

What contracting with Epic for an EHI license really involves: license structure, module pricing, affiliate rights, hosting, termination economic and the unwritten obligations behind the signature

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Thoughts on Healthcare Markets & Technology

 **What contracting with Epic for an EHR license really involves: license structure, module pricing, affiliate**

rights, hosting, termination economics, and the unwritten obligations behind the signature

Epic's contract is widely called the most one-sided in healthcare IT. The reputation is earned. Here is what the License and Support Agreement actually involves...

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The unwritten contract that Verona expects every customer to know

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Abstract

- Epic's standard LSA is widely viewed as one of the most one-sided contracts in healthcare IT, and the reputation is largely earned
- Public versions (Arden Health 2019 and 2024 S-1 exhibits, TriZetto 1999 S-SF DPH Resolution 430-17, NC DHHS audit reports) show the structure but redact the dollars
- License grant: non-exclusive, US-only, convertible to perpetual at customer's option after a defined runway, Affiliate rights flow through related entities
- Licensed Volume drives pricing and varies by module: inpatient beds, ED visits, ambulatory encounters, member months for health plan, claims for payer, licenses covered for pop health
- Comprehensive bundle covers inpatient and ambulatory core; ASAP, OpTime, Beaker, Beacon, Willow, Stork, Radiant, Cupid, Cadence, MyChart, Cosmos Caboodle layer on as additions
- Connect program creates a sublicensing pass-through that can run \$20-40M for large host systems but pushes compliance risk to the host
- Hosting historically self-managed or partner-hosted; ACE on Microsoft Azure now available, often at all-in cost matching or exceeding self-hosting
- Implementation runs through Epic; third-party consultants must be Epic-certified at \$200-400/hr
- Termination is asymmetric: mid-size system replatforming runs \$50-150M+ 18-36 months with no source escrow remedy
- Honor Roll, KLAS, badges, UGM, and the Verona executive sessions form an unwritten contract that often shapes the relationship more than the signed contract
- Real negotiation leverage exists at the edges (module scope, training credits, affiliate definitions, transition assistance); the core form barely moves

The setup, and why Verona paper looks the way it does

Epic was started in 1979 by Judy Faulkner with about \$70,000 of seed money and a basement office in Madison. The company has never raised meaningful outside capital, has never gone public, and has never been acquired. That single fact does more to explain the contract than anything else does. There is no quarterly close that pushes a deal desk to discount in the final week of a fiscal period. There is no salesperson whose number is short and who will throw concessions at a buyer to make a plan. There is no PE sponsor pushing for ARR growth that requires creative terms. The paper looks the way it does because Verona doesn't need the deal more than the buyer needs the deal, and Verona has been comfortable acting that way for forty-plus years.

The campus itself is the tell. Storybook architecture, the Lord of the Rings buildings, the Harry Potter buildings, the actual treehouses, the campus that gets called the intergalactic headquarters as a half-joke. The kindergarten-meets-monastery vibe is real. None of it is whimsy for whimsy's sake. It's a deliberate signal that the place runs on its own terms, and the legal posture in the contract is downstream of that culture.

The agreement customers actually sign is the License and Support Agreement, the LSA. It comes with appendices for definitions, exhibits for licensed Program Products and pricing, an SLA, and an order form for modules added later. The cleanest public look at the form comes from SEC EDGAR. Ardent Health Partners filed the agreement as an exhibit to its 2019 S-1/A and again to its 2024 S-1 when it actually went public. TriZetto filed an earlier vintage of the same form in 1999, which is useful as a historical artifact because it shows just how much heavier the form has gotten over twenty-five years. The dollars are redacted across all of it. Public-sector contracts, like the San Francisco DPH agreement with Epic City Government LLC under Resolution 430-17 in 2017, and the NC DHHS contract referenced in legislative audit reports in 2023, give partial visibility into the numbers but only for a slice of the deal.

The setup matters because it determines what can and cannot be negotiated. Knowing that going in saves a lot of bruised feelings on the buyer side and a lot of wasted time from outside counsel trying to redline things that will not get redlined.





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