

An aerial photograph showing a dense green forest in the foreground, with a city skyline visible in the background under a cloudy sky. The text "INVESTING IN ENTREPRENEURS THAT IMPROVE HEALTHCARE" is overlaid in white, bold, sans-serif capital letters.

INVESTING IN ENTREPRENEURS THAT IMPROVE
HEALTHCARE

Investment Area of Interest:
Key Success Factors of Healthcare IT Companies
Selling to Healthcare Providers that Generate
\$100M+ of ARR

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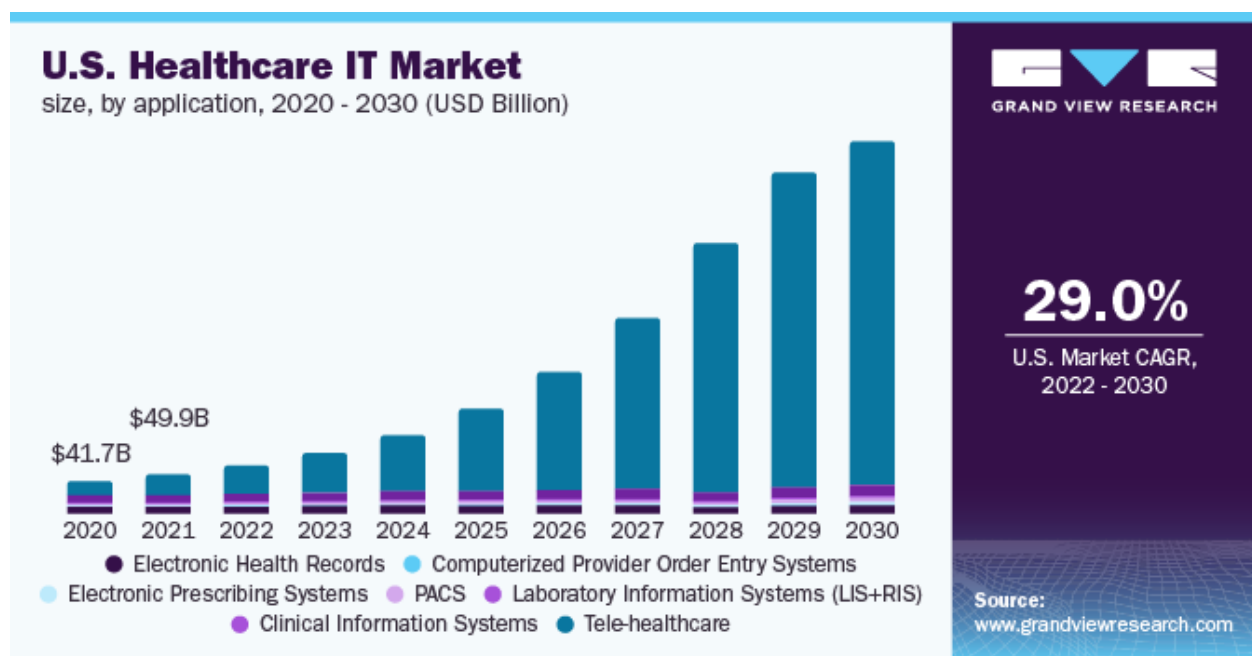
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Introduction

Information technology has taken the expanding healthcare industry by storm.

Researchers predict that the United States healthcare IT market will grow at a 29% compound annual growth rate from 2022 to 2030 ([1](#)). Further, in a September, 2022 report, the United States Bureau of Labor Statistics stated that “the healthcare and social assistance sector is projected to create the most jobs over the 2021-31 decade, growing in tandem with the segment of the

population that is aged 65 and over.” They also noted that “some industries and occupations are projected to have altered long-term structural demand arising from economic changes spurred by the pandemic. For example, many computer occupations are expected to have elevated long-term demand, in part due to increased business demand for telework computing infrastructure and information technology (IT) security” (2). As IT has become fully integrated into the modern world, healthcare providers have become increasingly reliant on exciting IT innovations that are transforming healthcare processes. Technological advancements have allowed healthcare providers to enhance the value of service, automate time-consuming work, and make data-driven decisions and improvements.



Countless healthcare IT startups have attempted to develop strong market positions selling services to providers, but only few have reached \$100 million or more in annual recurring revenue (ARR). Navigating the healthcare IT market is an exciting yet difficult endeavor. As the CEO and founder of Definitive Healthcare Jason Krantz said: “the healthcare market is huge and is expected to continue to grow. It’s also incredibly complicated given the complex relationships

between physicians, hospitals, providers, health insurance companies, government regulators, and patients” (3). Despite the complexity, there is still tremendous opportunity to improve the healthcare industry through the use of software and IT services. This is in part because a large portion of healthcare administrative spend is unnecessary and could be automated, and while healthcare software-as-a-service (SaaS) spend is growing, it still makes up less than 10% of healthcare administrative spend today (4).

With high growth anticipated in the healthcare IT industry and an opportunity for healthcare providers to employ IT to cut costs and enhance efficiency, FCA Venture Partners expects there will continue to be attractive opportunities to invest in healthcare IT startups that sell to providers in the near future. In this report, FCA Venture Partners profiles ten of the few healthcare IT firms that have generated \$100 million or more in ARR through selling to healthcare providers. With every company analyzed, the factors that have most significantly contributed to each firm’s success will be identified. The ultimate objective is to apply the understanding of healthcare IT businesses gained through the report to future investment opportunities in the healthcare IT sector. If a healthcare IT company has matching key success factors to those identified in this report, it is likely that an investment in said company will generate a significant multiple on invested capital. With that being said, this report’s purpose is to serve as a guide, not an end-all be-all solution to investment decision making. FCA Venture Partners will continuously conduct thorough research, deal sourcing, and due diligence to identify the most attractive investment opportunities in a dynamic healthcare IT industry that continues to evolve and expand.

Company Overviews



Epic is focused on creating and maintaining electronic medical records (EMRs). The company was founded in a basement by Judy Faulkner in 1979 and has experienced significant organic growth, avoiding acquisitions, Wall Street financing, and many outside investors ([5](#)). The business was originally valued at \$70,000 in 1979 (around \$285,000 today) and was funded by Faulkner and her colleague John Greist borrowing from friends and family and against their homes. Without the use of much venture capital funding, Epic grew slowly but steadily and expanded its offerings. The company built out a billing software in the late 1980s and a graphic user interface for outpatient clinics in the early 1990s. Faulkner's obsession with customer satisfaction contributed to Epic's growth, along with the fact that Epic had reliable computer code. In 2004, Epic signed its largest deal yet, inking a 3 year contract that would cost Kaiser Permanente \$4 billion and net Epic \$400 million. Kaiser's CEO at the time explained the motivation for this deal was that Epic had a track record of effectively delivering its products and implementing them on time. By 2007, Epic recorded \$500 million in revenue. From 2010 to 2020, the firm's revenue grew at a compound annual rate of 15%, and by 2021, Epic's revenue was \$3.8 billion ([6](#)). The company's customers consist of nearly 2,400 hospitals worldwide, and Epic manages EMRs for 250 million patients ([5](#)). All of the company's software has been built in-house without the use of acquisitions, as the firm invests heavily in itself with 32% of its operating expenses put towards in R&D ([7](#)). Each year, Epic hires 2,000 employees, skilled in coding and logic, given the high rate of burnout and turnover in Epic's uber-competitive, over-achieving, fast-paced work environment. This hiring style ensures that Epic's code continues to operate as one of the best. Epic's workers have helped the company win Best in

KLAS for overall healthcare software suite 12 years in a row (8). The company is continuously innovating, as it recently created a big-data initiative called Cosmos in 2019 which aims to aggregate bulk data and use over 100 million de-identified EMRs to aid in understanding national health trends, drug development, and more. Epic maintains long term relationships with its clients, with the average customer using Epic software for 10 years. According to Faulkner, Epic also has not lost any in-patient hospital clinic customers outside of the case of acquisitions. These statistics are attributable to the fact that it is very hard to abandon Epic's proprietary platform given that it controls the data of the entire patient journey, helping healthcare providers deliver value-based care while managing back office finances.

