

Epic's agent factory and the end of the middle layer: what health tech investors need to understand right now

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Abstract

This essay analyzes Epic's HIMSS26 announcements – specifically Agent Factory no-code agentic AI builder – and the downstream implications for health tech entrepreneurs and investors. Key data points and themes:

- Epic holds 42.3% of the acute care EHR market by hospital count and 54.9% by count as of 2024
- Epic revenue grew from \$4.9B (2023) to \$5.7B (2024), with R&D spend historically running at ~50% of operating expense

- Agent Factory enables drag-and-drop, no-code AI agent orchestration for health systems – clinical, administrative, patient-facing
- The HIMSS26 lineup includes Art (clinical AI), Emmie (patient chatbot), Penny cycle), and Forward (clinical trials management)
- Over 1,000 apps listed on Epic’s Showroom; 2,400+ called a live API in the last
- The no-code capability compresses the technical moat previously held by AI middleware, workflow automation, and point-solution startups
- Viable investment zones post-Agent Factory: data layers Epic can’t own, cross-interopability plays, specialty-specific clinical decision support, and infrastructure bets upstream of Epic
- Several digital health categories warrant portfolio review – especially ambient documentation, administrative automation, and rev cycle AI in Epic-heavy customer bases

What Epic Actually Announced (And Why It Matters More Than the Headline)

Before getting into the so-what, it helps to be precise about what Epic showed up at HIMSS26 with, because the framing in most of the coverage undersells it. The headline is “Agent Factory” – a no-code, drag-and-drop environment that lets Epic customers build and orchestrate AI agents that can reason, decide, and execute autonomously across clinical and operational workflows. Phil Lindemann, Epic’s chief of data and research, described it plainly: their customers have ideas for where to help, and Agent Factory is how they bring those ideas to life without needing to build a vendor or write a line of code.

That one sentence should be circled by every health tech investor who has a portfolio company selling workflow automation to Epic-installed health systems. The historical pitch of many digital health startups has been some version of “we know what your Epic data means and we can do something useful with it.” Agent Factory is Epic’s

answer that maybe the health system itself can do that now, on their own, with a builder, without writing a check to a startup. That may be an overstatement of what no-code actually delivers in year one – no-code tools have been around in other verticals for years and have not eliminated custom software – but the direction of travel is unmistakable.

Alongside Agent Factory, Epic rolled out a suite of named AI products at HIMSS26 that investors need to track individually. Art is Epic's clinical AI assistant, with MyChart already deployed across multiple outpatient specialties in Wisconsin. The pattern here follows Epic's prior playbook: launch in-state first, prove it, scale it. Emmie is the patient-facing chatbot built into MyChart. Penny is the revenue cycle co-pilot. Forward is a clinical trials management system integrated directly with the rest of Epic's platform, including its research discovery tools, covering end-to-end study management. First phases are available in 2026, full rollout in 2027.

Put these together and what you have is a company that has essentially announced building a full operating stack for health systems – not just the EHR, but clinical patient engagement AI, revenue cycle AI, research management, and now a citizen developer environment for custom AI agents. For a company that reportedly invests up to 50% of operating expenses back into R&D, HIMSS26 represents the point where the outputs of that compounding investment are becoming visible all at once.

The Market Position Problem – Epic's Gravity Has Become Structural

To understand why Agent Factory is strategically significant rather than just technically interesting, you have to zoom out to the underlying market structure. Epic now holds 42.3% of acute care EHR hospitals in the US and 54.9% of hospital beds. That asymmetry – lower hospital count but higher bed count – means Epic's density is concentrated in the large health systems that set purchasing norms, run the biggest budgets, and dominate the vendor evaluation processes that smaller systems eventually follow. Oracle Health, the only meaningful competitor, lost a net 74 hospitals in 2024 and has declined for the first time to even share its contract list.

KLAS Research, which is either a strategic pivot or a sign that the data got embarrassing. Meanwhile Epic added 176 hospitals and 29,399 beds in 2024, its largest net gain ever. Revenue went from \$4.9B to \$5.7B in a single year.

This is not just market share. It is data infrastructure. Every one of those 176 hospitals that moved to Epic in 2024 took their longitudinal patient records, the clinical workflows, their billing data, and their operational processes and put them inside the Epic data model. The more health systems that do this, the more that data model becomes the de facto clinical data standard in the US – at least for anything that touches inpatient care. And when you control the data model and workflow layer and the patient communication layer and now the agent orchestration layer, the question for every startup is simple: what exactly are you selling that Epic doesn't already have, or isn't about to have, or isn't enabling someone inside the health system to build themselves?

