

Panoramic review of mobile healthcare industry in 2014 (II): fight for bigger market share

Honggang Tu

MediCool Software, China

Correspondence to: Honggang Tu, M.M. CEO, MediCool Software, Room E305, Liye Building, No.99 Linghu Avenue, Wuxi 214135, China.

Email: 526993491@qq.com.

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Moves of HIS enterprises

Most HIS enterprises expand their business footprints into mobile healthcare by getting access to hospital data flow and facilitating patients' post-treatment management and follow-up visits. Since there are many HIS enterprises and most are not listed on the stock market, we would only single out several typical players to discuss their business models.

Neusoft and Xikang

At the "2014 Neusoft solutions forum", Neusoft Group announced a strategic transformation to broaden its business reach to end consumers, in an apparent shift from its past strategy of offering products and solutions to business clients, by collaborating with business partners to provide services to end users. It expects to inject major assets and operations into Xikang via three projects. The first is a community health project. Through the project, it builds health database for community residents and helps them monitor their health conditions. When they are sick, doctors can use their longstanding health data to make more accurate diagnosis. The second is a cloud hospital project, through which users can enjoy the whole-process services from medical consultations, treatments to interventions. The third is a project involving wearable devices. Neusoft will develop a comprehensive health management solution that can monitor users' physical exercises, diet, medications and etc., and integrate the solution into its wearable devices.

From Dr.2's perspective, however, Neusoft is trying to build a sprawling system that covers all segments of mobile healthcare from regular monitoring, health management to

doctor-patient communication, chronic disease prevention and remote diagnosis and treatment, and that makes almost all players in the industry its adversaries. Since it has not established any consumer network, and has no powerful partner that can directly market its system to end users, it can only adopt a three-pronged approach—building its own network, launching marketing campaign on JD and Taobao and enlisting third-party agents. Working out an appropriate pricing strategy is not an easy job for Neusoft as it wants to win orders from both government clients and individual consumers. We believe there is a high probability that Neusoft's ambitious push will fail.

Neusoft recently announced a plan to slash 3,000 jobs as part of a broader redundancy plan it began to implement last year to eliminate 10,000 jobs. With regard to its RMB 3.7 billion fundraising, which is described the largest financing in the mobile healthcare sector, it was actually a spin-off deal that Neusoft packaged high-quality assets and bundled them with its Xikang unit to be sold to private equity investors. Neusoft also promised that it would buy back these assets if the assets could not get listed on the stock market and pay an additional annual interest rate of 8% to PE investors. The deal is a sure win for PE investors, but a loss to other investors, because Neusoft would have fewer assets that can generate profit after the deal is completed, while the investment income is only a lump sum payment. Moreover, valuations of China-listed stocks are the highest in the world, whereas similar assets listed in the US and Europe are generally valued half or one third of those in China. That is why so many Chinese companies listed on the foreign stock markets are prepared to return to the domestic stock market or have already done so. From this

perspective, Neusoft's proposed deal is never good news to its existing shareholders.

DHC Software

The mobile app Health Happiness is an important gateway for DHC Software to tap into the field of smart healthcare. The app aims to let every mobile phone user have an online private doctor. The app can be running on mobile phones and personal computers and is operating on Alibaba's cloud platform. It will be linked to more than 300 hospitals and plans to be connected with community clinics.

The app has signed partnership agreements with six (or seven) hospitals, and in the next stage it will try to promote cooperation with some 200 AAA hospitals that have partnership with DHC Software and some 100 hospitals in other regions. Users can log onto the app through their Baidu or Tencent accounts. In the meanwhile, DHC Software is in talks with Alibaba's payment unit Alipay to deepen and widen cooperation with the three Chinese Internet giants.

As a well-known Internet service contractor in China, DHC Software has secured a number of government contracts to build smart transport and healthcare systems for a city and even a whole province. Some cash-strapped governments offer to fund the projects by granting land resources or transferring other economic benefits to the company. But this payment approach could sometimes strain its cash flows. Therefore its business fortune is partly hinged on China's economic conditions and local governments' fiscal health. DHC has also developed a mobile app "Palm Hospital" and is aggressively promoting its use across the nation through its solid marketing network. These moves suggest DHC Software is on the offensive in the mobile healthcare market.

Kingstar Winning Software and Wonders Information

Winning Software is specialized in the R&D and application of health information management systems. It has extensive product lines, including HIS, EMR, LIS, RIS, PACS solutions as well as insurance and public health management systems. Some other systems like mobile healthcare, mobile doctor, mobile transfusion, family doctor, smart ward, management decision-making and e-Care as well as baby health products are under development. Winning Software has recently ratcheted up acquisitions to set foothold in external domestic markets and focused on developing

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products covered by medical insurance and commercial health insurance. It plans to foray into the PBM market (pharmacy benefit management), and regards Wonders Information and Searainbow Holding as potential rivals and US-based ESI as benchmark enterprise.

