

# What the ACS/Superior Deal Means

## February 2005 Health Data Management

*By Joseph Goedert, News Editor*

Superior Consultant Holdings Corp. has struggled financially in recent years. A reorganization that included a strong focus on offering outsourced information technology services to provider organizations started to bloom in 2004 as the company grew revenue and regained profitability.

But Superior, which generated about \$104 million in revenue during the 12 months ended Sept. 30, 2004, lacked the size and stability to land some contracts and dramatically grow the business. That changed in late 2004 when the company announced that Affiliated Computer Services Inc., a \$4 billion I.T. firm serving health care and multiple other sectors, would acquire it.

"ACS brings scale," says Richard Helppie, founder and CEO of Dearborn, Mich.-based Superior. "It brings multiple data centers, more robust network capability and deep knowledge of analytical services."

On the other hand, Superior has two strengths—consulting services and expertise in helping hospitals select and implement information systems—that ACS lacked, says Donald Liedtke, executive vice president and managing director of I.T. solutions for the Dallas-based vendor.

### The details

The companies first broached the issue of combining about two years ago, Helppie says, and talks intensified in recent months. "Now we're taking off and in order to capture the opportunities, we had to partner with a larger firm."

Under a definitive merger agreement expected to close this month, ACS was to pay \$106 million for Superior's stock at a value of \$8.50 per share. That was a 32% premium over the stock's \$6.45 price tag when the sale was announced.

Superior's services and ACS' provider health care business will form ACS Healthcare Services, headquartered in Dearborn with Helppie at the helm and reporting to Liedtke. All senior executives of Superior joined ACS.

The new ACS Healthcare Services subsidiary will start with about \$270 million in revenue expected in 2005, with an estimated \$118 million coming from Superior.

Helppie and Liedtke believe workforce reductions in the businesses being combined will be minimal and focus on redundant back office functions. For instance, Superior no longer will need an infrastructure to support the reporting responsibilities of a publicly held company. Liedtke foresees no cuts in the service delivery workforce.

### Combining services

Superior offers a range of business process and I.T. consulting services. It specializes in helping hospitals select and implement information systems.

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The company also has nine full or significant I.T. outsourcing contracts with provider organizations to run much of, or all of their I.T. operations. Services that ACS offers to provider and payer organizations include: systems design, development and integration; applications support; electronic commerce and networking; data entry and data processing; clinical best practice consulting; and revenue cycle analysis and business process outsourcing.

"They've got great return on investment measuring tools," Helppie says. ACS also has 14 full or significant I.T. outsourcing contracts with providers.

By combining assets, "we can approach a hospital with a full range of services," Liedtke says. Indeed, the company will focus its I.T. services on hospitals because they are faced with rising costs and an aging population. ACS plans more acquisitions-the nature of which Liedtke declines to specify-to serve the hospital market. However, the company won't rule out expanding to serve physicians and other market segments, he adds. "This is our first entr,e," he says of the Superior deal.

## Making sense of it all

The acquisition makes sense because of Superior's focus on the hospital side, an area that ACS wants to expand aggressively, says John Osberg, president of Informed Partners LLC, a Marietta, Ga.-based consulting firm.

"This is new expertise for ACS," he explains. "They are not thought of as a consulting entity, but as a processing entity."

Osberg believes some services that ACS offers to health insurers, such as document imaging and data entry, will migrate to provider clients. "The acquisition is a very clear message that ACS is laying a foundation for generating new revenue from providers."