There is also a network dynamic that is easy to underestimate. Epic's interoperable infrastructure – the Carequality exchange, TEFCA participation at over 2,000 hospitals, the open.epic.com API ecosystem with 2,400 app integrations – means that staying on Epic isn't just about the EHR. It's about staying connected to a clinical data exchange network that gets more valuable as health systems join. Third-party vendors increasingly have to decide whether to join into Epic's ecosystem as a component or try to build independently against it. Increasingly, the former is the only commercially viable path, and that changes the negotiating dynamics significantly.

What Gets Killed, What Gets Squeezed and What Gets Accelerated

Being honest here requires some category-level bluntness, because the answer is uniformly bad for startups. The categories most at risk from Agent Factory specifically are the ones whose primary value proposition is helping Epic customers automate workflows that live almost entirely inside the Epic environment. Administrative automation tools – the kind that help with scheduling, patient

outreach, prior auth status checks, basic triage routing – are in trouble if they're selling to Epic-installed systems. Epic's Agent Factory, combined with Emmie for patient-facing interactions and Penny for rev cycle, covers a lot of that territory natively. A startup selling "intelligent patient outreach" to a health system on Epic 2027 is going to run into a very uncomfortable sales conversation.

Ambient documentation is a similar story. Epic's collaboration with Microsoft has produced an ambient AI tool embedded natively into the EHR, directly competing with companies like Nuance, Nabla, Suki, and others in the ambient space. Epic's own data and research said AI Charting is already live across multiple outpatient specialties. The ambient documentation category was the hottest corner of health for the past two years – multiple companies raised significant rounds on the back of it. Some of those companies will be fine, especially ones with differentiated clinical logic, strong specialist workflows, or customer bases not yet on Epic. But the ones whose moat was primarily "we integrate cleanly with Epic" are now in a credible squeeze scenario.

What gets accelerated by all of this is the portion of the market that Epic can't, or won't, adequately serve. Complex multi-EHR environments are an obvious case – IDNs that have both Epic and Oracle Health instances, or regional health systems that have Epic inpatient but legacy systems in their physician practice network. Epic's clean integration story starts to get messy in these environments, and third parties that can normalize across EHR systems have a genuine value prop. Data infrastructure plays that sit upstream of the clinical workflow – population health analytics, real-world evidence generation, health economics research – are also insulated because Epic isn't trying to own the analytics supply chain end-to-end. Epic generates data at an extraordinary scale, but the downstream use of that data in payer negotiations, clinical development, or outcomes research requires capabilities Epic hasn't prioritized.

The Embedded Competitor Problem for Portfolio Companies

The embedded competitor problem is worth its own section because it shows up in health tech portfolios in ways that aren't always obvious at the time of investment. An embedded competitor isn't just a company that competes with you on features. It's a competitor that is already inside your customer's purchasing system, already in a contractual relationship, already present at the quarterly business review, and increasingly capable of shipping adjacent features to the ones you built your company around. This is fundamentally different from a traditional competitive threat, where both parties are selling against each other to a neutral buyer. Epic is a preferred vendor at essentially every health system it operates in, and in many cases it has contractual protections that require health systems to evaluate Epic's native capabilities before sourcing third-party tools for the same workflow.

For portfolio companies in the health tech space, the strategic question isn't "can we beat Epic on features." The answer to that is almost always no, because Epic has a \$5.7B revenue base, a multi-decade customer relationship advantage, and a close loop data environment that a startup can't replicate. The right question is "does our customer actually want to be in our category at the depth our customers require," and more specifically, "is Epic going to invest the sales motion, implementation support, and customer success resources to make their native capability competitive at the level of specificity our product operates at." Epic is great at broad horizontal capabilities; predictably less good at deep specialty-specific workflows, rare condition clinical logic, or anything that requires integrating external data sources Epic doesn't control.

Penny, Epic's rev cycle co-pilot, is a reasonable example of this tension. Penny is probably adequate for straightforward billing optimization in a medium-sized health system with clean Epic data. It is probably not adequate for complex multi-payer environments with legacy contract structures, specialty-specific fee schedules, or significant underpayment recovery needs. The companies in the rev cycle space that build around those complexity vectors – not the generic "reduce denials" pitch, but the specific operational problems that require real subject matter expertise to solve – have a defensible position. The ones that built generic rev cycle AI and sold it with the hook of "we integrate with Epic" are more exposed.

Where the Real Opportunity Lives Post Agent Factory

None of this means that HIMSS26 was a funeral for health tech startups. The opportunity map looks different now, but there's more white space than the "Epic eating everything" narrative implies. Let's run through where the real plays are.

