Chief Information Officer representation from the Commonwealth and all State and Territory Health Departments, representatives from Commonwealth agencies, and the New Zealand Ministry of Health.

Australia

Key Healthcare IT Initiatives (1)

National Centre for Classification in Health (NCCH) developed an Australian version of the World Health Organization's classification of diseases, 'The international statistical classification of diseases and related health problems', and an the Australian classification of procedures, — together making up the ICD-10-AM. This also includes the Australian coding standards (for applying and interpreting the ICD codes).

Health Online

National strategic plan for health information management developed by the Australian Department of Health and Ageing under the guidance of the National Health Information Management Advisory Council (NHIMAC). The mandate of Health Online is to bring uniformity to information and communication technologies in the health sector, Australia-wide. Key components of Health Online are MediConnect, HealthConnect and HealthInsite.

MediConnect (formerly the Better Medication Management System)

Developed by the Australian Government to improve prescribing and medication management. MediConnect will be a secure national electronic system which will become the medication component of HealthConnect. Field tests are being undertaken.

HealthInsite

An Internet-based gateway for health information provided by a wide spectrum of approved information partners. The objective is to provide Australians with easy access to reliable information about health and wellbeing toward more informed healthcare decisions.

Australia

Key Healthcare IT Initiatives (2)

HealthConnect

A 'Health Online' project, HealthConnect, aims to create electronic health records (EHRs), with patient 'event summaries' collected in standard electronic format at the point of care (hospital or general practice) for retrieval and exchange across a secure network with other healthcare providers authorised by the patient to access the information. This concept was proposed in 2000 by the National Electronic Health Records Taskforce report.

In November 2002, health ministers agreed to a second two-year phase of research and development over the period 2003–2005, for:

- continued research
- finalizing the HealthConnect Architecture, including national agreement on the data elements to be collected through HealthConnect
- continued HealthConnect trials
- further development of the HealthConnect building blocks (privacy, consent and identification arrangements)
- integration of the HealthConnect Architecture with other health information systems; for eg: MediConnect, the planned national system of electronic medication records

More than A\$80 million (€49.6 million) to be spent on HealthConnect/MediConnect (2004-05 to 2006-07)

Whole of State implementations in Tasmania and South Australia, and then moving to implementation in larger states, with Queensland as a priority.

Australia

Key Healthcare IT Initiatives (3)

Practice Incentives Program (PIP)

The mandate of the PIP is to reward general practices that provide comprehensive, quality care, and which are either accredited or working towards accreditation against the Royal Australian College of General Practitioners' (RACGP) 'Standards for General Practices'.

Payments focus on aspects of general practice that contribute to quality care. These include:

- the use of Information Management/Information Technology (using prescribing software to generate prescriptions, electronically sending and/or receiving clinical information and providing data to the Australian government),
- provision of after hours care,
- student teaching and
- better prescribing.

This program came into effect following the recommendations made by the General Practice Strategy Review Group (GPSRG) that reported to the government in March 1998.

Over the period 1998 to 2004, this program has achieved significant success in meeting its primary objective of increasing IT uptake in the GP community. 2004 estimates show that more than 91 percent of GPs, receiving PIP payments, use computers for prescribing and sending and receiving data electronically.

Australia

Key Healthcare IT Initiatives (4)

General Practice Consulting Group (GPCG) Work Program 2001-2004

Outcome 1 - Patient Databases

- Project 1.1: Patient Register Activity
- Project 1.2: Data Model
- Project 1.3: Electronic Health Records
- Project 1.4: Privacy
- Project 1.5: Supporting the Australian Medical Software Industry

Outcome 2 - Health Professionals Communicate Electronically

- Project 2.1: Messaging
- Project 2.2: Security
- Project 2.3: GPCG Clearinghouse
- Project 2.4: National Online Continuing Professional Development (CPD)
- Project 2.5: Regional and Remote Australia

Outcome 3 - Electronic Diagnostic and Treatment Information

- Project 3.1: Decision Support and Treatment Information

Outcome 4 - Practice Administration

- Project 4.1: Reporting and Claiming
- Project 4.2: Electronic Claiming
- Project 4.3: Practice Accreditation

Outcome 5 - Research and Population Health Data

- Project 5.1: Research - Informatics Fellowship Program
- Project 5.2: Research - IM&IT Benchmarking

Outcome 6 - Consistency Across the Health Sector

- Project 6.1: Terminology
- Project 6.2: General Standards Development
- Project 6.3: Direction Setting

Australia

Key Healthcare IT Initiatives (5)

General Practice Consulting Group (GPCG) – Future Directions

Software Accreditation Scheme

The absence of a software accreditation scheme (both in primary and secondary care) has been identified as a crucial area needing more attention in the future. The GPCG is aiming to address this issue in the near future. However, ambiguities regarding the cost burden and the accountability for such an initiative are yet to be resolved.

GP Data Sets/Models

The GPCG is currently working on arriving at consistency in GP Data models and Data sets. GP Data set and Data model is an agreed set of 'core' data items that represent the elements of the information appropriate to the clinical management of a patient by a general practitioner and appropriate to the effective management of a practice. Once consistency is arrived at, this is expected to form the basis for an electronic patient record for general practice.

Guide to GP Evaluation of Software Products

The GPCG is working on a Software Evaluation project aimed at informing and guiding GPs about the different software and service offerings available in the market. This will be done by providing more granularity on the functionality and differentiation aspects of software options available with the view of helping GPs make more informed choices based on their unique needs.

Australia

Healthcare IT Standards (1)

IT14

The IT-14 Health Informatics Committee - established in 1992 – with a range of subcommittees and working groups, develops and promotes standards for Health Informatics in Australia and New Zealand.

Title	Sub-committee	Working Group	Title
IT-14-2	Health Concept Representation		
IT-14-4	System & Data Security, Integrity, Privacy		
IT-14-6	Messaging and Communication	IT-14-6-2	UN/CEFACT Health Messages (inactive)
		IT-14-6-3	HL7 Health Messages
		IT-14-6-4	Prescription Messages
		IT-14-6-5	Pathology Messages
		IT-14-6-6	Referral Messages
IT-14-7	Data Storage & Offline Devices (inactive)		

Australia 
IT14

Healthcare IT Standards (2)

Title	Sub-committee	Working Group	Title
IT-14-8	Links With External Standards Bodies (inactive)		
IT-14-9	Health Records and Modelling Coordination	IT-14-9-1	Modelling Co-ordination
		IT-14-9-2	Electronic Health Records
		IT-14-9-3	Person Identification & Linkage
IT-14-10	Electronic Commerce (to be formed)	IT-14-10-1	Supply Chain Messaging
		IT-14-10-2	Finance and Billing Messages
		IT-14-10-3	Central Repositories (inactive)
		IT-14-10-4	Product Identification

Source: IT-14 Health Informatics Committee Business Plan 2002-2007, Prepared January 2002

Australia

Overall Healthcare IT Market Drivers (1)

Realisation Of Benefits Drives Demand

There is a greater realisation of the improved efficiencies brought about by the use of IT systems in healthcare giving end-users improved connectivity, more convenient information access and sharing and greater continuity in the management of information for patient care. This is particularly felt in the context of web-based environments.

Larger Contracts Drives Revenue Growth

Consolidation at the customer end of the private hospital sector and centralisation of the procurement process in the public hospital sector (in each state) translates into large, consolidated contracts which can result in dramatic increases in healthcare IT revenues for successful companies (if the provider enjoys a good relationship with the large corporate groups and the State Departments of Health).

Integration Of Acute and Community Health Underlines IT Mandate

As the government attempts to integrate acute health and community health (trying to get the public to use community healthcare more and so reduce the high expenditure on acute health), the need for IT systems to integrate and interface between acute and community health will be increasingly felt and will drive growth.

More Demanding Customers Provide Opportunities For Innovation and Customization

Customers are more demanding and want solutions-driven offerings and not off-the-shelf offerings. This provides innovative companies the opportunity to differentiate by the level of customization they can give the customer.

Australia

Overall Healthcare IT Market Drivers (2)

Increased Adoption of Standards Boosts Value Proposition

Considering the lack of consistency that exists in data definition and coding across diverse systems, the problem of integration remains formidable. However, the increased adoption of standards such as HL7 and Open EHR is likely to help IT users realise more fully the benefits of improved connectivity. This, in the long-term, is expected to yield higher customer satisfaction levels, improve perceived value of the product offerings and eventually drive increased demand.

Replacement Of Legacy Systems Sustains New Business

Replacement of legacy systems is a significant driver of new business. Considering the fact that in a large proportion of healthcare user groups, legacy systems have been in use for between 10 to 20 years, there exists a strong replacement market potential.

Australia

Overall Healthcare IT Market Restraints (1)

Underinvestment In Healthcare IT by State/Federal Governments

Limited funding is the biggest restraint to growth in the healthcare IT sector. For example, the state of Victoria spends only 2 percent of its annual public health sector budget on IT. In comparison, the Justice system spends 11 percent and is realising substantial efficiency improvements.

However, for IT sectors that are not hospital-centric (for example: GP software), government funding is not a significant direct restraint. In what is considered an indirect restraint to the GP sector and the rest of the primary care sector, the federal government's budget for 2004 has withdrawn funding for Information Management/Information Technology departments of the Divisions of General Practice (which have so far played a proactive role in encouraging increased uptake of IT in the primary care sector).

Relatively Small End-user Market Limits Market Potential

The Aus market is not big enough (dollars-wise). Because of the small total market size in Australia and the presence of a number of large healthcare IT players in this market, the pie is small for each of these players.

Lack of Commonly-agreed-upon Priorities Slows Down Decision-making Processes

The ambiguity and overlap of roles and responsibilities among different departments takes away coherence of purpose and objectives. This prevents decision-making that has a common agenda and impedes uptake of IT systems for healthcare. In addition, the decision-making regime in use (for making purchase decisions) is in most cases, a complex and overly long process.

Australia

Overall Healthcare IT Market Restraints (2)

Crowded Market Limits Prospects For Small and Medium Companies

The presence of a number of healthcare IT multinational companies and a clutter of aggressive local players in this market makes the potential 'slice of the pie' smaller for small and medium companies entering the market and also takes away the possibility of achieving significant economies of scale.

Slow Pace of IT Adoption and Upgrade

Healthcare sector has traditionally been a laggard in IT adoption. Apart from that, once systems are installed, Australian healthcare users tend to adopt a "live with it" approach that is very often resistant to upgrade efforts. This means that replacement of legacy systems generally takes a long time. For eg, Homer systems that are 20 years old are still in use.

Centralised Procurement Trend Reduces Frequency of Contracts

The corporatisation and consolidation of the private hospital sector has increased the volume of individual contracts but has reduced their number. This means that small and medium-sized healthcare IT providers have to fight harder in their attempt not to miss out on the large contracts which are now few and far between.

Lack of IT-savvy Among Healthcare Professionals Weakens Uptake and Use

While the information-intensive environment of healthcare demands familiarity and adeptness in information management, there is a clear lack of IT-savvy and user-literacy among healthcare professionals in Australia. This manifests itself not so much in willingness (or unwillingness) to use IT systems but more in the way information is transferred and the accuracy with which it is transferred.

Australia

Overall Healthcare IT Market Restraints (3)

Ineffective Change Management Limits Healthcare IT Effectiveness

Change management at the customer's end is not as forthcoming or effective as it should be. While software is brought in, healthcare professionals are still reluctant to give up some paper-based processes. Therefore, there is no real business process re-engineering. Instead, the IT solution is 'adapted' to the existing system and so does not deliver the maximum efficiencies that are possible.

Poor Connectivity For Rural And Remote Areas Hampers Broadband Use

Broadband access becomes impractical when connectivity is inadequate. This hampers the download and use of high volume data via broadband especially in the rural and remote areas of Australia.

