

Broadcom's acquisition of VMware: impacts to healthcare

2025



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Executive Summary

VMware acquired by Broadcom

The acquisition of VMware by Broadcom in November 2023 marks a pivotal moment in the healthcare IT landscape. This strategic move by Broadcom has introduced both opportunities and challenges for healthcare provider organizations (HCPs). On the one hand, HCPs are expected to benefit from Broadcom's focus on innovation within the VMware product sets and the increased scalability offered by a cloud environment. On the other hand, HCPs are experiencing large, unexpected cost increases and limited renewal options for their existing VMware products as a direct result of the acquisition.

Technology Benefits

Integrating VMware's powerful virtualization and cloud infrastructure with Broadcom's extensive technology portfolio promises enhanced scalability, security and innovation. Broadcom has committed to focusing on research and innovation within their new (VMware) product sets. Ideally, HCPs will **use** forthcoming advancements to streamline operations, improve patient care and accelerate digital transformation initiatives.

Cost Increases

These idealized improvements will be costly – many HCPs are facing substantial price increases as a direct result of Broadcom's acquisition. This necessitates a critical evaluation of the new VMware model. To maximize benefits, healthcare IT executives should optimize their use of VMware's cloud-native solutions, like VMware Cloud Foundation and VMware Tanzu, to boost agility and reduce costs. Alternatively, some are considering a transition away from VMware as a viable path to maintaining cost efficiency and operational effectiveness. Nutanix can fully replace VMware, while alternatives for specific components, like desktop virtualization and hypervisor services, can be achieved with Azure Virtual Desktop and Kernel-based Virtual Machines (KVM).

Navigating the post-acquisition landscape involves balancing the benefits of Broadcom's enhanced VMware offerings with the financial and operational impacts. By aligning IT investments with organizational goals, HCPs can either leverage new capabilities or transition smoothly to alternatives.

Key Takeaways

- Broadcom has reduced and consolidated VMware's product offerings
- HCPs in a position to leverage the new VMware Cloud can gain many operational efficiencies
- Prices have significantly increased across all VMware product lines
- Budget-conscious HCPs must determine their plan: either reduce or replace their current VMware footprint, or leverage the new VMware model sustainably and factor in ideal-state upside

Perspectives on new VMware offerings

HCPs' experience with Broadcom's acquisition of VMware

From a healthcare IT buyers' perspective, Broadcom's acquisition of VMware has introduced several significant challenges. One of the most pressing issues is the substantial cost increase, which is further straining already tight IT budgets. HCPs find themselves "stuck" at renewal due to a lack of viable alternatives and the complexity of their IT environments.

As reported on March 8, 2024, by [The Register](#),

"The Register attended a VMware User Group Town Hall session this week, where participants used the chat facility to bemoan price rises of 500 and 600%. Those rises come because Broadcom now only sells product bundles and claims that implementing everything its licenses cover delivers optimal value. Yet many VMware customers don't want all the products in a bundle. A shift to per-core licensing has also led to cost increases." ¹

The shift away from perpetual licenses eliminated a previously cost-effective option, forcing organizations to adapt to new, often more expensive licensing models. Furthermore, Broadcom is now omitting enterprise agreements with built-in renewals, causing unexpected financial and operational disruptions. In 2024, HCPs have faced delays in receiving renewal quotes from Broadcom, limiting the time to plan for renewal or transition strategies. These factors collectively underscore the urgent need for HCPs to assess their IT strategies, their vendor partners and explore viable alternatives to mitigate negative impacts.

Broadcom's perspective on acquiring VMware

Over the past two years, VMware has simplified its portfolio and moved to a subscription model. This aligns with the industry standard for cloud consumption and aims to offer customers continuous innovation, faster value and predictable investments. Broadcom understands how these changes are impacting their customers, as reported in March 2024 by [Ars Technica](#):

"Broadcom CEO and President Hock Tan has acknowledged the discomfort VMware customers and partners have experienced after the sweeping changes that Broadcom has instituted since it acquired the virtualization company 114 days ago." ²

Despite widespread unease, Tan stressed that these changes aim to accelerate innovation, better meet customer needs and simplify doing business with Broadcom.

