

2018 Healthcare IT Demand Survey

Data and Analytics to
Drive Healthcare IT
Spend in 2018



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What a difference a year makes – or does it?



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Our 2nd annual survey on the 2018 demand environment for healthcare IT holds a couple of surprises, but also confirms that the fundamentals of the market haven't changed all that much. The bottom line is this: the transition to value-based care continues unabated and is expected to be the main driver for technology spend in 2018.

When we did our inaugural [survey](#) last year, the Presidential election happened right in the middle of the survey. We saw an interesting shift in the responses, with a large majority of respondents citing the results of the election as a huge risk for the healthcare markets.

They were right.

The G.O.P tried repeatedly to repeal the ACA, without success, but succeeded in undermining confidence in aspects of the ACA, such as the individual exchange markets. At least one major IT services company has been seriously impacted by the uncertainty around the ACA exchanges.

However, fears of large-scale disruption expected from the election of Donald Trump as President seem to have faded over the year. On the contrary, the survey responses reinforce the shift towards value-based care as the main driver for growth. Data and analytics shows up as the single biggest spend category, surpassing digital health which was the # 1 spend category in last year's survey. The increasing focus on AI and cognitive in unlocking insights to drive improved healthcare delivery may be a factor in this shift.

Respondents report continued struggles with long sales cycles, and have identified enterprise readiness for new technologies, insufficient or unproven ROI on new solutions, and ongoing interoperability challenges as headwinds. The rise of non-traditional players in healthcare (AWS, Apple and Google) is widely expected to impact the competitive environment in 2018.

The CIO remains the single most important stakeholder in technology buying decisions, and customer referrals remain the primary source of leads for new business among our survey respondents. Interestingly, respondents seemed to have lowered their assessment of the importance of influencers in driving new business opportunities. Our survey indicates that tech firms are planning to invest more in branding initiatives and step up inbound and outbound marketing efforts in 2018.

With the entire healthcare sector in a state of flux, structural changes in the industry, including M&A and consolidation among technology providers, are seen as important factors that will impact the competitive environment.

Despite the challenges, the majority of our survey respondents expect to see growth in healthcare, with a quarter of the respondents targeting 30% or more in growth in 2018.

Responses to our survey this year came from a wide range of technology firms, from global brands to VC-funded digital health startups. The overall takeaway for this year is that healthcare remains an attractive sector, however concerns about the policy environment, competitive landscape and long sales cycles will continue to be a drag in achieving growth objectives.

We hope you find this report useful. Write to me at paddy@damoconsulting.net with your comments or questions.

