

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

Form 10-K

July 27, 2010

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended May 31, 2010

or

“ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 000-32085

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
36-4392754
(I.R.S. Employer
Identification No.)
222 Merchandise Mart Plaza, Suite 2024, Chicago, IL 60654
(Address of principal executive offices and zip code)
(866) 358-6869
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on which Registered
Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant based upon the closing sale price of the common stock on November 30, 2009, the last business day of the registrant's most recently completed second fiscal quarter, as reported by NASDAQ National Market, was approximately \$1,239,724,166.

The number of outstanding shares of the registrant's common stock as of July 16, 2010 was 146,518,961.

Documents Incorporated by Reference: Portions of the Proxy Statement for the 2010 annual stockholders' meeting are incorporated by reference into Part III.

Table of Contents**ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.****TABLE OF CONTENTS TO
2010 ANNUAL REPORT ON FORM 10-K**

Item		Page
	<u>PART I</u>	
1.	<u>Business</u>	4
1A.	<u>Risk Factors</u>	14
1B.	<u>Unresolved Staff Comments</u>	37
2.	<u>Properties</u>	38
3.	<u>Legal Proceedings</u>	38
4.	<u>[Reserved]</u>	38
	<u>PART II</u>	
5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	39
6.	<u>Selected Financial Data</u>	41
7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	43
7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	66
8.	<u>Financial Statements and Supplementary Data</u>	67
9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	103
9A.	<u>Controls and Procedures</u>	103
9B.	<u>Other Information</u>	103
	<u>PART III</u>	
10.	<u>Directors, Executive Officers and Corporate Governance</u>	104
11.	<u>Executive Compensation</u>	104
12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	104
13.	<u>Certain Relationships and Related Transactions and Director Independence</u>	104
14.	<u>Principal Accountant Fees and Services</u>	104
	<u>PART IV</u>	
15.	<u>Exhibits and Financial Statement Schedules</u>	111
	<u>Signatures</u>	112

Allscripts-Misys Healthcare Solutions, Inc. was incorporated in the state of Delaware. In this report, we, us, our and Allscripts refer to Allscripts-Misys Healthcare Solutions, Inc. and its wholly owned subsidiaries as of May 31, 2010, unless the context indicates otherwise. Our trademarks or service marks include Allscripts with logo[®], EmSTAT, Physician Relationship Management Platform, HealthMatrix Impact.MD[®], TouchChart, TouchWork[®], NEPSISM, Canopy[®], MyWay, and eRx NOW. Other trademarks, service marks and trade names referred to in this report, or documents incorporated or incorporated by reference herein or therein, are the property of their respective owners.

Safe Harbor for Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties, including those discussed under the caption Risk Factors. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements relate to future events, including our future performance, and management's expectations, beliefs, intentions, plans or projections relating to the future and some of these statements can be identified by the use of forward-looking terminology such as believes, expects, anticipates, estimates, projects, intends, seeks, future, continue, contemplate, would, will, may, might, could, or other variations of those terms or comparable terminology or by discussion of strategy, plans, opportunities or intentions. As a result, actual results, performance or achievements may vary materially from those anticipated by the forward-looking statements.

Table of Contents

Among the factors that could cause actual results, performance or achievements to differ materially from those indicated by such forward-looking statements are:

the ability to obtain governmental approvals of the proposed merger with Eclipsys Corporation (Eclipsys) on the proposed terms and schedule contemplated by the parties (referred to as the Eclipsys Merger);

the possibility that the Eclipsys Merger and the proposed transactions to reduce Misys plc 's share ownership in the Company do not close, including due to the failure to satisfy the closing conditions;

the risk that we will not achieve the strategic benefits of the Eclipsys Merger;

the possibility that the expected synergies and cost savings of the Eclipsys Merger will not be realized, or will not be realized within the expected time period;

upon the closing of the Eclipsys Merger, the risk that our business will not be integrated successfully with the business of Eclipsys;

disruption from the proposed merger and related transactions making it more difficult to maintain business relationships with customers, partners and others;

competition within the industries in which we operate;

failure to achieve certification under the Health Information Technology for Economic and Clinical Health Act, which could result in increased development costs, a breach of some customer obligations and could put Allscripts and Eclipsys at a competitive disadvantage in the marketplace;

unexpected requirements to achieve interoperability certification pursuant to The Certification Commission for Health Information Technology, which could result in increased development and other costs for us;

the volume and timing of systems sales and installations, the length of sales cycles and the installation process and the possibility that our products will not achieve or sustain market acceptance;

the timing, cost and success or failure of new product and service introductions, development and product upgrade releases;

competitive pressures including product offerings, pricing and promotional activities;

errors or similar problems in our software products;