Broadcom asserts that its acquisition of VMware will bring numerous benefits to its customers. One of the primary advantages is the simplification of purchases. Product sets have been reduced from 168 SKUs to two bundled SKUs, making it easier for customers to navigate and select the solutions they need. This streamline is expected to lead to a better customer experience and faster innovation. Broadcom can now focus on fewer products and improve their development and support. The acquisition aims to help customers manage private and hybrid cloud environments more effectively. It also seeks to improve security and resiliency across their IT infrastructure. By leveraging Broadcom's robust technology portfolio, customers can modernize their IT infrastructure, improve operational efficiency and increase agility.

As stated in the December 2023 Broadcom press release, "VMware is also helping more customers benefit from VMware Cloud Foundation by reducing the list price by half and including higher support service levels, such as enhanced support for activating the solution and lifecycle management." It's notable that even with the stated list price reduction, HCPs are still seeing substantial cost increases compared to pre-acquisition pricing.

Options for HCPs to consider

I. Partial or full replacement VMware

Switching to a VMware alternative can provide HCPs with cost savings, enhanced flexibility and improved performance. However, a successful transition requires careful consideration of the potential risks and thorough planning, testing, training and stabilization support. By evaluating specific needs based on strategic goals, HCPs can select a virtualization platform that best supports their operational and financial goals.

Several options for partial and full replacements to VMware are listed below:

- **Nutanix**

As organizations seek **strong** alternatives to VMware's product suite, Nutanix emerges as a compelling option. Nutanix provides a comprehensive range of solutions to simplify and optimize IT infrastructure, making it a viable alternative to VMware in many scenarios. With built-in automation and intelligent operations, Nutanix reduces the need for specialized skills and lowers operational costs.

Product offerings

Nutanix Cloud Infrastructure (NCI)

- **Components:** AHV Virtualization, AOS Storage, Nutanix Kubernetes Engine and Flow Network Security
- **Use case:** Replaces VMware vSphere and vSAN by consolidating infrastructure into a single, scalable solution that supports both traditional and cloud-native applications

Nutanix Cloud Manager (NCM)

- **Components:** Intelligent Operations, Self-Service, Cost Governance **and** Security Central
- **Use case:** replaces VMware vRealize Suite by streamlining IT operations and enhancing service delivery through automation

Nutanix Unified Storage

- **Components:** files storage, objects storage, volumes block storage and mine integrated backup
- **Use case:** replaces VMware vSAN and vSphere Storage by providing scalable and efficient storage solutions to handle growing data volumes

Nutanix Database Service

- **Use case:** replaces VMware Tanzu Data Services by managing multiple databases across different cloud environments

End-User Computing

- **Components:** Virtual Desktop Infrastructure (VDI) and Frame
- **Use Case:** replaces VMware Horizon by providing flexible and secure desktop solutions to the workforce

- **Microsoft Hyper-V**

Hyper-V simplifies virtual environment management, enhances resource utilization and integrates seamlessly with Microsoft products and services like Azure. This makes it an attractive option for businesses looking to **improve** their infrastructure and reduce operational costs. Microsoft Hyper-V is included with Windows Server and Windows 10/11 Pro/Enterprise editions, reducing the licenses needed by an organization.

Product Offerings

Hyper-V Virtualization

- **Components:** Hyper-V on Windows Server, Hyper-V on Windows 10/11 **and** Hyper-V Server
- **Use case:** replaces VMware vSphere by offering a robust platform for running virtual machines, supporting both Windows and Linux operating systems

Hyper-V Management Tools

- **Components:** Hyper-V Manager, Windows Admin Center and System Center Virtual Machine Manager (SCVMM)
- **Use case:** replaces VMware vCenter by offering centralized management of virtualized environments

Hyper-V Networking

- **Components:** Virtual Switches, Network Virtualization and Software-Defined Networking (SDN)
- **Use case:** replaces VMware NSX by providing robust networking capabilities for virtual environments

Hyper-V Storage

- **Components:** Virtual Hard Disks (VHD/VHDX), Storage Spaces Direct and Cluster Shared Volumes (CSV)
- **Use case:** replaces VMware NSX by providing robust networking capabilities for virtual environments