Critics contend that Epic is a closed network that makes data exchange with other systems difficult, while founder Faulkner asserts that the company prioritizes patient privacy but still shares data. In fact, Epic's Care Everywhere program allows patients to share their charts with any standard organization regardless of the EMR that organization uses. However, Epic shares data on a case-by-case basis, and there can be struggles when EMRs need to be shared to an unknown third-party app as opposed to one of Epic's big competitors. Epic's claim that sharing EMRs with third parties, even when requested by the patient, is a serious privacy risk is one way the company has been able to maintain barriers to entry in the EMR industry, but these barriers may be falling. Data sharing regulations have changed as the US Government created federal legislation in 2020 empowering patients to have ownership of their personal EMRs. This legislation prevents anti-competitive information blocking practices by developers of certified healthcare IT like Epic and mandates that all EMR vendors adopt APIs to allow EMRs to be passed between hospitals more easily. Additionally, the legislation mandates that providers are able to communicate about healthcare IT usability, user experience, interoperability, and security

(9). This leads some to believe that Epic's dominating market position, fostered in part from the fact that the service is difficult to abandon once set up, is at risk. Epic's services were utilized in 39% of US hospital beds in 2019, but the firm's market share had fallen to 32.9% by the end of 2021 (10). Despite increased fragmentation in the industry in the past 3 years, sales of EMR services from Epic expanded. This signifies a growing market that has not yet reached maturity. There should be future opportunities for Epic to continue to expand its client base and for competitors to develop new ways to win contracts.

Some, like John Glaser, a former executive at one of Epic's competitors who now works at Harvard Medical School, think nimble and agile startups have an opportunity to end Epic's dominance in the EMR market. Epic is costly to install and maintains a big-system mindset, which many think is outdated in the age of omnipresent, cheap mobile apps and cloud computing. Additionally, Cerner, Microsoft, Apple, Google and nearly every big tech company have disagreed with Epic's stance that sharing patient records is detrimental to privacy and say that preventing EMR sharing stifles innovation and is bad for patients. Government health officials have even stated that Epic's position allows the company to hold patient data hostage to profit under the guise of privacy. But now Epic has taken strides to enhance its interoperability with a new SaaS platform and a commitment to the Trusted Exchange Framework and Common Agreement. Healthcare IT startups and investors should learn from the aspects of Epic that led to billions in sales of the company's products to healthcare providers.

Capability	Result
IT Management – Epic's EMR services ease demands on healthcare IT managers through maintaining patient data and records.	Healthcare providers' information managers depend on Epic's release schedule for upgrades and updates to their systems.

Timely Change Management – Epic implements its software quickly. The company also provides training for system operators.	Healthcare providers are more likely to sign contracts with Epic because providers' record keeping systems will be enhanced quickly and those utilizing the Epic system will feel comfortable doing so.
Ongoing Services – Epic offers 24/7 support after the implementation of Epic products, ensuring customer satisfaction.	Healthcare providers feel that Epic is a safe EMR system because Epic is always around to solve any issues that arise.
Established Barriers to Entry – Epic entered the EMR market early and was able to develop an economy of patient records easily shared amongst providers using Epic. Before changes in data sharing regulations, any provider not using Epic was disadvantaged because of the privacy-oriented limitations to obtaining EMRs from providers using Epic.	Healthcare providers not using Epic felt left out, pushing them to purchase Epic's services. It is unclear exactly how regulations on data sharing will impact barriers to entry in the EMR industry, but with Epic's economies of scale, wealth of information, and proven track record, the company should have opportunities to maintain these barriers.
Variety of Offerings – Outside of EMRs, Epic aids healthcare providers with Revenue Cycle Management, Telehealth, Patient Flow/LOS Reduction, payer-provider collaboration and more services.	The variety of services provided differentiates Epic from strictly EMR focused organizations. This increases sales as customers are attracted to the bells and whistles attached to Epic's product.
Improved Patient Care and Security – By maintaining EMRs in top working order for healthcare providers, clinicians can make the best decisions and create the best patient outcomes. Epic's platform and design is HIPAA compliant and maintains technical safeguards to guarantee patient security.	The main goal that healthcare providers have is to deliver the best and safest care for patients. Epic's technology improves care and security which contributes to the company's success.
Continuous Innovation – Epic is still innovating with a new product, Garden Plot, launching in 2022 to give independent medical groups access to Epic and improve interoperability. The firm's cloud-based platform creates endless innovation possibilities.	Epic is seen as a leader in the field of EMRs. With a track record of successful innovations, healthcare providers buy into Epic's updates, and the firm achieves continued growth.



Phreesia is a healthcare IT company founded in 2005 that helps providers automate patient intake. The firm's focus on and commitment to patient intake software has resulted in Phreesia being ranked as the best patient intake manager in the world the past 3 years by KLAS Research, over patient intake services offered by Epic and other competitors ([11](#)). Phreesia's ability to streamline the patient intake process has given the company a strong market position as patients can conveniently and securely check in to medical visits remotely on their personal devices. The PhreesiaMobile app was made in 2017, but the firm's original flagship product was the PhreesiaPad, a tablet used for patient check-in that can be found in doctors offices across the US ([12](#)). The firm's mobile innovation allowed Phreesia to operate from a leading market position during the depths of the COVID-19 pandemic when non-contact check in was significantly preferred. Patients do not need to make a phone call, wait on hold, or fill out paperwork ever again as Phreesia's easy to use software allows for self-scheduling and appointment requesting options on a healthcare provider's website, allowing providers to focus on the patients in the office. This reduces the amount of labor and effort required at the front desk of healthcare providers and cuts down on wait times, ultimately enhancing patient satisfaction and increasing the number of patients doctors are able to see. Phreesia sells recurring, subscription based contracts and serves healthcare providers' patient intake needs successfully over time, as evidenced by the firm's provider client annual dollar-based net retention rate of 107% ([12](#)).

While the check in process is easy to complete on Phreesia, the company's software also gathers important information from patients through asking tailored questions. By the time a patient is done checking in for a doctor's appointment on Phreesia, they will have verified their

insurance and demographic information, and the provider will have captured a complete patient record detailing the patient's medical history. Phreesia maintains bidirectional integrations with some of the nation's leading Electronic Medical Record and Practice Management software solutions to the point where Phreesia's ability to leverage APIs sets the standard for interoperability. The company has been praised as an example to follow in terms of data sharing, more so than competitor Epic, which has increased Phreesia's sales as providers can easily incorporate patient data from Phreesia into their established systems. Additionally, Phreesia can help providers manage their revenue and cash flow. The company limits provider costs by preventing redundant data entry and excessive administrative tasks, ultimately reducing labor time. Phreesia also limits accounts receivable days because the company's software accelerates consent form approval, insurance verification, and reimbursement by reducing pending and denied claims. Phreesia's payments platform allows providers to track payments made through the Phreesia system in real time and automates key steps in the payment process. While the payments platform is an ancillary offering to Phreesia's patient intake software, it adds value for providers and contributed to over 30% of Phreesia's revenue in fiscal year 2021 ([13](#)). Other ancillary offerings provided include patient surveys, patient engagement campaigns, and appointment and referral analytics. Phreesia is able to implement software and a variety of offerings rapidly and at significant scale, fueling the company's growth in usage amongst healthcare providers who want to consistently automatically capture and integrate important clinical data.

Phreesia is in the growth stage and is not yet a mature company like Epic. Phreesia's revenue growth rate from 2020 to 2021 was 43% compared to Epic's 13% in that same year. The company's market capitalization is \$1.86 billion and its stock price, which in December 2022 sits

at \$35.34, has increased 47.17% since 2019. Below is a model of Phreesia's pro forma operating growth constructed by FCA Venture Partners based on projections derived from market research and Phreesia's publicly stated strategy and financial information through Q2 2022. Phreesia has over \$131 million of revenue in the first half of 2022 and is still a growing firm working towards a goal of over \$500 million in revenue as well as positive EBITDA in 2025 by maintaining a high gross margin as a SaaS company with relatively low cost of revenues. The company found success increasing revenue by investing heavily in its sales and marketing team in order to source opportunities for contracts and ancillary offerings amongst new and existing provider clients ([13](#)). Outside of cost of revenues and sales and marketing expenses, a few other operating expenses should be noted. Payment processing expense, which is related to fees for payment card networks, should increase directly with payment processing revenue. General and administrative expense, which is the smallest business division in terms of human capital, will grow slightly over time but should be lower than 2021 levels due to non-recurring acquisition related costs that were grouped into the G&A expense in that year. The firm will also continue to invest in research & development as well as tangible and intangible assets so that Phreesia can stay on top of innovation, reflecting increasing R&D and D&A expenses.

There are a few reasons why the model predicts Phreesia will hit its 2025 revenue and EBITDA targets. Phreesia's client base currently consists of 92.3% small businesses and middle market firms with under 1,000 employees and only 7.7% of enterprise sized providers with over 1,000 employees ([14](#)). In order to grow in the long term, Phreesia's sales team will need to continue pushing to secure contracts from larger healthcare providers as the firm's track record continuously improves. These efforts are reflected in the growth rates of sales and marketing expense as well as revenue in the model, as each item grows significantly in the near future.

