Non-Linear Growth – An Empirical Strategy Analysis of Allscripts

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Abbreviated Title: **Non-Linear Growth - Allscripts**

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KEYWORDS

- Non Linear Growth and Linear Growth
- Organic Growth and Inorganic Growth
- Allscripts (Reg. Office in India is Eclipsys India Pvt. Ltd)
- Mergers
- Acquisitions
- Growth Strategies

ABSTRACT

In today's business environment which is rapidly changing with respect to competition, products, people, process of manufacture, markets, customers and technology is embedded in all these functions. It is not enough if companies keep pace with these changes but are expected to beat competitors and innovate in order to continuously maximize shareholder value.

The past decade and a half has been boom time for IT Service Providers (ITSP) based in India, with a few low phases thrown in. There have been multiple benefits to the nation as well as the employees of these companies. Industry forces foresee stagnation in growth in coming years, an attempt to tackle this "non linear growth" is the latest buzzword. Relocation and re-

distribution of economic power in the hands of BRIC (Brazil, Russia, India and China) drives home the point that India is firmly entrenched in the evolving multi-polar global businesses.

Inorganic growth strategies like mergers, acquisitions, takeovers and spinoffs are regarded as important engines that help companies to enter new markets, expand customer base, cut competition, consolidate and grow in size quickly, employ new technology with respect to products, people and processes. Thus the inorganic strategies are regarded by companies as fast track strategies for growth and unlocking of value to shareholders.

Global MNC companies have adopted organic and inorganic strategies to enhance value for their shareholders. It has been observed and proved that in developed nations like in United States, the inorganic value enhancement strategies like mergers, acquisitions have very high failure rates. Various journals and publications have published content related to the success and failure of these strategies.

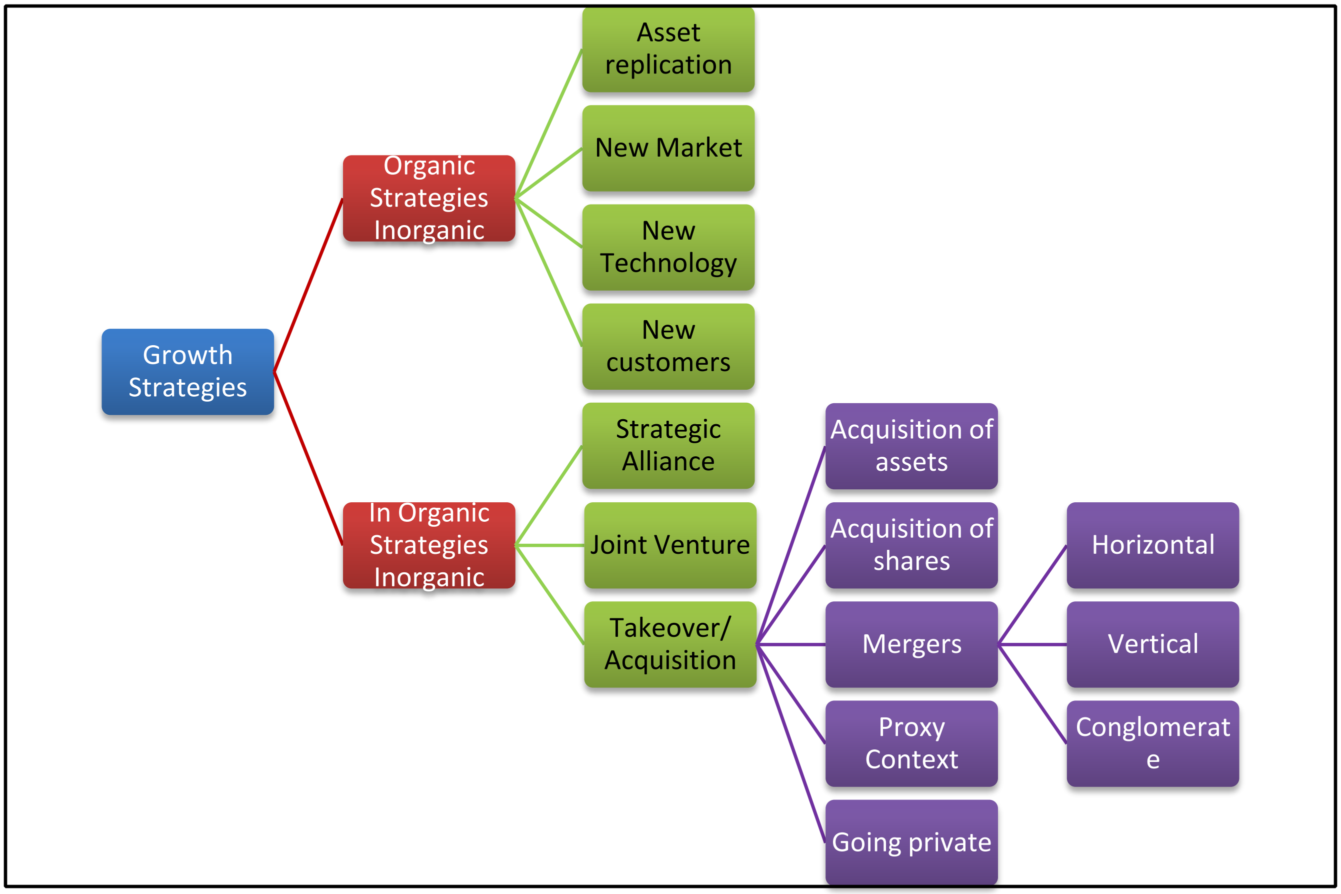
The objective of the Article is to ascertain whether inorganic growth through mergers and acquisitions or other way are good value enhancing strategies for a company, in their main land and India. This article looks into existing attempts which are being made in this regard and discusses a possible solution. Let us consider an Organization: **Allscripts (Eclipsys India Pvt. Ltd.)**