Hyper-V Disaster Recovery

- **Components:** Hyper-V Replica, Azure Site Recovery
- **Use case:** replaces VMware Site Recovery Manager (SRM) by offering robust disaster recovery options

Additional Replacement Options

- **Microsoft Azure Virtual Desktops (AVD)** offer a flexible and secure VDI solution for remote access to apps and data. This allows HCPs to deliver remote access to applications and data efficiently. AVD licenses are included with MS E3/E5 licenses.
- **Epic Hosted Cloudservices** can handle virtualization needs directly and eliminate the need for a separate hypervisor solution. This is another cost-effective option for HCPs using Epic.
- **Citrix Hypervisor**, formerly known as XenServer, offers a **powerful** platform for desktop, server **and** cloud virtualization. **It's** designed to optimize resource utilization, enhance security **and** simplify management. However, Citrix has had cost increases similar in size and scope to VMware, which decreases its viability as a cost-effective alternative.

Replacement Considerations

As HCPs consider replacing VMware, they should account for the following risks associated with moving to a **different** VMware solution:

- Migration complexity — Transitioning from VMware to Citrix Hypervisor can be complex, especially for large-scale environments
- Training and skill development — Cost and time needed for additional staff training to become proficient in the new solution
- Compatibility issues — Potential for applications to have conflicts with the new solution, especially with legacy applications that may still be in service within a healthcare system
- Emerging alternative solutions — The alternative market options to VMware is very new and expected to go through changes in the next 1–2 years

Careful planning and **collaboration** with the selected vendor will ensure a smooth transition away from VMware , maintaining efficiency and security.

Replacement case study with the chief technology officer at a California-based health system

A California-based health system with multiple acute and ambulatory facilities renewed their VMware environment for three years just before the price increases, but knew costs would rise at their next renewal.

Recognizing the time horizon opportunity, they quickly developed a plan to minimize Broadcom cost increases by switching vendors. Several engineering resources were re-allocated to implement a hybrid approach to manage their virtual environment.

After evaluating available options, the health system decided to migrate a substantial portion of their environment to Microsoft Hyper-V and Azure cloud services. They opted to leverage and extend their hybrid public/private cloud environment, preferring to maintain a portion of the environment to premises to manage certain legacy applications. When completed, the health system's environment will contain no Broadcom/VMware solutions.

Changing virtual environments is a large undertaking, similar in scale to migrating to a data center. The resource commitment to do so shouldn't be underestimated. However, one healthcare system has shown that investing in this strategy can eliminate the need for (and cost associated with) Broadcom solutions in the future.

II. Reduce VMware consumption

HCPs may find it unfeasible to move to new VMware solutions or replace VMware with an alternative. As Kyle Campos, CTO at Cloudbolt stated,

“Many companies are going to plug their noses and re-sign with Broadcom – at least for the near-term to buy more time to prepare for alternatives.” ³

HCPs find themselves in this position can adopt several strategies to minimize costs and optimize resource usage. One effective approach is to minimize CPU core counts by consolidating workloads and optimizing virtual machine (VM) configurations. This can be achieved by right-sizing VMs to match actual usage patterns and by decommissioning underutilized resources. Health system IT teams can also look at other virtualization platforms, like KVM or Hyper-V. These platforms may have cheaper licensing models. Implementing cloud-native solutions and migrating certain workloads to public cloud providers can also reduce dependency on VMware. Using containerization technologies like Docker and Kubernetes can streamline application deployment and management, reducing the need for traditional VMs. By adopting one or more of these strategies, HCPs can effectively manage their IT infrastructure costs while maintaining operational efficiency and security.

Gradually reducing the VMware footprint allows HCPs to fully evaluate their needs and the best solution going forward.

III. Embrace VMware's new model

Embracing the new VMware model offers compelling benefits for HCPs, who should carefully consider which product suite best meets their individual needs. **vSphere is ideal for organizations needing robust on-premises virtualization, offering high availability and resource management.** In contrast, **VMware Cloud Foundation** provides a comprehensive hybrid cloud solution, integrating on-premises and public cloud resources. This option is beneficial for larger health systems that require scalability, enhanced security and seamless cloud integration. Organization-specific considerations like scalability, security and cloud capabilities will ultimately determine which product suite best meets a healthcare system's needs.

vSphere Essentials is designed for small businesses or healthcare practices that require a cost-effective solution for basic virtualization. This package includes licenses for up to three hosts (with **two** CPUs each) and vCenter Server Essentials to manage these hosts. It's ideal for environments with limited IT resources and simpler workloads.

