

IBM grows healthcare cloud with \$2.6bn Truven buy



[Madeleine Armstrong](#)

Tech companies' desire to muscle in on medtech's turf shows no sign of abating. And IBM's latest purchase, of Truven Health Analytics for \$2.6bn, illustrates another trend – the move towards payment for outcomes, with data becoming increasingly important in measuring cost-effectiveness.

It is also another sign that the megadeal is back. After a dearth of big acquisitions at the end of last year, 2016 has already seen five that break the \$1bn mark (see table below). And many venture capitalists seem convinced that the growing interest from traditional tech companies is a good thing for the medtech industry.

"I think it's very positive – in terms of new capital, new innovation and new ways of thinking," Andrew Schwab, managing partner of the US VC group 5AM Ventures, told *EP Vantage*. "It brings in companies that are very growth-oriented, innovative and technology-focused."

Jason Lettmann, a partner at Morgenthaler Ventures, agreed that more interest in the sector is a good thing for smaller companies trying to attract funding or a buyer, with "more and more activity from the likes of Google and Apple, and big pharma... we've also seen some traditional consumer companies look at the space too."

Medtech megadeals so far in 2016

Target	Acquirer	Sector	Price	Date
Alere	Abbott	<i>In vitro</i> diagnostics	\$5.8bn	February 1
Sage Products	Stryker	ICU devices	\$2.8bn	February 2
Truven Health Analytics	IBM	Data analytics	\$2.6bn	February 18
Affymetrix	Thermo Fisher Scientific	Cellular and genetic analysis	\$1.3bn	January 8
Physio-Control	Stryker	Hospital equipment	\$1.3bn	February 16

So hot right now

Of course, it helps to be in a trendy sector, and anything involving big data is red hot, as is anything that purports to increase value. Truven falls into both of these camps. It gathers health-related data and provides analyses to customers including healthcare policymakers, payers and providers, which it says helps them improve healthcare quality and access while reducing costs.

With greater scrutiny on drug costs, the pharma industry is catching on to the idea of value-based pricing, with Amgen for example recently embracing risk-sharing for its PCSK9 inhibitor Repatha ([Interview – Repatha risk-sharing could be just the beginning](#), November 13, 2015).

But the only way to prove improvements in spending and in patients' health is data, and this is where IBM is making its big bet. The company launched its Watson Health unit and Watson Health Cloud platform last April, and has since been on a spending spree, splashing out over \$4bn on companies so far – which have given it access to even more datasets.

IBM Watson Health acquisitions

Target	Price	Sector	Date announced
Truven Health Analytics	\$2.6bn	Cloud-based healthcare data & analytics	February 2016
Merge Healthcare	\$1bn	Medical imaging	August 2015
Phytel	Undisclosed	Population health	April 2015
Explorys	Undisclosed	Cloud-based healthcare intelligence	April 2015

IBM is not the only tech company trying to get in on the medtech and pharma action: in January, the telecommunications specialist Qualcomm was said to be setting up a \$1bn joint venture with GlaxoSmithKline, adding to deals it already has with the likes of Roche, Philips and Novartis ([Interview - In pricing don't forget about the data, says Qualcomm, November 18, 2015](#)).

Meanwhile, Verily, the Alphabet unit formerly known as Google Life Sciences, is ploughing money into projects including robotic surgery, alongside Johnson & Johnson, and development of a tiny disposable glucose monitor with DexCom.

One thing seems certain: the march of the tech companies into territory traditionally associated with medtech and pharma is only just beginning.

To contact the writer of this story email [Madeleine Armstrong](mailto:Madeleine.Armstrong@epvantage.com) or [Elizabeth Cairns](mailto:Elizabeth.Cairns@epvantage.com) in London at news@epvantage.com or follow [@medtech_ma](https://twitter.com/medtech_ma) or [@LizEPVantage](https://twitter.com/LizEPVantage) on Twitter

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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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