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the outcome of any legal proceeding that has been or may be instituted against us and others;

compliance with existing laws, regulations and industry initiatives and future changes in laws or regulations in the healthcare industry, including possible regulation of our software by the U.S. Food and Drug Administration;

the possibility of product-related liabilities;

our ability to attract and retain qualified personnel;

the implementation and speed of acceptance of the electronic record provisions of the American Recovery and Reinvestment Act of 2009;

maintaining our intellectual property rights and litigation involving intellectual property rights;

legislative, regulatory and economic developments;

risks related to third-party suppliers and our ability to obtain, use or successfully integrate third-party licensed technology;

breach of our security by third parties; and

those factors discussed in **Risk Factors** in our periodic filings with the Securities and Exchange Commission (the **SEC**).

Table of Contents

We make these statements under the protection afforded by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Because forward-looking statements are subject to assumptions and uncertainties, actual results, performance or achievements may differ materially from those expressed or implied by such forward-looking statements. Stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date such statements are made. Except to the extent required by applicable law or regulation, Allscripts undertakes no obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PART I

Item 1. Business

General

Allscripts (the trade name of Allscripts-Misys Healthcare Solutions, Inc.) is a leading provider of clinical software, services, information and connectivity solutions that empower physicians and other healthcare providers to deliver best-in-class patient safety, clinical outcomes and financial results. Our businesses provide innovative solutions that inform physicians with just right, just in time information, connect physicians to each other and to the entire community of care, and transform healthcare, improving both the quality and efficiency of care. We provide various software applications and services, including Electronic Health Records (EHR), practice management, revenue cycle management, clearinghouse services, electronic prescribing, Emergency Department Information System (EDIS), hospital care management and discharge management solutions, document imaging solutions, referral management and a variety of other solutions for home care and other post-acute facilities.

Overview

Our physician practice solutions include our Enterprise solution for large physician practices and Integrated Delivery Networks, our Professional solution for mid-size primary care and single specialty practices, and the Allscripts MyWay solution for smaller or independent physician practices. Our award-winning EHR solutions are designed to enhance physician productivity using tablet PCs, wireless handheld devices or desktop workstations for the purpose of automating the most common physician activities, including prescribing, dictating, ordering lab tests and viewing results, documenting clinical encounters and capturing charges, among others. Our electronic prescribing solutions include a Web-based stand-alone solution offered free-of-charge to any licensed prescriber, and solutions that are integrated into each of our EHRs.

Our practice management solutions combine scheduling and revenue cycle management tools in a single package with functionality including rules-based appointment scheduling, multi-resource and recurring appointment features, referral and eligibility indicators, and appointment and claims management. Our Web-based clearinghouse solutions are available on a stand-alone basis or integrated into our practice management solutions.

Our health system solutions include offerings for hospitals that are seeking Emergency Department Information System (EDIS) and care management solutions, as well as post-acute facilities such as home health providers, hospices and skilled nursing facilities. Allscripts ED is an EDIS that electronically streamlines processes for hospital Emergency Departments, including tracking, triage, nurse and physician charting, disposition and reporting. EmSTAT, a legacy EDIS product, offers similar functionality for streamlining the Emergency Department care process in small hospitals. Allscripts Care Management is a Web-based solution that streamlines and speeds the patient care management process by automating utilization, case, discharge and quality management processes relating to patient hospital visits. Allscripts Post Acute solutions include: Referral Management, Referral Management Plus, and Allscripts Mobile. These solutions streamline the transition of care process between hospitals and post-acute care facilities. Our solution for home health providers is an integrated system that combines business, clinical, and scheduling features into a single package, providing home health, hospice, and private duty organizations with a user friendly product that enables staff to work more effectively both inside and outside the office.

Recent Developments

Misys Merger

On October 10, 2008, we completed the transactions contemplated by the Agreement and Plan of Merger dated as of March 17, 2008 (the 2008 Transactions) by and among Misys plc (Misys), Misys Healthcare Systems, LLC (MHS), Allscripts and Patriot Merger Company, LLC (Patriot) which consisted of (i) the cash

Table of Contents

payment by an affiliate of Misys of approximately \$330 million and (ii) the merger of Patriot with and into MHS, with MHS being the surviving company. As a result of the completion of the 2008 Transactions, MHS became a wholly-owned subsidiary of Allscripts and Misys obtained a controlling interest in Allscripts. In connection with the closing of the 2008 Transactions, we issued an aggregate of approximately 82.9 million shares of its common stock to two subsidiaries of Misys, which as of the closing of the 2008 Transactions, represented approximately 56.8% of the number of outstanding shares of our common stock.