Sincerely,

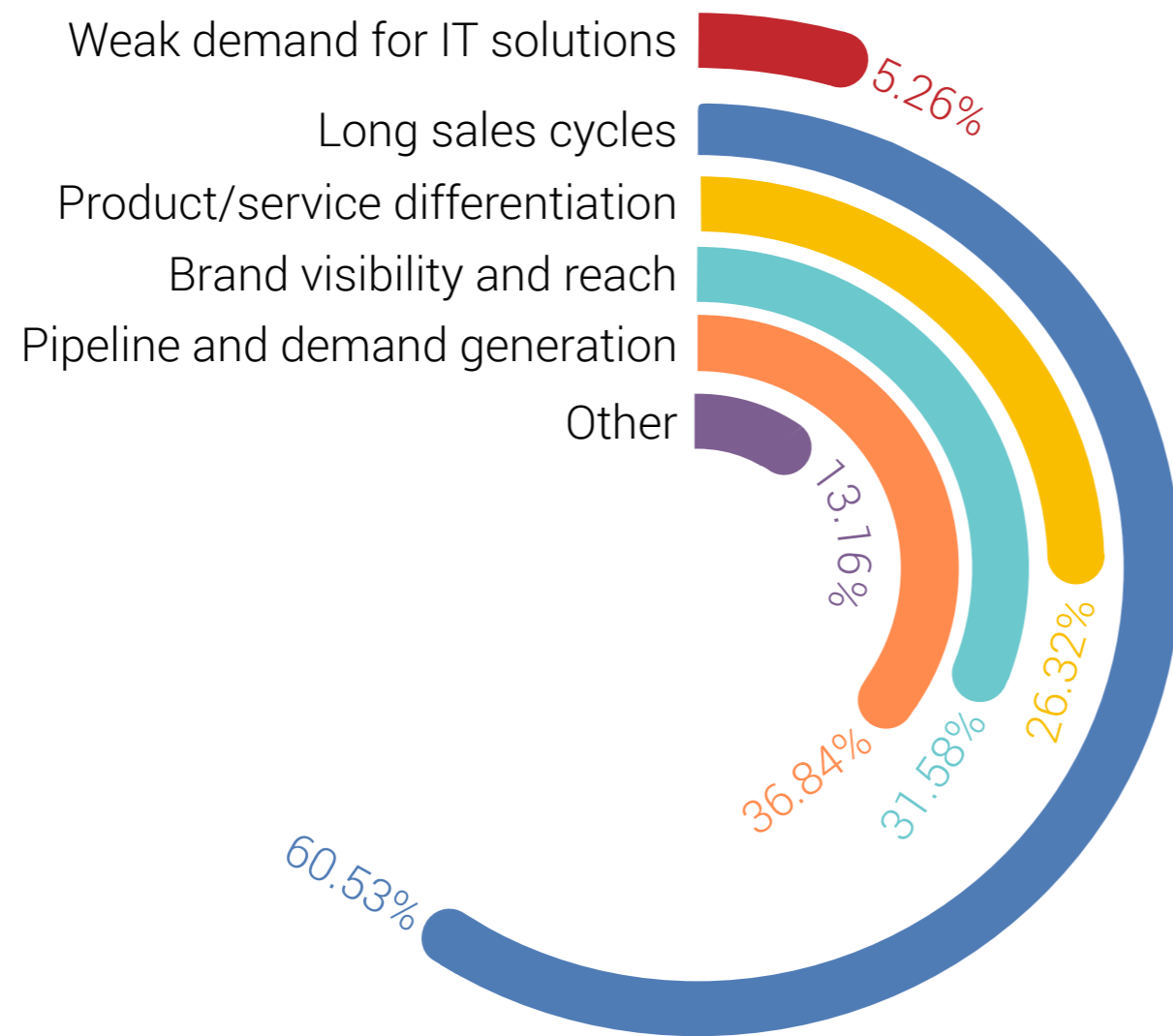


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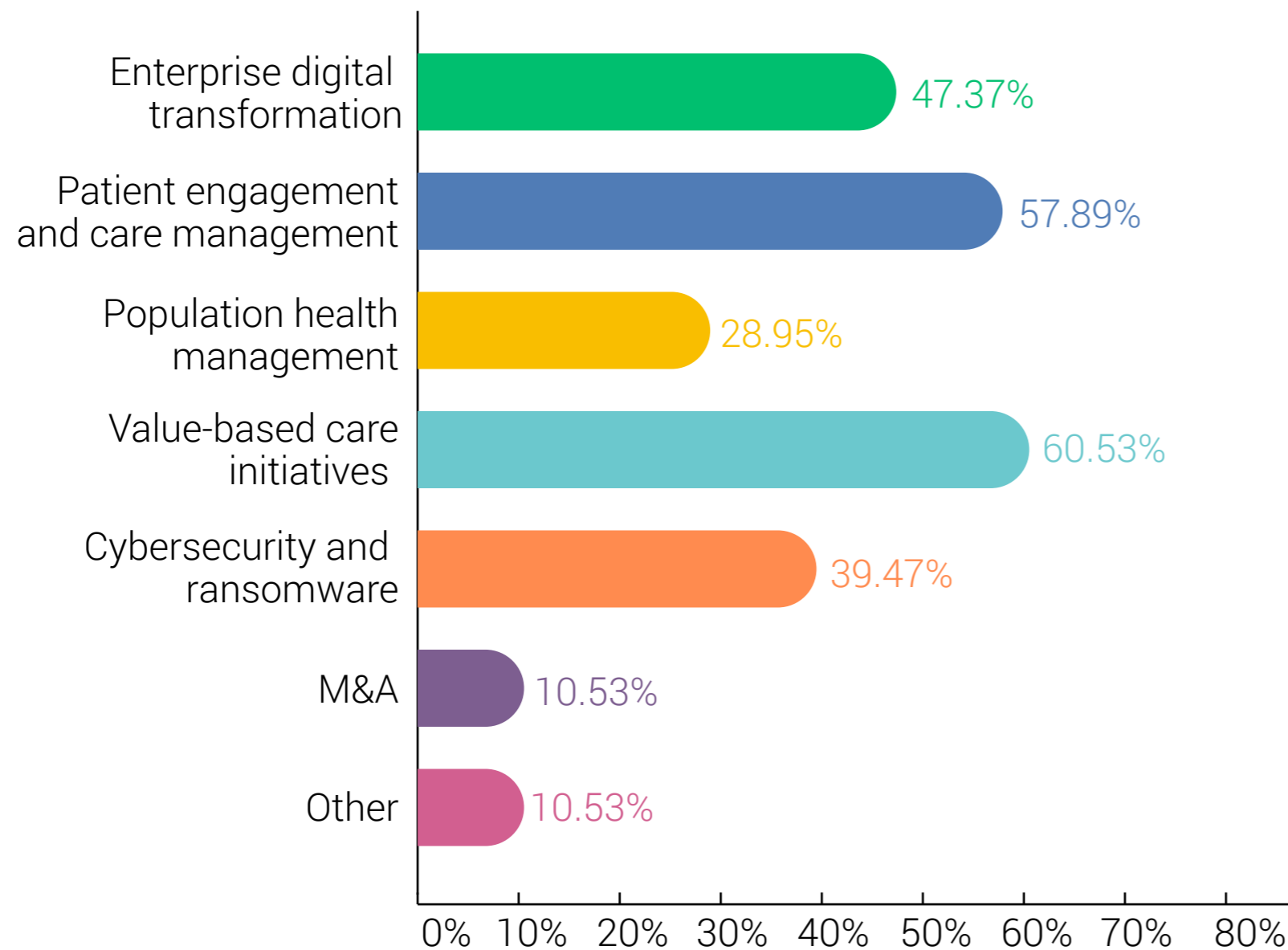
What is your biggest challenge in achieving your growth objectives in healthcare?



Note: Respondents had options to select up to two choices

- The biggest challenge in achieving growth objectives in Healthcare IT is long sales cycles (60.5%)
- Other significant challenges include pipeline and demand generation (36.8%) and brand visibility and reach (31.6%)
- Demand environment is not the issue: just 5% of respondents felt weak demand for IT solutions as their biggest challenge

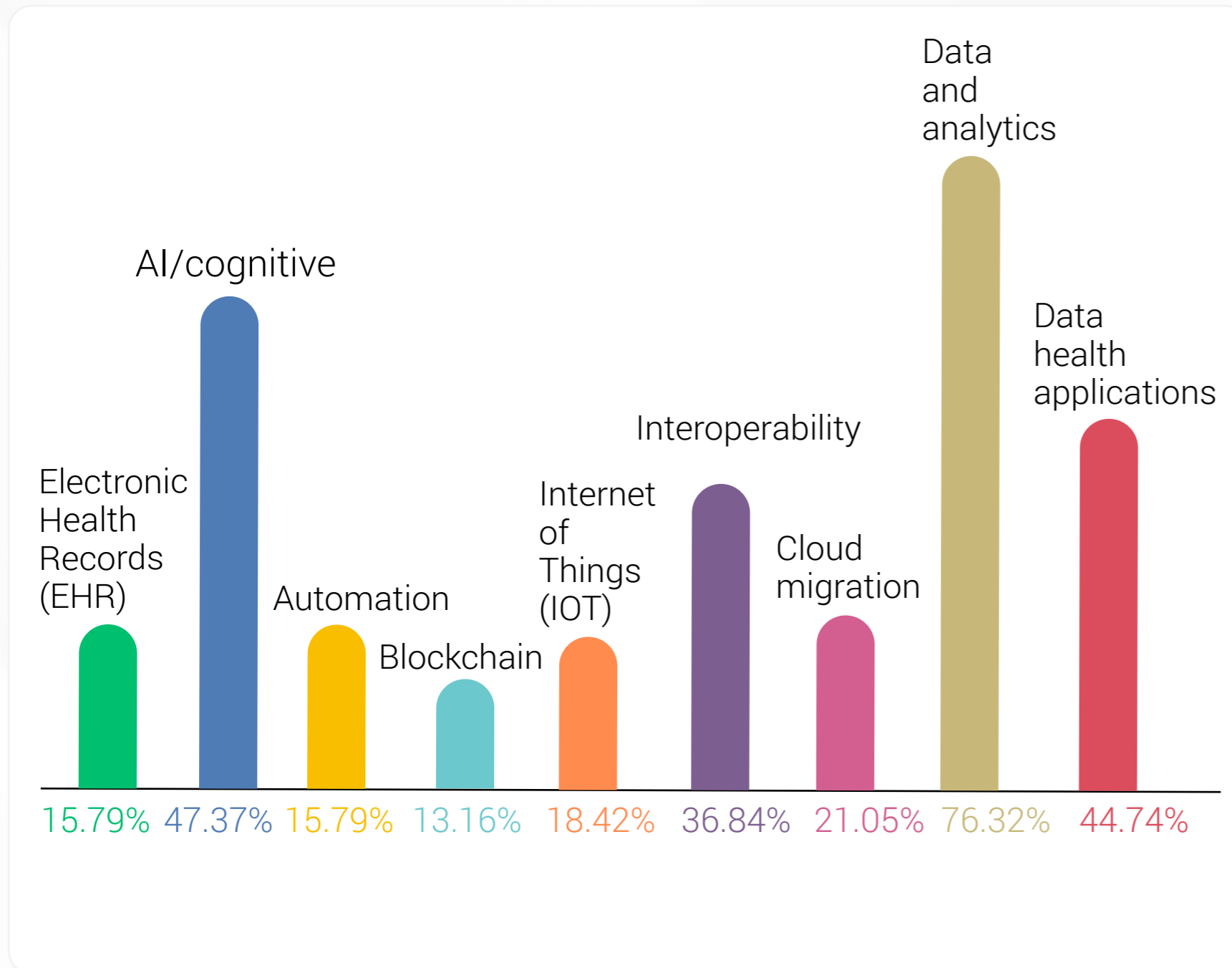
Which of the following are the biggest drivers of technology spending in healthcare in 2018?