INTRODUCTION

In business literature the growth strategies followed by companies can be broadly classified into organic and inorganic growth strategies.

Organic strategies refer to internal growth strategies that focus on growth by the process of asset replication, exploitation of technology, better customer relationship, innovation of new technology and products to fill gaps in the market place. It is a gradual growth process spread over a few years (Bruner, 2004).

Inorganic growth strategies refer to external growth by takeovers, mergers and acquisitions. It is fast and allows immediate utilization of acquired assets, Bruner (2004). It is less risky as it does not result in expansion in capacity.



The classification of inorganic growth strategies

Allscripts TM (Operates in India as: Eclipsys India Pvt. Ltd) , Nasdaq: MDRX), began in 1986 as a medications management company. In 1997, the company began focusing on information technology, and in 1998 launched an electronic prescribing solution for physicians.

Allscripts, as an organization has grown in both strategic ways Organic and Inorganic. But the major growth trend was seen as part of Non Linear (i.e Inorganic Growth Strategy) way. In the history of Allscripts, it has gone through many M&A. Each Merger and Acquisition is of different type ranging from direct financial transactions to All Stock mergers.

Different Forms of acquisitions:

Acquisitions can take a variety of forms. They can be either mergers or consolidation or acquisition of assets or equity. (Damodaran, 2002) A merger refers to the absorption of one firm by another, i.e. the acquiring firm retains its name and its identity, and it acquires all of the assets and liabilities of the acquired firm like AllscriptsTM. The acquired firm ceases to exist as a separate business entity.

In a consolidation, a new firm is created; both the acquiring and the acquired firm terminate their legal existence and become part of a new firm. Here, the distinction between the acquirer and the target firm is not crucial Acquisition of stock refers to purchase of a firm‵s voting stock in exchange for cash, shares, or other securities; this may start as a private offer from the management of one firm to another.

Acquisition of assets avoids the potential problem of having resisting minority shareholders, which can occur in an acquisition of stock.

<u>Mergers can be classified into:</u>

• **Horizontal merger:** Takes place between two firms in the same line of business (e.g., Daimler-Benz and Chrysler, Hewlett-Packard and Compaq, Allscripts and Misys, Allscripts and Eclipsys)

• **Vertical merger:** Involves companies at different stages of production (e.g., America Online and Time Warner)

• **Conglomerate merger:** Involves companies in unrelated lines of businesses (e.g., AT&T andNCR)

Type of models followed based on type non linear growth opted while finalizing the business needs

- Resource Based Model
- Build-Operate-Transfer (BOT) model
- The Round ABOUT way!
- Re-use
- Non Linear Pricing Models
- Unit of Work
- New Engagement model

LITERATURE REVIEW

Allscripts began in 1986 as a medications management company. In 1997, the company began focusing on information technology, and in 1998 launched an electronic prescribing solution for physicians. In the following years, Allscripts acquired a series of ambulatory electronic medical record companies. In the following years, Allscripts ventured into a series of acquisition and Mergers in ambulatory electronic medical record business segment. Allscripts has always looked for Horizontal Mergers in later period of business. Some of the major business segments where the acquisitions and mergers have successfully happened:

January 2001
Acquisition of **ChannelHealth** from IDX is said to have allowed Allscripts to avail significant traction with its TouchWorks EHR
March 2006
Acquiring **A4 Health Systems®**, a PM and EHR solutions provider, was intended on extending services to small, independent physician groups and mid-sized medical practices
January 2008
Extended Care Information Network (ECIN) was acquired to help Allscripts extend patient data exchange between case managers within hospitals, physicians outside the hospital, and post-acute care centers
October 2008
Divestiture of **Physicians Interactive®** business unit to investment firm, Perseus, L.L.C.
Merger of **Misys Healthcare Systems LLC**, of Misys Plc, lead to the creation of the current AllscriptsMisys Healthcare Solutions, Inc.
April 2009
In order to focus on core business of connectivity and information solutions, and clinical software, a definitive agreement was signed to sell **Allscripts Medication Services** business to A-S Medication Solutions
August 2010
Allscripts-Misys merged with another major healthcare information technology competitor, Eclipsys