The first and most durable opportunity is in data that Epic doesn't touch. Epic is the dominant platform inside health system walls, but enormous amounts of clinically and commercially relevant data sit outside those walls. Claims data, pharmacy data, lab test results, feeds from non-Epic systems, wearable and remote monitoring data, social determinants data, genomics – none of these live primarily inside the Epic EHR, but all of them are commercially valuable for risk stratification, drug development, health economics research, and population management. Companies building interoperable data infrastructure that normalizes and connects these external data sources to the clinical record are positioned as collaborators rather than competitors, and Epic's expanding API ecosystem actually makes that collaboration easier than it was five years ago.

The second durable play is specialty clinical decision support at a level of depth that Epic simply won't invest in. Epic builds for the median workflow at the median health system. It does not build for the sub-specialty oncologist trying to match tumor cases to open trials, or the behavioral health practice trying to implement measurement-based care, or the fertility clinic trying to optimize stimulation protocols using predictive modeling. These markets are real, they're measurable in terms of clinical and operational ROI, and the health systems serving these populations genuinely need capabilities that are too narrow for Epic to prioritize. A caveat is that these markets are often smaller than they look – a startup serving fertility clinics or eating disorder programs faces an inherently small total addressable market, so the thesis has to include either multiple specialty verticals or an evidence-based argument for premium pricing.

The third opportunity is infrastructure upstream of health systems entirely. Payroll technology, life sciences data applications, and employer health benefits technol

all sit outside the health system procurement cycle that Epic dominates. Payers measure differently, measure differently, and have data infrastructure needs that are only partially addressed by what EHR vendors offer. Life sciences companies need real-world evidence, synthetic control arms, and site identification for clinical trials – data for that flows through Epic, but Epic is not in the business of selling it directly to pharma. The companies that sit in that intermediary position – connecting the data generated inside Epic’s ecosystem to the downstream commercial use cases that Epic isn’t selling into – have a structurally interesting position.

Investment Theses That Need Recalibration

The blunt version of this section is: any investment thesis that was built around the sentence “we sell workflow automation to Epic health systems and our integration with Epic is our moat” needs to be reviewed with some urgency. Integration is not a moat anymore. The number of companies that have built go-to-market strategies around Epic integration – using it as a selling point, a barrier to entry, a distribution channel – has been growing for years, and the launch of Agent Factory makes it clear that Epic is actively thinking about how to bring those workflows in-house. That doesn’t mean every integration-dependent company is a write-off. It means the integration story needs a second layer: what do you provide that Agent Factory can’t replicate, and will the health system continue to source it externally rather than building it themselves?

The companies worth doubling down on post-HIMSS26 are the ones where the value is in the data, the domain expertise, or the external ecosystem – not the workflow integration itself. A company that has built a proprietary clinical dataset for a specific therapeutic area has something Epic can’t replicate with a drag-and-drop builder. A company that has deep relationships with pharma sponsors and health system research teams for decentralized trials has a network Epic isn’t in. A company that has built real-world evidence capabilities that serve both payers and life sciences clinicians is straddling a market Epic has never played in. These theses hold up.

The more uncomfortable portfolio recalibration concerns seed and Series A companies that raised rounds in 2022 and 2023 on the back of ambient documentation, administrative automation, or patient engagement AI – specific Epic-installed systems. Some of those companies are already seeing it in their pipeline data: health systems slowing down their evaluation process because “we’re waiting to see what Epic does natively.” That’s a quiet stall signal that tends to compound. Not every company in those categories is doomed – the ones with multi-EHR distribution, differentiated clinical logic, or meaningful non-Epic customer bases have a real shot. But the ones whose growth was almost entirely in Epic-installed IDNs and whose technical differentiation was primarily in Epic integration deserve a harder look at their growth trajectory and burn rate relative to the competitive window they have before Epic’s native capability catches up.

The longer view here is that Epic’s platform expansion is probably good for health care overall, which is genuinely important to say even in a piece that’s mostly about the risks to startups. A world where health systems can build custom AI agents for their specific patient populations, without writing large checks to multiple vendors or waiting years for IT implementation, is a better world for patients. Agent Factor could meaningfully close the gap between Epic’s general-purpose capabilities and the specific operational needs of complex health systems. That is genuinely a good thing, even if it is also a competitive threat to a meaningful portion of the digital health startup ecosystem. The best founders and investors in health tech have always operated with that tension in mind – building companies that deliver real clinical and operational value while understanding that the incumbent platforms they partner with today are also, inevitably, the platforms most likely to develop adjacent capabilities tomorrow. HIMSS26 is just a particularly clear illustration of how that dynamic plays out.



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Charbel Am  Mar 9

Great analysis. Thank you

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