The 2008 Transactions constitute a reverse acquisition for accounting purposes. Results of operations for the years ended May 31, 2010, 2009 and 2008 include the results of operations of legacy MHS for each full year, and the results of operations of legacy Allscripts subsequent to the completion of the 2008 Transactions on October 10, 2008. As such, the pre-acquisition combined financial statements of MHS are treated as our historical financial statements.

Eclipsys Merger

On June 9, 2010, we announced that we had entered into an Agreement and Plan of Merger (the Merger Agreement) with Eclipsys Corporation, a leading enterprise provider of solutions and services for hospitals and clinicians (Eclipsys), and Arsenal Merger Corp., a wholly owned subsidiary of Allscripts (Merger Sub). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Eclipsys, with Eclipsys surviving as a wholly owned subsidiary of Allscripts (the Eclipsys Merger).

Subject to the terms and conditions of the Merger Agreement, which has been approved and adopted by boards of directors of both Allscripts and Eclipsys, at the effective time of the Merger (the Effective Time), each share of Eclipsys common stock, par value \$0.01 per share, issued and outstanding immediately prior to the Effective Time, other than those shares owned by us, Eclipsys or any of their respective subsidiaries, will be converted into the right to receive 1.2 shares of our common stock, par value \$0.01 per share.

Completion of the Eclipsys Merger is subject to certain conditions, including (i) adoption of the Merger Agreement by Eclipsys stockholders, (ii) approval of the issuance of our common stock in connection with the Merger by our stockholders, and (iii) expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. In addition, the transaction is subject to the completion of a secondary offering of our shares owned by Misys and the completion of the Allscripts buyback from Misys of additional Allscripts shares owned by Misys, which will substantially reduce Misys' share ownership of Allscripts prior to the closing of the Eclipsys Merger.

We believe the combination of Allscripts and Eclipsys will allow the combined company to become a larger, more competitive end-to-end solutions provider within the healthcare information technology industry. Combining the companies' respective solution sets will result in one of the most comprehensive solution offerings for healthcare organizations of every size and setting. By combining physician-office and post-acute care solutions from Allscripts with Eclipsys' enterprise solutions for hospitals and health systems, the combined company will offer a single platform of clinical, financial, connectivity and information solutions.

After the Eclipsys Merger, given the unique breadth of solutions and customer types, the company expects to be uniquely positioned to connect physicians, other care providers and patients across all health care provider settings including hospitals, small or large physician practices, extended care facilities, or in a home care setting. The Eclipsys Merger establishes significant breadth and critical mass to compete for opportunities among large hospital and health systems that increasingly are looking to one information technology vendor to provide a single, end-to-end solution across all points of care.

Table of Contents

Reduction of Misys Share Ownership

On June 9, 2010, we also announced that we had entered into a Framework Agreement with Misys, which was subsequently amended on July 26, 2010 (as amended, the Framework Agreement). Pursuant to the Framework Agreement, Allscripts and Misys agreed to reduce Misys existing indirect ownership interest in Allscripts. As of June 8, 2010, Misys held indirectly 79.8 million shares of our common stock, representing approximately 54.5% of the aggregate voting power of our capital stock. Upon completion of the Coniston Transactions described below, and assuming that Misys sells 25 million shares of our common stock in the Secondary Offering and exercises its right to sell shares in the Contingent Share Repurchase, each as described below, we expect Misys' equity stake in Allscripts to be reduced to approximately 13.5%.

Subject to the terms and conditions of the Framework Agreement, Misys and Allscripts have agreed that:

100% of the issued and outstanding shares of an indirect subsidiary of Misys (Newco), which will hold 61.3 million shares of our common stock, will be transferred to us in exchange for 61.3 million newly issued shares of our common stock (such shares being referred to as the Exchange Shares and the transaction described in this bullet being referred to as the Exchange);

Misys, directly or through one or more of its subsidiaries, will sell shares of our common stock in an underwritten secondary public offering (the Secondary Offering);

we will repurchase from Misys or from one or more of its indirect subsidiaries 24.4 million Exchange Shares at an aggregate purchase price of \$577.4 million (the Share Repurchase), which includes a payment of a premium of \$117.4 million in connection with the sale by Misys of its controlling interest in Allscripts; and

if the Eclipsys Merger is completed, Misys will have the right to require that we repurchase from Misys or from one or more of its indirect subsidiaries approximately 5.3 million additional shares of our common stock at an aggregate purchase price of \$101.6 million (the Contingent Share Repurchase), which right may be exercised for up to 10 days after the closing of the Eclipsys Merger. The Exchange, Secondary Offering and Share Repurchase are referred to as the Coniston Transactions.