Acquisition of A4 Health Systems

Allscripts, announced its acquisition of A4 Health Systems (A4), a leading provider of practice management and electronic health record (EHR) solutions for small and mid-sized physician groups, for approximately $215 million in cash and 3.5 million shares of Allscripts common stock and an additional working capital payment. The acquisition of A4 doubles Allscripts' clinical software revenues as well as the size of its sales force.

Merger of Allscripts with Misys

In 2008, Allscripts entered into a reverse merger with the healthcare systems operations of rival Misys Healthcare Systems fully owned subsidiary of Misys Plc. (UK), which was founded in 1979.

1. Misys purchased $330,000,000 of Allscripts common stock

2. Allscripts issuance of 82,886 shares of common stock to two subsidiaries of Misys, comprising 56.8% of Allscripts' outstanding shares.

Medic Computer Systems was founded in 1982 and later began offering practice management solutions to physician practices. The company was acquired by Misys Group in November 1997 and became Misys Physician Systems in 2002. The prior acquisitions from Misys healthcare joined the portfolio as part of Allscripts-Misys deal.

Merger of Allscripts and Eclipsys

In 2010, Allscripts-Misys merged with another major healthcare information technology competitor, Eclipsys. Eclipsys was founded in 1995 by Harvey Wilson. In 2008, Eclipsys acquired physician practice management software company MediNotes. This merger was all-stock deal which was valued at $1.3 billion.

MATERIALS AND METHODS

Methodology

In this paper we have selected a sample list of few cases of acquisitions of Allscripts as company which is spread across different geographical location. We have adopted both knowledge based method with respect to occurrence of events and accounting based method to evaluate the success or failure of the mergers.

Allscripts-Misys merger

On Oct. 10, 2008, Allscripts entered into a reverse merger with Misys Healthcare Systems (MHS) and its parent company Misys plc, resulting in the current company, which Misys plc controls with 56.8% ownership stake. From a strategic perspective, the merger offered several advantages to Allscripts, MHS and consequently Misys. Prior to the merger, MHS built its image and customer base through its Practice Management software solutions while offering a sub-par EHR solution. In contrast, Allscripts offered an exceptional EHR solution, but lacked the industry exposure to effectively capture the forecasted demand. Through the merger, Allscripts now offers reputable solutions to a combined customer base of 160,000 US physicians and 800 hospitals. Because of the benefits gained from staying on a single software platform, former

Misys customers are likely to turn to Allscripts if they decide to adopt EHR software. Further details of the merger are highlighted below:

1. Misys purchased $330,000,000 of Allscripts common stock

2. Allscripts issuance of 82,886 shares of common stock to two subsidiaries of Misys, comprising 56.8% of Allscripts' outstanding shares.

Allscripts-Misys Merger Details

From an accounting perspective, the reverse merger led to unique definitions of Allscripts' ongoing and historical financial statements. Based on the business classification standard, MHS is the accounting acquirer. For the year ended May 31, 2009 the results from operations include results from legacy MHS for full year and results of legacy Allscripts since the transaction completion date (Oct. 10, 2008).

The pre-acquisition financial statements of MHS represent the historical statements of the newly formed Allscripts. Specifically, financial results for the years ended May 31, 2007 and May 31, 2008 are from legacy MHS only, rather than a combination of legacy Allscripts and legacy MHS.

Goodwill & Intangible Assets

The current purchase price for Allscripts has been preliminarily allocated to tangible and intangible assets based on management's estimated fair value. Allscripts is presently in the process of valuing the acquired assets and liabilities. Based on the preliminary purchase price of $569M, goodwill was recognized at $336M. Several factors led to this amount including Allscripts' history of profitability and high operating margins, strong sales force, and position in the healthcare information technology market.

Intangible assets were estimated in the above purchase price to be $236M. Intangible assets include registered trade names, service and maintenance contracts, developed technology rights, core technology, customer relationships, and lesser contractual agreements.

Based on the above figures, at the time of acquisition Allscripts had net negative value on tangible assets. The large amount of goodwill and intangible assets in comparison to tangible assets put the company at risk of dramatic losses if it cannot maintain or grow the current operating position. These losses, if recognized through impairment, could have a detrimental effect on the company's stock price due to a decrease in net income.

Quality of Financial Reporting

In the unqualified opinion of Pricewaterhouse Coopers LLP (PWC), Allscripts' financial reports are presented in conformity with GAAP. Also, in the opinion of PWC, Allscripts has maintained effective internal control in its financial reporting as of May 31, 2008.