However, the growth rate of both decrease over time. The revenue growth rate decreases as Phreesia becomes more mature and has less potential enterprise customers. The sales and marketing expense growth rate decreases more than the revenue growth rate as Phreesia's track record is enhanced. As Phreesia grows into a mature company with a better reputation, the need to market the company decreases, the services Phreesia provides to current customers expands, and Phreesia will be referred more heavily by its current customers. These factors, along with Phreesia's long-term subscription based model and high gross margin, will lead to consistent company growth. Thus, the model suggests that Phreesia will meet projections of over \$500 million in revenue and a slightly positive EBITDA by 2025.

Another important thing to note about Phreesia is the company's favorable Customer Acquisition Cost (CAC) Payback Period. Although the company spends significantly on sales and marketing, Phreesia's CAC Payback Period is 7.5 months. This is derived from the Bessemer Partners equation for CAC Payback, pictured below ([15](#)). The general benchmark for startups to

CAC payback (months)
$$\frac{\text{Total sales and marketing spend}}{(\text{Net new ARR}/12 \text{ months}) * \text{gross margin}}$$


recover CAC is 12 months or less, and the highest performing SaaS companies average a 5-7 month CAC payback period ([16](#)). This means that Phreesia is on the higher performing end when it comes to CAC payback period and thus records revenue from its sales and marketing expenses at an efficient rate. This efficiency will help Phreesia turn EBITDA positive by 2025. Ultimately, Phreesia is a growing company working towards profitability after capitalizing on dynamic shifts in the healthcare industry to record exceptional revenues.

Phreesia Financial Model:

Phreesia							
\$ in Thousands							
	2020A	2021A	2022P	2023P	2024P	2025P	2026P
Revenue							
Subscription and related service	\$69,042	\$95,514	\$124,168	\$156,452	\$192,436	\$230,923	\$274,798
Payment processing fees	49,900	65,201	84,761	106,799	131,363	157,636	187,586
Life sciences	29,735	52,518	68,273	86,024	105,810	126,972	151,097
Total Revenues	148,677	213,233	277,203	349,276	429,609	515,531	613,482
Expenses							
Cost of revenue (excluding D&A)	23,461	42,669	51,312	61,160	70,931	79,961	89,019
Gross Profit	125,216	170,564	225,891	288,116	358,678	435,569	524,462
<i>Gross Margin</i>	<i>84%</i>	<i>80%</i>	<i>81%</i>	<i>82%</i>	<i>83%</i>	<i>84%</i>	<i>85%</i>
Payment processing expense	28,925	38,719	50,335	63,422	78,009	93,610	111,396
Sales and marketing	42,972	106,421	154,310	177,457	186,330	192,851	199,601
Research and development	22,622	52,265	64,025	70,427	76,061	81,386	87,083
G&A	40,460	68,674	66,339	66,671	67,004	67,339	67,676
EBITDA	(134,980)	(266,080)	(109,118)	(89,861)	(48,726)	383	58,706
Depreciation	9,770	14,985	18,731	23,414	29,268	36,584	45,731
Amortization	6,138	6,317	7,896	9,870	12,338	15,422	19,278
Total Expenses	174,348	330,050	412,948	472,421	519,940	567,155	619,784
Operating Income (Loss)	(25,671)	(116,817)	(135,745)	(123,145)	(90,331)	(51,624)	(6,302)

Value Drivers	2020A	2021A	2022P	2023P	2024P	2025P	2026P
Revenue Growth Rate YoY	-	43%	30%	26%	23%	20%	19%
Gross Margin	84%	80%	81%	82%	83%	84%	85%
Sales & Marketing Expense Rate of Change YoY	-	148%	45%	15%	5%	4%	4%
Payment Processing Expense Rate of Change YoY	-	34%	30%	26%	23%	20%	19%
R&D Rate of Change YoY	-	131%	23%	10%	8%	7%	7%
G&A Rate of Change YoY	-	70%	-3%	1%	1%	1%	1%
D&A Rate of Change YoY	-	34%	25%	25%	25%	25%	25%

**** Disclaimer:** This model is based on assumptions and was created for analytical purposes. This model was not produced by Phreesia nor does it represent actual results in the pro forma years.



Health Catalyst is another healthcare IT firm that has surpassed \$100 million of ARR with a solution that consists of a cloud-based data platform, analytics software, and professional

services expertise. The company employs motivated workers who enjoy being a part of one of Modern Healthcare's best places to work, an award the company has received 10 years running (17). Health Catalyst's customers, which are primarily healthcare providers, use the Health Catalyst solution to manage their data, derive analytical insights to operate their organization, and produce measurable clinical, financial, and operational improvements. Health Catalyst has two revenue streams: technology and professional services. Part of the company's technology revenue is derived from a cloud-based data platform for which healthcare providers sign 3-5 year subscription arrangements to utilize. Health Catalyst also generates technology revenue from licensing analytics software which helps healthcare providers comprehensively benchmark the total cost of care in terms of actual versus predicted spending, automate administrative tasks such as refilling prescriptions, and utilize predictive machine learning and risk stratification to create intervention strategies. The last aspects of technology revenue generation stem from maintenance and support of the Health Catalyst technological system, which includes updates and bug fixes. Health Catalyst's other segment of revenue is derived from professional services which are delivered by analytics engineers, analysts, and data scientists. The services offered by Health Catalyst are data and analytics services, domain expertise services, outsourcing services and implementation services (18). Over 90% of Health Catalyst's revenue is recurring due to the client relationships and subscription arrangements the company has built (19).

Health Catalyst has successfully created a business with a SaaS and a tech-enabled service offering in a world where many healthcare IT firms simply offer one or the other. This strategy has enabled the firm to develop a defensible market position and achieve over \$100 million in ARR by working towards the goal of making all healthcare decisions data-informed.

- **Data Platform:** integrate data in a flexible, open, and scalable platform to power healthcare's digital transformation;
- **Analytics Applications:** deliver insights on how to measurably improve through the use of analytics applications;
- **Services Expertise:** enable data-informed improvement by providing analytical, clinical, financial, and operational experts; and
- **Engagement:** attract, develop, and retain world-class team members by being a best place to work.

However, it is important to note that this business combination of SaaS and tech-enabled service means Health Catalyst's gross margin is significantly less than that of businesses without a distinguished professional services segment like Phreesia ([19](#)). Health Catalyst's gross margin in 2021 was 48.6% compared to Phreesia's 2021 gross margin of 80%. Further, Health Catalyst's sales and marketing team is effective but is slightly less efficient than that of Phreesia, as the company's CAC payback period is 7.7 months as opposed to 7.5 months.

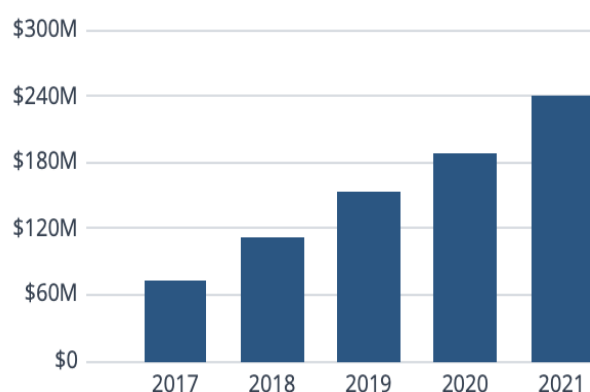
HEALTH CATALYST, INC.			
Consolidated Statements of Operations (in thousands, except per share data)			
	Year Ended December 31,		
	2021	2020	2019
Revenue ⁽¹⁾ :			
Technology	\$ 147,718	\$ 110,467	\$ 83,975
Professional services	94,208	78,378	70,966
Total revenue	241,926	188,845	154,941
Cost of revenue, excluding depreciation and amortization ⁽¹⁾ :			
Technology	47,516	35,604	27,797
Professional services	76,838	62,473	47,548
Total cost of revenue, excluding depreciation and amortization	124,354	98,077	75,345
Operating expenses:			
Sales and marketing	75,027	55,411	47,284
Research and development	62,733	53,517	46,252
General and administrative	85,934	59,240	31,713
Depreciation and amortization	37,528	18,725	9,212
Total operating expenses	261,222	186,893	134,461
Loss from operations	(143,650)	(96,125)	(54,865)

Regardless of these slightly inferior operational statistics, the company has been the catalyst for massive data-driven healthcare improvement. There has been over \$1.5B in measured healthcare improvements using the Health Catalyst platform, powered by data from over 100 million patients, and in December, 2022, Health Catalyst had a market capitalization of \$619.8 million. The firm offers SaaS and tech-enabled services solutions in a wide range of fields including clinical quality, clinical development, population health management, patient engagement, patient safety, revenue cycle management, and cost management. This diversified approach allows Health Catalyst to meet countless client needs and generate new revenue streams. Additionally, the wide range of offerings at Health Catalyst helps providers cut down on

wasteful spending. The CFO of Health Catalyst explained that 30 cents of every \$1 spent on healthcare is wasted, and that Health Catalyst's suite of services is actively cutting down that waste with data-assisted healthcare decision making offerings. Part of the reason that Health Catalyst is successful is because the company displays quantifiable ROI for health providers who enlist in the Health Catalyst service. With measurable results, companies more easily and efficiently sell to healthcare providers in an industry where sales cycles are traditionally long.