The closing of the Coniston Transactions is subject to certain conditions, including (i) approval of the Coniston Transactions by the shareholders of Misys, (ii) the sale of no fewer than 36 million shares of our common stock in the Secondary Offering, or 25 million shares if our stockholders approve the issuance of our common stock in connection with the Eclipsys Merger and Eclipsys stockholders adopt the Merger Agreement, at a public offering price of no less than \$16.50 per share and (iii) completion of the financing contemplated by the Commitment Letter described below.

In connection with the Coniston Transactions, we have signed a commitment letter (the Commitment Letter) with JPMorgan Chase Bank, N.A., Barclays Bank PLC, UBS Loan Finance LLC and certain of their affiliates for a \$570 million senior secured term loan facility and a \$150 million senior secured revolving facility, each of which is expected to close upon the closing of the Coniston Transactions. We expect to use the proceeds from these facilities, as well as cash on hand, to finance the Share Repurchase and the Contingent Share Repurchase, to pay certain fees and expenses in connection with the Eclipsys Merger and the transactions contemplated by the Framework Agreement, and to finance the working capital needs and general corporate purposes of Allscripts and its subsidiaries.

In addition, pursuant to the terms of the Framework Agreement, Misys has caused its direct and indirect subsidiaries as holders of our common stock to act by written consent in lieu of a meeting of stockholders of Allscripts to approve the issuance of the Exchange Shares to certain subsidiaries of Misys in the Exchange and an amendment to our certificate of incorporation to increase the number of authorized shares to permit the issuance of the Exchange Shares and the shares of our common stock to be issued to Eclipsys stockholders pursuant to the Merger Agreement. In addition, pursuant to the Framework Agreement, Misys approved, by written consent, certain additional amendments to our certificate of incorporation that will be effective only upon the closing of the Coniston Transactions, which would (i) change our name from Allscripts-Misys Healthcare Solutions, Inc. to Allscripts Healthcare Solutions, Inc., (ii) eliminate the ability of our stockholders to act by written consent,

Table of Contents

(iii) elect that we be governed by Section 203 of the Delaware General Corporation Law, which we refer to as the DGCL, (iv) establish certain committee structures to implement certain agreements with Misys and Eclipsys related to our board of directors, and (v) implement certain other additional incidental or clarifying amendments.

Our Competitive Strengths

We believe that the following competitive strengths are the keys to our success:

Industry-Leading Solutions

We have been an innovator in the development and adoption of healthcare information technology solutions. We believe our clinical and health solutions provide the following advantages:

Accessibility. Physicians can instantly access our web-based clinical solutions from a variety of locations, including the exam room, hospital, office or remote locations. With our EHR solutions, physicians can easily perform such important tasks as dictation and charge capture in an offline mode and immediately transfer those files once reconnected to the network. Our solutions run on tablet PCs, a wide variety of smartphones, desktop workstations and other wireless devices, as well as over the Internet in a hosted or Software-as-a-Service (SaaS) environment.

Innovation. Allscripts has developed a reputation for innovation through the introduction of pioneering new products. Two recent examples include Allscripts Remote and Allscripts Patient Kiosk. Our Allscripts Remote product was the first to make information from Electronic Health Records available on the Apple iPhone®, iPod® Touch and iPad® in an Apple-native software format, as well as on BlackBerry® smartphones. Our Allscripts Patient Kiosk, developed in partnership with Fujitsu (our hardware partner), is the first kiosk from a major practice management and EHR vendor. The kiosk connects to our EHR and practice management solutions to enable patients to quickly check-in, pay their co-pays using a credit card and conduct other business while taking control of their own healthcare with a dashboard view of all their personal information, including a complete health maintenance plan and alerts about upcoming or overdue tests.

SaaS. By making a wide variety of our solutions available via SaaS (i.e., available on-demand over the Internet using a Web browser) we believe that we have significantly increased the ease of adoption of our solutions. This capability is especially important for physicians in independent practice and small groups who make up nearly half the U.S. physician population yet lack the IT resources and know-how to manage an on-premise software application.