Concerns with GAAP reporting

Allscripts typically reports earnings numbers in its initial release on both a GAAP and a non-GAAP basis, the latter of which excludes acquisition-related amortization and stock-based compensation expense, so non-GAAP earnings are higher than GAAP earnings. For 2009, stock based compensation was $5.7mm, and using 2H09 as a run rate, we are forecasting $11.1mm in stock-based compensation for 2010. The run rate for amortization is roughly $10mm per year. Our DCF calculation is performed by adding these items back to net income since they do not impact the firm's cash flows. See DCF calculation.

Financial Analysis : Accounting Performance Indicators

In evaluating Allscripts' financial position regarding ROE and ROA, given the scope of the recent merger, we felt that results pre-dating the merger were irrelevant as these are based solely on historical MHS operating results. However, based on the May 31, 2009 year end results, Allscripts lags its competitors in both ROE and ROA, calculated at 3.7% and 2.7% respectively (see Appendix I). In further analyzing ROE via the Dupont method, Allscripts lags in both Profit Margin and Asset Turnover, having 4.7% and 57.6%, respectively (see Appendix I). There are several factors affecting the company's relatively lower performance indicators. 11

The recent merger has skewed Allscripts' performance numbers. Not enough time has passed since the merger for Allscripts to recognize the increase in sales revenue based on the newly acquired assets. Allscripts is also still working through the integration of the newly merged companies; hence operations have not been streamlined, leading to higher operating expenses (SGA to sales of 36.5%) relative to the competitors (see Appendix I). In addition, Allscripts is spending significant resources on research and development, $39.4M expensed in 2008, further impacting net income. Based on the financial forecasts, we believe that by year end May 31, 2010 Allscripts will be more aligned with the industry with an ROE of 8.9% and ROA of 6.6% (see Appendix I).

Discounted Cash Flow, Price Implied Expectations

We are anticipating a five-year compound annual growth rate (CAGR) on revenues of 22.2%, which takes into account higher than expected industry-wide adoption rates of EHR-systems and higher than expected market share for Allscripts due to gains by the MyWay product and its SaaS offering.xii Based on our DCF model, we believe the fair value price per share of MDRX is $23.38, versus the current price of $18.76, suggesting that MDRX may be undervalued. We used a WACC of 8.96%, which uses a beta of 1.10. This is the average beta of our five-year weekly and one-year daily beta calculations of 1.4 and 0.8. Even though the stock is trading at a current P/E of 82x and Forward P/E (FP/E) of 30x, this is comparable to its competitors. FP/E is more useful for MDRX given that the ramp up of net income in 2010 serves as a better base line. QSII trades at a FP/E of 35x, and CPSI trades at a FP/E of 32.5x. See Appendix K for details. Compared to these competitors, the Forward P/E ratios also suggest that MDRX is undervalued.

Capital expenditures in 2009 were only $4.97m, but Allscripts also capitalized $14m in intangible software development as well. This is quite low relative to their sales.

Stock Repurchase Program

Allscripts authorized an open market Stock Repurchase Program beginning February 10, 2009 and lasting for two years. Through the program the company may repurchase up to $150M of its common stock over the next two years. Within the program Allscripts has agreed to maintain Misys' ownership percentage. During the year ended May 31, 2009, Allscripts repurchased and cancelled 2,349k shares of common stock from the open market. In conjunction with the agreement, Allscripts also repurchased 3,075k shares of common stock from Misys. The remaining authorized amount for stock repurchase is approximately $98.45M; however Allscripts can discontinue purchases at any time.

The stock repurchase program offers further indication that the current stock price may be undervalued. If Allscripts achieves its expected performance estimates over the next 5 years, the company could turn to distribution of dividends to further return cash to shareholders.

Allscripts has purchased the entire stock back from Misys. This ensures that the Misys does not have any stake in Allscripts.

DATA ANALYSIS – ALLSCRIPTS – MISYS MERGER DETAILS

1. Allscripts competitive position in the EHR market

Figure 2 - Competitive position

2. SWOT Analysis of Allscripts-Misys

Strengths	**Weaknesses**
• Products are innovative and offer accessibility to data from any location at any time, even on iPhones and Blackberrys • Products also build brand communities through connectivity of consumers to each other and health organizations • First mover advantage in EHR Stimulus tour (effective source to build brand awareness) • Allscripts offers a multitude of products for all, from small private practice to large hospitals • Allscripts has access to a large customer base after merger with Misys	• Competitors have more name recognition • Competitors have more financial, technical and marketing resources • Less internal control as a result of Misys merger
Opportunities	**Threats**
• HITECH Act of 2008 - creates a need for consumers for Allscripts products • Allscripts MyWay product can be very profitable for the company due to its ease of integration with current systems and usability by consumer • Industry is very fragmented with no influential leaders; Allscripts can easily increase market share	• Market adoption of EHR may not develop as quickly as expected: • Physicians may perceive meaningful use to be too difficult to prove • Products may appear to be too complicated • Market is competitive with rapidly evolving technology; Allscripts may fall behind • Security risks of digital records are high