Total Revenue

5 Fiscal Years



Investments | Buy Side (8)

Company Name	Deal Date	Deal Type	Deal Size
KPI Ninja	17-May-2022	Merger/Acquisi...	
Armus	29-Apr-2022	Merger/Acquisi...	
Twistle	01-Jul-2021	Merger/Acquisi...	\$170.00M
VitalWare	01-Sep-2020	Merger/Acquisi...	\$119.17M
HealthFinch	31-Jul-2020	Merger/Acquisi...	\$50.50M
Able Health	21-Feb-2020	Merger/Acquisi...	\$21.48M
Medicity	11-Jul-2018	Merger/Acquisi...	
Health Care D...	31-Jul-2015	Merger/Acquisi...	

A significant reason why Health Catalyst is able to offer such a wide line of products is due to inorganic growth. The company has made eight strategic acquisitions since 2015, two of which occurred in 2022 ([20](#)). Health Catalyst's acquisitions are often roll-ups in which Health Catalyst buys a company that delivers similar data analytics software or data analytics services but with a slightly different reach in similar markets within healthcare. For example, Health Catalyst has the goal of reducing wasted time and money on administrative activities through data-driven automation, and in the acquisition of HealthFinch in 2020, Health Catalyst removed a competitor and increased the total addressable market (TAM) by improving the company system's capacity to automate the prescription refill process. By rolling up competitors with

differentiated offerings and making those offerings Health Catalyst's own, the company enhances its value proposition and its market reach. The firm serves as a great example for how inorganic growth alongside organic growth can help lead a company to \$100 million in ARR and beyond.



Strata Decision Technology (Strata) is a company that serves as a leading healthcare financial performance platform. The company received recognition as the “Best in KLAS” for Business Decision Support in the field of healthcare information technology for the past 16 years ([21](#)). Strata, like Health Catalyst, emphasizes that the company is a platform, not just a software product, with the capability to deliver cloud based solutions, on-prem solutions and advisory services solutions all at once to aid healthcare providers on financial analytics, planning, and performance ([22](#)). The company delivers actionable insights through pairing clinical data with financial data, as Strata solutions are integrated with leading EMR solutions. Strata created a cloud-based continuous cost reduction solution in 2014, calling it “StrataJazz.” StrataJazz Continuous Cost Improvement represented the introduction of a new category of healthcare information technology software, as it was designed to help hospitals and health systems reduce cost and drive the bottom line, unlike traditional revenue cycle software that assists in driving the top line ([23](#)). This product met a significant demand because in 2014 there were no software applications to support the major cost-reduction initiatives that hospitals were pursuing in a time-consuming, costly, and often ineffective manner. The solution’s differentiated capabilities compared to the market offerings has given Strata a competitive advantage. The Strata platform covers the entire continuum of care, not just one-time initiatives, and can be implemented in less

than 50% of the time it takes other companies, with little to no time required for updates and maintenance. According to Strata, this results in a 98% improvement in efficiency and millions of dollars in savings. Strata's innovative and differentiated platform has contributed significantly to the company's journey to exceedingly high ARR in comparison to most healthtech startups.

Although most providers would never want to lose the benefits associated with employing Strata, the company provides customers with a six month buyer's remorse guarantee. Strata sends the right message about customer service to clients: if the client is not happy, Strata will not be happy. Additionally, Strata has been named *Becker's Healthcare* yearly "Top Place to Work in Healthcare" six times and was named "Best Place to Work" by *Modern Healthcare* in 2021 ([22](#)). The exceptional workplace environment at Strata attracts top-tier talent and contributes to the company's successful output of offerings. Strata's ability to rapidly implement an innovative and diverse set of solutions coupled with the company's stellar customer service has allowed Strata to maintain a strong market position.



Outside of intrinsic capabilities that contribute to Strata's success, the company has also reached high-status in the healthcare information technology space due to extrinsic factors. First, Strata serves a high-demand market, which is evident in a poll of 185 healthcare finance, accounting and revenue cycle executives indicating that 89% of healthcare organizations have a cost-reduction plan but only 6% of plans are extremely effective (24). The clear need for healthcare financial decision management services has allowed Strata to acquire over 400 of the United States' healthcare delivery systems and over 2,000 US Hospitals as customers (22). While Strata's revenue is not publicly stated, the company is owned by public conglomerate Roper Technologies which boasts over \$5.4 billion in annual revenue. Strata is one of nine companies in the Application Software segment of Roper Technologies which is expected to achieve \$2.5 billion in revenue in 2022, or an average of \$277.8 million per company (25). Being a subsidiary of Roper Technologies helps Strata stay well funded and enables the company to invest in necessary R&D to stay ahead of the competition. Both the extrinsic factors of significant funding and operating in a market with high-demand has aided Strata's growth. Strata's success has been well categorized by healthcare executives who dub the company as "the Epic of the hospital decision support space" and as a company that is "at the top of the heap" (26). Ultimately, Strata has achieved success in the healthcare IT space because the company has talented people, quality customer service, significant investment in R&D, a high-demand market, and financial management solutions that can be rapidly implemented to produce measurable impacts.



Executives at Symplr describes the business as “the only end-to-end provider data management solution in all of healthcare,” stating that “From application, contracting, and primary source verification, to credentialing, payer enrollment, and privileging—our tools speed turnaround times, tighten security, and improve workflows. Along the way, compliance and efficiency remain paramount” (27). Symplr’s provider service facilitates efficient onboarding of providers (physicians) so that they can get to safely caring for patients as quickly as possible. The company offers a cloud-based provider credentialing software, known as Symplr CVO (credentialing verification organization) that speeds up the process of verifying physicians’ education, training, and licenses in order to approve them for hospital work, inclusion as an in-network provider, and reimbursement from payers for the care and services that they deliver. Additionally, Symplr’s Access program manages anyone with access to healthcare facilities, whether that be through vendor credentialing or visitor management systems. When it comes to workforce management Symplr has solutions as well, as the company will use workforce data to predict overtime work, streamline scheduling, and cut out unnecessary overtime to save on labor costs.

9/10 hospitals and health systems use symplr today



Symplr has also introduced a concept known as the “digital front door” in which the company uses the Symplr Directory, a database of all the information available for every credentialed and referring provider in a health system that is integrated with the health system’s

EMR, to give patients access to provider schedules that work for them. This service diverts thousands of calls a month and increases appointments booked online. It's similar to Phreesia's patient onboarding offering, yet it includes a greater wealth of data on the provider (surgeon, dentist, etc.) that the patient is choosing to visit, instead of significant data on the patient which Phreesia obtains through the patient surveys on the company's patient intake software. Another tool the company provides is Symplr Quality which drives healthcare performance improvement through automating old-school paper procedures and reporting to make files easily accessible to peer-reviewers. This tool also allows providers to maintain tight control over the quality measures that impact their reimbursement. Related products include Symplr Safety and Symplr Compliance which allow providers to automate risk-management and employ data to drive proactive decisions. Outside of these capabilities, Symplr also offers spend and contract management solutions. This helps Symplr's clients attract and retain the best talent, use analytics to improve margins, and standardize contracts while navigating ever-dynamic regulations.

