Why Cerner could win its EHR tug-of-war with Epic

Article

The news: Electronic health records (EHR) giant **Cerner** released its Q2 2021 results: Its **revenues jumped 10%** since Q2 2020, from $1.3 billion to nearly **$1.5 billion**.

- Despite the overall hikes in revenues, its **operating margin fell from 11%** in Q2 2020 to **3.4%** in Q2 2021, which it attributed to restructuring costs, like employee reduction and the sale of a major office campus.

Why Cerner is worth watching: Cerner's year-over-year growth in Q2 follows a busy year of acquisitions and large-scale gov't partnerships—which will likely fuel revenue growth in the

long haul.

Earlier this year, Cerner finalized a $375 million acquisition of life sciences company Kantar Health, prying open a new line of revenue in the pharma market. It plans to combine its collection of real-world patient data with Kantar's tech to "power drug discovery" and speed up the time it takes to conduct clinical trials, per an April Cerner press release.

Plus, Cerner is in a long-term partnership with the Department of Veterans Affairs (VA) to modernize its EHR system—though it'll take some time before Cerner can reap the financial benefits of this tie-up. Last month, the VA paused its Cerner launch for six months as it reassessed its rollout strategy amid a lack of VA employee training on Cerner's tech. Once the Cerner-VA partnership is up and running, Cerner's tech will be implemented across the VA's 1,293 healthcare facilities, reaching over 9 million patients.

What's next? Cerner is trailing behind its competitor **Epic** in market share, but Cerner could be on track to overtake Epic as king of the EHR market thanks to its more affordable options and as more hospitals question the value of Epic's AI.

For context, in 2020, Cerner held **25%** US EHR market share (**1,354** hospitals), while Epic Systems commands **31%** market share (**1,713** hospitals), according to KLAS' 2021 US Hospital EMR Market Share Report. Cerner and Epic have both remained neck and neck in market share over the past few years, but both companies have always outpaced other vendors: In 2020, the third leading EHR vendor was **Meditech**, which only held 16% of EHR market share, for instance.

It appears Cerrner touts affordability over Epic, which could help Cerner grab the attention of smaller US hospitals to leapfrog its leading competitors. Despite losing some hospital clients due to revenue cycle management issues, Cerner had a lot of success in nabbing community hospital clients (<200 beds) in 2021, largely due to its lower pricing, according to KLAS' report: In 2020, Epic scored 4 new community hospital clients, while Cerner won 19 partners.

Plus, a large part of Epic's appeal lies in its AI algorithms to detect issues like sepsis—but recent research suggests its tech falls short.. Epic reportedly financially incentivizes its hospital partners up to $1 million to use its prediction models—but as more research unveils inaccuracies in Epic's algorithms, this incentive may not be enough to convince hospitals seeking a new EHR vendor partner to update to their outdated EHR system. As a result, It's

likely Epic's tech could become less appealing to potential hospital clients, clearing the way for Cerner to market its more affordable, reliable options.