

XIFIN Buys OmniSYS, Bridges Lab to Pharmacy

➤ Acquisition is response to growing trend of retail pharmacies offering clinical services to consumers

➤➤ **CEO SUMMARY:** *XIFIN's acquisition of pharmacy technology company OmniSYS is the latest evidence that retail pharmacies are preparing to become a new front door to healthcare for consumers. The deal allows XIFIN to bring clinical lab information about patients directly to pharmacists while also helping retail pharmacies with clinical service billing and reimbursement needs as they develop primary care clinics in their stores.*

ONE OF THE CLINICAL LABORATORY INDUSTRY'S BIGGEST PLAYERS in lab revenue cycle management (RCM) just made a bold move to become a valuable resource to retail pharmacies. On Dec. 14, **XIFIN, Inc.**, of San Diego announced its acquisition of Dallas-based **OmniSYS**, a provider of information services to retail pharmacies.

With this acquisition, XIFIN immediately positions itself to have access to the 30,000 retail pharmacies that use the information technology products provided by OmniSYS. To give that number perspective, in 2019, the **Pharmaceutical Care Management Association** published a study showing 39,084 chain pharmacies and 23,601 independent pharmacies. XIFIN thus gains access to more than 50% of the nation's retail pharmacies.

This may turn out to be a shrewd move, as most of the national pharmacy

chains are expanding the types of diagnostic tests they offer to their customers. Additionally, most of the national pharmacy companies are well along the path of building full-service primary care clinics in their retail stores and those clinics will need the full menu of clinical laboratory testing services. (See *TDR, "New Players May Alter Who Buys & Who Orders Lab Tests," June 14, 2021.*)

"Clinical labs have an opportunity to be in many of the pharmacies," said Lâle White, founder and CEO at **XIFIN**, a healthcare information technology company based in San Diego. "With all the point-of-care testing being done now, we can see that there is room in retail pharmacies for laboratories to be there as an extra referral for confirmations and to provide other, more complex testing."

Interwoven into this evolving situation are new billing and clinical data needs

at retail pharmacies, which encouraged XIFIN to step into this market by acquiring OmniSYS. The deal was announced on December 14, 2021, and establishes a clear data pathway between pharmacies, XIFIN, and clinical labs. Financial terms were not disclosed.

XIFIN provides cloud-based revenue cycle management, healthcare informatics, and laboratory information systems, while OmniSYS offers a software suite to support pharmacists in the administration and reimbursement of clinical services.

“Combining our capabilities will allow XIFIN to do more than simply help process the testing and clinical service claims,” White explained. “It opens the door to more extensive, patient-directed data exchange. With the appropriate authorizations, XIFIN will be able to deliver clinical lab information about patients to the pharmacists who see those people face-to-face.”

XIFIN is betting that pharmacies will need this type of behind-the-scenes help not only to stay competitive, but to also prove to private insurers and Medicare that these pharmacy-based clinical services are helping patients stay healthier more economically as the industry moves toward value-based care.

► Path from Lab to Pharmacy

“If pharmacists have access to laboratory data—and they can interpret and visualize that data and the expected outcomes for those patients during the provision of care at the retail pharmacy in a precise, results-driven way—pharmacists can prove to payers that they positively contribute to improved health outcomes,” said John King, former CEO at OmniSYS and the new president of the OmniSYS division at XIFIN.

“To help pharmacies expand payer relationships and grow their clinical services business to achieve better patient outcomes would be the home run we expect from combining XIFIN and OmniSYS,” King added.

Two large shifts forced retail pharmacies to re-imagine their roles in health-care delivery: intense competition and the SARS-CoV-2 pandemic. Pharmacies have seen their margins erode due to the growth of generic prescription drugs, mail-order prescription services, and new online competitors like **Amazon**. As with many other types of brick-and-mortar businesses, online prescriptions have drawn away customers from pharmacies.

► Why Now for Pharmacies?

“Once pharmacies started losing their share of prescription drug orders to mail order systems and disrupters like Amazon, they didn’t just sit idly by and accept their declining business,” White observed. “They knew their marketplace and understood the consumer’s demand for convenience and rapidly pivoted into offering clinical services.”

On a different tangent, when the pandemic hit full swing in the U.S. in March 2020, it opened the door for COVID-19 testing. Pharmacies’ interest in offering more point-of-care (POC) testing and related diagnostic services got a huge boost. Pharmacy operators were quick to recognize that—just as flu shots have rapidly shifted to the retail pharmacy setting as a more convenient way for consumers to obtain their immunizations—they could provide SARS-CoV-2 vaccines and tests to consumers.

Thus, most pharmacy operators quickly offered COVID-19 vaccines and POC testing to their shoppers. This proved to be a major source of new revenue, particularly for the largest pharmacy chains, like **Walgreens**, **CVS**, and **Walmart**. But COVID-19 tests and other clinical services exacerbated the need for the pharmacies to be able to code, bill, and submit claims to the proper health insurer, government entity, or other organization.

That need to improve coding, billing, and collections for clinical services in a pharmacy setting plays to the strength

of XIFIN and OmniSYS, which together are electronically interfaced to almost every health insurance plan in the United States. OmniSYS can help pave the way for XIFIN to bridge the business needs of labs and pharmacies because OmniSYS already manages medical claims and provides clinical systems for more than 30,000 pharmacies nationally.