Australia

Total Market Revenues and Forecast (1)

Market Size

The total market for healthcare IT in Australia was estimated to be approximately A\$1.6 billion (€ 0.99 billion) for the year 2003 (software, hardware, services and maintenance revenues). This represents around 2 percent of the total healthcare spending in Australia for 2003 as opposed to 1.5 percent of total healthcare spending in 2000.

There is however, a great deal of variation in IT investment among different health establishments, ranging from 0.5 percent of the health budget to as much as 10 percent in some establishments.

Market Growth

This market is projected to grow by 13-15 percent in 2004 and thereafter by around 11-13 percent per year till 2007. The higher growth rate for 2004 can be attributed to two factors:

1. Several large, state-wide tenders announced in 2004.
2. The impetus of the national elections scheduled for the second half of 2004.

Australia

Total Market Revenues and Forecast (2)

Market Growth

The fastest growing sub-segments of the total market are software and services. Growth rate in the hardware sub-segment is virtually half that of the software or services segments. This can be attributed to the steadily declining prices of hardware.

Growth rates in the total healthcare IT market are subject to wide fluctuations on account of the fact that large value contracts/projects are not confirmed or implemented with regularity. These large value deals tend to skew growth as and when they come through.

Long-term growth will be sustained by the overall increase in public awareness and provider accountability regarding health service efficiencies and patient safety.

The government initiatives such as HealthConnect and MediConnect are expected to be prime drivers of long-term growth in healthcare IT. Private sector spending on healthcare IT, which has been sluggish over the last 3 years, is expected to rise as many systems in use are nearing end-of-life.

Australia

Product Segments (1)

Stage of Development



Due to an overlap of the market segments, individual market figures are difficult to estimate. For example, market size of data management systems is difficult to determine in the given scope of the study, as it has an overlap with EMR/HER, PACS, etc.

Australia

Product Segments (2)

Patient Administration System (PAS)

Australia's healthcare sector enjoys a very high penetration of PAS, with the majority of medium to large hospitals utilizing PAS. This makes it a strong replacement market.

Growth in this market is state-driven. The New South Wales government currently has a large tender for PAS replacement and the Victorian government is going in for a PAS replacement tender on April 19th 2004. These represent the largest PAS contracts for 2004 and will result in a significant peak in revenues for this segment. However, no significantly large projects have been announced for the second half of 2004 or for 2005.

Market Drivers

- The old PAS configurations used large, expensive mainframe and Unix servers. New PAS products run on NT or Linux servers that are half the cost to buy, run and maintain. This gives PAS providers the 'USP' of promising to lower infrastructure operating costs with new web-based PAS systems.
- In addition, the cost of training has been reduced because the new system browsers are workflow based and function-specific and so the hospital needs to invest less time and money in training.

Australia

Product Segments (3)

PAS

Market Restraints

- The PAS market is a very mature market, where the installed base and market penetration are fairly high. Therefore, replacement drives growth rather than new business.
- Current PAS systems were written around the 1930s-1950s 'institutional' approach which viewed healthcare as being within the confines of the four walls of the hospital. However, healthcare today includes day surgery units in hospitals, day surgery stand-alone centers, and more procedures being performed by GPs which earlier required hospitals. There is also the need to donate data to EHR/EMR. Therefore, current PAS offerings do not cater effectively to the widened context and the web connectivity demanded today.

For eg; even today, patients who change rooms face a consistent barrage of the same questions from different staff for the first hour after changing rooms (because the system has not taken into account the variables of the new context). This is retarding efficiency because PAS products have not been re-engineered for today's context.

Australia

Product Segments (4)

Financial/Inventory/CRM Software

This is a fairly mature market, where market penetration is already high. Therefore, growth is driven by replacement/upgrade initiatives rather than new business.

Over the last 5-10 years, substantial investments have gone into financial/inventory products, but in some instances, they have failed to deliver ROI. Because of this 'unsatisfactory' experience, some customers are more likely to shift investment focus from financial/inventory to clinical applications for the near future. Three states spent substantial amounts of money on clinical costing systems but received less-than-satisfactory value for the investment made. This has made sustained focus on financial/inventory products more unlikely.

Opportunities for CRM-based products exist in the pharmacy sector (which has traditionally utilized dispensing and point-of-sale systems only). This will be reinforced by the government's MediConnect initiatives over the next 3 to 5 years.

Competition

Oracle remains the market leader in the financial/inventory/CRM space.

Australia

Product Segments (5)

Picture Archiving and Communication System (PACS)

Market Size and Growth

Note: Despite the fact that the overlap of products/applications across the different segments of healthcare IT ruled out market sizing for each segment, the highly specific definition of the PACS segment made market sizing possible for PACS systems.

The PACS market in Australia generated revenues of A\$17.7 million (€11 million) in 2003 (Only full-fledged PACS with diagnostic reporting and archiving i.e excluding the so-called 'mini-PACS' or one-terminal type of applications). This market is projected to generate A\$22.5 million (€14 million) in revenues for 2004.

Growth rate from 2004 to 2007 is expected to be around 15-20 percent per year.

By 2010, PACS suppliers in Australia would have diversified because the sector would be nearing saturation. Replacement/maintenance revenues will sustain a 10 percent growth rate per year in this market thereafter.

The current installed base in Australia is 50 full-fledged PACS systems. Mini-PACS and single workstation modalities will account for 70 more sites.

Australia

Product Segments (6)

PACS

Market Drivers

- The PACS market in Australia is driven by productivity gains that end-users enjoy by using PACS and greater efficiencies realized through better reporting and integration of PACS with RIS.
- As much as 15-20 percent increase in productivity realized in hospitals has created favorable word-of-mouth publicity especially in the private hospital sector. In the public hospital sector, PACS facilitates multiple access by different Doctors to the same data and that has been received well. So has the benefit of no loss of film.
- The resulting cost savings by the use of PACS and RIS is a consistently strong driver of demand.
- In addition, the need for carrying images over long periods drives the archiving and storage mandate. In Australia's public hospitals, adult images have to be held for 5-7 years and images of child patients have to be held for between 21-25 years depending on the age.

Australia

Product Segments (7)

PACS

Market Restraints

- Capital cost is a big disincentive because of the substantial investment needed to procure these systems.
- The mindset of many radiologists and hospital administrators betrays a resistance to paying yearly fees for software licenses. This limits more widespread uptake of PACS.
- The difficulty with integrating PACS with other systems is a deterrent to uptake.
- In the public hospitals there is a fairly low penetration rate (only 30 percent).
- In the private sector, dominated by four large corporate groups, shareholders are reluctant to invest in PACS because they do not see the Return On Investment (ROI).

Competition

The undisputed market leader in the Australian PACS market is Agfa, with around 40 percent of the total market in 2003. It is followed by GE at 20 percent. Other key players in this market are Promedius, Kodak, Siemens, Central Data Networks (CDN) and Philips. Given the high value and sophistication of these systems, this segment of the market is not cluttered with small companies.

Australia

Product Segments (8)

Decision Support Tools

- This sector suffers from the current difficulties associated with integrating these tools with care management systems. The GP sector will present opportunities for growth, since the high penetration of prescribing and practice management software in that sector is resulting in the search for newer tools that can help ease the cost and workload burdens of GPs.

Data Management Systems

- The trend within State Health Departments toward creating shared services translates into the need for sharing diverse warehouses on a structural basis. This drives the demand for data management systems. However, integrating new data management systems with legacy systems is difficult because the coding (data definition) of different data warehouses is usually different and there is a lack of consistency.

Australia

Product Segments (9)

EMR/EHR

Distinction between Electronic Medical Record (EMR) and Electronic Health Record (EHR)

EMR is owned/controlled and managed by the hospital or healthcare provider and records episodic care. EHR, which the Australian government is championing (using HealthConnect) is the superset of EMR and is a life record made up of a variety of contributor information and with a level of consumer access.

The EMR/EHR sector represents the highest potential for new business among all product segments in the Australian healthcare IT market. Industry estimates of current penetration assert that around 10 percent of all health records are currently stored and used in electronic form in Australia. While this places Australia in a more advanced phase of EMR evolution than many western countries, it also reveals the huge untapped potential of the market. Growth potential in this market seems assured by the strong government initiative in the EHR sector.

Market Drivers

- The government's HealthConnect initiative, with pilot programs in progress across several states, is the strongest driver of growth in the EMR/EHR segment.
- The potential for combining separate EMRs (which are usually specific to one facility) and using the synergies of the combination is significant. This will translate into better waiting list management, patient tracking and patient care.

Australia

Product Segments (10)

EMR/EHR

Market Restraints

- From the point of view of the general public, privacy issues regarding EMR/EHR remain unresolved. Also, several concerns have been expressed as to how and to whom should consent be given by patients for access of their records.
- In addition, Doctors and other healthcare professionals continue to raise concerns regarding the use (and potential misuse) of data in EMR/EHR and the possible liability that they might be exposed to.
- There is a lack of ownership as to who is going to drive downward the concept of EMR/EHR. Each institution or group involved in the process guards its own 'fiefdom' and with multiple lines of funding, diffused efforts are leading nowhere toward standardisation. The public sector is comfortable with in-house EMR, but is not really concerned about patient access through EHR. In short, there is a lot of rhetoric but less actionable initiative.
- There is currently no federal solution to the problem of establishing a unique patient identifier. Individual states have EHR programmes in progress, but Australia-wide there is no unique patient identifier to facilitate a country-wide EHR.
- Since EMR/EHR is not very advanced at present, there is a very weak 'value for money' perception with potential customers. This is because they have no experience of the benefits.

Australia

Product Segments (11)

E-booking

This is a relatively untested sector in terms of benefits. In addition, there are issues related to integrating e-booking applications with legacy systems. Specialist booking will be the major growth area. The GP space is already a market with a high installed base.

E-prescribing

In Australia, around 140,000 hospital admissions are associated each year with problems relating to the use of medicines. An adverse drug reaction is reported at 10 percent of all visits to the doctor.

This lack of focus on patient risk management that has plagued the Australian healthcare sector has resulted in several publicised cases of medication errors. This has thrown the spotlight on the need for consistent and reliable safeguards in drug prescribing and dispensation procedure.

E-prescribing enjoys high penetration in the GP sector. In 1997, it was estimated (*AMA/RACGP 1997*) that less than 15 percent of GPs in Australia used computers for clinical purposes. Current figures reveal that more than 91 percent of GPs, receiving Practice Incentive payments*, use computers for prescribing and sending and receiving data electronically. * Refer Practice Incentive Program (Slide)

Pharmacy Dispensing Software

The pharmacy sector in Australia has been utilizing dispensing systems for over 20 years, thus making it one of the earliest adopters of healthcare IT in the primary care segment. While the past (and existing) mandate of these dispensing systems has been data generation, the future mandate will be data sharing (with other healthcare providers, consumers and the government). The primary driver of increased IT uptake in this sector will be the government's MediConnect initiative.

Dispensing software vendors approach pharmacies/pharmacy chains directly for marketing and selling their products. However, in the future the Pharmacy Guild of Australia is expected to increasingly play the role of aggregator (on behalf of member pharmacies).

Competition

Cosmos Limited is the market leader in this sector with around 60 percent market share in 2003, followed by the Pharmacy Guild of Australia's PCA, which accounts for 30 percent of the market.