Note: Respondents had options to select up to two choices

- Value-based care initiatives (60.5%) tied closely with patient engagement and care management initiatives (57.9%) as the major drivers of technology spending in 2018
- While IT and data security remain big concerns for healthcare, a significant portion (39%) of the respondents considered cybersecurity and ransomware to also be drivers for technology spend

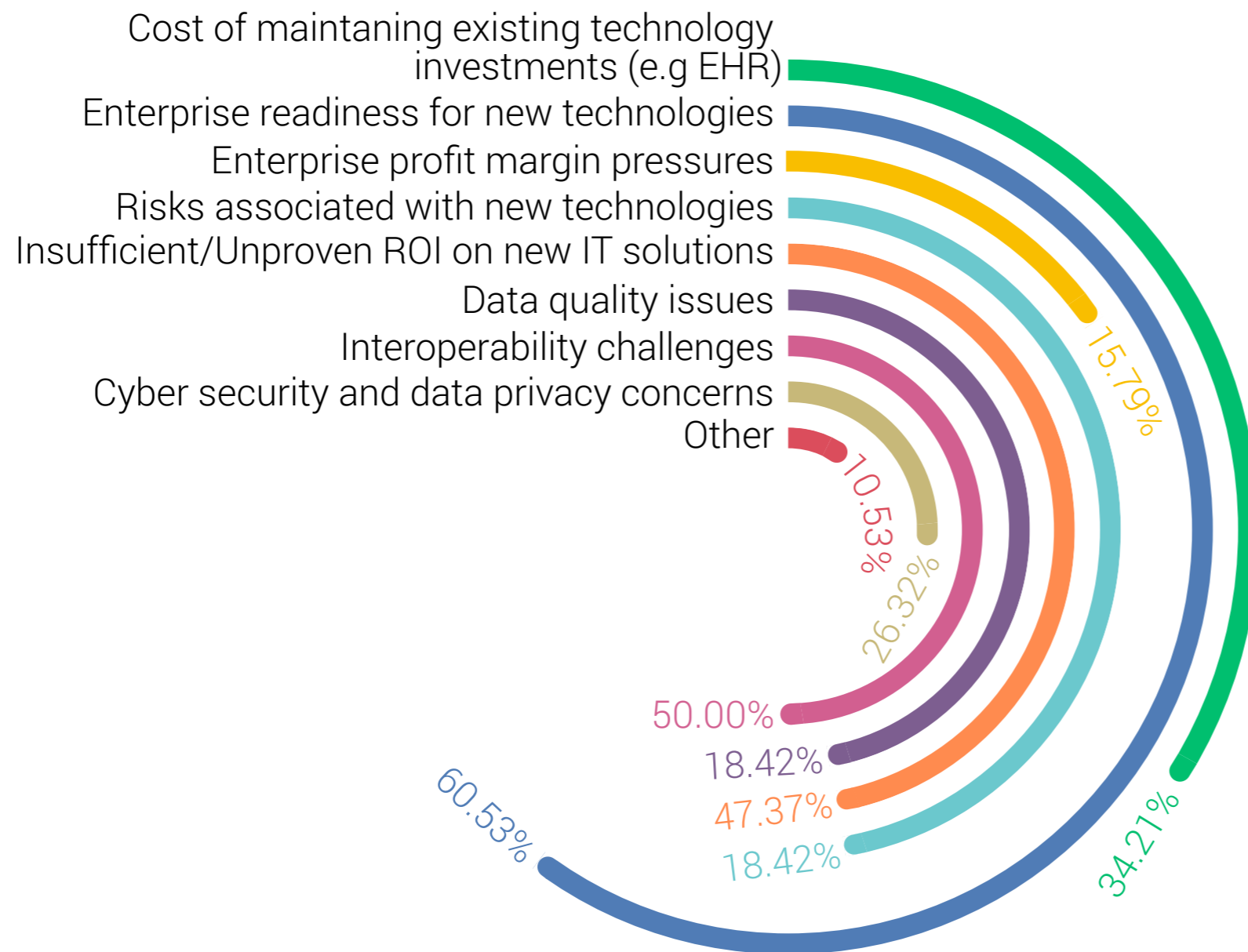
Which technology areas will see increased spend in 2018?



- Data and analytics was by far the single biggest area identified by respondents (76.3%) for increased technology spend in 2018
- Nearly half (47.4%) of respondents believe that AI and cognitive will witness an increase in spend in 2018, followed by digital health (44.7%)

Note: Respondents had options to select up to three choices

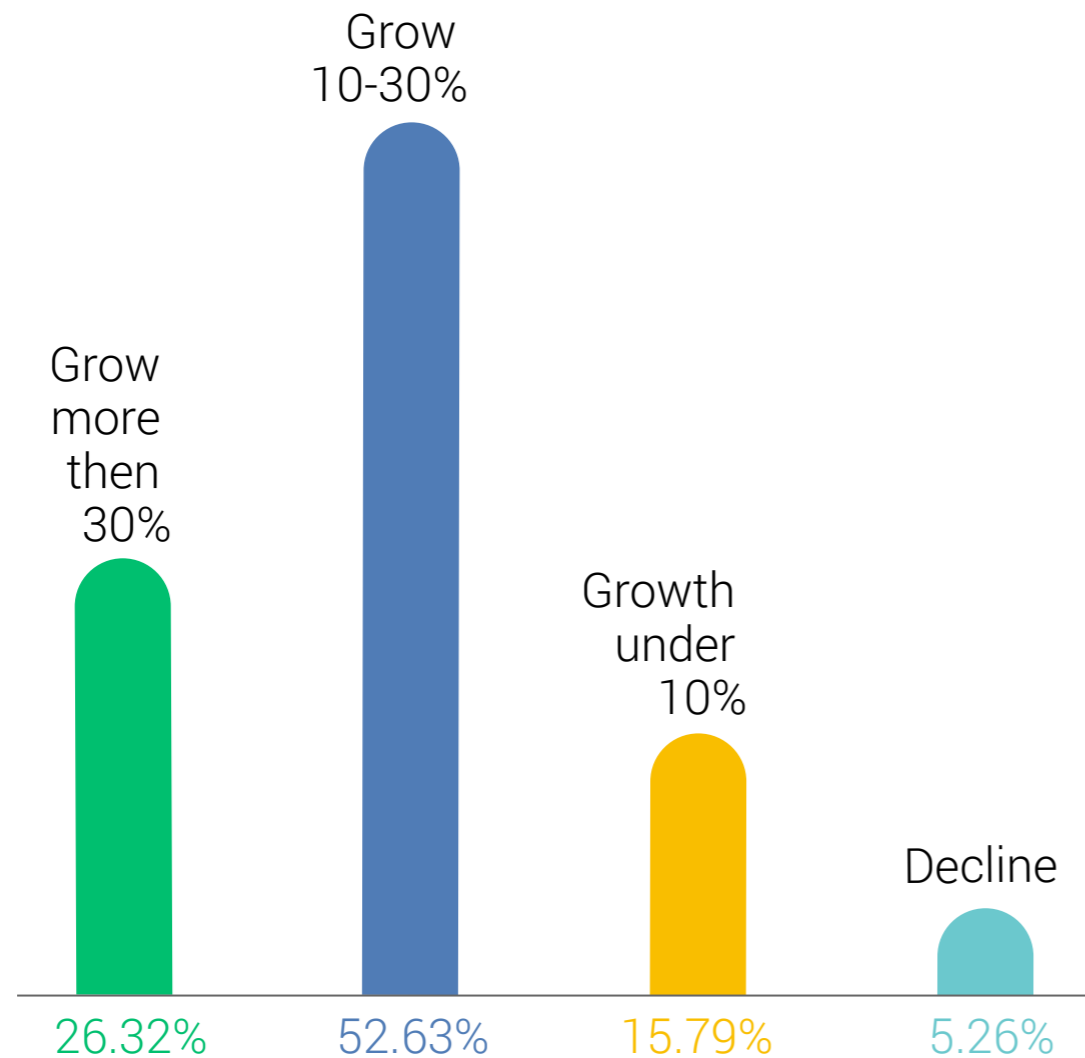
What are the biggest headwinds (obstacles) for growth in healthcare IT spend?



