

Commercial INTEGRATOR



State of the Healthcare Market

Twenty-eight percent of surveyed integrators say a typical healthcare project exceeds \$100,000.

Oct. 24, 2011 — by [Tom LeBlanc](#)

Have you ever talked to an integrator that does a lot of work in the [healthcare market](#)? They usually have glints of happiness and enthusiasm in their eyes, because they know that as members of an exclusive group that counts hospitals as clients they stand to ride an unrelenting wave of demand for ever-evolving technology integration solutions.



As I crunched the data from our CI Research survey of healthcare facilities integrators, noting that only 15 percent expect to end 2011 with less revenue from that industry than they earned in 2010, I was reminded of a conversation with Bradford Caron of Norwell, Mass.-based [Signet Electronic Systems](#).

Describing a point back in the late 1980s when the growth of his firm really picked up steam - it now claims [\\$28 million in annual revenues](#) - the company owner fondly recalled how it was lucky to get a foot in the healthcare integration door. It began installing Rauland-Borg communications systems in some hospitals at a time when it seemed like hospitals were rapidly trying to improve their system infrastructures. Its roster of healthcare clients grew quickly. "As Signet became more successful with Rauland, additional geographic territory became available and was offered to us - allowing for exponential growth," he said.

Photos: [State of the Healthcare Market](#)

Guess what: Hospitals are still rapidly trying to improve their system infrastructure, and exponential growth is still within integrators' reach. Thirty-five percent of surveyed healthcare integrators expect that segment of their business to be up in 2011 versus that of 2010. Job sizes are impressive - 28 percent say a typical healthcare integration project price tag exceeds \$100,000 and 32 percent say it's between \$25,000 and \$50,000.

These integrators' enthusiasm is backed up by a recent study from market research firm In-Stat, which projects healthcare [spending on infrastructure as a service to reach \\$518 million in 2015](#).

Overall telecom spending by the healthcare and social services vertical was just under \$16 billion in 2010. Wireless is the largest of the product categories, comprising about 40 percent of telecom spending. Healthcare public cloud computing spending will surpass \$1 billion in 2013, In-Stat says.

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"The healthcare vertical segment, across all sizes of business, and across nearly all product groups, is fast becoming the most robust business vertical segment in U.S. business markets," says In-Stat analyst Greg Potter. "Demand for cloud-computing services in particular has

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exploded, and we see nothing that would indicate that the trend won't continue at least through 2015."

Telepresence has also become a growing trend in medical settings. Fifty-two percent of surveyed integrators tell CI that they're seeing "moderate" or "great" demand for telepresence or video conferencing technologies among healthcare clients, and only a quarter, 24 percent, say they've seen little or no demand. Meanwhile, the FCC's Rural Health Care Pilot Program has contributed millions of dollars toward broadband connections for [healthcare applications in rural areas](#), a move that may facilitate telepresence.

Another trend that may fuel healthcare integration is the migration toward [electronic health records management systems](#). A study by the Office of the [National Coordinator for Health Information Technology](#) found that just over 40 percent of office-based physicians plan to implement meaningful use of certified electronic health records. Indeed, 63 percent of surveyed CIs say they're seeing "moderate" or "great" demand for electronic record management. Another 40 percent say "some," while 29 percent say they haven't seen that demand.

Participation in the program may qualify physicians for incentive payments. In order to be in compliance with such regulations, some offices may need to a technological upgrade.

The Health Care Pilot Program may create residual demand for integration as well. To help medical offices comply with the regulations, noise-blocking curtains, special ceiling tiles and [sound-masking techniques](#) can be implemented.

Unique Clients Provide Challenges

There's a reason that 49 percent of the CIs we surveyed were bounced by our qualifying question: Has your company done one or more electronics installation projects in healthcare facilities (hospital, long-term care facility or medical office) over the past 12 months? The systems, clients, environment and challenges are completely unique compared with other commercial vertical markets.

"There is a level of pressure when proposing a solution to healthcare professionals because of the critical applications involved," says Bob Ginger, technology partner at Phoenix-based [Intent Digital](#). "Therefore, we pay a lot of attention to details such as how the systems will be used, what other building or medical systems will be connected to, system power and grounding, etc.

"In reality, our A/V system design and quality standards appear higher than what I have seen in many medical imaging equipment installations across the country. I find it ironic when A/V or broadcast video systems in a hospital are better integrated or display better-looking video than equipment used in patient diagnosis or treatment."

Healthcare clients, meanwhile, are experts in a lot of things, but not necessarily integration technologies, says Kenny Bergle, senior sales engineer for Fort Wayne, Ind.-based [Sweetwater Sound](#). "So much of our job is to discover how much the client knows, and wants to know, about the systems we are recommending and to educate them to the extent they want to know."

Credibility with clients is always important for integrators but perhaps even more so with healthcare clients. For the most part, the systems integrators install aren't "a matter of life and death" but some are, Bergle says.

Healthcare integrators need to be pretty good at dealing with pressure, he adds. Hospitals have little lenience for system failure, so "to the extent that it may be the client's job on the line it does become a high-pressure proposition."

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That client that Bergle refers to, by the way, is a "hospital/facility administration/ office manager" 31 percent of the time, according to surveyed CIs; 23 percent of the time it's a "technology officer" and 12 percent of the time it's an "IT director."

Fostering a great relationship with those main point persons is critical for success in landing healthcare

projects,” Bergle says. Since reliable systems are so crucial in this market, healthcare clients are particularly good [candidates for service contracts](#) - good news for the 79 percent of integrators focused on increasing their [recurring revenues](#), according to CI’s 2011 [State of the Industry](#) study. Bergle says providing “the best in support and service” goes a long way among healthcare clients. “IT managers are prime suspects to truly understand the value of a good support program.”

A typical support contract, according to Ginger, includes “upgrading software and changing system or equipment configuration settings. Many systems can now be managed through configuration settings in intelligent equipment such as DSP audio processors, scaling switchers and control systems.

“Many medical systems we design and or integrate are used for broadcast production or broadcast [video conferencing](#). These systems tend to differ from each other in design and usage. Therefore upgrades and maintenance are often handled as needed or on a project basis.”

One challenging aspect of the healthcare integration market, according to Ginger, is that the purchase decision making process can be convoluted. “In the past, most medical projects were driven by the prominent doctors or medical device manufacturers. This process was expedient, and projects were easier to complete.”

That has changed, Ginger says. “Hospital management consortiums are buying troubled hospitals and medical facilities and integrating them under a large umbrella or umbrellas. All these changes have created multiple layers of personnel who may have no knowledge or even interest in the A/V integration projects. Today, we have committees or people - and not necessarily doctors - in various departments that we need to interface and coordinate with. Besides being a technologist, I have had to become a facilitator to ensure that the strategy or plan addresses everyone’s needs and desires.”

Reporting by Maxine Giza was used in this article. CI Research is conducted by EH Research director Daryl Delano.

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