Interoperability. Our products are designed to operate with existing installed systems, in both ambulatory and acute settings. Our Universal Application Integrator (UAI) is an innovative application that enables Allscripts and third-parties to quickly and easily build connections between our software applications.

Enhancing the Revenue Cycle. Allscripts focuses on making it easier for our clients to access new opportunities for financial gain through a variety of revenue cycle solutions. In particular, our Payerpath solution is one of the leading revenue cycle management and clearinghouse services in the United States with over 600 million revenue cycle management transactions processed each year. Available on a stand-alone basis or integrated with our practice management systems, Payerpath's comprehensive suite of Internet solutions addresses every step in the reimbursement cycle for physician practices, clearinghouses and payers, delivering improved reimbursement and claim management processes that lead to cleaner claims and faster payments. For example, Payerpath Eligibility provides instant verification of patient insurance eligibility, ending phone calls to payers to clarify covered procedures and patient eligibility. Another example, Allscripts Patient Payment Assurance, provides point-of-care collection of credit card and debit card payments, reducing the need for patient billing, which can dramatically reduce patient receivables. By enabling significant return on investment, our revenue cycle solutions allow providers to focus less on running their businesses and more on providing quality patient care.

Table of Contents

A Comprehensive Portfolio for Physicians. For physicians not yet ready for an EHR, our portfolio includes stand-alone, web-based electronic prescribing (free of charge), document management, and revenue cycle management. For physicians who already utilize an EHR and practice management system, our portfolio includes connections to other physicians, to our Emergency Department and Care Management solutions and to post-acute providers and third-party hospital inpatient information systems. We also offer add-ons to the EHR that enable physicians to more easily enroll patients in clinical trials, automate the process of reporting quality outcomes to government and private pay for performance programs, and connect to communities of healthcare organizations such as regional Health Information Exchanges.

Accelerated Implementations. The Allscripts READY accelerated deployment program answers the growing need for faster, standardized implementations of Electronic Health Records. As the American Recovery and Reinvestment Act of 2009 (the Stimulus) incentives start to take effect, industry observers anticipate a significant increase in the number of physician practices seeking to deploy an EHR, placing greater pressure on physician groups and EHR vendors to implement the software more quickly and with fewer human resources. READY provides the answer with a series of complete solution packages that combine best-in-class recommendations for products, certified workflows and implementation, as well as remote e-learning in place of onsite training. Leveraging experience from thousands of successful clients, READY standardizes an EHR implementation and delivers a faster installation with minimized costs.

Accelerated Upgrades. Our Upgrade Enablement Center (UEC) provides a quick and accelerated migration path for our legacy Misys EMR users. The four- to six-week process lets clients protect their investment in software and information while upgrading to our Professional EHR, providing a rapid opportunity to participate in the federal Stimulus program. We are planning to extend our UEC platform to upgrade Allscripts clients on all of our legacy EHR systems, which we believe will ensure that Allscripts clients will be Stimulus-ready.

Significant Installed Base

Approximately 160,000 physicians, 800 hospitals and 10,000 post-acute facilities nationwide utilize Allscripts solutions to automate and connect their clinical and business operations. Our significant installed base, including some of the country's most prestigious medical groups and hospitals, serves as a reference source for prospective clients who are interested in purchasing our solutions.

Large Base of Physician Practice Clients Without an EHR

Following its merger with MHS in October 2008, Allscripts acquired approximately 110,000 physician users of legacy MHS practice management solutions, a vast majority of whom have yet to make an EHR buying decision. We believe these physician practices are most likely to turn to Allscripts, the company that already manages their financial back office operations, when they go looking for an EHR solution.

Breadth of Product and Service Offering

Allscripts offers an EHR for every segment of the physician market, from solo physician practices to the largest academic medical groups and integrated delivery networks (IDN). Besides the EHR, our suite of clinical and health solutions software includes e-prescribing, practice management, revenue cycle management for physician groups; emergency department information systems, care management and discharge management solutions for hospitals; and a variety of solutions to help home care and post-acute facilities such as skilled nursing hospitals.

Table of Contents

Strength of our Distribution Network

The Allscripts Distribution Network (ADN) is composed of nearly 100 leading resellers and distributors of healthcare products and services that provide the Allscripts MyWay Electronic Health Record to small physician groups across the nation. The ADN significantly extends Allscripts market presence with a combined reseller sales force of more than 2,000, and existing physician relationships primarily in the one- to three-physician market of over 160,000 physicians. The ADN provides a trusted partner channel to help physician offices enter the electronic healthcare highway cost-effectively and with minimal IT headaches. Key members of the ADN include Cardinal Health, one of the largest healthcare distributors in the nation, and SYNEX Corporation, a leading business process services company.

