

NZ's Orion buys Microsoft e-health unit

Chris Keall | Monday October 17, 2011 | [4 comments](#)

When Microsoft's in the news, it's usually because it's gobbling up a smaller competitor.

Today, it's New Zealand's Orion Health doing the buying.

As [first](#) flagged by NBR on October 13, Orion has signed an agreement to purchase Microsoft's Hospital Information System (HIS) software assets, and the related PACs (Picture Archiving and Communication Systems) and RIS (Radiology Information System) products previously marketed under the Microsoft [Amalga](#) brand. The New Zealand company will sell them as Orion Health HPM (Health Process Management) suite.

50 new staff

The deal will see Auckland-headquartered Orion take on around 50 developers based in Asia NBR understands (as of last week, Orion had 480 staff - making it easily New Zealand's largest software company. Microsoft has an Amalga team in Thailand). Ultimately, the new acquisition could lead to up to 200 new hires.

The acquisition was pitched to media this morning as an "Asia Pacific" deal. Orion chief executive Ian McCrae told NBR this was a reference to the fact his company would initially target the Asia Pacific market with Orion Health HPM.

"There is one version of the HIS/RIS/PACS assets and Orion owns this and the global rights," Mr McCrae said. "There is no regional qualification to the deal."

The Orion boss would not put a value on the deal, but said it would more than triple his company's software assets, and make it a "full line" health vendor.

Orion-Microsoft marketing alliance

The two companies have also signed to agreements to co-market their health information exchange (HIE) and data aggregation and analysis products: Orion Health HIE and Microsoft Amalga Unified Intelligence System (UIS).

The deal represents something of a victory for Orion. In 2009, shortly after launching Amalga (based on its purchase of the 40-person health software company Azyxxi), Microsoft trotted out an analyst from Ovum who said "Amalga will be worrying news for its closest competitors, which include dbMotion and Orion Health."

The creation of regional health information exchanges has become a huge business in the US - thanks to e-health initiatives being targeted as a major recipient of government stimulus spending.

Under the Hi-tech (Health Information Technology for Economic and Clinical Health) Act, passed by Congress under the broader ARRA (American Recovery and Reinvestment Act), \$US22 billion was ear-marked for "advance the use of health information technology" as part of President Barack Obama's push to move the US hospitals, doctors and other medical providers to e-records by 2014.

Orion has [won](#) contracts in Maine, Louisiana and Alaska. The company is in the running for other states. As baby boomers age, and governments and private healthcare providers worldwide seek more efficient information systems to help deal with rising costs, Orion sees strong revenue growth ahead.

Towards \$1 billion, and beyond

Privately held Orion, which does not publicly post its accounts, had revenue of \$90 million for its 2011 fiscal year.

On top of its growing HIE business in the US, the company has recently [landed](#) major contracts with the Singapore and Australian governments (as part of consortia).

Last week, Mr McCrae told NBR he anticipated revenue of \$120 million to \$140 million for 2012, plus a further \$10 million through affiliated company Heathlink.

Mr McCrae saw the healthcare software sector consolidating to six or seven players worldwide over the next five years, each with revenues between \$2 billion to \$8 billion.

Orion would be one of those six or seven remaining players, he said - meaning it would have to surge past its existing \$1 billion annual revenue growth target.

Mr McCrae said while health information exchanges were being developed in many countries, New Zealand risked falling behind.

From next year, Australians would be able to access their own health records online, thanks to the single e-record system being developed by an Accenture-led consortium (or which Orion is a part). In New Zealand, records remained fragmented on a mix of digital and paper systems.

Mr McCrae is the largest holder in Orion, with a 63.49% stake.

[More by Chris Keall](#)



Orion Health chief executive Ian McCrae

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