



### **SPOTLIGHT REPORT on PHR (Personal Health Records)**

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#### Executive Summary

PHR (Personal Health Records) to date has been a story of scads of press articles ... but just a scintilla of adoption.

A PHR is a personal health record provided by a PAYER (insurer), healthcare PROVIDER or EMPLOYER (as a Payer-proxy), but controlled by the consumer.

PAYERS have given PHR the college try given their aggregated benefit, claim, clinical, pharmacy and financial data, and some 70 million consumers (out of 250 million insured consumers in the \$2 trillion U.S. healthcare system) have been exposed over the years at some level-- however shallowly-- to the concept. Industry titan TriZetto itself has enabled PHRs for about 10 million health plan members via Personal CareAdvance™, the population and personal health management module of the company's CareAdvance Enterprise™ care management system.

Note that the “P” in PHR is not for portable— some vehemently argue that those offerings “hard-tethered” to sponsors are not movable, and thus are not “true PHR.” While the intrinsic mobility of most PHRs is weak today, PHR is still about to flower. Indeed, tethered PHRs exist for good reason, and PHR is hardly the first business where companies try to tie in users with electronic loops of steel.

PHR **ADOPTION** has been anemic, and worse, awareness remains surprisingly low. A shakeout has occurred, and the current vendor set is half what it was in quantity two short years ago.

But at long last PHR will take off in 2008, due to the confluence of circumstances that follow, but not the least of which is this ready set of quality vendors ranging from big, powerhouse brands to nimble innovators, notwithstanding the possible addition of Google and Microsoft, and the arrival on the scene of ex-AOL kingpin Steve Case's Revolution Health:

- Aetna (ActiveHealth)
- CapMed
- Epic Systems
- HealthString
- HealthTrio
- LifeSensor (ICW)
- Medem (iHealth Record)
- MediKeeper
- NoMoreClipboard
- Quicken Health (Intuit)
- RelayHealth (McKesson)
- TriZetto
- WebMD.

The market today is currently about 1.5 million active PHR users in the USA, and this will jump to a whopping 25 million by the end of 2009. This hyper-normal growth will occur despite the fact that users will *NOT* populate their own core records (so data tethers, however rigid, must exist), and *will expect* PHRs to be free. The rising tide of usage will be driven by continued PAYER efforts, a spike in PROVIDER efforts caused by EMR products offering solid PHR extensions where the tether is a quite-purposeful barrier to patient exit in an increasingly competitive healthcare delivery system, and most of all by a surge of sane and savvy EMPLOYER implementations.

Further, Social Networking— already used by over half of America’s 176 million Netizens— will overwhelm the PHR space, making the current offerings far more “Web 2.0” in composition and delivery, and helping return a focus PHR long ago lost: On the Patient.

## **BACKGROUND**

The Conventional Wisdom (“CW”) is this:

*"The big barrier to widespread PHR adoption has been the absence of health information technology standards that allow different information systems to easily integrate data."*

Sure, the nascent PHR business would grow even faster in 2008 and forward if one could blithely take a PHR auto-populated by 1-n data tethers via a Payer/Provider/Employer in one place, to another. But at this point, with legions of web-savvy consumers, game PHR vendors and especially enlightened EMPLOYERS seeking to lower healthcare costs/mitigate the pain to employees of their higher share of the bill, the ~~holy-grail~~ longitudinal record is nice-to-have, not-need-to-have for PHR take-off.

PHR, which has long been almost all talk and relatively little action, is set to soar for ten reasons:

1. Awareness is low-- but among those who have Awareness, there are 22 million ready Netizens, per our ANWO™ survey-- these consumers have Need, a Willingness to Pay (this means sustain ads as necessary), and no meaningful Objections. And the demographic is pretty homogenous (thus easy to target, think women 35-54 as the sweet spot).
2. Prior to the shakeout of 2005-06, there were dozens of PHR vendors, and too often not the right ones (read: side business by a busy-but-ambitious physician). Now you have a compelling set of potent companies run by people who get Web 1.0 ... and even are beginning to get Web 2.0.
3. Just as consumers won't populate their own records, they won't pay for PHR, either. But there's plenty of extractable value elsewhere in the supply chain such that PHR still will rise. And yes, some are bringing pure ad monetization models to PHR (WebMD now, perhaps soon Google and Microsoft), and nothing will more rapidly expand market awareness.
4. There's now enough health-specific search volume (WebMD alone = 17 million uniques/month) that PHR has a bedrock foundation today that it lacked in the prior "Healthon era." And if social networking doesn't overwhelm PHR and give it a further boost, then about 250 million Netizens worldwide are pursuing some kind of fad, apparently.
5. There's the inexorable "Dossia effect." This means that whether Dossia re-sets or not, it's helped impel at least 125 U.S. companies of size by our count to enter the consideration cycle for an employer-sponsored PHR plan. To date, these reviews have lacked rigor-- but now there's a formidable collection of PHR vendors to shoot-out, and tools like our "[PHR Vendor Calculator](#)" (an Excel file we send free to anyone who wants it) to facilitate the right choice for legions of employees ... employees who must bear a greater share of their health costs by the year.
6. What's better regarding driving UPTAKE than the employer-employee relationship? The trust-rich doctor-patient relationship, of course. Today in PHR you have strong EMR firms methodically extending into PHR (consider Epic, Medem, and McKesson to name three). Sure, their tether means a lack of portability (and not for no reason), but this PHR provides a quantity of other benefits that, for many end-users, overwhelm this potential flaw. You can't play local radio stations on your XM Radio unit, but they've still garnered 8 million subscribers. Locking in users via data streams is not new.
7. Not only are employers, health-care providers and prescriptions-sellers (note: Pharmacy Benefit Manager Medco and their coming offering with Revolution Health) getting in the game, but **PAYERS** are in deep, and doubling-down on the PHR bet by the year. And they're doing it with companies that have major muscle-- WebMD, and CA-based TriZetto (NASDAQ: TZIX; \$376 million in

- annual revenue). PAYER Aetna, of course, has CareEngine®, and cannot be ignored, backward-integrated to the technology as they are.
8. The PHR phenomenon has been held back by cumbersome "Gulag GUIs," feature-sprawl and a greater focus on the "R" than the "P." But Web 2.0 innovators like SugarStats.com and WhoisSick.com? are changing that, and a wave of frenetic, much needed **build-buy-or-partner** activity by the big vendors is on its way.
  9. Revolution Health is in, and Steve Case knows a thing or two about the web. Google and Microsoft are mulling entry. But a proud, brawny, trusted American brand is close to making an important move on this space, too, that will cause organic growth fueled by a leading PAYER (UnitedHealthcare) initially: **Intuit.**
  10. PHR is not a gadget-play; it solves two real problems that are often forgotten in the rush to debate non-essential side issues like security\*, portability et al:

**It connects sick people more profoundly to the concept of getting better, or maintaining the status quo. And it lowers healthcare costs at the same time it reduces mistakes. With better execution by technology vendors-- those both here now and coming in-- PHR will hit the 25 million active user mark in the USA by the end of 2009, from a mere fraction of that today, driven by steady growth in the PROVIDER (EMR-extended) and PAYER segments, and furious growth in the EMPLOYER segment.**

\* The security objection is mostly held by consumers without Awareness or Need.

Spreadsheets (Excel) included in the report in digital format, allowing "what-if?" analysis:

1. ANWO™ Survey (Awareness-Need-Willingness to Pay-Objections)
2. PHR Vendor Calculator (this file is offered to any U.S. company free of charge)
3. Penetration Projections
4. PHR Vendor Scorecard.

Total report before these Excel files is 111 pages.