- A majority (60.5%) of respondents considered a lack of enterprise readiness for new technologies to be the biggest headwind for growth in healthcare IT spend
- 50% respondents believe interoperability challenges to be the second biggest obstacle in the IT spend growth in healthcare
- 47.4% respondents indicated insufficient/unproven ROI on new IT solutions as a headwind for growth

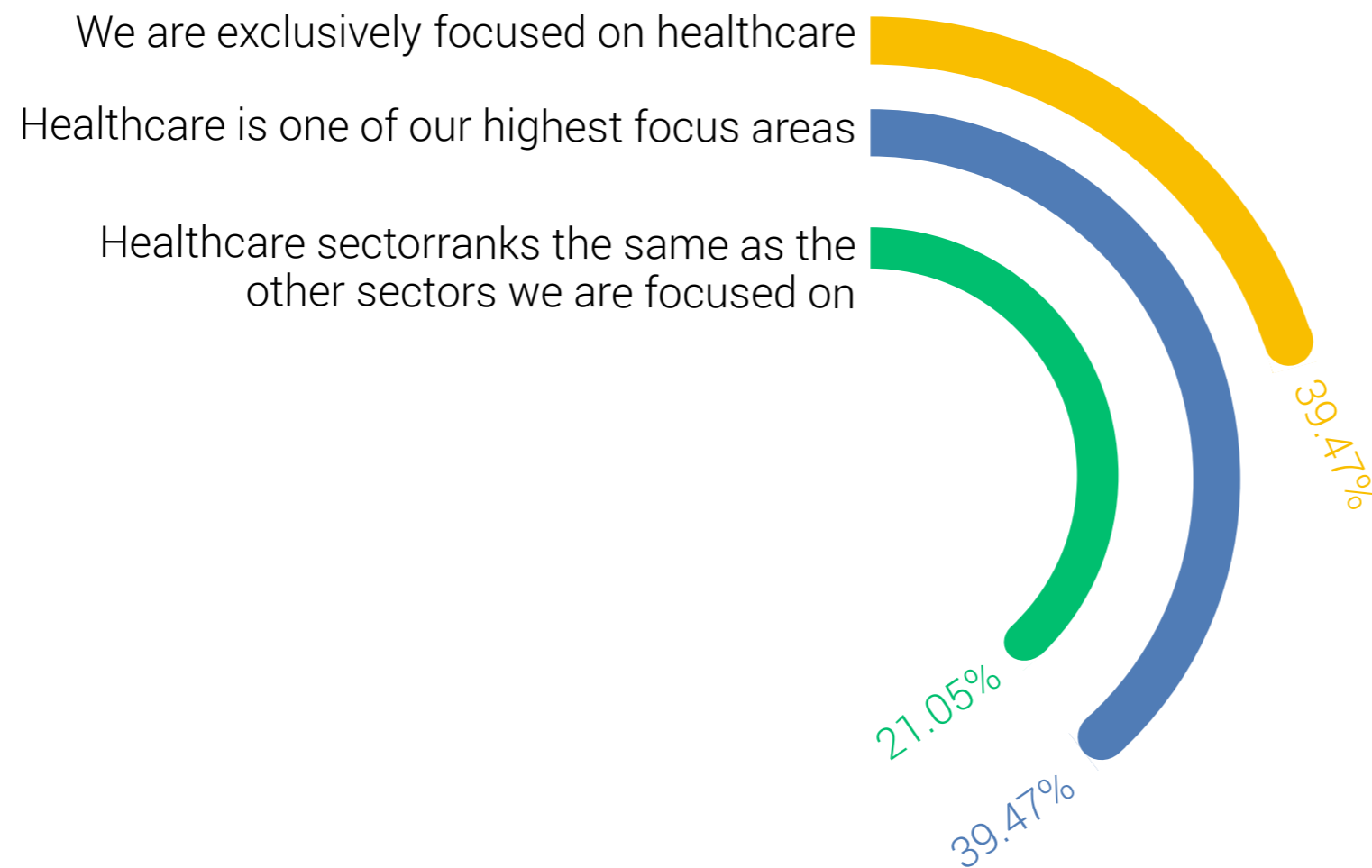
Note: Respondents had options to select up to three choices

What is the growth forecast for your company in the healthcare sector in 2018?



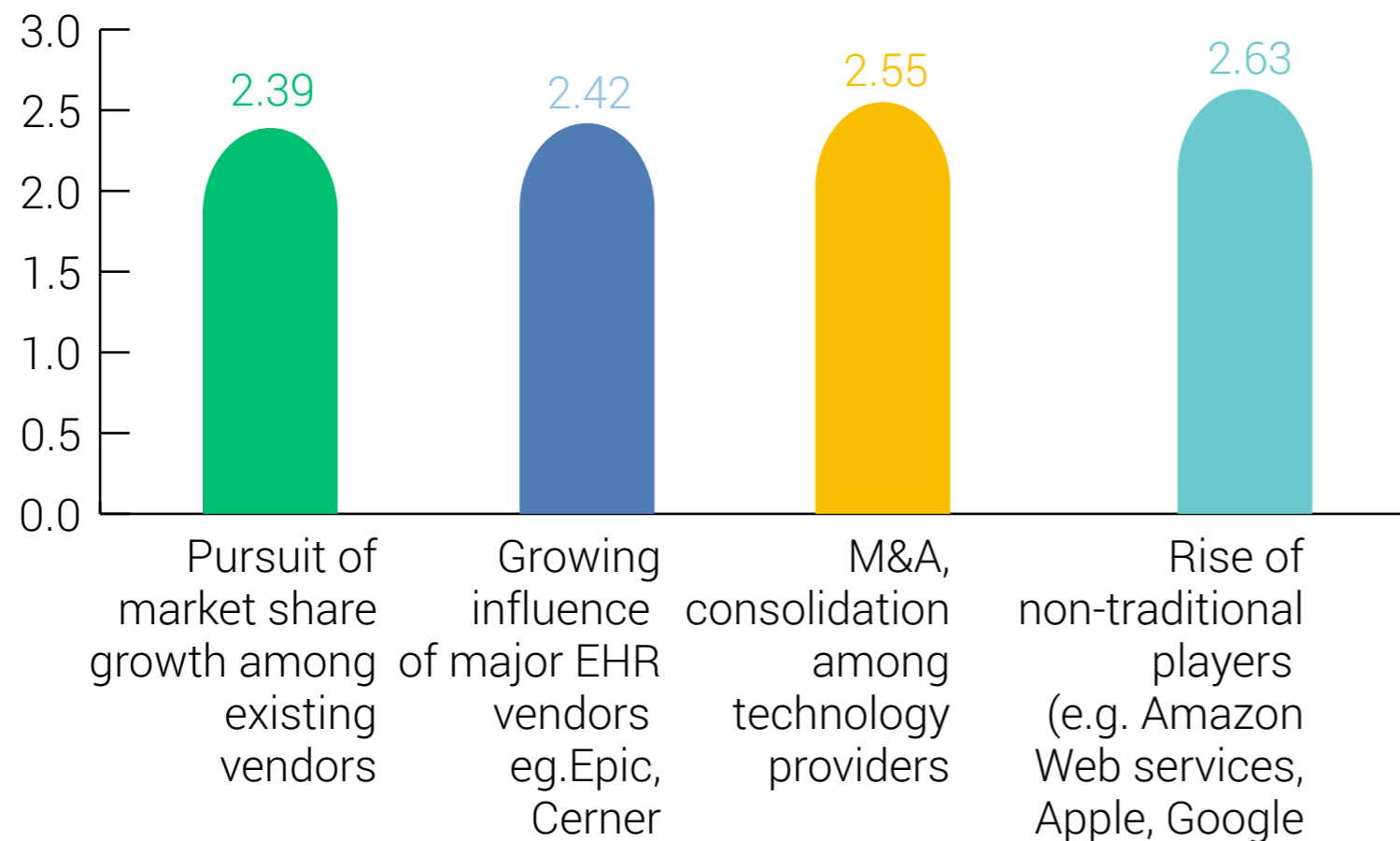
- A majority of the respondents are looking at growth in healthcare. A little over half (52.6%) expect 10-30% growth, and a quarter (26.3%) are confident of more than 30% growth in healthcare in 2018
- A small percentage of respondents (5.2%) expect to see a negative growth in healthcare

