

What Can Hospitals Expect from Oracle?

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Oracle Corp.'s proposed acquisition of PeopleSoft Inc. for \$5.1 billion could have a big effect on many hospitals. Pleasanton, Calif.-based PeopleSoft has a significant share of the hospital market for enterprise applications software, including payroll, human resources and inventory management modules. Redwood Shores, Calif.-based Oracle--best known as a database vendor--has its own line of enterprise applications software and says it will stop selling PeopleSoft products--but support existing customers--if the acquisition goes through.

That support, however, has a catch: Oracle will not upgrade existing PeopleSoft products, hoping that when the time comes for upgrades its customers will buy from the Oracle line. Increased sales for Oracle enterprise applications software--particularly database-intensive systems like payroll and inventory--also would boost Oracle's database sales, says John Osberg, president of Informed Partners LLC, a Marietta, Ga.-based consulting firm specializing in health care information technology.

In a "frequently asked questions" document released June 6, Oracle indicated much of PeopleSoft will go away over time: "We expect substantial cost savings across a number of functional areas. Sales and marketing costs will be significantly reduced through elimination of redundant positions as we will no longer actively market PeopleSoft applications. Top PeopleSoft sales and marketing personnel will be moved to fill open positions in Oracle. Research and development costs will be substantially reduced as future development efforts will focus on development of next generation Oracle programs; we will not develop future generations of PeopleSoft applications. Further cost savings will also be realized as we rationalize the substantial overlap in the general and administrative functions."

Further, Oracle makes no guarantees it will continue with PeopleSoft's just-announced proposed acquisition of J.D. Edwards & Co., Denver. J.D. Edwards has several products, including asset management and real estate management software, which PeopleSoft planned to market to hospitals and integrated delivery systems. While various media reports quote stock analysts as saying the J.D. Edwards deal is dead if Oracle buys PeopleSoft, Oracle isn't so definitive. "Our offer will be for the acquisition of PeopleSoft," the Oracle document says. "Once we complete the acquisition of PeopleSoft, we will review whether, and on what terms, Oracle would support the J.D. Edwards transaction."

While a successful Oracle acquisition of PeopleSoft may cause temporary disruption for hospitals and other PeopleSoft customers, the long-term effect likely will be positive, Osberg contends. "Oracle is known for effective customer support," he adds. "Hospitals using PeopleSoft will find the brands being sunsetted but the products being enhanced, although they will increasingly have an Oracle look and feel. I don't see doom and gloom."