Purchase Price Breakdown used in Accounting for Allscripts Acquisition

Acquired cash and marketable securities (in thousands)	**$410,374**
Accounts receivable, net	88,306
Prepaids and other current assets	17,685
Fixed assets and other long-term assets	24,144
Goodwill	336,025
Intangible assets	236,600
Deferred tax liability, net	(29,629)
Accounts payable and accrued liabilities	(385,640)
Deferred revenue	(44,389)
Long-term debt	(80,602)
Other liabilities	(3,676)
Net assets acquired	**$569,198**

Competitive Analysis: Operational Metrics

a) **Profitability Metrics (in millions)**

	MDRX	MDRX 2010E*	ECLP	Cerner	QSII	CPSI
Net Income	$26.0	65.1	99.5	188.7	46.1	15.4
Sales	548.4	694.3	515.8	1,676.0	245.5	119.7
Assets	952.7	1,021.1	708.9	1,881.0	242.1	52.9
Equity	700.4	770.5	398.0	1,311.0	155.6	40.6
Profit Margin	4.7%	9.4%	19.3%	11.3%	18.8%	12.9%
Asset Turnover	57.6%	70.4%	72.8%	89.1%	101.4%	226.3%
Equity Multiplier	1.36	1.34	1.78	1.43	1.56	1.30
ROE (Dupont)	**3.7%**	**8.9%**	**25.0%**	**14.4%**	**29.6%**	**37.9%**
ROA	**2.7%**	**6.6%**	**14.0%**	**10.0%**	**19.0%**	**29.1%**

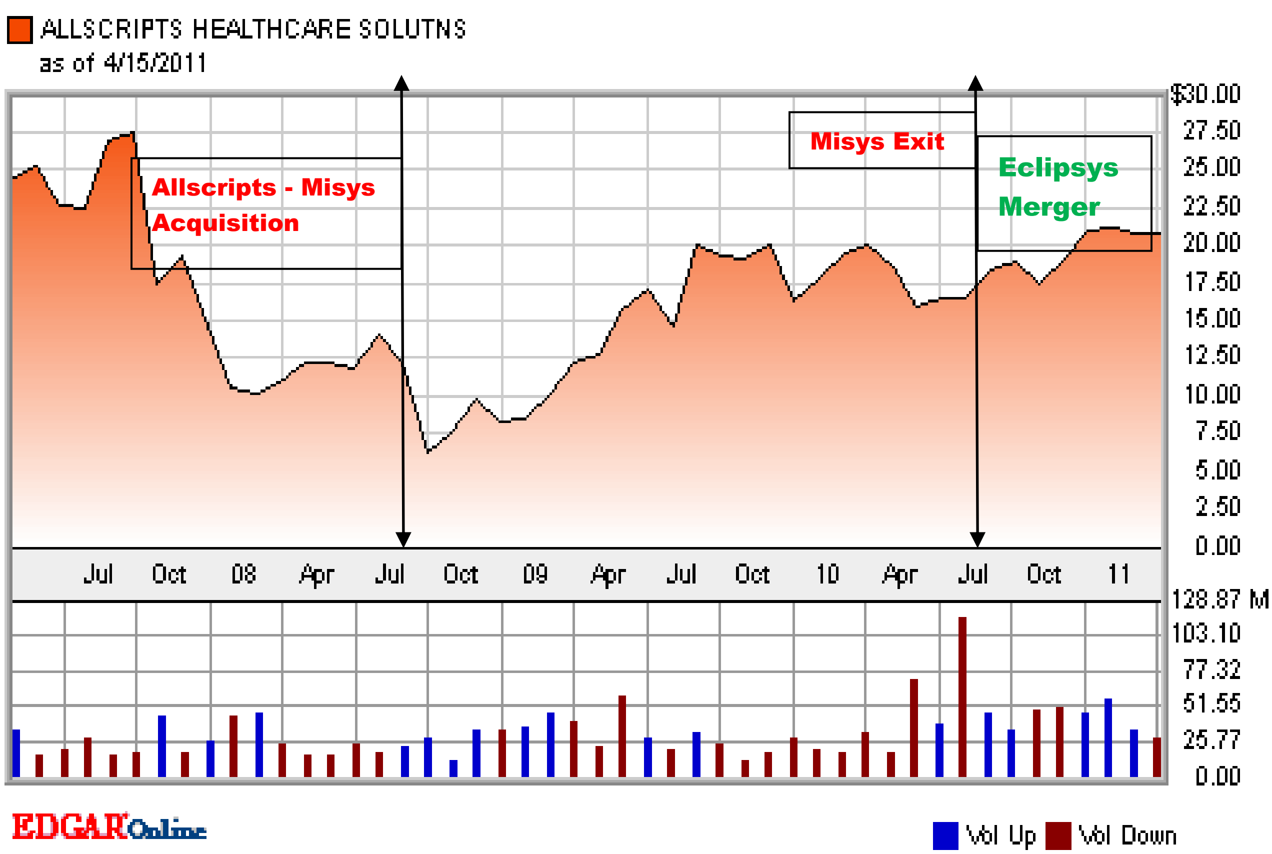
Allscripts is currently trailing its competitors in both ROE and ROA, which can be attributed to lower profit margin and asset turnover as highlighted above.
*source: FACTSET