Australia

Product Segments (12)

Mental Health Systems

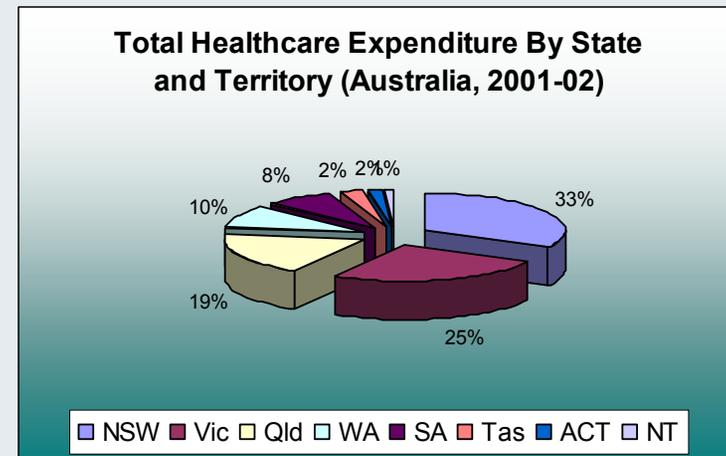
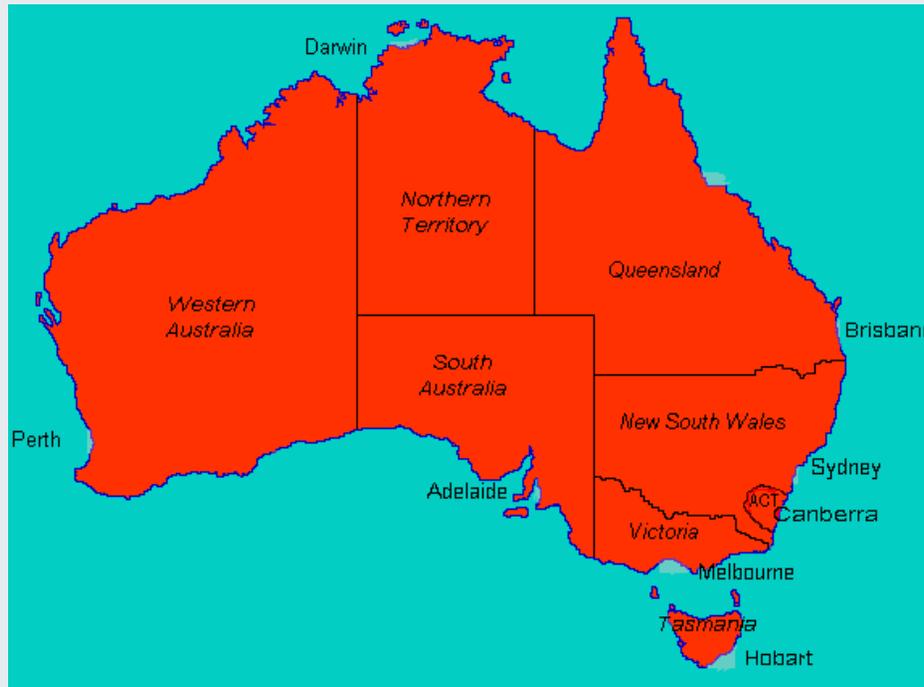
The diversity of business processes involved makes it very difficult to offer an Off-the-shelf product for this sector. Significantly, the level of customisation required for this application is very high. In addition, the approach of mental health care has changed drastically. Mental health care in Australia has moved from the focus on stand-alone psychiatric hospitals of the past to a holistic strategy today wherein patients use a variety of public and private health service providers for mental health care, including acute care hospitals, public community-based services, private psychiatrists and general practitioners.

Mobile Health Technologies

This is a relatively new sector with low current uptake. The essential restraint is the 'value for money' issue since the benefits are currently not well-qualified. Short-term growth will essentially come from hardware replacement.

Australia

Geographical Analysis (1)



Source: *Health Expenditure Australia 2001-02, Australian Institute of Health and Welfare (AIHW)*

The unique two-tier (federal and state governments) nature of healthcare funding, control and delivery translates into not one addressable market, but eight.

The size of the healthcare IT market in each state is a factor of:

- Size of the State (in terms of population)
- Healthcare funding available to the State
- Structure and implementation of healthcare in the state

The Eastern states - New South Wales, Victoria and Queensland – represent (in that order) the top 3 healthcare IT markets by state.

Australia

Geographical Analysis (2)

New South Wales: Highest potential for healthcare IT, but restrained by the poor organization of its healthcare system. Currently, there is debate regarding the whether the Area Health Services system should be abolished in favor of state-centralized administration (NSW has 17 Area Health services – each being a regional cluster of hospitals, run independently). The state currently has a tender for EHR, a project for a new human resources management system and a project for clinical point of care systems.

Victoria: Represents the second largest healthcare IT market, but is constrained by poor organization of its healthcare system. However, efforts are being made to streamline the system. The state has new tenders totalling A\$320 million in 2004, for PAS and clinical systems.

Queensland: Represents the most well-organized healthcare system among the states. Its health department undertakes centralized procurement in a structured manner ensuring uniformity of purchases across the state. The government's HealthConnect initiative has Queensland as a state of focus. This could provide EMR/EHR providers the platform needed to create a presence in the Australian market.

South Australia, Western Australia and Tasmania have reasonably well-organized health departments. However, the small size of these markets reduces their salience to the healthcare IT industry.

Australia

Pricing Trends (1)

Price Growth

In the PACS segment, the average price - ranging from A\$50,000 (€31,000) to A\$4 million (€2.48 million) - was around A\$2 million (€1.24 million).

Over the last 4 years, this price has fallen by 30 percent.

For 2004 and 2005, the average price is expected to remain stable at A\$2 million (€1.24 million). Same for 04 and 05.

End-user price drops have in some cases been on account of decline in hardware component costs. Therefore, PACS margins have remained unaffected in these cases.

For the entire healthcare IT market, average prices have eroded by 5 to 20 percent per year over the last 3 years. (Hardware prices have suffered the biggest drops).

This overall price erosion is expected to persist in the near future (2004-05).

Sectors that are projected to see growth in average price will be e-prescribing and clinical information systems.

Australia

Pricing Trends (2)

Decisive Factors Impacting Price

Inadequate Funding

The constraints on healthcare funding and the strain of balancing competing priorities translates into significant price pressure that the customer exerts on the IT vendor.

Aggressive Pricing By The Competition

Intense competition has created a scenario where it is not uncommon to find healthcare IT providers sustaining low-margin or even loss-making contracts in an effort to retain market share. Also, in many cases, homegrown (domestic) companies price several times lower than MNCs and leverage this cost advantage as an effective competitive tool.

Customer Threshold

In the Australian healthcare sector, it is virtually impossible to price above what the market is willing to pay. The 'peripheral' status that is often accorded to IT solutions translates into diminished customer conviction that IT budgets need to be increased.

Australia

Pricing Trends (3)

Decisive Factors Impacting Price

Declining Hardware Prices

The steady decline in hardware component prices has been responsible for a major proportion of the average price drop in the healthcare IT market.

Expectations Of Customers

Low operating margins because with the improvement in technology, the market expectations have risen. They expect more value for money on hardware and they get it. They expect similar value/sophistication improvements in software without having to pay more for them. They understand that a legacy system needs replacement, but not that it should cost more than the previous system.

Initial Low Cost/No Cost Entry Strategies

The initial provision of several applications free of cost was a market entry strategy that was leveraged effectively to get healthcare professionals to use new products. For example, GPs were given 'Medical Director' (prescribing/EMR) free (initial revenues for the application provider came from drug companies who put in their product/brand information into the system for prescription. However, with GPs accustomed to getting the software free (although they pay for the Practice Management software), any attempt to introduce annual fees is met with resistance.

Australia

Technology Trends (1)

Impact of Technological Advances on the Healthcare IT Market

The most obvious impact of technological advancements on the healthcare IT market has been the increased affordability of hardware and software.

Key Technological Advances

Integration

The growing trend toward integration of what once were stand-alone applications has registered the highest positive impact on the healthcare IT market. This trend is driven to a large extent by the shift in approach from stand-alone products to total enterprise-wide solutions. The underlying driver here is the paradigm shift in healthcare from organization-centric processes to patient-centric processes. A typical example of successful integration is that of PACS and RIS in the radiology sector.

Web Technologies

Improved connectivity through the web has reduced effort to access and use data, reduced patient processing times and improved decision-making at remote locations. The internet is making long-distance critical care a reality and could address difficulties in recruiting specialist health staff in remote areas

Australia

Technology Trends (2)

Broadband

There is a significant thrust that is being given to broadband infrastructure, supported by the government. Bandwidth in rural/remote areas is still far from adequate, but the government appears convinced of the benefits and is addressing that issue. Till very recently, telemedicine had been limited to videoconferencing and image viewing, due to the limitations of ISDN bandwidth. The infrastructure could not provide real interactive healthcare delivery. However, new broadband internet technology (that can carry up to 3000 times the amount of information currently possible with ISDN) is making its impact felt.

Uptake of Standards

The increasing uptake of standards such as HL7 and Open EHR represents a significant trend toward improved integration. It is expected that as standards gain wider acceptance and adoption, the current inconsistencies in data coding and definition will eventually weaken in their detrimental effect to overall healthcare IT efficacy.

Wireless Technologies

Apart from wired networks, many healthcare institutions are exploring the potential of wireless technologies for productivity gains. Portable/handheld computers are being used to update patient details, order drugs from the hospital pharmacy and view medical test results. However, there is resistance to the idea of wireless technology especially on the grounds of security concerns.

Australia

Technology Trends (3)

Use of IT

According to the 2002-03 Business Use of Information Technology (BUIIT) survey (ABS 8129.0):

Of 52,000 Health and community service businesses surveyed in Australia,

Computer use: 86 percent

Orders placed via internet/web: 25 percent

Internet use: 72 percent

Orders received via internet/web: 5 percent

Web presence: 16 percent

Broadband Penetration

According to the Internet Activity Survey (ABS 8153.0, September 2003), the total number of broadband subscribers in Australia (business, government and households) is now 657,000.

Drilling this down further to business and government subscribers, 168,000 or 24 percent of all business and government subscribers) use broadband. (70,000 use 256kbps to less than 512kbps, 73,000 use 512kbps to less than 1.5Mbps, 19,000 use 1.5Mbps to less than 2Mbps, 6,000 use 2Mbps or greater)

Broadband is defined by ABS as an 'always on', Internet connection with an access speed equal to or greater than 256Kbps.

According to the Broadband Barometer Survey, December 03-January 04:

“Broadband penetration among small businesses in Australia is significantly higher in metropolitan regions (55 percent metro, 20 percent non-metro). With broadband penetration in metropolitan regions increasing at a faster rate, the gap is rapidly widening”.

Australia

Procurement Trends (1)

Key Groups forming the DMUs in the Procurement Process



Australia

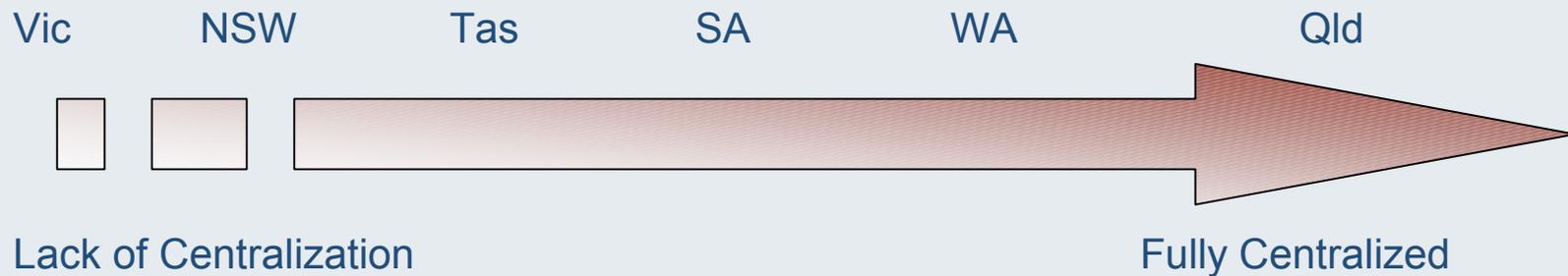
Procurement Trends (2)

Centralization of Procurement

There is a marked trend toward consolidation of procurement to single bodies for each state (as evidenced in Queensland and Western Australia). This is also reflected in the growing momentum gathering behind the argument to abolish the Area Health Service approach in New South Wales (which currently has 17 Area Health Services; each running independently of the other).