Unique and Comprehensive Connect Strategy

The Allscripts Community Record helps local and regional health systems to share information between a range of technologies from any source, creating a single patient record for providers across the continuum of care. The Community Record is designed to leverage existing systems and applications, without the need for replacement. The infrastructure incorporates data from multiple sources in a variety of formats, and harmonizes the data into one uniform patient record across the community. As a result, all the members of a patient's care team have the same up-to-date information about the patient, regardless of whether they work in acute, ambulatory or post-acute settings inside or outside the health system.

Meaningful Use Undertaking

The Allscripts Stimulus Program is a series of industry-leading offerings designed to make it safe and easy for physicians to purchase and rapidly deploy Electronic Health Records that will qualify for federal Stimulus incentives. We agree to work with our customers to ensure that the Allscripts EHR physicians select will meet the EHR certification criteria provided by the US Department of Health and Human Services (HHS).

Sales and Marketing

We have experienced sales executives with extensive industry expertise. We primarily sell directly to our customers through our sales force. As of May 31, 2010, we employed 405 sales and marketing employees. In addition to our direct sales force and our ADN for MyWay sales, we also have established reseller relationships with strategic partners, such as Cardinal Health, Dell, Inc., Henry Schein, Inc. and Medfusion.

Products and Services

We provide the following clinical and health software solutions:

Enterprise EHR is an award-winning EHR solution designed to enhance physician productivity using Tablet PCs, wireless handheld devices, or a desktop workstation for the purpose of automating the most common physician activities, including prescribing, dictating, ordering lab tests and viewing results, documenting clinical encounters and capturing charges, among others. Allscripts Enterprise is the clinical software solution of choice for multi-specialty and specialty practices as well as academic medical centers and hospital sponsored initiatives. Uniquely designed for the specific needs of physicians in today's increasingly interconnected healthcare environment, Allscripts Enterprise empowers and connects an organization clinically, operationally and financially.

Enterprise PM is a practice management system that streamlines administrative aspects of physician practices, including patient scheduling, electronic remittances, electronic claims submission and electronic statement production. This system also provides multiple resource scheduling, instant reporting and referral tracking. Our electronic data interchange (EDI) solution facilitates statement management processing, claims management processing, electronic remittances and appointment reminders.

Table of Contents

Professional EHR is targeted at small to mid-sized physician practice groups. Similar to our Enterprise EHR, this solution automates the most common physician activities, such as prescribing, clinical reporting, ordering lab tests and viewing results and capturing charges. We also offer a disaster recovery solution that safeguards data and provides remote application access in the event of a failure at the primary system site.

Professional PM is a practice management system that streamlines administrative aspects of physician practices, including patient scheduling, electronic remittances, electronic claims submission and electronic statement production. This system, which provides the engine for Enterprise Practice Management, also provides multiple resource scheduling, instant reporting and referral tracking. Our EDI solution facilitates statement management processing, claims management processing, electronic remittances and appointment reminders.

Allscripts MyWay is an integrated solution utilizing one unified database covering practice management, EHR and claims management. The MyWay solution is designed for smaller-sized physician practices and allows physicians to choose from a hosted service to minimize the cost and effort of using advanced technology or from an on-premise solution version which allows for the leverage of existing IT infrastructure and in-house capabilities.

Allscripts Document Management is a proven medical document management solution used by more than 18,000 healthcare professionals throughout the U.S. This award-winning program instantly improves chart access and practice workflow by electronically scanning and filing your current documents and making them accessible to an entire staff regardless of their location. Allscripts Document Management offers physician practices a **Bridge** for their technology adoption.

Allscripts ePrescribe is an easy-to-use, web-based e-prescribing solution that is safe, secure, requires no downloading and no new hardware. The software is being offered free of charge to every prescriber in America in furtherance of the National ePrescribing Patient Safety Initiative, a collaborative initiative introduced and led by us to enhance patient safety and reduce preventable medication errors. Allscripts ePrescribe can be a starting point for medical groups to transition over time to a complete EHR.

Allscripts ED is an emergency department information system designed to manage patient flow through the emergency department by tracking patient location, activity and outstanding orders and procedures. These solutions guide emergency clinicians in entering consistent, complete and efficient documentation on patients and provide shareable, real-time, mobile access to patient information from registration to discharge.