Moreover, expect national pharmacy chains to build on their experience with COVID-19 vaccines and testing and apply it to other common primary care services, confident that consumers will prefer to access these services at their local pharmacy, often at cheaper prices.

“When you look at clinical lab tests for blood glucose, cholesterol, or checking for kidney and liver functions, there’s a huge opportunity for pharmacies, but only if they have access to laboratory data and the necessary partnerships to begin moving into value-based-care arrangements,” King explained.

➤ XIFIN’s Goals

As part of its acquisition of OmniSYS, XIFIN has short-term and long-term objectives to integrate the tech offerings of both companies. “A quick win for us will be to see how our systems can integrate with each other and how we can carry data and information for lab and pharmacy to the consumer, as well as back to providers, and provide them with the insight they need,” White stated.

Through the longer-term lens, XIFIN expects to capitalize on the trend of retail pharmacies offering primary care services directly to consumers. The pharmacy industry has already laid groundwork for this, with national regulations that allow pharmacists to perform a variety of clinical services, including immunizations, diabetic counseling, and medication management. Many individual states are going even further with laws that allow pharmacists to provide services such as hormonal contraceptive prescriptions.

At-a-Glance: XIFIN, OmniSYS

THIS OVERVIEW DETAILS the pre-merger characteristics of XIFIN and OmniSYS:

XIFIN



- CEO: Lâle White
- Founded: 1997
- Industry: Clinical laboratories, anatomic pathology, radiology
- Revenue: Not reported, private company
- Core products: Cloud-based revenue cycle management software for labs; laboratory information system
- Market reach: Processes more than 70 million lab test claims per year.

OmniSYS



- CEO: John King, who will become the new president of XIFIN’s OmniSYS division
- Founded: 1988
- Industry: Retail pharmacies
- Revenue: Not reported, private company
- Core products: Cloud-based electronic health record system for pharmacies; cloud-based medical claims billing software for pharmacies
- Market reach: Serves more than 30,000 pharmacies in the U.S.

The list of clinical services that pharmacies are allowed to perform is rapidly growing, White noted. Combine that convenience with consumers’ growing desire to manage their own care through technology and there is an open market into which clinical laboratories can step.

However, clinical laboratory executives and pathologists have been slow to seize this opportunity. “What we haven’t seen are synergies between regional labs and pharmacies,” White said. “We’ve seen synergies at the large-lab scale, where

Opportunities for Clinical Laboratories as Retail Pharmacies Offer More Diagnostic Tests

CLINICAL LABORATORIES AND PATHOLOGY LEADERS would be wise to monitor the progress of retail pharmacies that are in the process of creating a new front door to healthcare for millions of consumers.

Mail order pharmacies, the growth of generics, and online delivery services have caused local and national pharmacies to lose market share and margins in the traditional drug prescription business. That is why pharmacies want to protect and expand their market share by launching clinical services in retail pharmacies that are in the same neighborhoods where patients live and work.

For clinical lab administrators, this new arrangement is an opportunity. As more pharmacies provide point-of-care (POC) tests and the full menu of medical lab testing, local clinical labs can step in and provide those diagnostic testing services. But if local labs ignore this opportunity, they may lose that business

to more nimble labs. Lab managers and pathologists may want to consider these next steps as part of their lab's evolving clinical and business strategies:

- Evaluate the local retail pharmacy scene to determine if a lab-testing, specimen-collection partnership with a pharmacy is viable. Consider supporting a point-of-care testing program within the pharmacy.
- If such an arrangement could be fruitful, investigate whether the lab and the pharmacy have the technology in place to allow clinical and billing data to flow between both sides.
- Estimate what diagnostic testing services may shift away from physician offices to retail pharmacies and the primary care clinics they operate. Then develop strategies to partner with local pharmacies to provide specimen collection services and lab tests.

the big public laboratory companies have done some exclusive contracts with CVS, Walgreens, and Walmart, but not necessarily at the middle and lower tier pharmacy chains.

“We see the opportunity to democratize this synergy between laboratories and pharmacies with the appropriate use of technology,” she added. “With the consumer-driven economy, we see that consumers truly are becoming hands-on with decisions about their clinical care and—like pharmacies—consumers need technology tools to bring their healthcare data together. At the same time, both public and private payers have acknowledged the cost savings associated with providing healthcare in more accessible settings.”

XIFIN sees an opportunity to help pharmacists more effectively use lab test data. “We’d like to enable clinical decision

support tools for pharmacies so that pharmacists know, for example, what other services patients might need based on their current vaccination status or diagnostic test results,” White said.

Over the past year, THE DARK REPORT has provided intelligence briefings about why retail pharmacies want to become primary care providers. These in-store clinics will need clinical lab testing services. The decision by XIFIN to acquire a company that has a significant presence providing billing and electronic health record systems to retail pharmacies—while also helping those in-pharmacy clinics bill payers for COVID-19 vaccines and tests as well as the full menu of lab tests and other clinical services—is market evidence that this trend is real and will continue to develop.

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