Another trend is to increase the shared information between states regarding procurement and use.

On the Path Toward Completely Centralized Procurement Strategy



Australia

Procurement Trends (3)

Key Public Sector Purchasing Groups In the States

New South Wales

Area Health Services

NSW Department of Health

www.health.nsw.gov.au

The NSW Health Peak Purchasing Council
(HPPC)

www.ppc.health.nsw.gov.au

Department of Commerce, State Procurement
(SP) and State Contracts Control Board (SCCB)

Victoria

Health Purchasing Victoria (HPV)

www.hpv.org.au

Victorian Government Purchasing Board

www.vgpb.vic.gov.au

Victorian Government Tender System

<http://www.tenders.vic.gov.au>

Queensland

Queensland Purchasing

www.qgm.qld.gov.au

Department of Health

www.health.qld.gov.au

Western Australia

Department of Health

www.health.wa.gov.au

South Australia

South Australian Department of Human Services
(DHS)

www.dhs.sa.gov.au

Australia

Procurement Trends (4)

Key Public Purchasing Groups In the States

Tasmania

Tasmanian Department of Health and Human Service (DHHS)

www.dhhs.tas.gov.au

Northern Territory

Northern Territory Department of Health and Community Services

www.nt.gov.au/health

Australian Capital Territory

ACT Health

www.health.act.gov.au/c/health

Australia

Procurement Trends (5)

Duration of the Decision-making Process

On an average,

- For low-value, one-off purchases – Within 1 month
- For minor systems – 3 to 6 months
- For major systems – 1 to 3 years

Most Significant Factors Delaying the Decision-making Process

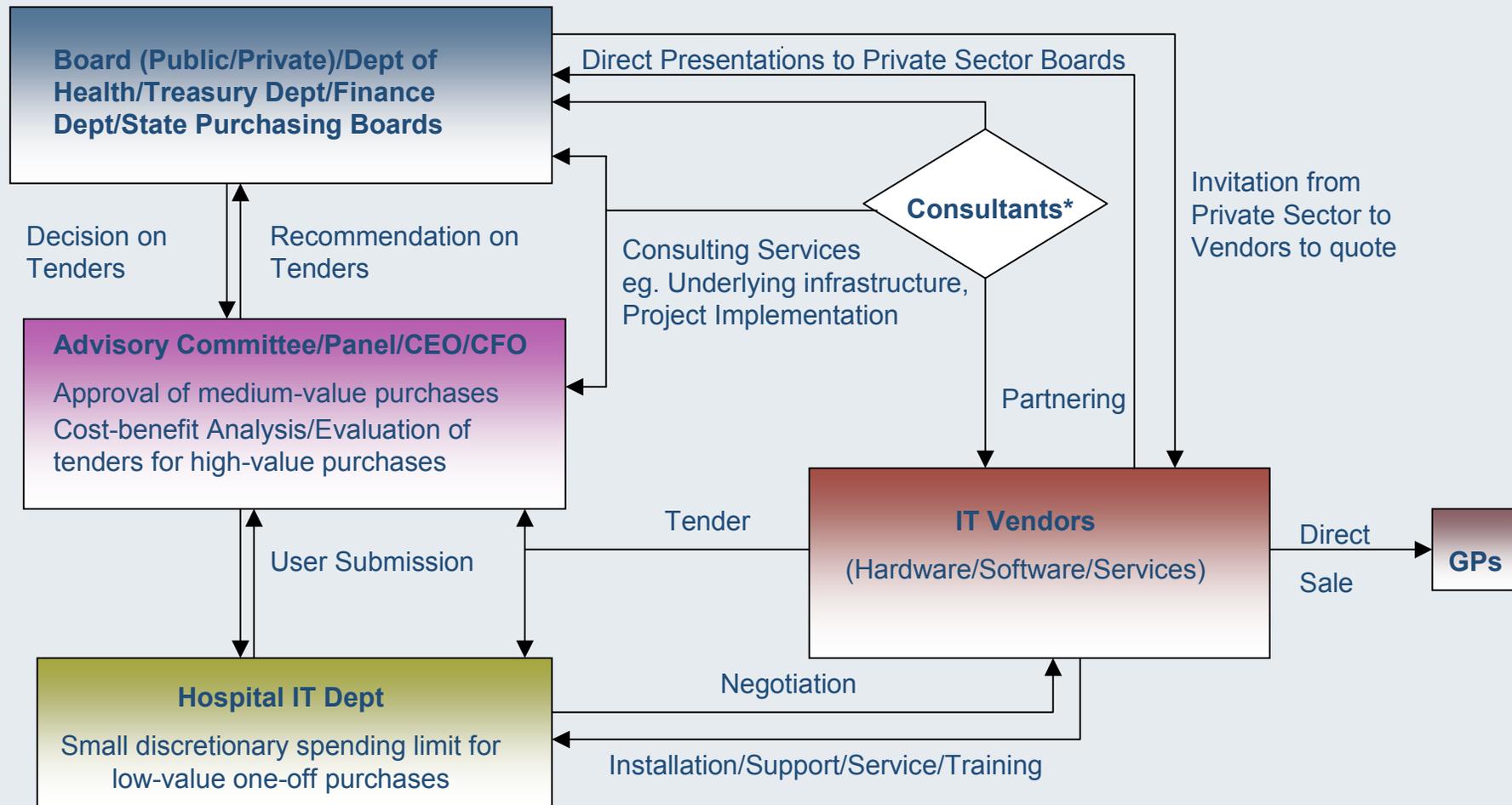
- Budgetary constraints
- Competing priorities taking precedence
- Overly long tendering process
- Vendor/Product evaluation process
- Administrative delays

Significantly, all of the above factors are customer-specific, thus leaving IT vendors with no specific action points at their end that can reduce delays.

Australia

Procurement Trends (6)

Typical Procurement Process



Australia

Procurement Trends (7)

*Consultants

As opposed to the usual public tender approach, certain state governments have awarded contracts to external consultants to perform the following functions:

- Application and infrastructure development and support
- Strategic IT consulting services
- Benefits realization
- Project management
- Change management
- Enterprise architecture services

These consultants play a significant role in selection and partnering with Application providers.

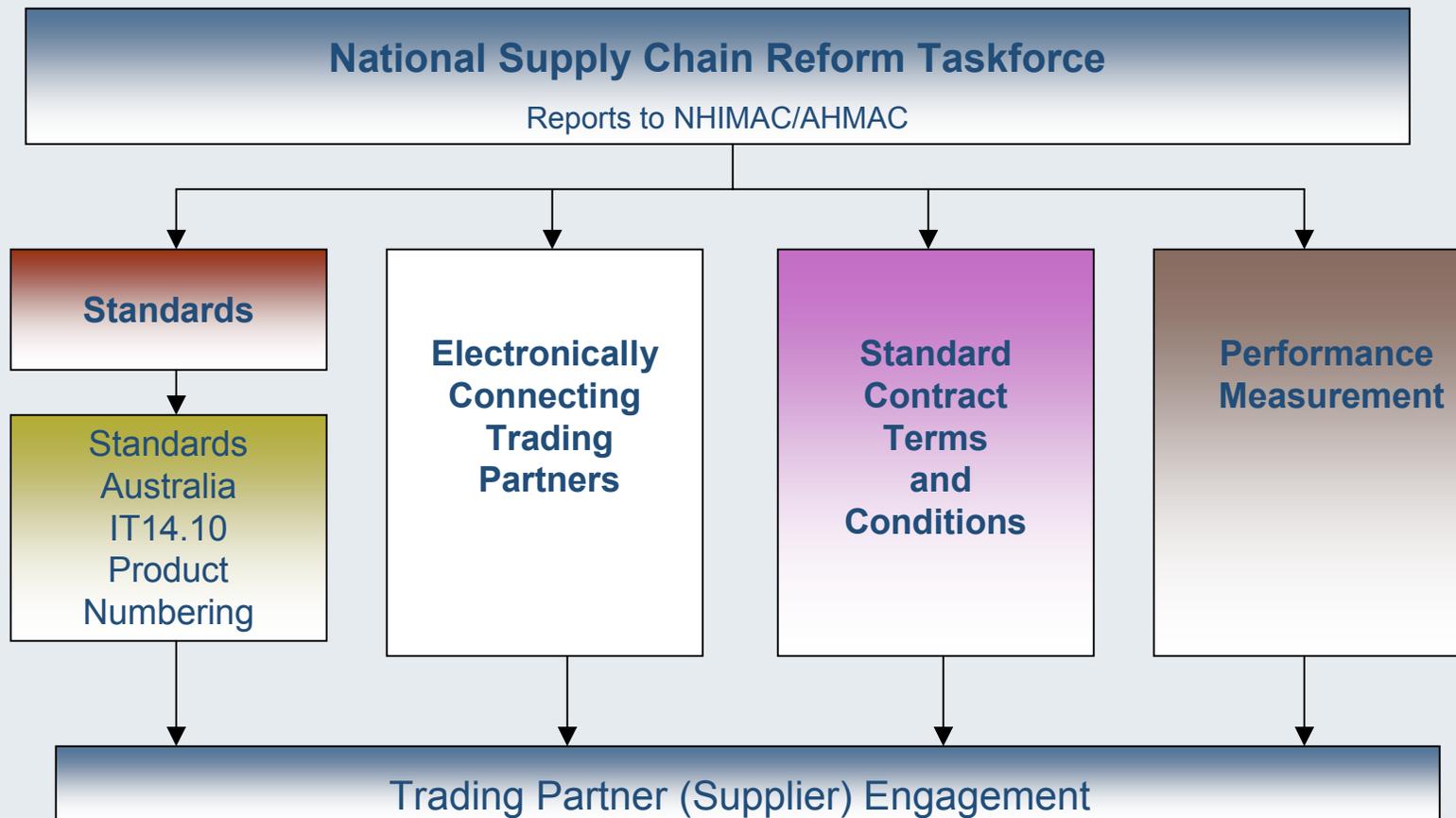
A typical example of this is the InfoHEALTH Alliance formed by the Western Australian Department of Health with DMR Consulting group in June 2000. DMR Consulting (now part of Fujitsu Australia) was awarded the contract of managing IT for all Western Australian public hospitals (13 metropolitan and over 70 rural hospitals) and health services.

Australia

Procurement Trends (8)

National Supply Chain Reform Taskforce

Established in 2000 to facilitate increased efficiencies in the Australian healthcare supply chain.



Australia

Competitive Landscape (1)

Competitive Structure

Tiers Of Competition

The Australian healthcare IT market is characterised by 3 tiers of competition:

Tier 1: Large multinational companies and large Australian-owned companies

For example: Fujitsu, iSOFT, GE and Agfa (multinationals) and IBA Health and TrakHealth (Australian-owned)

Number of competitors: Around 6-10

Tier 2: Medium-sized Australian-owned companies and large multinationals with a relatively small presence in Australia

For example: HCN (Australian-owned) and Kodak (multinational)

Number of competitors: Around 15-20

Tier 3: Small domestic companies who cater to niche markets

This segment contains a clutter of small companies that compete on aggressive pricing, high levels of customisation and low overheads.

Australia

Competitive Landscape (2)

Key Mergers & Acquisitions Impacting the Australian Healthcare IT Market

April 2004: DMR Consulting, a Fujitsu company, merges with Fujitsu Australia

March 2004: Pro Medicus Ltd, Australia acquires Medibase (clinical records system for the GP desktop space)

March 2004: IBA Health acquires KCS Integrated Software Solutions (management information systems developer for aged and community care)

January 2004: iSOFT acquires Torex

January 2004: iSOFT acquires Galen, New Zealand (legacy systems)

January 2004: iSOFT acquires iHealth, New Zealand (e-health record product)

October 2003: IBA Health acquires Medical Spectrum (GP and specialist practice management software)

November 2003: Kodak acquires Algotec Systems Ltd in Israel (PACS)

September 2003: Torex acquires HAS Solutions (clinical trauma systems)

January 2003: Cosmos Limited acquires Australian Manufacturers (AMFAC) (pharmacy dispensing systems).