5,000+ customers

60% reduction in time spent managing contracts

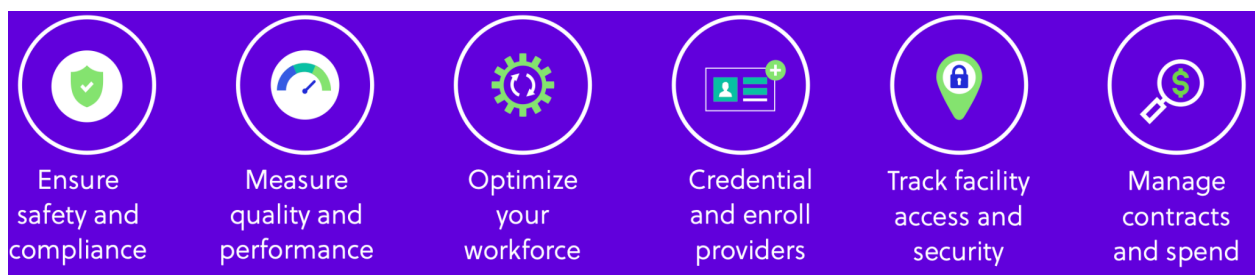
90% reduction in potential penalties

75% reduction in time to reimbursement

5M+ healthcare staff touched by symplr solutions

One singular focus: healthcare

Symplr clearly utilizes technology to enhance efficiency in healthcare systems, as the above statistics reveal. Symplr’s diverse offerings have helped the company grow to earning over \$182 million in revenue in 2021 (28). Symplr is big enough to now employ over 1,500 workers and to acquire many smaller Healthcare IT firms to continue to grow company offerings both organically and inorganically. For example, in March of 2022, Symplr acquired GreenLight Medical in order to expand the business’s capabilities in the healthcare supply chain management software sector. In the thirty years since its founding, Symplr has found ways to improve operational processes in healthcare to the point where 9 out of 10 health systems rely on Symplr in some capacity to manage their operations. Ultimately, Symplr exemplifies success in the healthcare IT industry.



Premier Inc. is a healthcare technology company that aids healthcare providers in the management of their healthcare supplies. The company has two business segments, a Group Purchasing Organization (GPO) that represents Premier’s supply chain product segment and a SaaS informatics platform that represents Premier’s performance services segment. Premier operates with “members” so that the company maintains recurring revenue streams. Premier’s members consist of healthcare providers that are a part of Premier’s GPO for healthcare

products. Many of those providers subscribe to Premier's SaaS informatics products and services to aid them in understanding their purchasing and supply chain needs. In order for Premier's SaaS informatics to be successful, the company relies on the plethora of healthcare supply chain data derived from the GPO. The two business segments feed off of each other – the GPO gives the SaaS the data it needs to run, and the SaaS tells healthcare providers the products they must acquire through the GPO. This is an incredibly effective business model, as 97% of acquired customers in Premier's GPO segment and 96% of acquired customers in Premier's SaaS segment were retained from 2020-2022 [\(29\)](#).

1,460 suppliers with a wide range of healthcare products and services are connected to Premier's GPO which negotiates multi-sources supplier contracts, pre-commitment contracts and single-sourced supplier contracts in order to deliver supply discounts to its members. Further, the company provides value analysis, product standardization, and strategic resource allocation to improve supply chain operation efficiency. Premier's performance services segment offers cost-management solutions and decision support, serving healthcare providers by applying proprietary artificial intelligence to one of the largest clinical, financial and operational datasets in the US to accelerate healthcare improvements. Premier helps enhance interoperability as well, as the company's AI platform enables connectivity and scale between providers. Further, it is clear that Premier's AI service is one of the best in the industry given that it was chosen as the winner of the 2022 Biotech Week Boston digital medicine award for innovative use of technology-enabled healthcare solutions [\(30\)](#). Premier generates revenue in the performance services segment through subscriptions to the company's SaaS platforms, consulting services related to the technology provided, licensing analytics, and other miscellaneous sources. The

firm has completed multiple Health IT Certification Programs, and maintains two products that are certified as Health IT Modules (29).

Premier is differentiated from other healthcare IT companies selling to providers given that the company's data analytics, software, and consulting support is coupled with expertise in supply chain management. In the "Competition" section of Premier's 10-K, management states that Premier does not have any overlapping competitors in both the performance services (SaaS) segment and the supply chain services (GPO) segment which gives Premier a competitive advantage. The GPO operated by Premier is one of the largest national healthcare GPO programs competing with just a few others such as HealthTrust Purchasing Group (owned by HCA), Managed Healthcare Associates (owned by Roper Technologies), and Vizient, Inc. (a private company). With a market capitalization of \$4.01 billion, Premier is the only publicly traded independent firm operating a large-scale GPO with established economies of scale and barriers to entry. Additionally, the SaaS providers Premier notes as competitors in the performance services segment, for example Health Catalyst, could not build up a GPO as strong as Premier's in any short-term time frame. Premier incentivizes providers to become members of the Premier GPO by offering members access to certain SaaS informatics products, showing how Premier's diverse capabilities coupled together strengthen the company's value proposition and market position.

Premier's most recent 10-K reveals a strong \$1.4 billion in revenue between the company's products and services/software licenses business lines. In the company's 10-K, Premier states that "with integrated data and analytics, collaboratives, supply chain services, consulting and other services, Premier enables healthcare providers to deliver better care and outcomes at a lower cost" (29).

Premier Inc. 2022 Statement of Income:

	Year Ended June 30,		
	2022	2021	2020
Net revenue:			
Net administrative fees	\$ 601,128	\$ 572,700	\$ 670,593
Software licenses, other services and support	438,267	404,330	359,054
Services and software licenses	1,039,395	977,030	1,029,647
Products	393,506	744,122	269,945
Net revenue	1,432,901	1,721,152	1,299,592
Cost of revenue:			
Services and software licenses	183,984	170,773	188,275
Products	363,878	713,045	244,516
Cost of revenue	547,862	883,818	432,791
Gross profit	885,039	837,334	866,801
Other operating income:			
Remeasurement of tax receivable agreement liabilities	—	—	24,584
Other operating income	—	—	24,584
Operating expenses:			
Selling, general and administrative	576,879	532,326	459,859
Research and development	4,151	3,338	2,376
Amortization of purchased intangible assets	43,936	44,753	55,530
Operating expenses	624,966	580,417	517,765
Operating income	260,073	256,917	373,620
Equity in net income of unconsolidated affiliates	23,505	21,073	12,537
Interest and investment loss, net	(11,142)	(11,964)	(11,313)
Gain (loss) on FFF Put and Call Rights	64,110	(27,352)	4,690
Other (expense) income, net	(9,646)	11,967	4,153
Other income (expense), net	66,827	(6,276)	10,067
Income before income taxes	326,900	250,641	383,687
Income tax expense (benefit)	58,582	(53,943)	92,561
Net income from continuing operations	268,318	304,584	291,126

Premier's two business segments produce different operational statistics. The firm's product business segment (GPO) has only a 7.5% gross margin. This is much lower than that of Premier's services and software licenses segment, which has a gross margin of 82.3%. With just a \$13.2 million increase in spend on work related to services and software licenses from fiscal year 2021 to 2022, Premier increased top-line revenue by \$62.4 million. In fiscal year 2022, the company cut back on product spend by nearly 50% in comparison to what it'd spent on products in fiscal year 2021, changing the company's top line revenue from 57% software licenses and services in 2021 to 73% in 2022. Premier's ability to grow the high gross margin business has contributed to the firm's success. However, it is likely that without at least some product-related business segment Premier's software segment would not be as successful. First, the SaaS informatics platform relies on GPO data to deliver insights. Second, the reduction in product

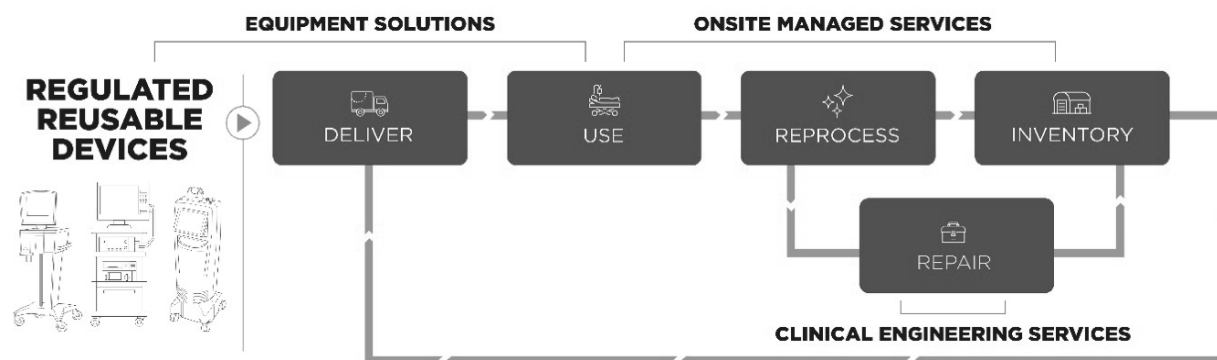
segment spend correlated with a reduction in net income (\$305 million in 2021 down to \$268 million in 2022) ([29](#)). Thus, the product segment is still very important to Premier's bottom line despite its tight margins. This is significant because remaining profitable allows Premier to continue to reinvest in developing and expanding the high gross margin software-segment. Additionally, Premier's profitability has allowed them to have cash for investments and acquisitions, such as the \$51.5 million acquisition of Stanson Health in 2018. Acquiring Stanson Health was a strategic corporate development play by Premier, as Stanson Health has enhanced the interoperability of Premier's SaaS informatics offering through integrating data-enabled clinical decision support capabilities across various EHRs. Ultimately, Premier's ability to consistently grow through coupling mutualistic GPO and SaaS offerings has allowed the firm to create a competitive advantage and reach very high levels of ARR.