b) Detailed Analysis

Additional Analysis	MDRX	MDRX 2010E	ECLP	Cerner	QSII	CPSI
Gross Profit	$292.2	384.0	218.1	1,380.0	156.6	53.2
Operating Earnings	45.9	113.5	9.4	278.9	72.4	23.7
Operating Expense	246.3	270.5	208.7	1,101.1	84.2	29.5
SGA	200.0	221.1**	124.4	866.3	70.4	29.5
R&D	39.4	46.2**	62.3	272.5	13.8	1.8
Gross Margin	53.3%	55.3%	42.3%	82.3%	63.8%	44.4%
Operating Margin	8.4%	16.3%	1.8%	16.6%	29.5%	19.8%
Operating Exp/sales	44.9%	39.0%	40.5%	65.7%	34.3%	24.6%
SGA/sales	36.5%	31.8%	24.1%	51.7%	28.7%	24.6%
R&D / sales	7.2%	6.7%	12.1%	16.3%	5.6%	1.5%

Further examination shows that Allscripts presently has higher SGA and operating costs than the competition. In addition, its R&D spending is also above average in comparison to its competitors.
**estimated based on historic and analyst projected 32% SGA margin and 6.7% R&D

LAST 4 YEARS STOCK MOVEMENTS:



Allscripts-Eclipsys Merger Details

Allscripts-Misys Healthcare Solutions planned to buy Eclipsys Corp. in a $1.3 billion all-stock deal. As part of this deal Misys would cut its 55 percent stake in Allscripts health-care information business to about 10 percent and return more than $1 billion to investors. Allscripts exercised Stock buyback option to retain the control of Allscripts business.

As pat the Merger, Shareholders of Eclipsys, based in Atlanta, will receive 1.2 Allscripts-Misys Healthcare Solutions shares for each Eclipsys share, as per the company merger guidelines. Based on Allscripts' share price during merger memorandum, the transaction values of Eclipsys was at $22.10 a share, or about $1.3 billion.

The new road map planned by then the new merger was as mentioned below:

- Management's medium-term targets for Misys after the proposed sale, for the two years to May 31, 2012, are revenue growth (at constant currency) of 5 to 8% and adjusted operating margins between 17% and 20 %.
- Allscripts will merge with Eclipsys and the merger will be accretive to earnings per share in Calendar 2011.
- Eclipsys shareholders will receive $1.3 billion in Allscripts shares, representing 1.2 Allscripts shares for each share of Eclipsys that they own.
- Following sale of 68 million Allscripts shares, Misys will hold 12 million shares and gradually to Zero shares.
- Sale of shares by Misys will provide Allscripts the flexibility to proceed on its proposed merger with Eclipsys.

Post separation Misys will have bare minimum influencing actor in the new organization.

- **Impact on Misys :** In relation to the merger with Eclipsys, Allscripts will lower the equity stake of Misys plc, Allscripts' current majority stockholder, from approximately 55% to about 10% through a share buyback and an underwritten secondary equity offering, which is also expected to be completed in four to six months. Through the secondary offering, Misys will sell a minimum of about 36 million of its shares in the company to the public. In addition, Allscripts will buy back approximately 24.4 million shares owned by Misys at $18.82 per share or at a total value of $460 million, plus $117.4 million premium with regard to Misys' sale of controlling interest for $577.4

million. If Misys elects to exercise its right to expect Allscripts to repurchase an additional 5.3 million Allscripts shares, its equity stake in the merged company is anticipated to be about 8%, while stakeholders of Eclipsys will own about 37% of the combined company. Misys plans further to reduce the no of shares to 0%.

- Following separation, Misys will continue to focus on financial services markets, through taking to market innovative software solutions, notably our BankFusion suite, and providing high quality implementation and customer services.
- From the proceeds, GBP75 million ($108 million) will be used to pay down Misys' debt, and the rest, over $1.2 billion (GBP0.8 billion)will be returned to shareholders.
- Misys will continue to own 100% of its Banking and Treasury & Capital Markets divisions and will continue to be listed on the London Stock Exchange.