January 2002: iSOFT acquires Paramedical Pty Ltd (which owns STOCCA, the hospital based pharmacy software package)

January 2002: Agfa-Gevaert N.V. acquires Mitra Inc. in Canada (imaging and information management systems for radiology)

August 2001: Strategic alliance formed between Pro Medicus Ltd, Australia and Agfa in Australia to provide a single RIS-PACS product

May 2001: iSOFT acquires Eclipsys Limited and Eclipsys Australia Pty Limited from Eclipsys Corporation

June 1999: GE Medical Systems acquires Applicare Medical Imaging (PC/NT-based systems for PACS and tele-radiology)

Australia

Competitive Landscape (3)

Key Competitive Tools in the Australian Healthcare IT Market

Relationship With Customer

Customer preferences vary across Australia from region to region or state to state (for example, some might prefer established brand names of multinational companies, while others may not). However, what remains uniform across all regions is the importance placed on the customer-supplier relationship. This is by far the most significant competitive tool in the Australian healthcare IT market.

Aggressive Pricing

The ability to deliver quality at low costs is one of the most effective points of leverage being used in the extremely competitive environment of healthcare IT. Small home-grown companies price three to four times lower than MNCs. In some cases, companies win and execute contracts that yield little or no profits simply to retain market share.

Local Presence/Local Support and Service

MNCs have found the localised presence of domestic companies especially challenging considering the fact that customers can feel very exposed without local support and service.

Australia

Competitive Landscape (4)

Key Competitive Tools in the Australian Healthcare IT Market

Customised Solutions

Among the most aggressive competitive tools used is the ability to customise products to the needs of the local Australian market. Companies such as IBA and Trakhealth have demonstrated the significance of this strategy. Overseas companies with inflexible product offerings (only one version across the globe) suffer in comparison to the domestic companies who are willing to write out new applications specific to each client's needs and context. The ability to understand and meet local needs of the end-users and to create R&D partnerships with customers is crucial. On many occasions the international 'flavour' of MNCs works against them while the customised approach of domestic home-grown companies is viewed favourably.

Company Credibility and Experience (Especially Demonstrated in the Local Market)

Customers seek risk-minimisation decisions. They want a comfort level that comes from knowing that the company they are employing has successfully done similar work in the country and has the necessary resources and experience. References / Credentials of effective product use in the local market are more important than those in western (highly developed) countries (though that could also have a positive effect).

Australia

Competitive Landscape (5)

Key Competitive Tools in the Australian Healthcare IT Market

Expertise in Integration

The value proposition for healthcare IT providers rests on the ability to help customers achieve integration between their various departmental systems. It is no longer just the featured product that is important. It is how well the products can be integrated with the rest of the system.

Niche Marketing

Companies that attempted to offer 'everything' (total solutions) to the customer have not been met with success because customers realise that the provider cannot be a specialist in all sectors and solutions. Monolithic organisations that attempt a "one-stop solutions" positioning do not have the competitive edge.

Emerging Technologies

Customers are constantly on the lookout for technologies that increase convenience and the ease of use. Web-based or wireless solutions and the use of standards such as HL7 are some examples of the growing emphasis on the use of emerging technologies to deliver greater end-user benefits.

Product Bundling

This strategy works in some cases, but not with high-value systems such as PACS where customers are educated enough to know exactly what they want (so they 'shop around') thus effectively resisting bundling offers.

Australia



Competitive Landscape (6)

Market Leaders

Healthcare IT Market excluding PACS

iSOFT is the market leader with a 40-50 percent market share in 2003. It is followed by IBA Health, Global Health, TrakHealth and Cerner. These companies form the top tier of the competitive landscape, with a vast gap followed by a large clutter of small companies which cater to niche segments.

GP Prescribing

Health Communication Network (HCN) enjoys a virtual monopoly of this market with an 85 percent market share (computerised GPs) in 2003 through its flagship brand – 'Medical Director'.

Australia

Competitive Landscape (7)

Profile of Key Market Participants

Agfa Gevaert Ltd

www.agfa.com.au/healthcare

The market leader in the Australian PACS market, AgfaGevaert Ltd, with around 40 percent of the total PACS market in 2003, is headquartered in Melbourne, Victoria, with offices in Sydney, Brisbane, Adelaide and Perth. The company has been active in the Australian market for over 75 years and currently has over 50 staff dedicated to the healthcare market alone. Agfa Australia's healthcare division has been growing at a rate of around 30 percent per annum over the last several years. It's current turnover is in excess of A\$60 million. The company is planning to enter the PAS and EMR markets in Australia very soon.

Australian Healthcare Technology Limited (AHTL)

www1.ahtl.com.au

The company's main product offering is 'EHRLink' - a Java-based practice management system for GPs, specialists and consultants. Other products include, 'MedWin-PMS' - a Windows-based practice management software and 'Habit Dental' - a Windows-based software for Dentists and Orthodontists. In May 2002, AHTL outsourced the services and after-sales support functions in Australia to Blade Information Technology Services Pty Ltd.

Birlasoft Inc.

www.birlasoft.com

Birlasoft is the global technology services division of the GP-CK Birla Group, one of India's leading industrial houses, with equity participation by GE Capital. Birlasoft's international product is 'eHospital' – a modified CRM solution. The company is currently not an active player in the healthcare sector in Australia, focusing instead on the financial sector (banks and financial institutions) and manufacturing. They will be entering the healthcare space, but at present their sales force is focusing on other chosen verticals.

Australia

Competitive Landscape (8)

Profile of Key Market Participants

Cerner Corporation Pty Ltd

www.cerner.com

US-based Cerner Corp. is a leading supplier of healthcare IT, which is especially prominent in the public-sector segment of the Australian market for clinical information systems and PAS.

Cosmos Limited

www.cosmos.com.au

Cosmos Limited is the market leader in dispensing systems and point-of-sale systems for the pharmacy sector, with around 60 percent market share, through its business units - PharmaSol Pty Ltd and Dynsol Pty Ltd trading as AMFAC.

CSC Australia Pty Ltd

<http://au.country.csc.com/en/index.shtml>

Since 1970, US-based Computer Sciences Corporation (CSC) has been offering consulting, systems integration, infrastructure outsourcing, application services and labour supply expertise to the Australian market.

EDS

www.eds.com/australia/au_profile.shtml

The key offerings of EDS in Australia are systems integration, backbone infrastructure design, management and control. In Australia, EDS has so far catered to the financial, telecommunication, communication; federal government and defence sectors. The company is now entering the healthcare sector. The company's market entry strategy for the Australian healthcare sector will be the setting up a consortium of vendors (equal partners) through whom EDS will meet market needs by system integration and project management.

Australia

Competitive Landscape (9)

Profile of Key Market Participants

Fujitsu Australia

www.fujitsu.com/au

On April 1st 2004, DMR Consulting, a Fujitsu company, merged with Fujitsu Australia, to create a new organisation - Fujitsu Australia and New Zealand. This new entity – estimated to be worth A\$600 million, with 2300 staff – offers consulting, service and hardware to the healthcare sector in Australia.

GE Medical Systems

www.gemedicalsystems.com/auen

US-based GE Medical Systems offers diagnostic imaging solutions to the Australian healthcare IT sector.

Genie Solutions Pty Ltd

<http://www.geniesolutions.com.au/>

This company's main offering is a practice management software for GPs and other health professionals.

Global Health Limited

www.global-health.com

Global Health Ltd is a wholly owned subsidiary of Working Systems Solutions Ltd, a publicly listed Australian information technology company, specialising in health, education and e-commerce solutions. The company's key products include 'MasterCare' (EMR), 'Locum' (practice management software), 'BJS' (hospital management system), 'Chiron' (integrated healthcare system) and 'e-PAS' (PAS).

Australia

Competitive Landscape (10)

Profile of Key Market Participants

HAS Solutions

www.hass.com.au

Headquartered in Sydney, Australia, HAS Solutions provides systems for emergency departments, operating theatres, admissions, clinic scheduling, ambulatory services, endoscopy clinics and intensive care. In September 2003, the company was acquired by Torex Plc, which was in turn acquired by iSOFT in January 2004.

Hatrix Pty Limited

www.hatrix.com

Headquartered at Canberra, Australia, Hatrix is among the leading providers of e-prescribing software through its products, 'MedChart' and 'Reference Viewer'.

Health Communication Network (HCN)

www.hcn.net.au

This Australian company is the market leader in GP prescribing software. Its 'Medical Director' software is used by over 16,000 doctors, representing 85 percent of the computerised GPs in Australia. The company is also active in the practice management software space through its 'PracSoft' product for GPs and its 'Blue Chip' product for specialists.

Australia

Competitive Landscape (11)

Profile of Key Market Participants

IBA Health Ltd

www.imatech.com

Founded in Melbourne, Australia in 1982, IBA Health currently offers healthcare IT solutions in Australia, New Zealand, Singapore and the UK. The company has traditionally been focused in the private-sector healthcare segment. Its main areas of expertise include EMR, PAS, financial, clinical and pharmacy medication management software. In March 2004, IBA Health acquired KCS Integrated Solutions (provider of integrated IT solutions to the aged and community care sector). This acquisition is part of IBA Health's strategy to stay in step with its clients (for example, when Ramsay moves into the aged care sector, IBA Health will now - through its acquisition of KCS - already be there for them).

IBM Australia Ltd

www.ibm.com/au

The global IT major, IBM offers a wide range of hardware, software and middleware for the healthcare sector. Main software product offerings in Australia include business applications such as network integration, workflow management, business intelligence software, financial, ERP and CRM systems.

iSoft Australia

www.isoftplc.com

UK-headquartered iSOFT is the market leader in the Healthcare IT Market excluding PACS (with a 40-50 percent market share in 2003). The company has followed an aggressive growth by acquisition strategy in Australia that has helped cement its place as a leading IT provider in the region. For competitors to iSOFT, the company's large NHS contracts in the UK could present the possibility of less focus by iSOFT on the Australian market for the near-term.

Australia

Competitive Landscape (12)

Profile of Key Market Participants

Kodak (Australasia) Pty. Ltd

www.kodak.com/go/health

US-headquartered Kodak offers PACS, RIS, medical film and medical printing for mammography and oncology. The company is planning several new product launches in the next 6 to 12 months. However, most of these new product roll-outs are improved software or improved features, not radically new offerings. In 2003, 3 PACS systems were shipped by Kodak to the Australian market. Medical films are still the biggest revenue earner for the company in the Australian healthcare. According to the company, the November 2003 acquisition of Algotec Systems Ltd in Israel (PACS) has strengthened its competitive edge on the product front. However, their repeated entry/exit into-and-out-of the Australian PACS market has dented the credibility of Kodak in this sector.

McKesson Asiapacific

www.mckesson.com.au

Part of McKesson Corporation, McKesson Asiapacific's primary product offering is health call centre services and software, in which it is one of the leading market participants in Australia. Other products include PACS and inventory software.

Orion Systems International Limited

www.orionhealth.com

New Zealand-headquartered Orion Systems has the following primary product offerings: 'Soprano workflow' is a decision support tool that delivers e-prescribing. 'Concerto' and 'Soprano workflow' deliver EMR together. 'Symphonia' and 'Rhapsody' are back-end solutions. The company ships 100 'Symphonia' copies and 100 'Rhapsody' copies per year. 'Concerto' and 'Soprano' are enterprise-wide solutions with which there is a large service component involved.

Australia

Competitive Landscape (13)

Profile of Key Market Participants

Pharmacy Computers Australia (PCA)

www.pharm.com.au

PCA was established by the Victorian branch of the Pharmacy Guild of Australia in 1993. The company's flagship product is Fast-Reliable-Easy-Dispensing Software 'FRED'. PCA currently accounts for 30 percent of the market for pharmacy dispensing systems.

