

HEALTH DATA MANAGEMENT

The Magazine of Electronic Health Care Networking

November 1994
Volume 2/Number 9

Health Information Networks

Where Are We Headed?

Corporate Strategies

Buy, Buy and Buy Some More

Through a series of acquisitions, Equifax is becoming a major force in the consolidation of health care automation companies.

*By Bill Siwicki
Associate Editor*

Equifax Inc. is a \$1.2 billion company that's a giant in the consumer credit-check industry. Building on a series of acquisitions, and more to come, Equifax—which also provides credit information services, payment services and insurance information services—is working toward creating a high profile as a health care automation specialist.

The 95-year-old company, based in Atlanta, is waging an aggressive, well-financed campaign to acquire health care companies. Equifax decided to diversify into health care after concluding that the credit market could not generate the level of growth the company was seeking. It believes that its expertise in information management in the credit arena will help it succeed in health care information management.

In the past two years, Equifax has acquired Health Economics Corp., a health care management and analytical services company; Cooperative Healthcare Networks, a transactions processing company; HealthChex Inc., an analytical services company; and Electronic Tabulating Service, a physi-

cians' claims processor.

Equifax also expects to enter a partnership with a major systems integration company to build clinical information repositories and develop computerized patient records systems.

Range of services

These acquisitions and partnerships, and others to come, are designed to enable Equifax to offer a wide range of services, from the profiling of physicians' practice patterns to the interactive switching of insurance eligibility transactions.

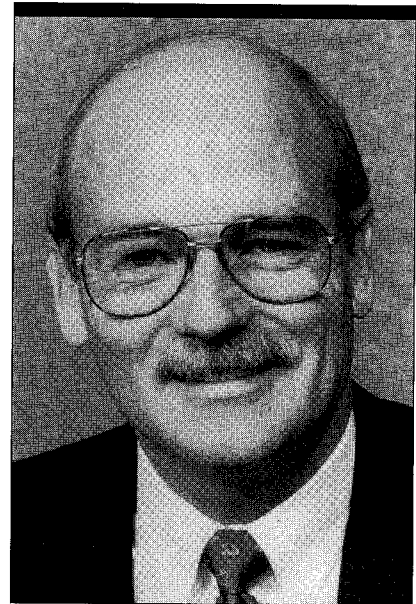
"Our strategy is not to be a little niche player in health care, but to be a company that offers a continuum of services," says Jim Perkins, Equifax's senior vice president and general information services group executive. "Marketing, management, analysis, gauging patient satisfaction—we offer this same range of services in our credit business, and we feel that expertise, combined with smart acquisitions, will help us succeed in health care."

The company has grouped its acquisitions together under the banner of Equifax Healthcare Information Services. The primary customers the company is targeting are managed care organizations and integrated health care delivery systems. Equifax expects these groups will seek deals with companies that can offer wide-ranging, consolidated automation approaches.

A driving force

Equifax is fast becoming a driving force in this era of consolidation, where large players, many of them new to health care, are buying dozens of small, specialized health care automation companies. In building a health care presence, the credit bureau expects to leverage its experience in applying electronic data interchange in the credit card industry and in maintaining the privacy of credit records.

"Clearly, unless we pull together the companies we've acquired and in-



tegrate them to offer a broad array of services, we will not be as successful as we want to be," says Dan Kohl, senior vice president and general manager at Equifax Healthcare Information Services. "It's not simply about buying a company and selling its services. It's about accruing just the right resources and expertise to build on."

Equifax Healthcare Information Services has a goal of achieving \$300 million in annual revenues in 1996. Kohl notes that the projected 1996 combined annual revenues of the companies in Equifax Healthcare Information Services today is about \$150 million, or half of what Equifax needs to achieve its goal. More acquisitions and internal growth are management's answer to realizing the other half.

Some industry observers say the company's acquisition strategy makes sense in a competitive, crowded, fragmented market destined to one day involve only a few big players. But others say uncertainties surrounding health care reform and the ever-changing marketplace make it difficult to judge whether Equifax's aggressive buying campaign will pay off.

"It remains to be seen whether or not health care will be big for Equifax,"

says Jim Dougherty, a securities analyst with Dean Witter Reynolds Inc., New York. "The company feels its credit background offers valuable experience it can bring to electronic health care transactions. Today, that marketplace is very fragmented and still in a state of evolution. Someone somewhere will have to pull all of that together, and it certainly does present an opportunity for someone. Whether Equifax's acquisition spree will make them that someone remains to be seen."

A broad approach

The products and services offered by Equifax Healthcare Information Services fall into six categories. Equifax management believes that the category mix has the full range of services that managed care organizations and integrated health care delivery systems will desire. The categories are:

■ **Administration.** These services focus on designing, administering and managing managed care health plans.

■ **EDI and payment services.** These services include electronic claims processing, on-line eligibility checks, on-line precertification verification, credit card processing and check guarantees. Through acquisitions, Equifax now offers electronic transactions to physicians across the country. The company hopes to expand its base of providers to include hospitals, pharmacies, laboratories and others.

■ **Data base services.** Now working with data bases that track medical device use and physicians' professional credentials, Equifax is considering building data bases to track vaccinations and breast implants, plus a long-term move to build clinical data repositories and computerized medical records.

■ **Analytical services.** The company offers physician profiling, analyzing information in insurance claims to enable provider organizations and consumers to compare physicians' practice patterns. Equifax expects to add hospital profiling and ancillary

health care services analysis.

