

# CONSTELLATION RESEARCH



## CONSTELLATION INSIGHTS.

WITH LARRY DIGNAN



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Oracle has big plans for its Cerner acquisition, but it has integration work ahead including moving a customer base to the cloud and rewriting applications with a little help from generative AI.

As a refresher, Oracle closed its \$28 billion acquisition of Cerner in June 2022. The plan for Oracle is clear: Use its cloud and data know how to transform healthcare.

But lost [amid talk of Oracle Cloud Infrastructure](#) growth rates, partnerships with Microsoft and Oracle Cloud World was how much attention Cerner integration received from CTO Larry Ellison and CEO Safra Catz. Consider:

- On the first quarter earnings call, Cerner was mentioned 30 times, second only to cloud at 71 mentions.
- Catz gave revenue growth guidance including Cerner and excluding it. Catz cited headwinds on moving Cerner customers from a license model to a cloud one. And she noted that Cerner profitability has to get to "Oracle standards." Catz said: *"We are in an accelerated transition of Cerner to the cloud. This transition is resulting in some near-term headwinds to the Cerner growth rate as customers move from license purchases, which are recognized upfront, to cloud subscriptions, which are recognized ratably. Again, excluding Cerner, I remain committed to accelerating our total revenue growth rate this fiscal year as well as maintaining our current high cloud growth rate for the year."*
- Ellison said that Cerner, aka Oracle Health, has been "awarded two large new contracts with a total value of over \$1 billion" to be recognized in the current quarter.

Rest assured that Cerner is likely to get a big breakout when Oracle hosts its analyst meeting at Oracle Cloud World. Ellison outlined the Cerner integration.

First, Oracle is moving [Cerner's Millenium electronic health record \(EHR\) platform](#) to the cloud and rewriting the software in pieces. Ellison said: *"There's a two-phase process with Cerner. The first thing is to get the lift and shift and get the existing system hardened, which we've done and moving the customers to the cloud, which we are in the process of moving everybody to the cloud. That will give them better performance, better security and new features will then start showing up with the system."*

And then Oracle is replacing Cerner features with new ones. Ellison said this process will replace the old Cerner system with a new one. He added that Oracle isn't rewriting the code in Java though. It is using generative AI. Ellison said:

*"We have an application generator [called APEX](#). And we are not writing code for the new Cerner. We are generating that code in APEX, and it's going extremely well. Again, one of the great things*

*about code generators is they don't make mistakes. Well, either they make the same mistake over and over again or once you fix the mistake, you fix it everywhere. So, the code gen -- we are using a code generator, and to write the new features in Cerner and it's coming along very, very nicely."*

Finally, Oracle will transition the old Cerner business to a new model. Catz covered that point, but Ellison reiterated that the transition to a cloud model is a headwind as revenue is recognized over time. Catz also said Oracle "still has a way to go" on Cerner expenses, but changes will become more obvious in future quarters.

## **8 Takeaways from Constellation Research's Healthcare Transformation Summit**

*"We are always looking to save as much as we can, and to spend as little while still really transforming Cerner into a modern system in its entirety,"* said Catz.

Ellison added that Oracle loves to save money. "One of the things we did with our data centers is we automated them. We saved labor costs, and we have better security and better reliability because we eliminated human error," he said. "With the rewrite of Cerner, it's not armies of programmers that are going to be rewriting this. We are generating the new Millennium software using APEX. And that's also going to save us a lot of human labor and generate higher quality code and higher quality user interfaces and better security all at once."

### **Research:**

- [Oracle Writes the Next Chapter of Exadata With Exadata X10M](#)
- [Oracle's Data Platform Gets an EPYC™ Boost](#)



### **Your workers are already using generative AI**

Like mobile, cloud and Web applications, your employees are leading the technology charge and enterprises will catch up with policies--eventually.

It's worth looking at [a survey from The Conference Board](#) The upshot: 56% of workers are using generative AI on the job with almost 10% of them using the technology daily. The catch is that

26% of respondents say their organization has a generative AI use policy, said The Conference Board.

Sure, companies can ban generative AI apps, but your employees are already using them. Without adoption and governance, enterprises are playing from behind. We covered the survey, but here some additional random thoughts.

1. If this survey is correct, you should see a big split between employee productivity. The Conference Board found that 44% of employees have never used generative AI. In theory, 56% of your employees should show productivity gains this year.
2. Employees are focusing on content creation, but only 19% trust generative AI for analyzing data and making forecasts. My takeaway: It's one thing to get a writing assist here and there. It's quite another to trust generative AI to make a forecast when your butt is on the line.
3. 71% of those employees using generative AI note that their management is at least partially aware. Translation: The glory of improving productivity is worth the policy workaround.

## NOTEBOOK

📊 41% of CFOs said now is a good time to take bigger risks **according to Deloitte's third quarter CFO Signals survey**. The two-year average is 40% and last quarter the tally was 33%.

📦 **Apple's iPhone 15 launch was a dud** Salesforce's **Dreamforce reveal** wasn't too far behind.

📈 Adobe **raised Creative Cloud prices** and introduced a generative AI credit program. Get used to it. **Price increases are becoming the norm**.

📊 10% of home sellers **cite return-to-office policies as the primary reason for relocating** according to a Redfin-Qualtrics survey.

📊 Cloud capital expenditures fell 2% in the second quarter **as hyperscale providers digest previous investments**, according to Dell'Oro Group. However, Microsoft and Google will grow capex in 2023 at a double-digit growth rate.

📊 Total tips for restaurants on the Toast platform **averaged 18.9% of total check amounts in the second quarter**, down from 19% in the first quarter, according to Toast platform data. Full-service restaurant tips fell to 19.4% of the total check in the second quarter, down from 19.7%. Best tipping state: Delaware.



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