What is your company's focus on the healthcare market in 2018?



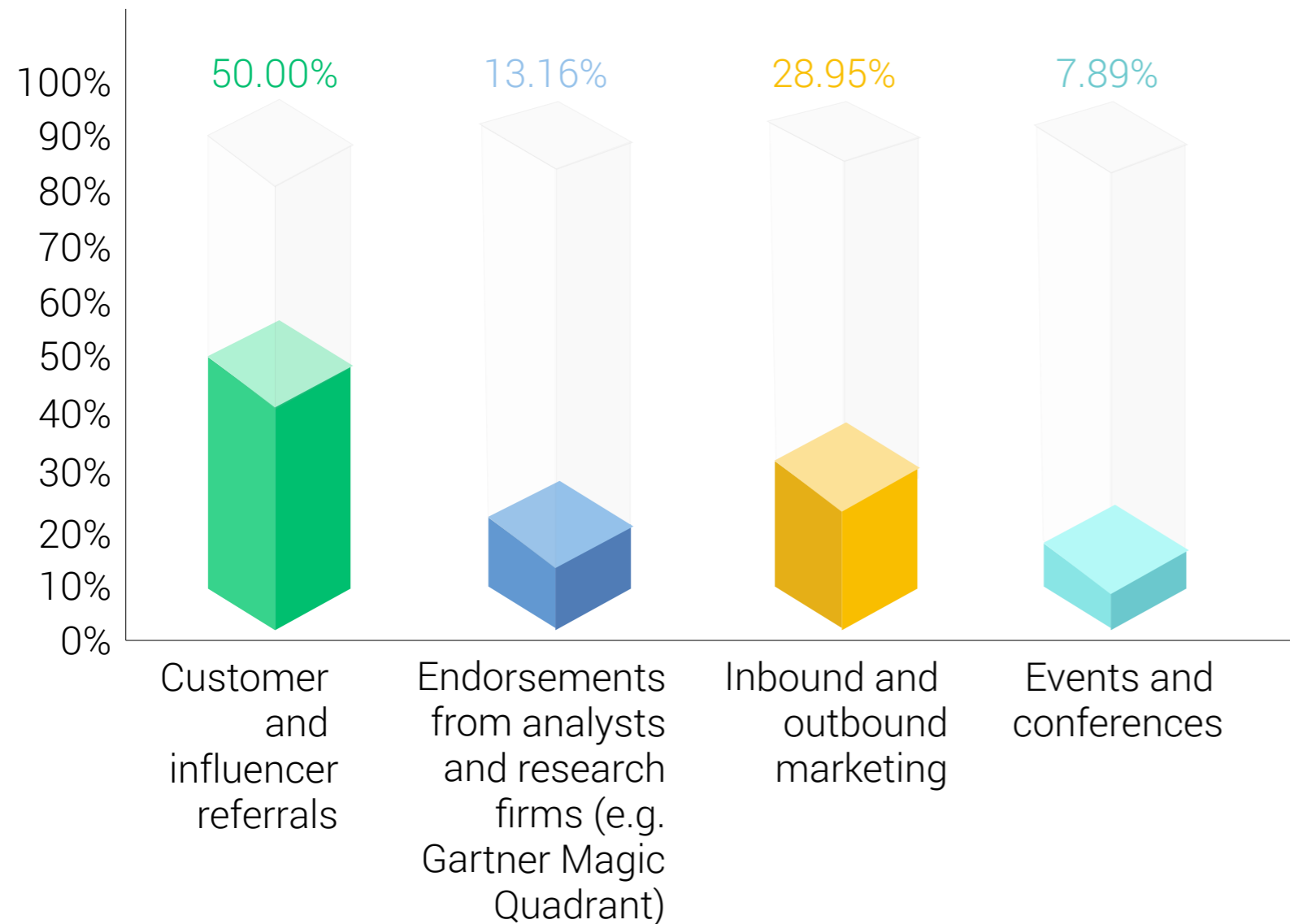
- While our respondents were all invested in healthcare markets, we wanted to understand how healthcare stacked up against other parts of the company in terms of focus. An overwhelming majority (79%) of respondents said they were either exclusively focused on healthcare or that healthcare was one of their highest focus areas

What will impact the competitive environment in 2018? (Rank by importance: 1 being most important, 4 being least important)



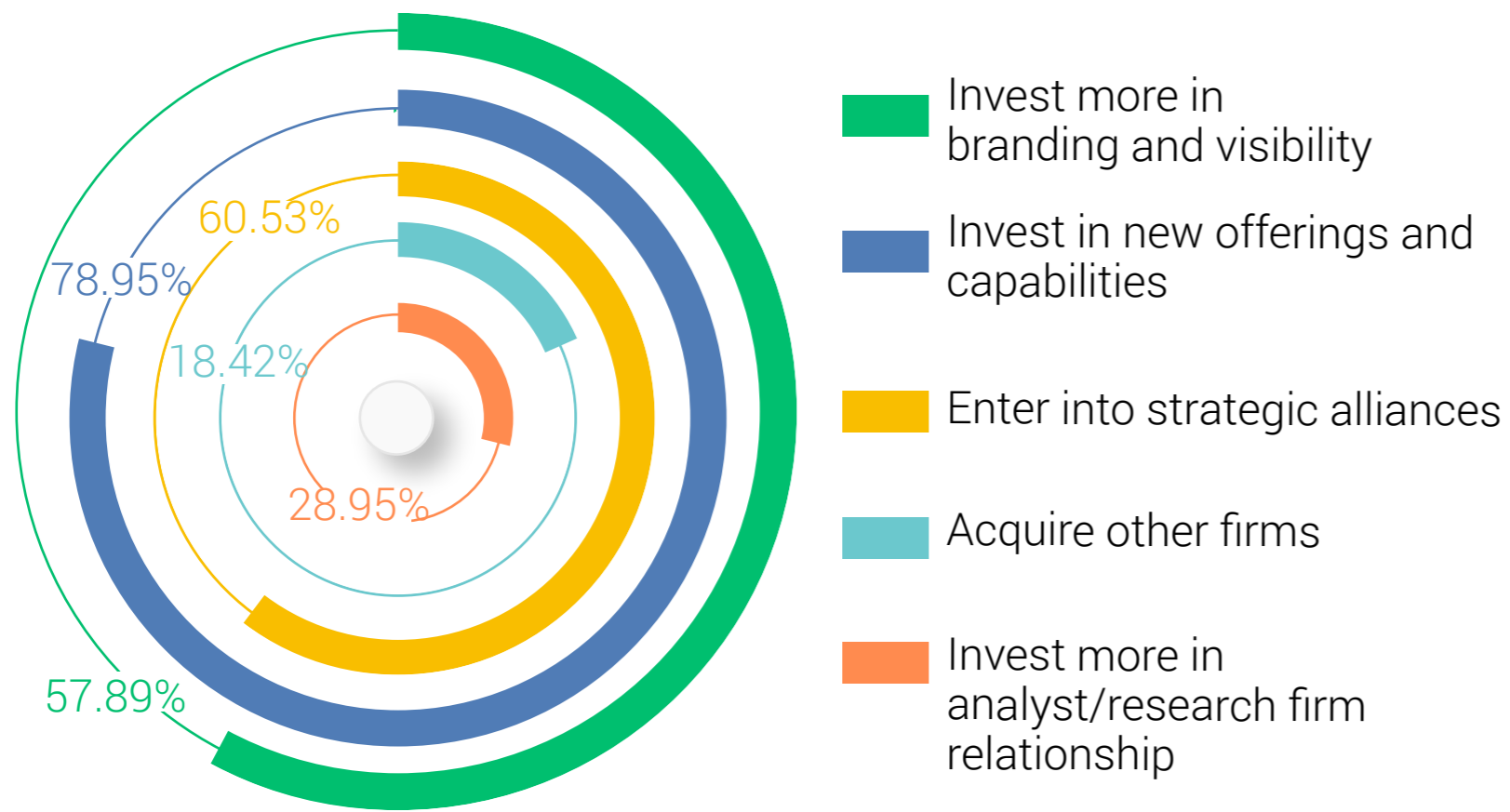
- The rise of non-traditional players in healthcare (AWS, Apple and Google) is the most important factor (36.8% of respondents) impacting the competitive environment in 2018
- According to 31.6% of respondents, M&A and consolidation among technology providers (31.6%), the growing influence of major EHR vendors (31.6%), and pursuit of market share growth among existing vendors (31.58%) were seen as equally important factors driving the competitive environment