■ **Marketing services.** These include analyzing and reporting the outcomes of treatment, based on financial information, clinical information and patient satisfaction survey results. Equifax also expects to add services to gauge physicians' satisfaction with hospitals and managed care plans.

■ **Government.** A small Washington-based unit tracks governmental action and identifies potential business opportunities that might arise from legislation and regulation.

Equifax entered the health care transactions business in the fall of 1992 when it acquired Dallas-based Health Economics Corp. from Halliburton Co. for \$24 million. Health Economics provides health care management and analytical services to business and government and offers utilization management, claims processing and administration and preferred provider organization management.

Last January, Equifax bought Cooperative Healthcare Networks of Alpharetta, Ga., from BellSouth Enterprises. Cooperative Healthcare Networks offers transaction processing, electronic claims administration, interactive eligibility and benefits verification, credit card processing and other financial transaction processing.

The company, which expects to handle 40 million transactions in 1994, is known for its StatLink family of EDI software. StatLink is an interface to physician office management systems.

In May, Equifax acquired HealthChex Inc., an analytical services company specializing in physician profiling. The company forecasts 1994 revenues of nearly \$10 million. Based in Rochester, N.Y., HealthChex offers health services software and consulting services. A HealthChex audit program is de-

signed to prevent overpayment of claims by identifying discrepancies in health care claims records before they are paid.

And in September, Equifax acquired Electronic Tabulating Service, a physician's claims clearinghouse based in Atlanta that handles 750,000 claims a month. Electronic Tabulating Service markets its services through agreements with more than 400 practice management software companies serving approximately half of the 600,000 physicians in the United States.

Future plans

In addition to these companies, Equifax plans other acquisitions and partnerships. For example, it expects to enter a venture with a systems integration company to build clinical and patient information repositories and develop patient records systems.

"For patient records, we will partner with a large, well-recognized systems integration company," Perkins says. "We are in the dialogue stage right now, but we will partner, and together we will help integrated provider networks to build patient information repositories and patient records systems."

But these future plans will not necessarily include providing services to community health information networks, one of today's hottest topics in health care automation. "We've had discussions with CHINs and some of the people

that are submitting proposals and bids on CHINs," Perkins says. "Equifax is interested in CHINs, but the issue of how many will develop and where they will develop is not really clear to us. We will focus our efforts on serving managed care networks and integrated health care delivery systems."

All the companies Equifax acquires will be integrated under the Equifax

"For patient records, we will partner with a large, well-known integration company."

Corporate Strategy

Healthcare Information Services banner. They will be marketed both as a single package of services and as individual components.

"Some acquired companies' identities are quite important and must be preserved," says Kohl. "However, by exposing an acquired company to the resources and skills of Equifax, their identities will be enhanced."

Privacy issue

Equifax believes one of the strengths it brings to health care is its record of maintaining the privacy of confidential credit reports.

"One of the purest core competencies of Equifax, as you look at things from the data base management perspective, is protecting the privacy of information," says Kohl. "The strength of Equifax's experiences in the financial information transaction arena clearly creates a real competency for the company to move forward in the health care transaction arena. Equifax seeks to bring the company's focus on privacy to an industry that is, from the nation's perspective, quite ill."

Cooperative Healthcare Networks President and Chief Executive Officer Joseph S. Bigley agrees that privacy is a crucial issue to the health care transactions industry.

"Cooperative Healthcare Networks has always provided for confidential-

ity of data, but we are now learning how to take advantage of some of the things Equifax has learned in their credit reporting business," he says. "We have successfully tended to privacy issues in the past; we just didn't really emphasize them very much before. Privacy issues have now become a bigger focus for the company under Equifax."

But some consumer advocates question whether a credit bureau like Equifax has the necessary expertise to keep confidential medical records private.

"The way the credit reporting system works, any system user that qualifies—which doesn't take much—can get on-line access to a credit bureau's entire data base," says Edmund Mierzewski, consumer program director at the U.S. Public Interest Research Group in Washington. "I'm concerned about Equifax's ability to design a system for health care that keeps personal medical histories secure. Just about anybody can gain access to credit reports. It's illegal, but it's easy to do. To me, Equifax going into health care only stresses the point that there should be stronger confidentiality of data laws on the books."

Assessing strategy

Nevertheless, Mary Lou Roberts, a Glenside, Pa.-based independent consultant whose background includes work in EDI, believes Equifax is well-

positioned to become a major player in health care automation.

"Equifax is making a very good gamble," she says. "When a large company acquires a group of small companies, a stable working environment is more than likely created. Stability does not ensure excellence, but it can create the right atmosphere for it. The fact that Equifax has been in the information business and EDI business for some time lends credibility to their effort. With the right combination of services, they could be very successful in health care."

Equifax's credit background will be a plus in the company's health care efforts, adds Richard Kadas, managing general partner at Implementation Management Group, a consulting firm in Chesterfield, Mo. "Their strategy is fairly obvious. They are betting on their core information technology skills and their ability to create data bases and bridges to other data bases. They have taken a very, very studied approach, and they have to be complemented on it."

For its part, Equifax is banking on health care becoming a major part of its business.

"Health care will be one of the big growth components for Equifax, one of the real opportunities," Perkins says. "We think we can develop the services the industry needs." ■