Agility Health is a leader in medical device management for healthcare providers. The company's IPO took place in April of 2021 and Agility has been in business for over 80 years ([31](#)). In 2021, Agility owned and deployed over 300,000 medical devices. The company also had over 9,000 customers including acute care facilities, integrated delivery networks (IDNs), city, state and federal governments, GPOs and device manufacturers. The company has over 5,000 team members and operates in over 150 local market centers ([32](#)). Agility's market capitalization and enterprise value are \$2.38 billion and \$3.55 billion, respectively, giving the company a 3.16x EV/Revenue multiple and a 9.55x EV/EBITDA multiple ([28](#)). Agility offers on-site managed

services in which the company delivers analytics to hospitals, health systems, and IDNs for equipment planning and wasted equipment spend recovery. The company has over 1,600 onsite employees that augment clinical support by integrating proven equipment management processes, utilizing Agiliti's proprietary management software, and conducting daily rounds and unit-based training to ensure equipment is being used and managed properly. Part of Agiliti's success stems from the company's guarantee that Agiliti assumes full responsibility of ensuring equipment is available wherever and whenever it is needed, removed when it is no longer in use, and decontaminated, tested, and serviced between instances of patient usage. The on-site managed services segment, which represents the Healthcare IT aspect of Agiliti's business and accounted for 29.1% of the company's \$1.039 billion of revenue in 2021, helps to ensure this guarantee by employing software. Agiliti operates a Quality Management System (QMS) that utilizes software and documentation to ensure the company is delivering customers patient-ready equipment with the confidence that it has been prepared and maintained to the highest industry standard. The company, however, is not the traditional SaaS company, as its relatively low gross margin of 40.9% would indicate. It's Agiliti's unique ability to combine software solutions with other business lines that makes the firm differentiated as an end-to-end medical equipment manager. While competitors may offer software that helps maintain medical device inventory, Agiliti has been able to build a customer base that relies on not only Agiliti's software but also the firm's quick response to healthcare needs with reliable service expertise *and* high quality products. Agiliti's value proposition combines the on-site services segment with a clinical engineering services segment and an equipment solutions segment, distinguishing the firm from competitors. Agiliti's clinical engineering services will assume full responsibility of maintenance, repair and remediation solutions for medical equipment. The company leverages

700 technical resources from over 150 market service centers to flex clinical engineering staff in



and out of customer facilities on an as-needed basis. Agiliti's equipment solutions segment primarily provides peak-need and per-case rental of general biomedical, specialty, and surgical equipment to acute care hospitals and alternative site providers. Agiliti has enhanced its rental product line through investments, such as the acquisition of Sizewise which is a manufacturer and distributor of specialty hospital beds, surfaces, and patient handling equipment ([33](#)). Agiliti is able to succeed alongside Premier Inc. because they focus on rental equipment and solving equipment issues on-site instead of strictly equipment for purchase and inventory replacement. Agiliti's three pronged business model of equipment solutions, software enabled onsite managed services, and clinical engineering services is a different offering than Premier's two pronged model of GPOs and SaaS informatics. Agiliti's original take on end-to-end equipment management led the firm to significant expansion, with a revenue growth rate of 34% from 2020 to 2021 ([32](#)). Overall, Agiliti reveals a recurring theme for healthcare IT firms that record over \$100 million of ARR through selling to providers: healthcare IT companies can find a sustainable competitive advantage when they employ a multi-pronged business model through offering a variety of products and services which, when grouped together, create opportunities for differentiated end-to-end healthcare management.



GHX, or Global Healthcare Exchange, is a developer of cloud-based technology and services for healthcare providers. The company has 1,052 employees and is headquartered in Louisville, CO. GHX offers healthcare providers digital transaction management, enterprise catalog management, analytics, credentialing and compliance, and electronic invoicing presentment and payment solutions. GHX also sells different products and services to healthcare suppliers and the government. The company's focus on supply chain modernization and product standardization makes GHX analogous to Premier Inc. However, unlike Premier, GHX does not operate its own GPO and instead delivers supply chain services such as GHX Order Trust, which automates order processing for all suppliers to enhance providers' visibility and confidence, and GHX Data Connect for Cloud, which delivers the strong and reliable data foundation providers need to build a more resilient supply chain that drives cost savings and better patient outcomes. The GHX Exchange Enterprise also operates in the supply chain modernization segment of GHX's business. This service increases the standardization and automation of order cycles by digitizing the entire cycle which creates better performance insights. The GHX Exchange Enterprise appears to be similar to Premier's supply chain services, as both companies look to standardize products and efficiently allocate the resources of healthcare providers.

Additionally, GHX has another business arm that focuses on consulting services. The company acquired Lumere in 2020, which is a former portfolio company of FCA Venture Partners, and this acquisition gives GHX the ability to ensure that product approvals are limited to those that have demonstrated improved clinical value. Further, GHX Lumere utilizes health providers' data to deliver spend and utilization insights, evidence-based saving strategies, and

tracking capabilities to help ensure initiatives are on-target and compliant (34). GHX is successful at identifying trends that are impacting the healthcare industry, such as rising costs and declining reimbursements standing in the way of quality care, and finding ways to address those trends, such as leveraging company platforms (GHX Exchange Enterprise, GHX Data Cloud, etc.) to bring clinical and financial teams together and make healthcare more affordable, effective, and personal. GHX is well positioned with its relationships in the healthcare industry, as the company works with thousands of healthcare provider facilities, supplier divisions, and trading partners.

\$1.7B+

healthcare industry savings in the last year

\$128B+

transaction volume in the last 12 months

85%

med-surg products represented by GHX customers

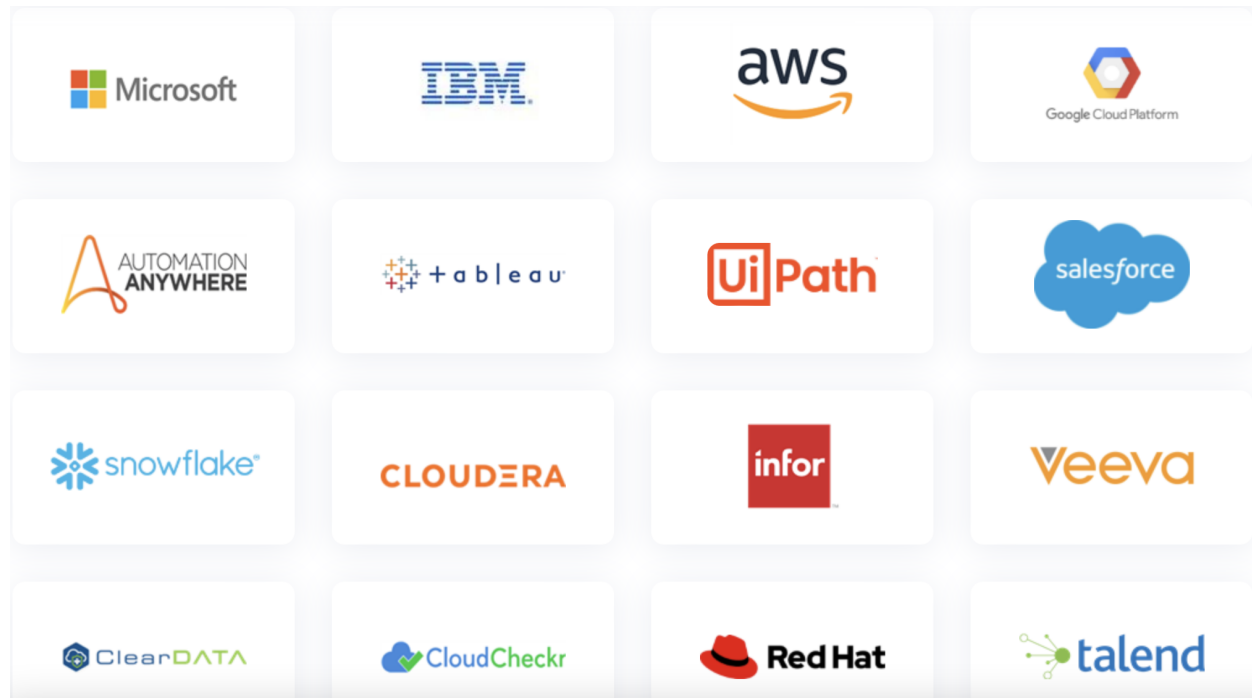
While GHX's revenue is not publicly stated, the firm's over \$128 billion transaction volume in the last 12 months and unicorn-level post-money valuation of \$1.8 billion in 2017 that was backed by debt financing from the likes of JP Morgan, Ares Capital, and The Blackstone Group suggest that the company should at least be above the \$100 million ARR mark. Ultimately, GHX provides many solutions to healthcare providers through data-driven supply chain insights, strategic acquisitions, and knowledge of how to best service industry trends and problems.