When and why to use in healthcare:

- **Small clinics or practices:** perfect for small clinics or healthcare practices that need to virtualize a few servers to run essential applications like electronic health records (EHR) systems, patient management software and basic administrative tools
- **Cost-effective entry point:** provides a straightforward, budget-friendly entry point into virtualization, allowing smaller entities to improve their IT efficiency without significant investment

vSphere Standard is suitable for medium-sized HCPs that need more **powerful** features and scalability. This option includes advanced resource management capabilities, high availability to ensure critical applications remain operational and vMotion for live migration of virtual machines, minimizing downtime during maintenance.

When and why to use in Healthcare:

- **Medium-sized hospital systems or facilities:** ideal for medium-sized health systems or facilities that require a more resilient and scalable IT infrastructure
- **Support for complex applications:** supports more complex applications and workloads, such as advanced imaging systems, laboratory information systems and telemedicine platforms
- **Uninterrupted services:** high availability and vMotion features ensure that critical healthcare services remain uninterrupted, which is crucial for patient care and operational efficiency

vSphere Foundation is tailored for larger HCPs that require comprehensive, enterprise-grade virtualization solutions. This package enhances security to protect sensitive patient data. It also supports extensive IT infrastructure and integrates with VMware Cloud Foundation, enabling a hybrid cloud environment.

When and why to use in healthcare:

- **Large health systems:** designed for large hospitals, healthcare networks and research institutions that handle vast amounts of data and require a highly secure and scalable IT environment
- **Mission-critical applications:** suitable for running mission-critical applications, such as hospital information systems, large-scale EHR systems and advanced analytics platforms
- **Enhanced security and compliance:** enhanced security features ensure compliance with healthcare regulations
- **Scalability and hybrid cloud:** scalability and hybrid cloud capabilities support the growing and evolving needs of large HCPs

VMware Cloud Foundation is a comprehensive platform that integrates compute, storage, networking and security to provide consistent infrastructure and operations across private and public cloud environments. It simplifies data center modernization and application deployment, supporting both traditional and modern applications.

When and why to use in healthcare:

- **Hybrid cloud strategy:** perfect for HCPs looking to use both private and public cloud environments for greater flexibility and scalability

- **Modern application development:** ideal for organizations focusing on developing and deploying modern applications with consistent operational experiences
- **Unified management:** suitable for HCPs that require streamlined management of compute, storage, networking and security across hybrid environments, ensuring consistent performance and security

The streamlined product portfolio simplifies purchasing decisions and enhances customer experience, allowing organizations to focus on innovation rather than managing complex IT environments. For HCPs, the choice between VMware vSphere Foundation and VMware Cloud Foundation depends on specific needs and strategic goals. vSphere Foundation is best for maximizing resource efficiency and supporting traditional applications. Cloud Foundation excels in hybrid cloud management and modern application development.

Conclusion

Broadcom's acquisition of VMware has introduced opportunities and challenges for HCPs. While the integration promises enhanced scalability, security and innovation, it has also led to significant cost increases and operational disruptions. HCPs face difficulties with renewals, the elimination of perpetual licenses and unfulfilled enterprise agreements.

Embracing VMware's cloud solutions can help HCPs modernize their IT infrastructure. For organizations looking to reduce their VMware footprint, strategies like minimizing CPU core counts and exploring alternative virtualization platforms can be implemented. Replacing VMware with solutions such as Nutanix, Azure Virtual Desktops or open-source options can provide cost-effective and efficient alternatives. Navigating this landscape requires balancing potential benefits with financial and operational impacts to ensure optimal outcomes for healthcare IT.

Vizient supports healthcare providers' goals in vendor selection and spend management strategies. Vizient's IT Spend Management Advisory Services can provide customized guidance related to cost containment and spend optimization with Broadcom and VMware, alternative options and other areas of IT spend.

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