Allscripts Payerpath is one of the top claims management services in the United States with more than 600 million claims and revenue cycle transaction processed annually. Used by approximately 110,000 physicians, Payerpath provides the credibility, experience and results demanded by both payers and providers. Payerpath can help organizations succeed in the business of healthcare through improved medical claim and claim management processes that lead to cleaner claims and faster payments.

Allscripts Homecare is an industry leading home care system designed to improve clinical quality of care, financial performance, and operational control for large, integrated home care organizations and small home care companies. Business, clinical, and scheduling functionality for multiple lines of business home health, hospice, and private duty are combined seamlessly in one integrated home care software system.

Allscripts Post Acute Solutions streamline the transition of care process between hospitals and post-acute care facilities. We currently have approximately 10,000 acute and post-acute care customers nationwide that will exchange over four million electronic hospital referrals. Allscripts Post Acute Solutions include: Referral Management, Referral Management Plus, Allscripts Mobile and Core System Integration.

Table of Contents

Allscripts Care Management is a fully-integrated web-based solution that simplifies and consolidates utilization management, discharge planning, documentation integrity, audit management, quality management and risk management. Providing a single worklist for all care management processes, the Allscripts system transforms the administrative process for hospitals and post-acute care facilities, improving efficiency, streamlining and improving the quality of patient care, and generating cost savings and higher revenues. The suite of software that makes up Allscripts Care Management includes: Allscripts Utilization Management, Allscripts Discharge Planning, Allscripts Documentation Integrity, Allscripts Audit Management, Allscripts Quality and Risk Management. These systems are based on a SaaS solution model designed to provide ease of use and minimal IT staff involvement at the hospital.

Research and Development

As of May 31, 2010, we had 413 employees in research and development. In addition, through our shared services agreement with Misys and on a third-party consulting basis we engage the services of approximately 315 additional dedicated development professionals. The primary purposes of our research and development groups are to develop new features and enhancements to our respective solutions, ensure that our solutions comply with continually evolving regulatory requirements and create additional opportunities to connect our systems to the healthcare community.

For each of the years ended May 31, 2010, 2009, and 2008, we spent approximately 10% of our software and services revenue on related research and product development. Our clinical and health solutions segments capitalize software development costs incurred from the time technological feasibility of the software is established until the software is available for general release. Non-capitalizable research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Our research and development spending consists of costs directly recorded to expense and also includes capitalized software development costs.

Industry and Competition

The market for our products and services is intensely competitive and is characterized by rapidly evolving technology and product standards, technology and user needs and the frequent introduction of new products and services. Some of our competitors may be more established, benefit from greater name recognition and have substantially greater financial, technical, and marketing resources than us. We compete on the basis of several factors, including: breadth and depth of services, reputation, reliability, accuracy and security, client service, price, and industry expertise and experience.

There are numerous companies that offer EHR and practice management products and the marketplace remains fragmented. We face competition from several types of organizations, including providers of practice management solutions, electronic prescribing solutions, ambulatory EHR solutions, hospital EDIS and care management solutions, and post-acute discharge management solutions.

Our principal existing competitors in the physician healthcare information systems and services market include athenahealth Inc., Cerner Corporation, eClinicalWorks Inc., Epic Systems Corporation, General Electric Company, Emdeon Business Services LLC, Aprima Medical Software (formerly iMedica Corporation), McKesson Corporation, Quality Systems, Inc., Sage Software, Inc., The Trizetto Group, Inc., and Wellsoft Corporation.

Our principal existing competitors in the hospital and post-acute healthcare information systems and services market include eDischarge, Maxsys Ltd., MedHost, Meditech, Midas+, Picis, ProviderLink and WellSoft.

Table of Contents

Recent Industry Developments

On February 17, 2009, President Barack Obama signed the Stimulus, which provides financial incentives to physicians who adopt and use Electronic Health Record technology to improve both the quality and cost-effectiveness of patient care. Studies demonstrate that effective use of Electronic Health Records reduces medical errors, improves clinical quality and leads to better patient outcomes by enabling real-time access to patient records, medical information and best practices, and electronic connectivity to all healthcare stakeholders, including patients.

In addition to its other components focused on economic stimulus, the law provides approximately \$30 billion in health information technology funding. The total includes \$2 billion in discretionary funds and \$28 billion for investments and incentives through Medicare and Medicaid to ensure widespread adoption and use of interoperable healthcare IT systems such as the Electronic Health Record. Physicians who have not adopted certified Electronic Health Record systems by 2014 will have their Medicare reimbursements reduced by up to 3 percent beginning in 2015.

