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Large sales and marketing providers eye niche cloud-based business, spark investor interest - experts

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Published 2013-07-26

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Sunshine Act open payment requirements to spur cloud-provider growth and M&A interest – experts

Opportunity for different cloud providers to emerge

Investors already eyeing cloud-based payment providers

Partnerships between database and aggregate spend providers likely

Cloud-based healthcare provider (HCP) data service companies are expected to see a jump in business growth and M&A, investor and partnership interest because of new open payment rules under the US Sunshine Act, experts said.

The legislation - otherwise known as the Physician Payments Sunshine Act - is set to come into force on 1 August 2013. It requires pharmaceutical and medical device companies to publicly list all payments, or money spent on physicians and other HCPs greater than USD 10, on the public database Centers for Medicare & Medicaid Services (CMS). Failure to comply could lead to charges of up to USD 100,000 per incidence.

Difficulties could arise for the manufacturers responsible for aggregating and reporting all data to CMS as a result of the many outsourced providers and partners involved in clinical trials or sales and marketing, said Tim Immel, founder of finance and payments provider Clinverse. Cloud-based systems which could provide one platform accessible for all to upload and view information could be a solution to the problems, he noted.

This will create a lot of opportunity for different providers to emerge, said Dan Goldsmith, general manager of Veeva Systems. Existing providers are already seeing more business, Clinverse co-founder Steve Ayala added, noting that open payment is part of every ongoing discussion for his company. Large pharmas have been disclosing payment data since before the Sunshine Act, Tina Fan, director of Acquis Consulting, said small to medium-sized enterprises (SMEs) may be less experienced and more unprepared to meet requirements.

Cloud-based payment providers - which handle payments and the surrounding data - such as Greenphire, Clinverse, and Clinical Financial Services will likely receive more business because of open payment requirements, and are interesting to a range of private equity and venture capital firms, one sector investor noted. These firms could align with the new regulations and come to the market commanding high premiums, he said.

A second healthcare investor also expressed interest in Greenphire, and noted that Exco InTouch, which deals with data capture and aggregation, amongst other services, is also one to watch. A number of other providers handling electronic trial master files that may also contribute to open payment requirements are also interesting, the second investor said, citing UK company Phlexglobal as an example.

Meanwhile, the market of healthcare information technology providers for all the necessary components of open payment services - such as HCP database and data capture, scheduling software, solutions for aggregating data, and expense reporting - is still very fragmented, the experts agreed. M&A will be common, to provide a more efficient offering,

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Arsenal Capital Operating Partner Donald Deieso noted. Open payment schemes are becoming increasingly common worldwide, for instance with the French Sunshine Act and voluntary reporting options in Japan, Fan said, adding that large cloud providers could look to purchase smaller companies to extend global offerings.

Large providers may also look to purchase comprehensive datasets of doctors from other providers, said Fan. CMS has launched a mobile application to help industry deal with the requirements, but its database of HCP information is not necessarily the most up to date, she added.

Service providers will be focused on tracking and reporting open information payments in the short term, but with data about physicians being launched publicly there may soon also be a need for systems which can handle disputes over payment information, Fan suggested. Doctors have 45 days to review the data for accuracy, and errors could have significant consequences for the physician or manufacturer's reputation, said Lindsay McNair, chief clinical research officer of institutional ethics review board WIRB-Copernicus Group.

Partnership deals between firms with complementary cloud platforms may be more common than M&A, Ayala noted, citing the example of Clinverse's deal with US business Aggregate Spend Solutions, which was formed specifically to deal with Sunshine tracking and reporting requirements. Clinverse will continue to evaluate partnership options in the field, he said. Veeva Systems is also working with a number of companies to couple its HCP database capabilities with aggregate spend services, Goldsmith added. Relationships between database and aggregate spend providers will be an industrywide trend, he said.

Yet, once the technology and service offerings are in place through various alliances, the majority of interest and activity in this market will become flat, noted Deieso.

by Natalie Morrison in London

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