What do you expect will be the primary source of new business for you in 2018?



- Customer and influencer referrals are seen as the primary source (50%) of new business in 2018
- 29.0% respondents believe inbound and outbound marketing efforts will contribute more to new business opportunities in 2018
- A smaller percentage (13.2%) believe that endorsements from analysts and research firms such as Gartner and Forrester will be a source of new business opportunities.

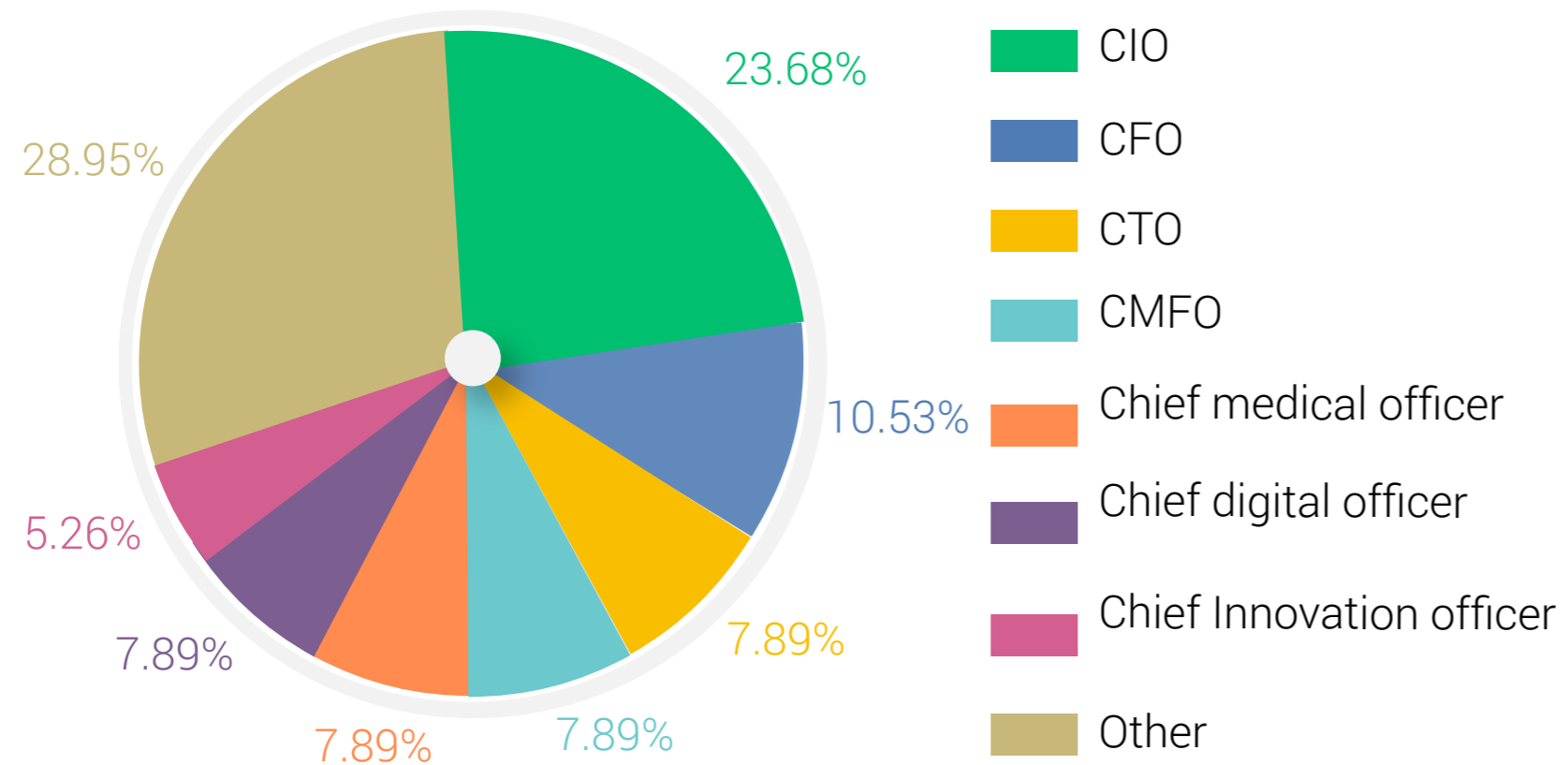
What do you plan to do differently this year?