CitiusTech is a healthcare IT company that operates in provider, payer, medtech, and life sciences markets. According to Pitchbook, the company recorded \$400 million in ARR in 2021

(35). CitiusTech got its start in 2005 as a back office IT company that provider and payer clients would outsource work to. The company leveraged its position with large clients to begin to develop and sell new offerings. Now, CitiusTech has a wide range of capabilities, including consulting, digital and product engineering, data, analytics, AI, interoperability and integration engineering, implementation services, and healthcare solutions, services, and products. The company's board members note that CitiusTech's strength in increasing the company's value proposition is due largely to its strong workforce, as the firm has 7,000 employees, nearly all of which are incredibly capable computer engineers and programmers (36). CitiusTech has invested in areas of business that match the ever changing needs of the healthcare industry. For example, interoperability has been identified as an important piece to delivering value based care as physicians need data-driven insights to treat their patients in the most effective manner possible. The "21st Century Cures Act made data exchange table stakes for all healthcare organizations," but "data exchange on its own between an individual practice and a hospital" is not enough (37). In reality, interoperability is essential to create the single patient stories doctors need to deliver value based care. These stories are made from "integrated information from all possible sources including post-acute care, at-home care and even retail care plus analytics capabilities for those data" (37). CitiusTech's development of system integration services was performed in order to fill this need in the healthcare industry, and the company's effectiveness in meeting the demand for interoperability has granted them success. CitiusTech has built experience in this field given that the company has completed 350+ interoperability and integration projects and implemented over 6,000 interfaces. This experience has given CitiusTech a better track record and understanding of how to effectively integrate health data, making the firm one of the leaders in the interoperability space.

CitiusTech's Strategic Partnerships:



Another reason for CitiusTech's growth and success is that the company has been able to make strategic partnerships with the leading companies pictured above. These partnerships help CitiusTech provide a wide variety of offerings in a very efficient manner. By leaning on Microsoft technologies to build enterprise healthcare applications, CitiusTech pleases clients without having to create a new technology from scratch, saving time and money (38). The firm's expert health-tech consultants use IBM Cognos Analytics to share insights with healthcare providers. CitiusTech is a premier business partner and reseller with IBM, showing that CitiusTech generates revenue streams outside of the traditional revenue the company receives directly from providers. The enhanced capabilities and increased revenues derived from the partnerships that CitiusTech created displays how strategic partners can be a key success factor for a healthcare IT business looking to reach the accomplishment of \$100 million in ARR. CitiusTech has received recognition for the company's great efforts, being named one of India's

best places to work for 6 years in a row since 2015 and the seventh best health-tech company of 2022 ([39](#)). The company has also received various compliance and clinical certifications. Ultimately, CitiusTech relies on a technically proficient employee core, a variety of healthcare industry need-meeting solutions, and mutualistic partnership agreements to be successful.



Definitive Healthcare is a powerful healthcare IT company that provides SaaS-based healthcare commercial intelligence. The company was founded in 2011 by CEO Jason Krantz and has continued to expand its offerings over the years. Definitive Healthcare had its IPO in May 2021, as well as a follow on offering in November 2021, and now the company has a market capitalization of \$1.25 billion. The firm offers healthcare providers data on over 2 million providers, over 22 billion claims, and on 9,300 hospitals and integrated delivery networks (IDNs) ([40](#)). Company management has identified a TAM of \$10 billion, and states that Definitive Healthcare could serve over 100,000 customers within the overall healthcare ecosystem. The firm currently has a wide variety of clients and serves over 3,000 customers as of September 30, 2022. When it comes to healthcare providers, Definitive Healthcare's focus is on growing revenue per patient through clinical and financial insights. Definitive Healthcare's platform is embedded with deep analytics and data science to "help customers develop data-driven strategic decisions such as finding new markets to enter, building comprehensive go-to-market strategies, accessing tactical information to help target the right decision makers and improving win rates with detailed contextual information" ([41](#)). The company helps healthcare providers answer the following questions: Why are patients leaving the care network and what can be done to stop

this? Where can more patients be found? How do other organizations compare in both clinical outcomes and financial performance? Where should capital and staff be invested? Is the most current and accurate data available about the competition? Answering these questions is incredibly important for healthcare providers looking to optimize revenue. Definitive Healthcare finds these answers through aggregating data, which they do in a variety of ways.

How does Definitive Healthcare collect information for its healthcare provider profiles?

Definitive Healthcare collects data for its healthcare provider profiles in several ways and several sources, including:

- Publicly available information, including from federal, state, and other regulatory agencies
- Licensed data from other companies
- Web research on publicly available information through technology and our in-house research team
- Electronic and phone surveys conducted by our research team based in the United States

Definitive Healthcare's strength is derived from the company's access to a wealth of data across the healthcare ecosystem. The company's management says that Definitive Healthcare's "competitive advantage" is based on a "comprehensive dataset built up over 11 years," the application of data science which has "created proprietary intelligence and linkages" that competitors do not have the ability to create, and a "user interface that provides customers access to answers, not data, in an integrated manner" ([41](#)). Definitive Healthcare identifies its

competitive strengths as proprietary healthcare commercial intelligence, an integrated data and technology foundation that inspires innovation, a powerful go-to-market engine, and a visionary founder-led management team with a strong track record. Definitive Healthcare's management team says that the company's platform, which runs on AI and machine learning algorithms, has been continuously improved over the company's lifespan through investment in developing new modules to offer providers. The platform acts as a "true barrier to entry" because it "contains a full 360-degree, longitudinal view of the healthcare ecosystem and depicts how the ecosystem connects together" ([41](#)). The company recorded \$166 million of revenue in 2021 and \$118 million of revenue in 2020. Definitive Healthcare has improved since 2021, as the company has generated over \$50 million of revenue in each of the first three quarters of 2022 which is a 33% to 37% year over year increase from 2021 and puts the company on pace to record over \$200 million of revenue in 2022. Despite this success, Definitive Healthcare's stock price has decreased 57.58% year-to-date, signifying that rate hikes and macroeconomic recession indicators have lowered the valuations of growth companies. Still, the stock price drop does not reflect intrinsic elements of Definitive Healthcare's business. A major reason why Definitive Healthcare has been able to maintain high recurring revenue in uncertain economic times is because the company's customers sign up for subscription services. In the third quarter of 2022, 97.8% of the company's revenue came from its subscription services segment ([42](#)). Definitive Healthcare's revenue drivers are acquiring new customers, expanding its relationships with existing customers, continuing to innovate to strengthen its platform and market leadership position, and making selective strategic acquisitions and investments. Further, the company has an extremely short CAC payback period of just 5.4 months, revealing that Definitive Healthcare's sales and marketing efforts drive efficient customer acquisition which is a

significant contributor to the company's operational success. Further, Definitive Healthcare relies on a very strong data science team to be successful, and the company ensures that its employees are happy in the workplace. Definitive Healthcare won the Energage 2022 Excellence Award for Top Workplace Cultures and received recognition for its leadership, innovation, compensation and benefits, work-life flexibility, and purpose and value ([40](#)). Ultimately, Definitive Healthcare is successful because the company uses data to deliver helpful insights and answers to customers that are efficiently acquired and retained.

Key Success Factor Review

In this section, the key success factors of each company that were explained in the company profiles will be highlighted. In the concluding section, the most common and important key success factors for these companies will be listed and described. The purpose behind identifying these key success factors is that they will be referred to when analyzing future investment decisions. When examining healthcare IT companies to potentially add to the FCA Venture Partners portfolio, those companies should be scanned for the various key success factors that similar firms have relied on to reach \$100 million or more in ARR.