Philips Medical Systems Australasia

www.medical.philips.com/au/

Global major, Philips Medical Systems offers PACS and mobile technology software and services to the Australian market. In 2003, the company shipped 2 PACS systems into the Australian market. In 2004, it estimates that it is likely to ship 5-6 systems and by 2005-06, around 8-10 systems per year.

Pro Medicus Limited

www.promedicus.com.au

Its main product offerings include practice management systems, medical email (Promedicus.net) and digital imaging products. The company's recent acquisition of intellectual property to a clinical records system will enable ProMedicus to compete against market leaders in the GP desktop software space – HCN. Also, the alliance formed between Pro Medicus and Agfa in Australia to provide a single RIS-PACS product has also helped reinforce the company's presence in the radiology PACS sector.

Sectra Pty Ltd

www.sectra.com/medical

Headquartered in Sweden, Sectra main offering to the Australian market is PACS solutions. In this it is aligned with Philips Medical Systems. The company has 2 PACS sites currently with 6 new sites projected by 2005.

Australia

Competitive Landscape (14)

Profile of Key Market Participants

Siemens Ltd

www.medical.siemens.com

The German-based multinational's key offerings to the Australian healthcare IT market are PACS and PAS.

Synapse Medical Systems Pty Limited

www.synmedsys.com

This Australian company supply software and hardware to the GP and specialist sector. Software includes practice accounts management and patient records packages.

Toshiba Medical

www.toshiba.com.au

Japanese-based electronics multinational, Toshiba's main product offering to the Australian healthcare IT space is medical imaging solutions such as CT Scan, X-ray and Ultrasound.

TrakHealth Pty. Limited

www.trak.com.au

Australian company, TrakHealth's flagship product for the Australian healthcare sector is 'MedtRak' – a hospital information system centred round the electronic patient record. This system incorporates PACS facilities, e-booking, e-prescribing, decision support and mobile access options. The company's growth strategy for the future will see it focusing more on overseas markets rather than the Australian market (which it estimates cannot promise significant further growth).

Australia

- 03: Conclusions & Recommendations
 - Summary of Healthcare IT Market
 - Barriers to Entry
 - Potential Target Markets
 - Entry Strategy
 - Marketing Strategy
 - Distribution Methods

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Australia

Summary of Healthcare IT Market

Key Differences Between the Australian Market and Other Evolved Markets

- The Australian healthcare IT market is small in comparison to US or UK markets
- Unlike the NHS in the UK, Australian healthcare suffers overlap in roles and responsibilities through its two-tier (federal and state governments) approach to healthcare funding, control and delivery.
- Australian healthcare is government-driven, as opposed to US healthcare, which is essentially insurance-driven
- Australian healthcare in the primary care sector shows more advanced use of electronic software than that of the US market.
- In RIS, Australia is in fact ahead of the US in technological terms. In PACS, Australia is on par with the US.
- Unlike the NHS number in the UK, Australia lacks a unique patient identifier across the country.
- Unlike the US market, which treats healthcare IT as the backbone of the system, many Australian decision-makers still accord IT solutions a 'peripheral' or 'add-on' status.
- Except for certain sectors, Australian healthcare IT has a generally slower rate of technological obsolescence than US or major European markets.
- The large Australian domestic healthcare IT suppliers have established strong track records in quality that are comparable with those of leading multinational companies. The success of Australian companies in overseas markets substantiates the fact that the Australian healthcare IT industry is globally competitive.

Australia

Barriers to Entry (1)

Small Market

In terms of market revenue potential, Australia is a relatively small market. This leaves little space for entrants to manoeuvre, both in terms of justifying investment levels (in customisation of products, marketing, distribution and client support) and in achieving economies of scale.

Low Price Threshold

The healthcare sector in Australia runs 'lean and mean' systems, which imply that the buyer generally has a low price threshold. Therefore, new overseas companies who have to import products into Australia will find themselves at a disadvantage considering the fact that home-grown companies price several times lower than MNCs in the market.

Crowded Market With Established Players

The main healthcare IT MNCs are already in this market, which is also saturated by a clutter of small to medium-sized domestic companies. Several existing players (domestic companies or MNCs) have strong market shares in most segments. New small to medium-sized entrants have to contend with the aggressive pricing and extensive customisation which domestic companies boast of and the marketing, financial and brand muscle that the existing MNC players bring to the market.

Australia

Barriers to Entry (2)

Customer Demand For Local Reference Sites As Demonstration Of Credibility

The Australian market is at that point of maturity in its lifecycle where the customer wants to see if an IT product has worked in the Australian market before adopting it – regardless of overseas credentials. This translates into significant emphasis placed on local reference sites which have successfully adopted the product being proposed.

High Cost Of Sale

The cost of sale is substantial in Australia because of the long time-cycle for decisions, complexities in the tender process and inventory challenges facing overseas companies supplying to the Australian market.

Not One, But Eight Markets

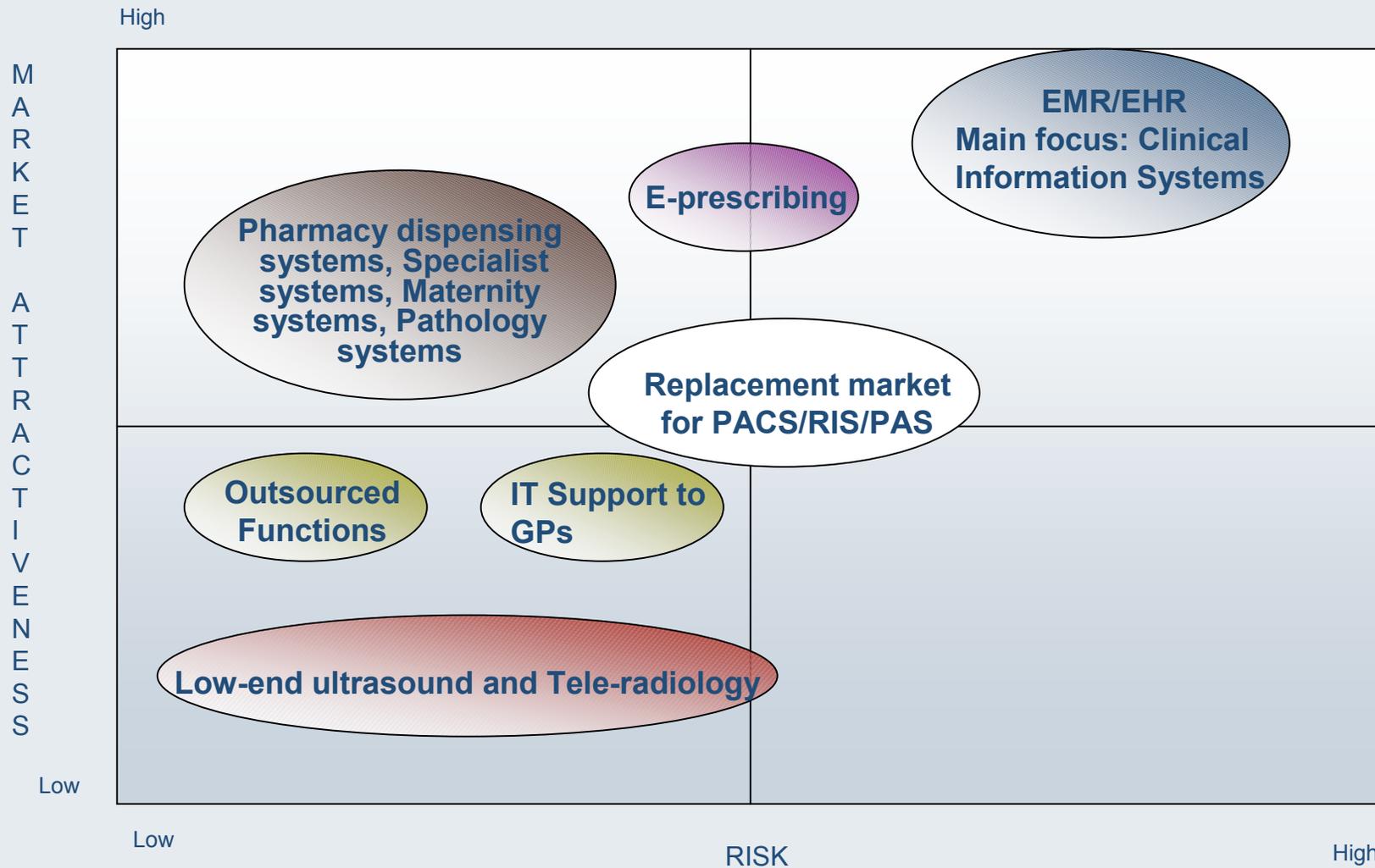
The peculiar nature of healthcare funding, control and delivery in Australia (with federal and state governments working in a two-tier manner) presents new entrants with the challenge of addressing market needs based on the diverse contexts of each state or territory. In addition, the bureaucracy of each state or territory is difficult to handle.

Impact of Funding Pressures on Payments to IT Vendors

As seen in the medical device industry, suppliers are facing delays or non-payment from their hospital customers. For small suppliers this means a virtual 'dead-end', whereas large suppliers can force the issue by threatening to withhold further supplies to get payments realised.

Australia

Potential Target Markets (1)



Australia

Potential Target Markets (2)

Opportunities For New Entrants

- Government initiatives revolving around HealthConnect present the biggest opportunity for healthcare IT companies in the form of EMR/EHR projects. This segment is projected to become the backbone of the evolving health system in Australia. Companies that customise their offerings to this segment (specifically the clinical information systems) will possess the key strategic leverage necessary for growth in this market. However, the risks are very high in the long-term, since the nature of the system is such that eventual state-wide roll-outs of a selected EMR/EHR could mean a closed market in that region for products/companies not selected.
- Opportunities exist for small and medium companies to target niches such as pharmacy dispensing systems, specialist booking systems (not the GP sector, which already has high market penetration and installed base), maternity systems and pathology systems. This is a fairly attractive market with a low risk component.
- E-prescribing will remain a key focus area for the specialist sector and public and private hospitals. Prescription packages enjoy high penetration in the GP sector. Therefore, the focus in the primary care market should be the specialist sector. According to the ABS, as at June 2002, prescription packages were used by 60.4 percent of all GP practices as opposed to only 7.9 percent of all specialist practices. Demand will be driven by the need to reduce prescribing/medication errors and consequent adverse events.