- 79.0% of respondents say they will invest more in new offerings and capabilities in 2018 to deliver greater value to customers and their consumers
- 60.5% respondents say they will enter strategic alliances in 2018.
- 57.9% respondents will invest more in branding and visibility

Note: Respondents had options to select up to two choices

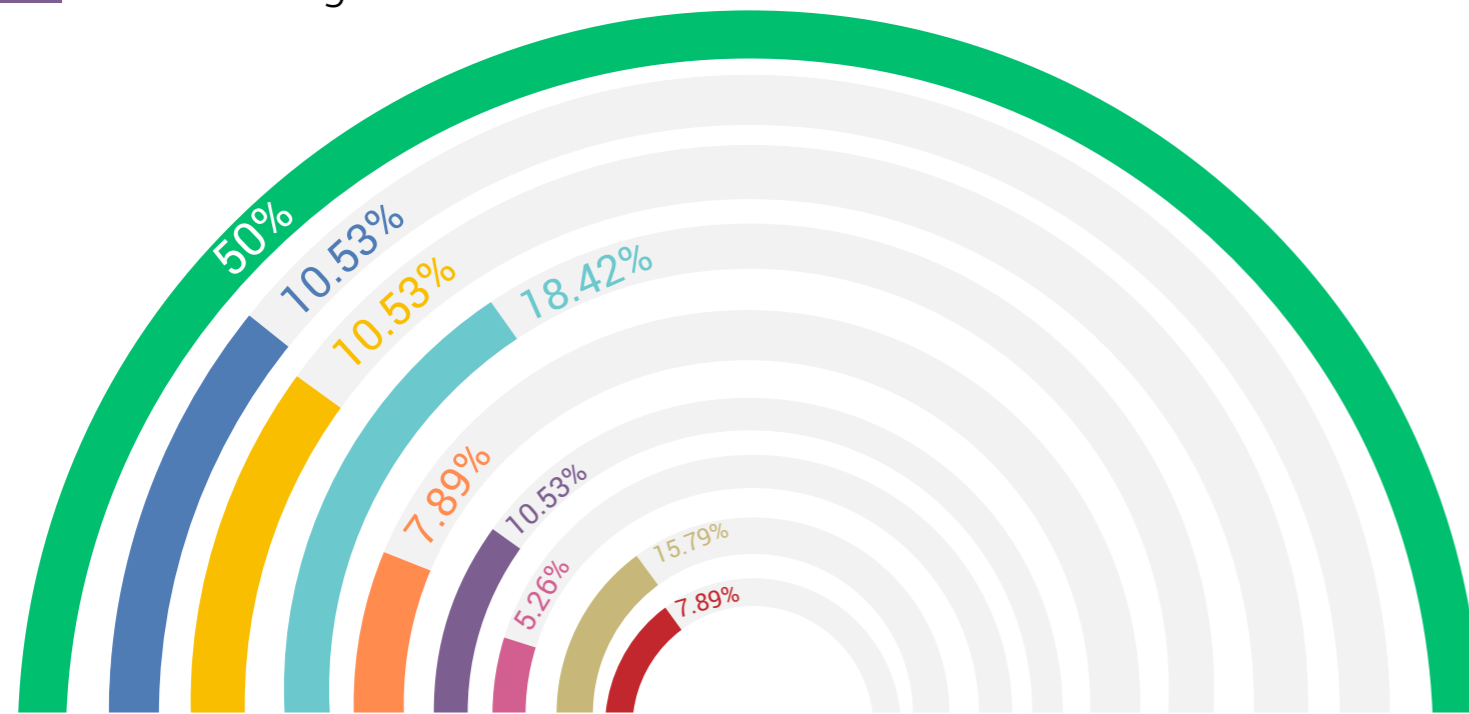
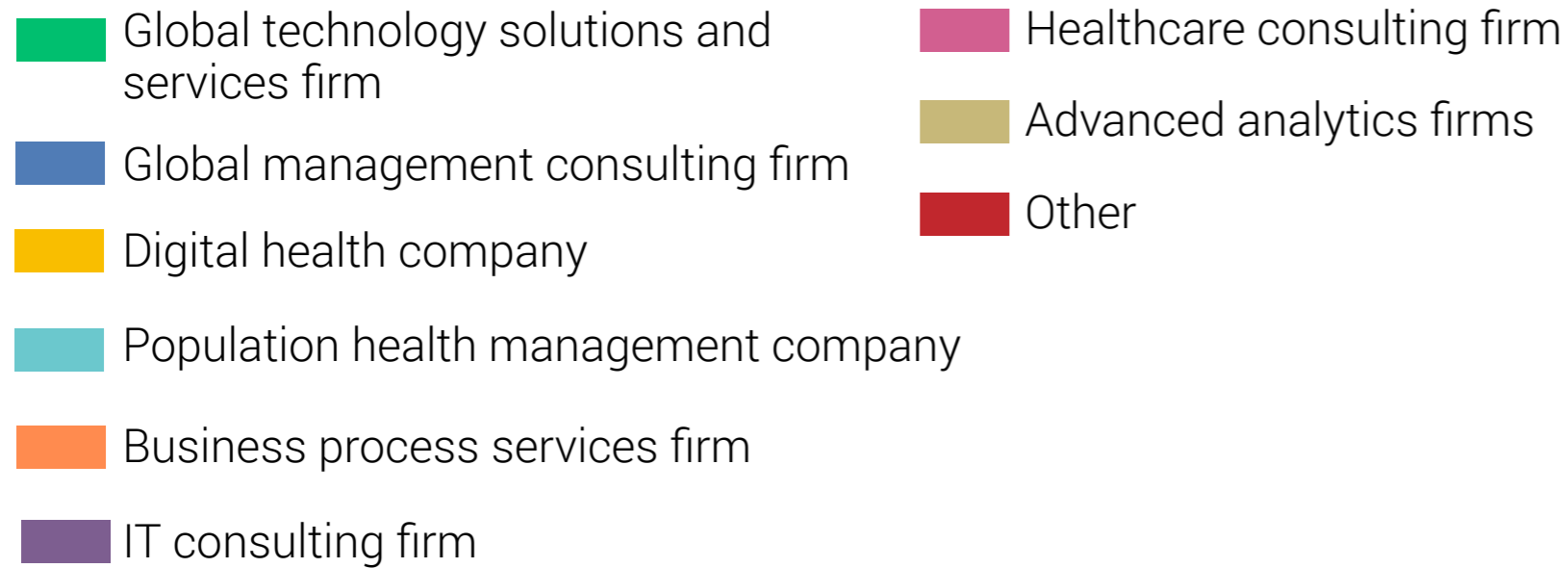
Who is the primary decision maker for your solutions/services in your client organization?



- The CIO remains the most important decision maker (23.7%) for technology solutions/services in their client organization. However, other titles are gaining importance, such as CFO, CTO and CMIO