Epic

- Organic growth
- Obsession over customer satisfaction
- Reliable computer software built in-house
- Rapid change management and implementation of offerings
- Awards and recognition for a strong track record over time
- Investment of 32% of operating expenses in R&D

- Skilled employee base (hiring 2,000 coding and logically proficient workers yearly to manage burnout and turnover)
- Continuous innovation to deliver a variety of offerings
- Proprietary (differentiated) platform that is difficult to abandon once established
- Market disruptor (one of the first EMRs) that has established barriers to entry
- Patient privacy and security ensured
- Better patient care outcomes
- Striding towards enhancing interoperability
- Addressing a need in a growing/high-demand market
- Subscription-based ongoing services

Phreesia

- Automation to enhance convenience of patient intake, data entry, and payment process
- Awards and recognition for a strong track record over time
- Patient security when checking in
- Evolution of product to meet changing consumer demands and needs (PhreesiaPad → PhreesiaMobile app during the non-contact check-in era of the pandemic)
- Enhance patient satisfaction (wait time reduction)
- Subscription contracts and strong client retention rate → health provider client annual dollar-based net retention rate of 107%
- Accelerates insurance verification and reimbursement
- Strategic partnerships and bidirectional integrations with leading EMR and Practice Management software solutions to enhance interoperability

- Variety of offerings (patient intake, surveys, engagement campaigns, referral analytics, etc.)
- Rapid implementation of offerings at significant scale
- Strong sales and marketing team and relatively short CAC payback period (7.5 months)
- High gross margin (80%+)

Health Catalyst

- Strong employee base → top place to work 10 years in a row
- Data-driven insights and decision support that produces measurable clinical, financial and operational ROI
- Subscription agreements for ongoing services → 90% of revenue is recurring
- SaaS and Tech-enabled service business functions that produce multiple revenue streams
- Wide variety of offerings
- Automation of time-consuming tasks (i.e. prescription refilling) to enhance efficiency and convenience
- Effective sales and marketing team and relatively short CAC payback period (7.7 months)
- Addressing high-demand market and increasing TAM overtime
- Inorganic growth through roll-up acquisition strategy

Strata

- Awards and recognition for a strong track record over time
- Leader in data-driven decision support

- Cloud business segment, on-premise segment, and advisory segment that produce multiple revenue streams
- Integration with leading EMR solutions (enhancing interoperability)
- Industry disruptor that introduced a new category of healthcare information technology software (Continuous Cost Improvement)
- Addressing high-demand market
- Rapid implementation of software solutions
- Quantifiable ROI (98% efficiency improvement, millions of dollars in savings)
- Highest quality customer service
- Strong employee base → named top place to work
- Well-funded and capable of investing significantly in R&D

Symplr

- Wide variety of offerings
- Increase speed and efficiency of time-consuming healthcare tasks through automation while maintaining compliance standards
- Increases speed of reimbursement through credentialing and quality management services
- Decrease labor costs
- Enhance patient satisfaction through delivering them information on provider options
- Quantifiable ROI (60% reduction in time spent managing contracts, 75% reduction in time to reimbursement, etc.)
- Strategic acquisitions enhancing corporate development

Premier Inc.

- Strategic business segments that feed off of each other (GPO & SaaS)
- Access to purchasing data that others don't have to give SaaS informatics a competitive advantage
- Differentiated combination of offerings that generate multiple revenue streams
- Help providers deliver better care and outcomes at a lower cost
- High gross margin (80%+) in the services and software licenses segment
- Consistent profitability that allows for safe investment in R&D
- Lack of true competitors with the same exact offering
- Barriers to entry in a high-demand industry
- Strategic relationships with 1,400+ suppliers
- Strong negotiating leverage enabling cost-leadership, pleasing the needs of healthcare providers
- Awards and certifications for a strong track record

Agility Health

- Combination of equipment solutions, onsite managed services, and clinical engineering services
- Three function business model improves differentiation and allows for end-to-end equipment management
- Strong employee base and flexible staff of clinical engineers and onsite workers that ensure satisfactory and compliant medical equipment management
- Customer service guarantee

- Inorganic growth through strategic acquisition to enhance offering

GHX

- Automation of order processing for supply chain modernization
- Enhance visibility, reliability, and confidence in the supply chain
- Improve supply chain resiliency
- Quantifiable ROI (\$1.7B+ in healthcare industry savings in the last year)
- Standardization of order cycles and products
- Inorganic growth of offerings through strategic acquisitions
- Servicing evolving healthcare trends and problems
- Strategic relationships with nearly 900,000 trading partners

CitiusTech

- Variety of offerings that deliver multiple revenue streams from different healthcare clients
- Strong employee base and recognition as a top place to work
- Matching the dynamic needs of the healthcare industry
- Data-driven insights that enhance patient outcomes
- Improving interoperability
- Strategic partnerships
- Certifications and awards for a strong track record

Definitive Healthcare

- SaaS-based healthcare commercial intelligence

- Large TAM
 - Investment in R&D to expand product offerings
 - Comprehensive dataset competitors cannot match
 - Proprietary data science and analytics
 - Data-driven insights and decision support
 - Answering questions that providers need answered
 - Solutions that inspire innovation
 - Platform that displays the healthcare ecosystem based on 11 years of aggregated data which acts as a barrier to entry
 - Subscription-based model with ongoing services
 - Extremely efficient CAC payback period of 5.4 months
 - Strong management team
 - Strong employee base and workplace culture
-

Conclusion

Throughout this report, ten healthcare IT companies that sell to providers and have generated \$100 million or more in ARR were profiled and analyzed. The factors that most significantly contributed to each company's success were identified. These factors can be used to screen healthcare IT companies that FCA Venture Partners considers investing in. Below, the most important and most common key success factors of the companies profiled are outlined. Investors in startup healthcare IT companies can generate significant returns by identifying businesses where these key success factors are either present or can be easily implemented.

Key Success Factor (KSF)	Companies in which KSF Stands Out	Description & Analysis
Improving Convenience & Efficiency	Epic, Phreesia, Health Catalyst, Strata, Symplr, Premier Inc., Agiliti Health, GHX, CitiusTech, Definitive Healthcare	All of the companies profiled found success due to abilities to make the work of healthcare professionals easier to navigate.
Servicing High-Demand Healthcare Industry Trends & Needs	Epic, Phreesia, Strata, Symplr, Premier Inc., GHX, CitiusTech, Definitive Healthcare	Many of the companies profiled were successful because they addressed developing healthcare provider needs, whether those be related to interoperability, credentialing, product standardization, or the digitization of EMRs/Patient Intake/Cost Management.
Differentiated, Novel, and Innovative Product Offering	Epic, Phreesia, Health Catalyst, Strata, Symplr, Premier Inc., Agiliti Health, GHX, CitiusTech, Definitive Healthcare	Each of these companies offered something somewhat different than what was previously offered. Differentiation has allowed these firms to establish barriers to entry.
Investment in Research & Development	Epic, Phreesia, Health Catalyst, Strata, Agiliti Health, GHX, CitiusTech, Definitive Healthcare	Whether it be Epic investing 32% of operating expenses into R&D, Health Catalyst, Agiliti, GHX, Symplr and CitiusTech making investments in other technologies to expand product offerings, or Roper Technologies backing Strata to allow the company to continue innovating, these companies publicize how working to find new ways to better meet provider's needs in an incredibly competitive industry brings success.

Data-Driven Insights & Solutions with Quantifiable Return on Investment	Epic, Phreesia, Health Catalyst, Strata, Symplr, Premier Inc., Agiliti Health, GHX, CitiusTech, Definitive Healthcare	Each company in the Healthcare IT space that sells to providers has developed the ability to handle the mass amounts of data health systems produce and make sense of that data in a beneficial way. Each website of the companies profiled details statistics on some form of quantifiable ROI after implementation, whether that be through cost-savings, patient outcomes, reimbursements, or other statistics.
Technically Strong Workforce and Quality Work Environment	Epic, Strata, CitiusTech, Health Catalyst, Definitive Healthcare	While all the companies likely have incredibly smart and dedicated employees that have helped each firm reach the \$100M+ ARR status, Epic, Strata, and CitiusTech emphasize how much reliance there is on employees to drive success. Epic hires 2,000 employees yearly that are skilled in coding and logic, whereas Strata and CitiusTech both have won awards for positive workplace environments which attract top tier talent.
Subscription-Based Model/Ongoing Services	Epic, Phreesia, Health Catalyst, Strata, Symplr, Premier Inc., Agiliti Health, GHX, CitiusTech, Definitive Healthcare	One of the largest components of this project was to identify companies with <i>recurring</i> revenue. One of the most effective ways to ensure revenue recurs is through offering providers ongoing services they become reliant on. Many firms utilize a subscription-based model to deliver these services. The companies that maintain a

		low churn rate and high customer satisfaction are the ones who reach an ARR that is \$100M+.
Leverage Various Capabilities to Provide End-to-end Solutions	Epic, Phreesia, Health Catalyst, Strata, Symplr, Premier Inc., Agiliti Health, GHX, CitiusTech, Definitive Healthcare	Each of the companies have developed a variety of solutions over time to enable the companies to be a one-stop-shop for healthcare providers in solving whichever problem is related to each companies' expertise.

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