Wonders Information is focused on management of medical insurance data, and began to enter the HIS market after purchasing two industry companies. It was awarded a contract in 2014 to build Shanghai's drug information platform. Based on its acquisition strategy and its recent moves in the market, we guess its core business might be to help government control health insurance cost, and it will then set foot in HIS system building and regional health information management. Its evident ambition in PBM business has also been known to everybody.

B-Soft and PKU Healthcare IT

B-Soft Limited was founded in 1998 and has now become a leading developer and promoter of healthcare software products in China. PKU Healthcare IT has been expanding business with the support of Peking University Medical College and Founder Group. Both software companies have acquired the technologies and capabilities to develop and install mobile healthcare systems (Clinician workbench, electronic medical record system, nursing information system, mobile doctor workstation, mobile nurse workstation), hospital operation & management systems (total cost accounting, performance assessment, payroll management, bonus distribution), physical examination information system, regional collaborative healthcare (Enterprise Master Patient Index, two-way referral, collaborative medical techniques, inter-department document review). They are also trying to apply their new products to new sectors and enrich their product lines. B-Soft is running a pilot program about mobile healthcare in Shanghai and PKU Healthcare IT is operating a similar program at some hospitals in Beijing. The projects are part of their ambitions to broaden their footprints from a few large cities to the whole country.

Kingdee Healthcare (Similar operations to UFIDA Healthcare)

Best known for its financial software, Kingdee Group made inroad into the healthcare IT industry three years ago by acquiring HIS and LIS companies and merging their assets with its own HRP business, and it has since launched

six healthcare solutions, including digital hospital. Its mobile Internet hospital has also begun running online in May 2014. According to Kingdee Healthcare, the mobile Internet hospital allows patients to use mobile phones to make doctor appointment, pay and check medical bills, examine test reports and give feedback about medical service. The mobile hospital can also help large hospitals address longstanding complaints from patients, who say they wait too long to make appointment, to see the doctor and to get the medicines, but spend only a while to talk with the doctor about their illness.

The mobile Internet hospital has developed a viable business model stretching from mobile payment, medical process improvement to clinic service and patient health records. Users can log into the Internet hospital with their WeChat, Alipay or Baidu account. However, its profitability model of asking banks to pay the cost has not been put to the market test. Moreover, its status as a HIS enterprise means other players are unlikely to be its partners. That is to say, it is unable to grow into a market leader, but it can be a strong player.

Beijing Goodwill, Sinldo and HSUN

Beijing Goodwill is not listed on the stock market, but it's a leader in China's electronic medical record market with gross revenues twice as much as that of Winning Software. Since it's a privately-held company and does not have to make public disclosures about its business operations, we could only learn from some of its customers that it's actively developing and promoting mobile health products. Sinldo and HSUN are smaller players in the HIS market, and they are also extending their reach to the mobile healthcare business and have successfully executed some projects.

Mobile healthcare conferences mushroomed, media coverage intensified

There were numerous mobile healthcare conferences in 2014, focusing on topics like smart healthcare, smart hospital, health management, Internet hospital, digital healthcare, healthcare big data, wearable devices and smart hardware. But at many meetings speakers were the same faces, and they were talking much about the same issues and using the same presentations and documentations. Mainstream media, including CCTV and major news websites, and We Media were also making extensive coverage, although many reports and articles were much of

the same or making exaggerations to garner more attention. Large industry conferences have been convened throughout the whole year, a clear sign that the mobile healthcare industry is in the boom. Some 100 salons and forums opened across the year, especially from May to the end of the year, mostly in Beijing, Shanghai, Hangzhou, Nanjing and Guangzhou. These cities are exactly where leading industry players are congregated.

Mobile healthcare has begun to garner intensive media attention since this year. For instance, CCTV interviewed developers of mobile healthcare apps and aired reports about a mobile app that can measure blood sugar levels. Related articles can also be seen at newspapers as well as major web portals like Sina, 163.com and Sohu. Emerging media like Caixin Life, 36kr and leiphone.com have increased coverage about mobile healthcare and opened special columns to discuss the future of the industry. Professional medical websites like www.cn-healthcare.com, www.yxj.org.cn and www.sinohealth.com are leading the trend. In the meanwhile, a number of We Media focused on mobile health have emerged this year, such as MediCool, vbeat, BioClub and Qidian Media. They either focus on marketing of their own products or try to become incubators of mobile healthcare giants like the US-based Rocket Health. Traditional professional publications and online medical forums like Health News, dxy.cn, medlive.cn and cmt.com.cn are also making aggressive inroads into the field. On the whole, mobile healthcare has garnered widespread media attention just like "flowers of every kind are in bloom".

In the final chapter we would discuss other important participants in the industry, including property developers, telecommunication operators and prominent players in the sub-industries.

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Footnote

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