Appendices

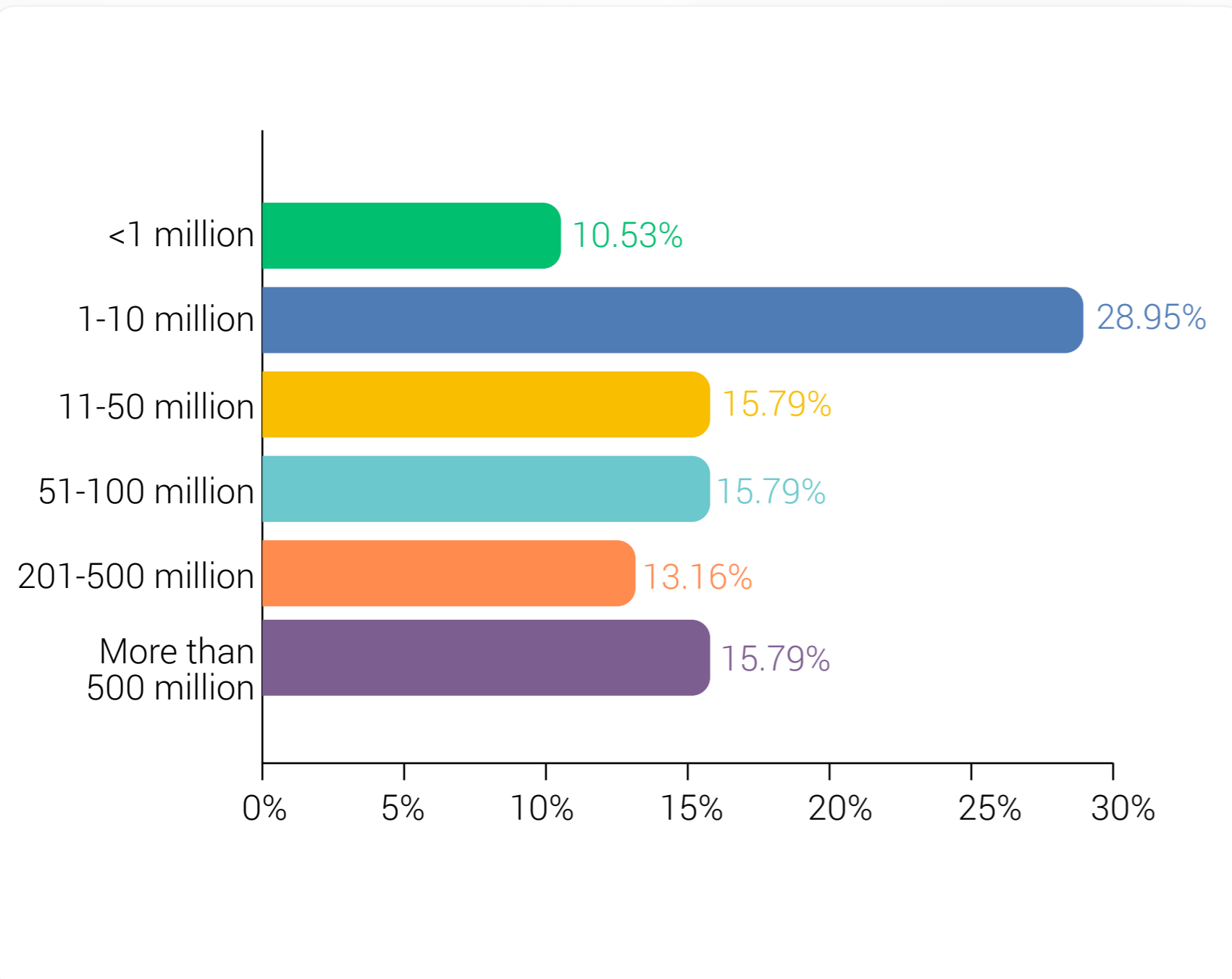
How do you describe your company?



Note: Respondents had options to select up to two choices

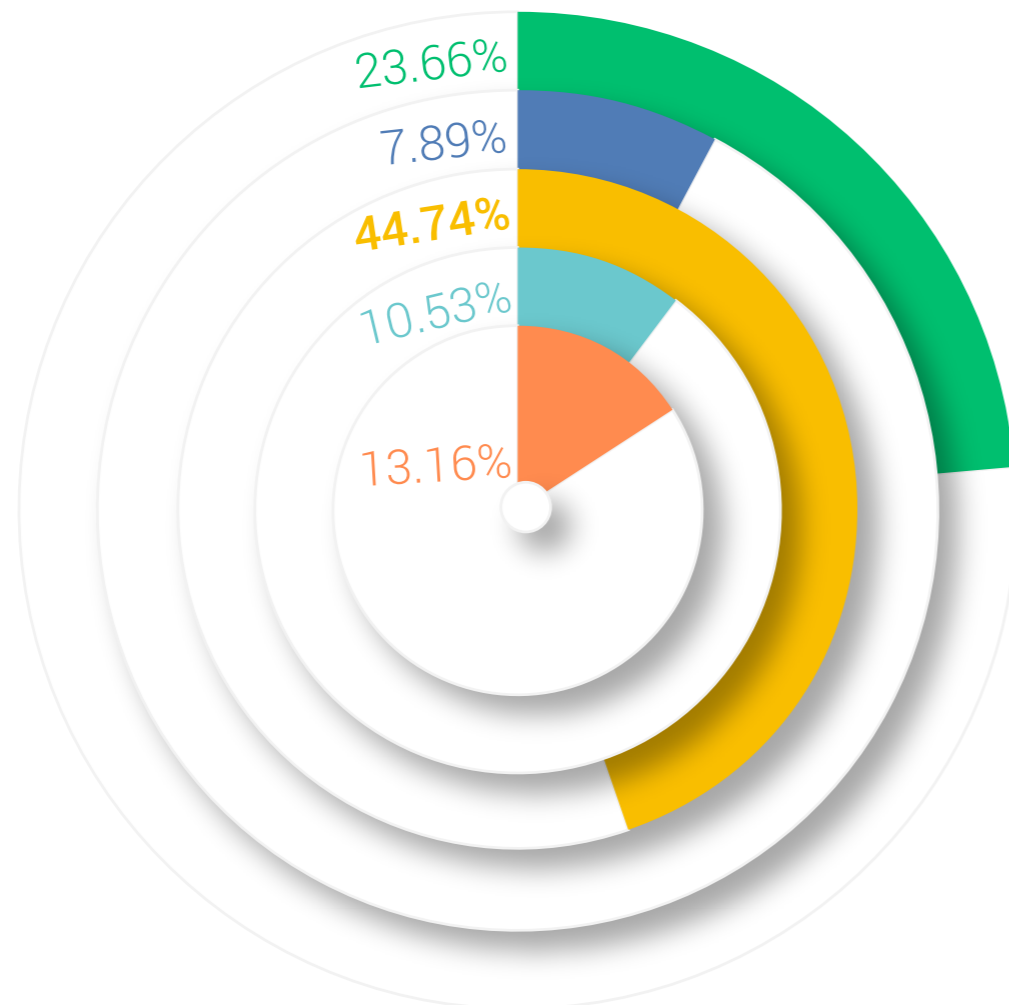
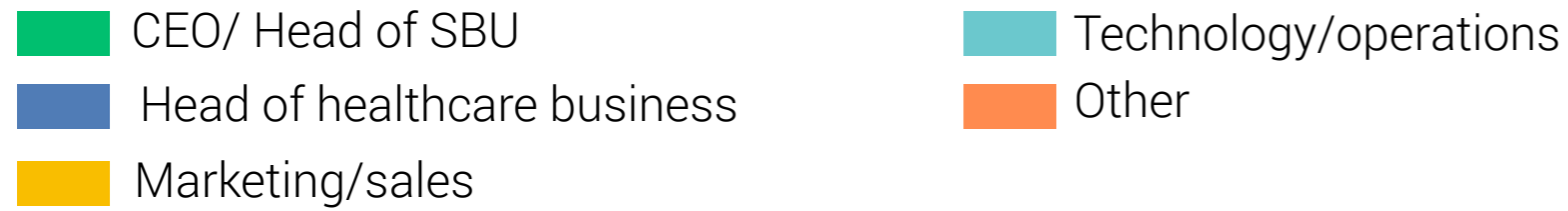
- The survey had 38 unique respondents
- 50% of the participants were global technology solutions and services firms
- Other major categories of respondents were population health management (PHM) companies (18.4%) and Advanced analytics companies (15.8%)

What is your company's expected revenue from healthcare in 2018?



- A little under a third of the respondents (29.0%) reported their company's revenue to be USD 1-10 million in 2018
- 15.8% of respondents were large firms that expect their company's revenue to be over USD 500 million in 2018
- 10.5% of respondents were small solution providers with annual revenues less than USD 1 million

Please indicate your position in your company.



- Nearly a third (31.57%) of the respondents in the survey were CEO/BU heads or head of healthcare businesses in their companies
- 44.7% of respondents were in the sales/marketing function

About Damo Consulting

Damo Consulting is a healthcare growth advisory firm that works with healthcare enterprises and technology firms. We enable market growth strategies, specialize in thought leadership content marketing solutions, and provide healthcare market intelligence and research.

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