

Inside Healthcare Computing

Trends, user reviews, and intelligence on health care information systems



1990
1996
1997
1998
2002

Dorenfest Says China's HIT Opportunities are Like the 1970s

reprinted with permission of the publisher from the January 8, 2007 issue

Industry pioneer Sheldon Dorenfest, who started a string of successful healthcare IT companies beginning in 1970, is turning his organization's attention to China. His newly formed Dorenfest China Healthcare Group is consulting there and will eventually invest directly in Chinese hospitals.

China got Dorenfest's attention after he sold his IHDS+ database to HIMSS in 2004 for their spin-off of for-profit HIMSS Analytics. India's business growth also got his attention, but due diligence raised concerns about their economy and infrastructure. He visited China in 2004 after a 12-year absence.

"The change was remarkable," he told us. "Shanghai had 10 tall buildings in 1992, but over 5,000 in 2004. China's infrastructure is a wonderful strength. Their bridges, roads, trains, and airports are excellent. I got excited and made China my first priority."

Chinese Government Wants EHRs, RHIOs

In 2005, Dorenfest performed a study of the Chinese healthcare system. He visited 17 cities, a variety of government health agencies and bureaus, 100 hospitals, and the China-based divisions of US companies. "The healthcare IT market was dormant," he told us. "Hospitals had primitive systems and small IT departments. Vendors were modifying small hospital packages to create self-developed hospital systems. Hospital presidents didn't want to spend on IT."

All of that changed over a two-year period. The country's ministry of health set a national goal involving electronic health records and RHIOs throughout the large country, setting aside significant sums of money for projects. The poor opportunity suddenly got better.

Another Round of Privatization Expected

The national government owns 50 showcase hospitals. The rest of the country's 15,000 hospitals are owned by several levels of government and government ministries. China tried to privatize the hospital industry in 2000, but only about five percent of hospitals were actually turned over to investors.

Dorenfest says the government wanted to encourage outside investment and better care, but real estate investors bought the hospitals just to develop the accompanying land. Care got worse instead of better under the management of companies with no hospital management experience.

However, Dorenfest says another round of hospital reform is imminent. He believes the government will still encourage privatization, just in a different way, opening the door for investors to tap into what will soon be the world's #1 economy.

China-Specific Products Needed

"China is like the US in the 1970s, with inefficiency and low IT use," Dorenfest says. "They can't manage the changes they want. Like America early on, hospitals are creating redundancy and duplication by implementing systems without eliminating tasks. US vendors have the benefit of experience. We can tell them how to redesign and automate their work because we've seen both the good and bad aspects of changes we've made. We've got the signposts they don't have."

Dorenfest warns that companies can't just start selling US software in China. He says successful vendors will need to work with local development sites to create China-specific products, working with several hospitals to eventually produce the resulting applications. A low price point is mandatory, since the cost of a typical US system could exceed the average Chinese hospital's annual revenue.

Dorenfest is looking for a Chinese hospital partner to help develop a model hospital in which he can showcase his company's ability to resolve operational issues such as patient delays, inefficiency, and lack of centralized medical records. In China, hospitals don't keep medical records -- patients take their paper medical records home and bring them back each time they seek care.

The model hospital project will give Dorenfest's company experience operating inside China. Then, he'll invest directly in hospitals there.

Dorenfest says that no US healthcare IT firms have entered China yet, but several are studying it diligently. So far, health insurance companies, hospital ownership groups, and even university hospitals have established beachheads in China.

US Healthcare is Broken, Dorenfest Says

Dorenfest formed CompuCare, now part of QuadraMed, in 1970. He sold the company a few years later and started Dorenfest and Associates, eventually branching out into a variety of businesses offering hospital operational improvement consulting, IT services, and industry intelligence.

He's frank about his disillusionment with the US healthcare system, the topic of a book he's writing. "I was in the improvement business, but I saw the American healthcare system doing worse and worse. I was getting big checks from clients and applause from the industry, but I couldn't really help them improve any more. The problems seemed unsolvable. That motivated me to move my business out of American healthcare. I no longer enjoyed serving that industry."

Dorenfest says his focus on China is good business, but also a chance for self-fulfillment. "I'm on a mission," Dorenfest says. "That's my nature. If I do something useful to customers and I can earn money doing it, we'll both be happy. I always ran businesses in which customer satisfaction was my #1 goal. I can do that in China." □

Our Take on China and Healthcare IT

It's exciting to hear about the opportunities for US healthcare IT vendors in China. On the other hand, it's discouraging that an industry pillar like Sheldon Dorenfest has given up on US healthcare.

As we talked with him, the irony was clear. Our own healthcare system could use some of what China wants: affordable information systems, more consistent provider dedication to changing processes with IT implementations, higher IT penetration, and a broader reach of electronic medical records.

Dorenfest is fed up with our healthcare system, a sometimes-ugly collision of social responsibility with big-money healthcare business and politics. The resulting healthcare "system" leaves millions without access to care, is indifferent to quality and spending, and trails much of the industrialized world in outcomes, value, and life expectancy.

Our biggest economic advantage is our innovation and knowledge work. That will be tested as countries with a big cost advantage go after those markets, with a powerful weapon being their much lower healthcare expense. It's a challenge to all of us, vendors and providers alike, to use healthcare IT to improve outcomes and lower costs so our country can stay competitive. □

This article is excerpted from Inside Healthcare Computing, and is (c) Copyright Algonquin Professional Publishing, LLC, P.O. Box 818, North East, MD 21901 USA, (877) 690-1871, <http://www.insidehealth.com>
E-mail: custservice@insidehealth.com.