Australia

Potential Target Markets (3)

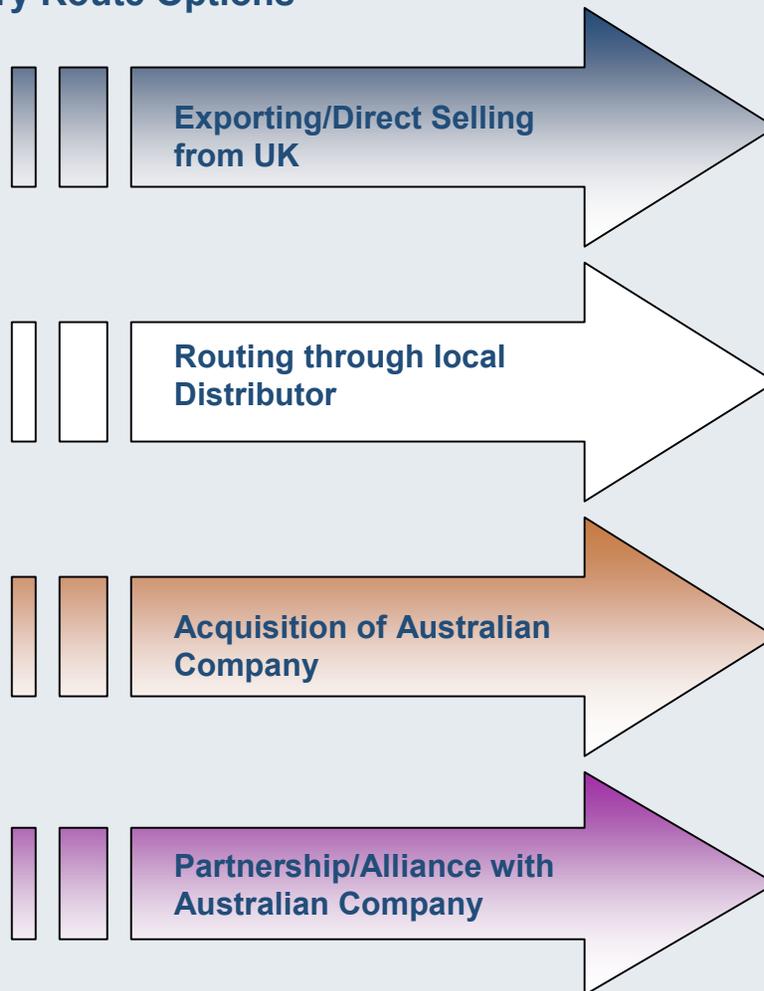
Opportunities For New Entrants

- The replacement market for PACS/RIS/PAS presents both short- and long-term opportunities for new entrants. This is because they (along with clinical information systems) form key building blocks in the creation of EHR. It has fairly high level of attractiveness but considering the well-entrenched competition, risk levels are equally high.
- With increased staffing pressures, hospitals are looking to increase their outsourcing of IT-related functions such as IT infrastructure design, application support, help desk and hardware and network support. This presents significant opportunities to companies who can create a localized presence.
- Despite the high penetration of computers and internet use in the GP sector, the ability of the GP profession in Australia to effectively utilize new IT products has been found wanting. This is because of the low comfort levels of most GPs with regard to the transition to more advanced IT systems (and the subsequent change in work patterns). Companies that can provide the adequate levels of “hand-holding” for GPs - in terms of IT support – stand to gain significantly by meeting this unmet need.
- Low-end ultrasound and tele-radiology also present opportunities to small and medium-sized companies. This is a low risk market, which only a few companies would find very attractive. The reasons for teleradiology’s prominence in the telemedicine industry in Australia (with only telepsychiatry achieving similar levels of activity through the use of video-conferencing) include the quality of the images, the speed of decision-making that is facilitated, the portability of the technology and the greater cost-effectiveness that has been achieved.

Australia

Entry Strategy

Entry Route Options



Recommendation to Potential Market Entrants

Preferred Entry Route – Partnership/Alliance.

Advantages of this Approach:

- Shared risk
- Smaller upfront investment commitment
- Short start-up time
- Synergies through combination of strengths
- Immediate fulfillment of local presence criteria (important requirement in most tenders)
- Local partner's inputs will help British SME to understand the market faster and realign business approach accordingly
- Win-Win platform (Australian company could see the alliance as potential market entry route to Europe and vice versa)
- Fits in well with the 'consortium' approach to new business

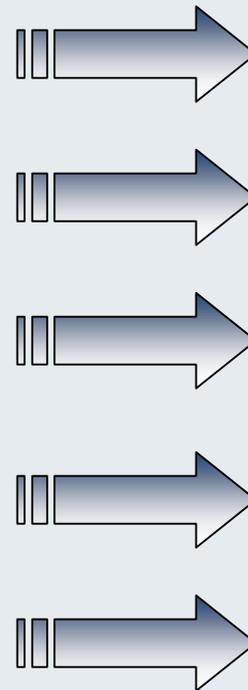
Australia

Marketing Strategy (1)

Nurture-and-Harvest Approach

For new entrants, the nurture-and-harvest approach is recommended. This translates into aggressive pricing at the initial stages with the objective of winning and retaining business, which at a later stage can be 'harvested' for higher value contracts. Aggressive pricing to win initial orders is critical since most customers place emphasis on reference sites and for small-to-medium-sized companies, such a portfolio can be built by pricing at-cost for the market entry phase.

Multi-pronged Approach



- Tenders* to State Departments Of Health and centralized procurement bodies
- Direct Pitches to Private Corporate Groups/ Not-for-profit Groups (for Private Hospitals / Radiology or Pathology chains)
- Liaison with Consultants
- Visibility at Healthcare Associations
- First Step: Participation in HISA's HIC 2004*

*Elaboration on following slides

Australia

Marketing Strategy (2)

Tendering and Supply

New entrants would need to contact the following bodies for tendering and supply to the government:

Commonwealth of Australia
Finance and Administration Department
www.gitc.finance.gov.au

New South Wales
Office of Information & Communications
Technology
Department of Commerce
www.oit.nsw.gov.au

Northern Territory
Department of Corporate and Information Services
www.nt.gov.au

Queensland
GITC Services
Department of Public Works
www.gitc.qld.gov.au

South Australia
Supply SA
www.tenders.sa.gov.au

Tasmania
Department of Treasury and Finance
www.treasury.tas.gov.au

Victoria
Victorian Government Purchasing Board
www.vgpb.vic.gov.au

Western Australia
Department of Industry & Technology
www.indtech.wa.gov.au

Australia

Marketing Strategy (3)

Tendering and Supply

While the Queensland government has the most organized process for IT supplier entry, the other states are moving toward streamlining the process of procurement.

IT suppliers to the Queensland government need to obtain the Government Information Technology Conditions (GITC) accreditation. By Queensland's State Purchasing Policy, government buyers must purchase IT products and services from GITC accredited suppliers only. GITC accreditation provides the mechanism for government buyers and IT suppliers to enter into a commercial arrangement.

For IT supply to the federal/commonwealth government, new entrants need to sign the Endorsed Supplier Arrangement (ESA). The Victorian and Western Australian governments also use the ESA as a framework for procurement.

Online Tendering

Apart from monitoring the online tendering websites (Refer Slide - Key Public Sector Purchasing Groups In The States), it is recommended that market entrants consider subscribing to:

Tender Search (www.tendersearch.com.au): "Australasia's only ISO quality-certified tender notification and bid management specialists. Since 1984 businesses from every industry have relied on TenderSearch to source government and private tenders, manage their tender responses, provide training on how to win tenders, and advertise their purchasing requirements". – *From the website*

Australia

Marketing Strategy (4)

HISA's HIC 2004

Health Informatics Society of Australia Ltd (HISA) was established in 1992 by representatives of health informatics groups in Australia. HISA organises an annual Health Informatics Conference (HIC), which provides a meeting place for healthcare IT providers, buyers and users. It includes the biggest Health ICT exhibition in Australia.

HIC 2004 is HISA's 12th HIC. It will be held in Brisbane on 25-27 July 2004 at the Brisbane Convention & Exhibition Centre. Future Venues: HIC in 05: Melbourne. In 06: Sydney. In 07: Brisbane

www.hic.org.au and www.hisa.org.au

For Exhibitor Opportunities, contact the Conference Secretariat, Ms Joan Edgecumbe at hisa@hisa.org.au

Australia

Marketing Strategy (5)

Relationship-building with Key Decision-makers: Building a rapport with customers is perhaps the single most effective approach to winning and retaining business in the Australian healthcare IT market. This takes on added importance considering the trend toward centralization of procurement in the public sector and the consolidation in the private sector. In effect, this means that fewer customers will be making decisions on larger volume contracts than at any time in the past.

While this involves sufficient “face-time” and consistent follow-up, it also entails implementing promotions targeted at the decision-makers.

Most importantly, marketing and client support from the IT vendor should not suffer from a ‘revolving door’ phenomenon in terms of personnel who interact with the client.

Building the ROI Case: New entrants must be keenly aware of the competing priorities for funding. There is always pressure on the healthcare system for more investment on critical basic services. This takes priority over healthcare IT investment. Therefore, effective marketing must involve building a clear and compelling ROI case, substantiated by a convincing cost-benefit analysis and a strong value-for-money positioning.

Direct Mail Campaigns: Using email lists and contact databases (which can be purchased), a targeted Direct mail campaign can help introduce the new entrant to potential buyers and decision-makers.

Events: The new entrant can generate high visibility by sponsoring/co-sponsoring conferences where potential customers and key decision-makers are invited as resource/panel participants.

Australia

Marketing Strategy (6)

Focus on Aggregators: The role of aggregator bodies such as associations and guilds in influencing healthcare IT purchase decisions and policy cannot be overemphasized. Potential entrants would do well to liaison with aggregators such as Pharmacy Guild of Australia, Divisions of General Practice, Australian Medical Association and Australian Private Hospitals Association. In the long-term, this may prove fruitful in business development. For example, the Pharmacy Guild of Australia plans to take a more active role in representing members (pharmacies) in the purchase of IT products and services.

A strong relationship with aggregator-type institutions also helps increase the new entrants' leverage with the development of new standards and the changing of existing standards.

Australia

Distribution Methods

Direct Sale: Most healthcare IT providers in the Australian healthcare sector prefer to set up their own sales offices for direct sale to customers. Using an agent is not normally adopted with sophisticated systems because the nature of these systems calls for expertise in client interface and a Customer support team (Call centre) to handle customer queries regarding the software and troubleshooting. This is more difficult if an agent/distributor is used.

Agents/Distributors: Agents or distributors are more frequently used for GP software or other low-cost products (that are low on the technology / sophistication spectrum and that have reached virtual 'commodity' status). Very often, the installer is normally the equipment supplier and therefore they are used as agents.

Synergistic Alliances: A novel way of market entry and consolidation is the setting up of a consortium of vendors (equal partners) through whom market needs are met. The emphasis in this approach is system integration rather than offering stand-alone products. This approach will prove especially effective when the focus is on clinical information systems which can help reduce preventable errors, eliminate systemic failures, integrate workflows and raise overall efficiencies.

Australia

- 04: Appendix
 - Culture
 - Trade Regulatory Environment
 - List of Relevant Websites

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Australia



Culture: Interaction Guide

Macro View

- Australia is an English-speaking country, with a British heritage. Language-barriers vis-à-vis the United Kingdom are therefore non-existent.
- There has been a continuous cross-fertilisation of ideas between Australia and the United Kingdom for over 200 years across a wide spectrum covering customs/traditions, science, technology, learning, the arts, sport etc.
- The United Kingdom is still one of Australia's major sources of immigration.
- Around 1.4 million Australians have a parent born in the United Kingdom.
- The United Kingdom is Australia's third largest source of tourists, and accounts for more than half of all the tourists who come from Europe each year.

Interaction Guide

- While the Australian business community recognizes several points of commonality between Australia and the United Kingdom, they would take exception to having overseas systems/approaches thrust as such onto Australia, without the required modifications that the unique needs of the Australian market call for.
- A fair degree of informality characterizes business communication in Australia in terms of addressing persons on a first-name basis. Professional titles are not used frequently in conversation.
- Business attire for men is usually a dark suit and tie. For women, suits, skirts and blouses, or dresses are standard attire.
- Directness is responded to favorably in Australian business negotiations.
- Establishing a rapport is crucial to the success of negotiations, though this does not imply an invitation to get too personal or familiar.
- A clear and relaxed manner helps create positive outcomes in meetings with much greater ease than a hurried or aggressive approach.

Australia

Culture: Politics, Trade & Investment

Australia maintains an open investment climate. This is due to the country being a member of numerous regional and international trade agreements and associations listed below.

- The Commonwealth of Nations
- **UN** (United Nations)
- **WTO** (World Trade Organisation)
- **APEC** (Asia-Pacific Economic Co-operation)

Political Relations

The British monarch remains the sovereign of Australia

Both countries share a common commitment to the values of parliamentary democracy

Common membership of international organizations and a history of peace-keeping

Close defence ties: Joint training and exercises, equipment procurement, intelligence sharing and a high level of personnel exchange.