DISCUSSION

Future Outlook:

As a result of the merger, Allscripts has become a leading player in the healthcare software solutions and service industry. Allscripts will likely to be leading the market for EHR product in the near future, representing a good opportunity for growing EHR market share.

How Non linear Growth adds value in different aspects of organizational behavior like organizational structure and systems, creating a culture of innovation, talent management, co-creating value and organizational branding.

Strategy:

From a strategic perspective, the merger offered several advantages to Allscripts, Merger brought its image and customer base. In contrast, Allscripts offered an exceptional EHR solution, but lacked the industry exposure to effectively capture the forecasted demand. Through the merger, Allscripts now offers reputable solutions to a combined customer base of 160,000 US physicians and 800 hospitals. Because of the benefits gained from staying on a single software platform, former customers of other organization are likely to turn to Allscripts if they decide to adopt EHR software.

To capture bigger market share, Allscripts has formed strategic alliances with resellers to distribute its product, as well as strategic partnerships that facilitate interoperability.

Branding, Culture and Talent:

Post merger, the branding conveys a clear message of a newer, more innovative company that is united under the mission of providing technology solutions to the healthcare industry.

The mergers have brought a large integration of talent pool together. The technology, skills and customers are primary the key factors as part of Culture and talent.

Financials

The current purchase price for Allscripts has been preliminarily allocated to tangible and intangible assets based on the preliminary purchase price of $1.2B , goodwill was recognized at $1.3B.

However, based on the May 31, 2009 year end results, Allscripts lags its competitors in both ROE and ROA, calculated at 3.7% and 2.7% respectively. Allscripts lags in both Profit Margin and Asset Turnover, having 4.7% and 57.6%, respectively.

Based on the financial forecasts, by year end May 31, 2010 Allscripts will be more aligned with the industry with an ROE of 8.9% and ROA of 6.6%.

Recommendations

The mergers have brought the Allscripts to a competitive position in the EHR market. Allscripts is the first company to launch such a promotional strategy specifically related to the HITECH Act (Economic Stimulus Bill signed by US President Obama). The first-mover advantage allows Allscripts to build brand awareness as well as acquire new customers by:

- Capitalizing on this opportunity is critical to achieving Allscripts' operational and financial objectives both immediately and in the long term.
- Allscripts must continue efforts to Remain an industry leader in R & D to maintain customer satisfaction and create new products.

The number of practices that Allscripts gains as customers over the next five years will essentially define its long-term success. This is a risky situation, but the reward is a strong, recurring revenue stream that will continue to grow as long as Allscripts provides value to its customers.

Revenue Forecast : Stimulus payment structure

Incentives

Payment year per physician

Adoption	2011	2012	2013	2014	2015	2016	Total
1/1/2011	$18,000	$12,000	$8,000	$4,000	$2,000	$0	$44,000
1/1/2012	$0	$18,000	$12,000	$8,000	$4,000	$2,000	$44,000
1/1/2013	$0	$0	$15,000	$12,000	$8,000	$4,000	$39,000
1/1/2014	$0	$0	$0	$12,000	$8,000	$4,000	$24,000
1/1/2015	$0	$0	$0	$0	$0	$0	$0

Disincentives

Medicare Rate Cut if Physicians do not Adopt an EHR

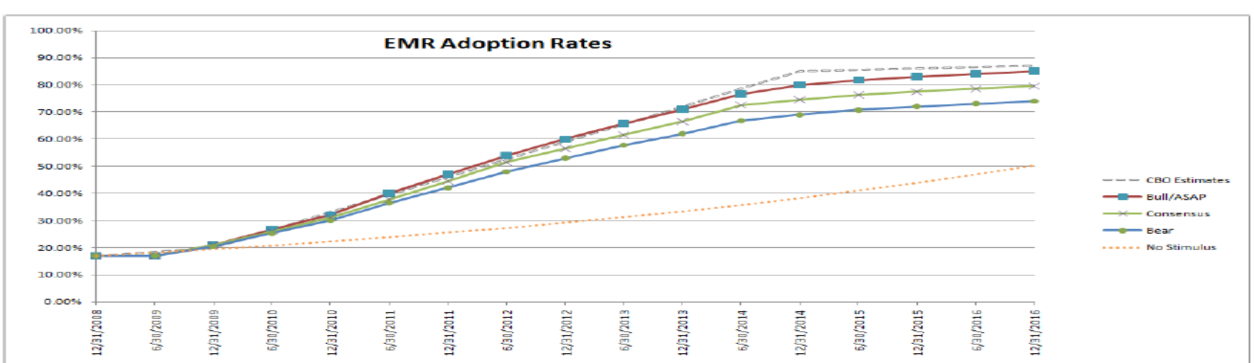
	2016	2017	2018	2019	2020	2021+
Disincentive rate cut	1%	2%	3%	3%	3%	3%
Average Medicare Reimbursement lost	$2,000	$4,000	$6,000	$6,000	$6,000	$6,000
Rate cut given EHR adoption <75%	1%	2%	3%	4%	5%	5%
Average Medicare Reimbursement lost	$2,000	$4,000	$6,000	$8,000	$10,000	$10,000

EHR Adoption Rate Trends

Addressable Market

Practice Size (Average number estimate)	Total Number of Physicians
Small (1.5 physicians)	244,500
Small-Medium (5 physicians)	135,000
Medium (12 physicians)	96,000
Large (30 physicians)	60,000
Total	535,500

EHR adoption rate trends – next 7 years



THE NEW ROAD MAP AND STRATEGY

The new Allscripts-Eclipsys merger enjoys a number of important distinctions in the market, including:

- A complete portfolio of market-leading solutions for hospitals including the Sunrise Acute Care suite of solutions, used by more hospitals with over 200 beds than those of any other company; the Helios line of connectivity solutions; the portfolio of Enterprise Performance Management(TM) solutions; and the Allscripts Care Management and discharge management solutions.

- Clear leadership in the hospital market, with 100 percent of the hospitals on US News & World Report's 2010 America's Best Hospitals Honor Roll using one or more Allscripts solutions.

- The most widely used set of solutions for physician practices of all sizes, including Electronic Health Record (EHR), ePrescribing, Practice Management and Revenue Cycle solutions.

- The most complete set of post-acute care solutions helping skilled nursing facilities, homecare agencies and other extended care organizations to easily capture electronic patient referrals from hospitals and to automate many of their clinical and administrative functions.

- A modern technology platform, leveraging Microsoft.NET and other advanced technologies, that enable the delivery of an integrated hospital and physician practice offering.

- An 'open architecture' approach, simplifying the connection to third-party applications across every care setting, resulting in a single patient record.

- An 'industrial strength' management team that led Allscripts to be named the 22nd fastest-growing company in the world in 2010 by Fortune magazine; the 14th fastest-growing company in terms of profit growth since 2007. (source: Fortune's "Top 100 Fastest Growing Companies of 2010").

- The scale, solutions and proven ability to drive provider utilization - all critical elements that are requirements to help American physicians and hospitals access the approximately $30 billion in federal funding for hospital and physician adoption of Electronic Health Records (EHR) provided by the American Recovery and Reinvestment Act (ARRA).

As the leader in driving full utilization of Electronic Health Records by both hospital and physicians, Allscripts has the experience and resources to quickly help its clients achieve "meaningful use" - the criteria that physicians and hospitals must satisfy in order to qualify for federal funding under ARRA.

Customer Expectations

1. Raise enterprise effectiveness: Today, customers are seeking various new capabilities from IT outsourcers. They want the IT service firms to not just lower cost but also participate in business outcomes. Instead of transferring application development to a low cost offshore destination, customers expect suppliers to understand there are of business and help develop customized platforms that can radically improve the overall operational performance.
2. Reduce total cost of ownership: The current off-shoring model entails the following additional cost to the customer –
    - Validation and verification cost
    - Project management overheads
    - Maintenance and upgrading cost
    - Cost of delays in delivery

3. Customers want these costs to be minimized to the extent possible.
4. Mitigate risks: All new projects are inherently laden with risk. With significant capital going into development and upkeep of information systems, the customer faces risks of not getting sufficient returns from his IT investments. These risks could be due to changes in technology or external economic factors. The IT vendor is expected to mitigate such risks by advising the customer on industry trends & competitiveness.

5. Improve business agility: Customers need a lot more flexibility than before. When the business is growing they would like to scale up, deploy more resources and go to the next operating level as fast as they can..
6. Legacy application management: It is not uncommon for some companies, especially in the financial services industry, to have a bunch of legacy applications which fall in one or more categories below:
    - The technology used to develop the applications is obsolete now
    - The people who built the applications are not in the organization anymore
    - No documentation is available for maintaining these applications
7. Companies have a very difficult time managing this kind of applications. They cannot dispose off or redesign these applications because so much of business logic would have been built into the applications over the years that not one person knows how to replicate it.

The following is the proposed road map for achieving non linear growth for IT industry:

- IT firms that are sitting on huge cash surpluses (most of them are like Infosys) should go in for strategic acquisitions of smaller product companies.
- These products should be the ones they have worked on and should be in a space which has good growth prospects and also reasonable product maturity.
- Select the best of the talent in their existing services divisions and involve them in product development.
- Bring in an atmosphere of continuous product development amongst the employees, this is a paradigm shift from service delivery, be on a look out for other product acquisitions and internal product development.
- The road ahead in a hybrid Product-Service company will not be easy.

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