Trade Relations

Australia is the UK's fifth largest market for goods outside the European Union

Taking goods and services together, the UK is Australia's fourth largest trading partner

Investment

The UK is the second largest foreign direct investor in Australia

Australia is the fourth largest destination for UK investment (after USA, Netherlands, France)

Australia

Trade Regulatory Environment (1)

General Trade Policy

Australian Government's trade policy works:

- Multilaterally through the World Trade Organization (WTO)
- Regionally through Asia Pacific Economic Cooperation (APEC) and other international fora
- Bilaterally through free trade negotiations, such as with Singapore, Thailand and the United States

Level Playing Field

There is no marked element of 'protectionism' in the Australian market. While the Australian government does not proactively seek out or encourage overseas companies for its healthcare IT requirements, there is no restriction/barrier that overseas companies must contend with. However, most often in procurement policy there is a tender clause that stipulates local content preference of the order of 5-20 percent of the price quoted (All things being equal, the domestic quote is given a favourable 'mark down' percent of the price quoted in comparison to the overseas quote).

Regulation of Competition

Australian Competition and Consumer Commission (ACCC) www.accc.gov.au

National agency to enforce compliance with the Trade Practices Act (TPA) and the Prices Surveillance Act . The TPA covers unfair market practices, industry codes, mergers and acquisitions of companies, product safety, product labelling, price monitoring, and the regulation of industries such as telecommunications, gas, electricity and airports.

Australia

Trade Regulatory Environment (2)

Regulation of Foreign Investment

Australia has a liberal foreign investment control system that is administered by the federal government. Foreign investment in Australia is regulated by the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth) (FATA) and the Federal Government's Foreign Investment Policy (Policy). The Foreign Investment Review Board (FIRB) administers FATA.

Foreign Investment and Review Board (FIRB) www.firb.gov.au

The board examines proposals by foreign interests for investment in Australia and makes recommendations to the Government on those proposals. The board also provides guidance, where necessary, to foreign investors so that their proposals conform with Australian foreign investment policy and ensure compliance with this policy.

Foreign Exchange Control

Australian and foreign currencies may be brought into and sent out of Australia freely.

Some international transfers of funds must be reported to the Australian Transaction Reports and Analysis Centre under the Financial Transaction Reports Act 1988 (Commonwealth). This is for purposes of detecting tax evasion/proceeds of criminal activity, rather than as exchange control.

Australia

List of Relevant Web Sites (1)

ACT Health

www.health.act.gov.au/c/health

Aged and Community Services Australia

www.agedcare.org.au

Austrade

www.austrade.gov.au

Australia & New Zealand Chamber of Commerce, UK

www.anzcc.org.uk

Australian Bureau of Statistics (ABS)

www.abs.gov.au

Australian Competition and Consumer Commission
(ACCC)

www.accc.gov.au

Australian Government Information Management Office
(AGIMO)

www.noie.gov.au

Australian Healthcare Association

www.aha.asn.au

Australian Institute of Health and Welfare (AIHW)

www.aihw.gov.au

Australian Medical Association

www.ama.com.au

Australian Private Hospitals Association

www.apha.org.au

Australian Resource Centre for Healthcare
Innovations (ARCHI)

www.archi.net.au

Business Entry Point (BEP)

www.business.gov.au/BEP2002/Home

Catholic Health Australia

www.cha.org.au

Commonwealth Department of Health and Ageing

www.health.gov.au

Department of Health, Queensland

www.health.qld.gov.au

Department of Health, Western Australia

www.health.wa.gov.au

General Practice Computing Group

www.gpcg.org

HealthConnect

www.healthconnect.gov.au

Health Informatics Society of Australia Ltd

www.hisa.org.au

Health Information Management Association of
Australia Ltd. (HIMAA)

www.himaa.org.au

HealthInsite

www.healthinsite.gov.au

Australia

List of Relevant Web Sites (2)

Health Insurance Commission

www.hic.gov.au

Health Online

<http://www.health.gov.au/healthonline/index.html>

Health Purchasing Victoria (HPV)

www.hpv.org.au

Invest Australia

www.investaustralia.gov.au

IT14 Health Informatics

<https://committees.standards.com.au/COMMITTEES/IT-014/>

Medical Industry Association of Australia Inc.

www.miaa.org.au

Medical Software Industry association

www.msia.com.au

National Supply Chain Reform Taskforce

www.healthsupplychain.gov.au

NSW Department of Health

www.health.nsw.gov.au

NSW Health Peak Purchasing Council (HPPC)

www.ppc.health.nsw.gov.au

Northern Territory Department of Health and
Community Services

www.nt.gov.au/health

Private Health Insurance Administration Council

www.phiac.gov.au

Private Health Insurance Ombudsman

www.phio.org.au

Queensland Purchasing

www.qgm.qld.gov.au

Royal Australian & New Zealand College of Radiologists

www.ranzcr.edu.au

South Australian Department of Human Services
(DHS)

www.dhs.sa.gov.au

Standards Australia

www.standards.com.au

Tasmanian Department of Health and Human
Service (DHHS)

www.dhhs.tas.gov.au

Therapeutic Goods Administration (TGA)

www.health.gov.au/tga/

Victorian Government Purchasing Board

www.vgpb.vic.gov.au

Victorian Government Tender System

<http://www.tenders.vic.gov.au>

Annex 1: INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (1)

- Intellect is the trade association representing 1000 UK based companies operating in the information technology, telecommunications and electronics industry.
- The Software and Computer Services sector has a global value in the region of £370bn. Although the American market dominates this, the European market accounts for 24% and is estimated to grow to a total value of 236bn Euros by 2004. The UK telecommunications manufacturing sector is also a major contributor to the UK's GDP with recent annual exports in excess of £700m. There is evidence however, that many UK companies, in particular SMEs, are not making significant inroads to international markets and potential business opportunities are being lost. Hence, the development of Intellect's International Business Plan.

INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (2)

- Through this plan Intellect actively supports and advises UK companies on their international business growth and works closely with UK Trade and Investment, the UK Government Department, to deliver a range of assistance. The International Business Council, a group made up of individual members with international experience, provides strategic guidance.
- Together we seek to:
- Identify and promote international business opportunities and sales leads;
- Offer advice and services to support international business and expansion;
- Facilitate dialogue and partnership with UK Government and international bodies;
- Provide a forum for feedback and involvement in international policy issues.

INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (3)

- **The International Team**
- Because international interests cut across all areas of our member's vertical sector markets the international team works closely with existing sector groups developing activities and providing advice relevant to their specific interests. Two such examples include the Intellect Healthcare and Financial Services Groups.
- Amongst our work is the identification of major international markets offering realistic business opportunities and development potential. Our international business research and associated activities will cover the main markets in the Americas, Europe, Middle East, South Asia and Asia Pacific.

INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (4)

• **What do we do?**

- We aim to assist the international business development and growth aspirations of the UK ICT industry by:
- Offering a mixed programme of support for companies who wish to exhibit at international ICT trade shows around the world
- Supporting overseas visits for the purpose of research and business development
- Delivering practical help, guidance and training to SMEs interested in international business growth
- Providing regular access to sales leads in ICT and relevant non-ICT vertical sectors via Intellect's Business Sales Leads Service
- Supplying members with up to date international business intelligence, news and events
- Organising a series of UK based networking events that present information on topical international issues
- Undertaking research into international markets to identify new business opportunities
- Advising government on the development of international support for the ICT sector
- Providing a conduit for, and input into, international policy issues and related organisations.

INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (5)

- **How can we help you?**

- The international team is currently working on the following projects:

- **Trade Shows**

- Attendance at international trade shows is an effective way to establish an international presence and develop new business and markets. Intellect will continue to take UK SME's to many of the major ICT shows around the world and will develop a presence at other non-ICT shows in vertical markets into which ICT companies sell. By working with UK Trade and Investment we will continue to offer financial subsidies to eligible companies to offset the cost of participation.

- **International Business and Market Intelligence**

- Companies need access to up-to-date, expert business and market intelligence in order to plan strategically and develop their international growth. Intellect will provide this through the management and delivery of a long-term programme of professional research into international markets focusing on key vertical markets. This will ensure that companies have free access to relevant information, allow them to take informed decisions on the development of international business and plan strategically for international growth. Additionally it will also inform Intellect on the development of support activities to assist companies in their endeavours

INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (6)

- **Overseas Business Visits (OBVs)**

- Undertaking pre-arranged Overseas Business Visits helps to support and advance companies seeking to build new business in international markets through the provision of market intelligence, advice from sector and country experts and a focussed programme of business meetings.
- We also ensure UK companies have access to senior businessmen, buyers and trade delegations visiting the UK.

- **Influencing International Policy**

- Intellect will ensure that the sector has a strong voice on key international issues impacting upon the sector and provide expertise and private sector experience to help shape future policies.

- **International Business Planning**

- It is essential companies implement best practice when planning their international business strategy. Intellect has launched a dedicated campaign to deliver support to UK ICT SMEs eager to grow their international business capabilities. Working closely with UK Trade & Investment, Intellect will offer individual companies access to an international business toolkit. The toolkit provides business with a range of assistance including an online best practice guide, expert mentoring and developmental training.

INTELLECT INTERNATIONAL BUSINESS DEVELOPMENT (7)

- **How to find out more**
- Up to date information related to these activities can be accessed through the international business pages of our website www.intellectuk.org/international
- Details of the trade shows we will be taking groups to can be found at www.tradefair.co.uk.
- Information on international growth opportunities for the software and IT service sector is available at www.internationalgrowth.org.
- Government advice and assistance for international trade is also available on UK Trade & Investment's website at www.uktradeinvest.gov.uk
- For further information on the International Business Council and the work of the International Team please contact Richard Kidd on 01622 754 200 or email richard.kidd@intellectuk.org.

Annex 2: UK Trade & Investment services

- Our services aim to:
 - Enhance your firms capabilities and skills to operate internationally
 - Provide sector knowledge and market research
 - Support your firm to visit overseas markets in groups or independently
 - Customise contacts and opportunities
- To access these services please contact your local UK Trade & Investment International Trade Adviser. Their contact details may be found on www.uktradeinvest.gov.uk

Annex 3: International support for the Healthcare IT sector– The Next Steps (1)

- This section of the report has been prepared by Intellect and UK Trade & Investment (UKT&I) in response to the conclusions contained in the research. The 3 country reports contain some clear recommendations and opportunities for UK businesses interested in exploiting these markets. Outlined below are our initial ideas on the potential core components for a joint 2-year strategy for the e-health sector in these, and potentially other, markets.

• **The Core Components**

- Intellect and UK Trade & Investment will work together to:
- Give direction to commercial sections in diplomatic posts to help them to identify realistic business opportunities (sales, partnerships, tenders etc.) and promote these directly to UK business through their respective business lead bulletins and to promote through UKT&I's Sales Leads Service;
- Develop and promote a programme of overseas business visits and/or trade shows, with associated financial and practical support. Activities already in the programme include the Medica exhibition in Germany (24-27 November 2004) and an Overseas Business Visit to the Health Informatics Conference in Brisbane (25-27 July 2004). Other events include the Arab Health exhibition in Dubai (12-15 February 2005). Additional visits to events in Australia, Canada and Germany will be planned.

Annex 3: International support for the Healthcare IT sector– The Next Steps (2)

- Create marketing information and material for use in overseas markets to raise the knowledge, understanding and profile of UK capability (in particular UK capability in advanced technologies);
- Identify buyers, healthcare organisations and influencers from these markets and introduce them to the UK industry, including business visits by them to the UK;
- Create and deliver sector news updates regularly through our online services;
- Research additional markets (research into the US market will commence this year);
- Identify and develop links between the UK and overseas counterpart organisations (companies, trade associations and government) involved in this sector.
- Over the summer months these ideas will be developed into a full strategy for each market. We welcome views and input from industry into this process. Your comments should be sent to:
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E: james.drewer@intellectuk.org

Annex 3: International support for the Healthcare IT sector– The Next Steps (3)

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- Andrew Jones
Sector Manager – Europe
UK Trade & Investment
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E: andrew.jones@uktradeinvest.gov.uk
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