With the Stimulus, the Centers for Medicare and Medicaid Services (CMS) will pay physicians between \$44,000 and \$64,000 over five years, beginning in 2011, for deploying and using a certified Electronic Health Record to care for patients. The Stimulus package is expected to ignite significant job growth in the information technology sector and, according to a Congressional Budget Office review of the legislation's impact, drive up to 90 percent of US physicians to adopt Electronic Health Records in the next decade.

Strategic Alliances

Our key strategic relationships include the following:

Cardinal Health. Allscripts has a strategic partnership with Cardinal Health to market the Allscripts MyWay Electronic Health Record to Cardinal Health's physician customers across the nation. Cardinal Health is a Fortune 300 company and a distributor of medical supplies and pharmaceuticals. Under the agreement, Cardinal's healthcare sales force will market MyWay to its client base of 6,000 solo- and small-physician groups across the U.S. The addition of the Allscripts MyWay EHR to Cardinal Health's extensive portfolio of products and services enables the company to serve as a one-stop provider for physician practice needs.

Cisco Systems, Inc. Allscripts has a strategic partnership with Cisco to support Allscripts core business through enhanced communications technologies. Cisco technology powers many of the systems by which Allscripts communicates with its clients and employees. Additionally, Cisco® and Allscripts have partnered to offer an integrated solution that combines the latest in communications technology with Allscripts MyWay EHR. The combination of Cisco's secure network and communication system with Allscripts MyWay's key application features, easy to use interface and low acquisition costs provides physicians with a fully synchronized Digital Physician Office designed to raise their clinical productivity to new levels. Additionally, Cisco is a supporting member of the EHR Stimulus Alliance, a coalition of technology innovation leaders who are partnering to educate 500,000 U.S. physicians about opportunities aligned with the Stimulus. Other members of the Alliance include Citrix, Dell, Intel, Intuit, Microsoft Corp., and Nuance.

Dell, Inc. Allscripts has a strategic partnership with Dell that encompasses hardware, hosting, and connecting healthcare communities. Dell is Allscripts' primary hardware partner, providing the computer equipment needed by our clients to implement our solutions. Additionally, Allscripts signed an agreement with Dell in early 2010 to integrate Allscripts Electronic Health Record and Practice Management solutions into Dell's hosted EHR solution for U.S. health systems and their affiliated physicians. The Dell program offers health systems and physicians the scale and expertise of one of the world's largest technology services organizations. Dell helps sponsor hospitals to configure the Allscripts solutions they select to meet the specific needs of their affiliated physician community. The

Table of Contents

solution includes application hosting, Health Information Exchange management and revenue opportunities for sponsor hospitals, and everything necessary to promote the solution to physicians.

Henry Schein, Inc. Allscripts has a strategic partnership with Henry Schein, a distributor of healthcare products and services to office-based practitioners, to market, among other products, the Allscripts Professional Electronic Health Record (EHR). Under the exclusive agreement, Henry Schein's national medical sales force of more than approximately 625 field and telesales representatives will market the Allscripts Professional Electronic Health Record to physicians nationwide, including Henry Schein's customer base of more than 100,000 physician practices. Henry Schein also will work with its medical device and productivity partners to drive full integration of their solutions into the Allscripts EHR.

IBM. Allscripts has a strategic relationship with IBM through which it uses IBM technology to provide a variety of supportive services for Allscripts clients. Allscripts was the first company to begin IBM's Resilient Cloud Proven Certification process, through which it certified an online backup service powered by IBM that delivers a simple, easy-to-deploy remote data protection service for Allscripts clients. Additionally, IBM Cognos technology is the engine that drives interfaces between Allscripts technology and third-party applications.

Intuit, Inc. Allscripts has a strategic partnership with Intuit, a provider of business and financial management solutions for small and mid-sized businesses; financial institutions, including banks and credit unions; consumers and accounting professionals. In October 2009 Allscripts became the first practice management company to offer Quicken HealthSM Bill Pay. The online service integrates with Allscripts' practice management and revenue cycle management solutions, used by 110,000 physicians, to help patients understand their medical bills and pay them online while helping physicians get paid faster.

Medfusion, Inc. Allscripts has a strategic partnership with Medfusion, Inc., a provider of patient-physician communication solutions. Allscripts and Medfusion collaborate in providing interactive e-health solutions to physicians and their patients, with a focus on secure patient portals and personal health records, connecting patients to selected information about their physician's practice, including information from Allscripts' electronic health record, e-prescribing and practice management solutions. Medfusion, Inc. was acquired by Intuit Inc. on May 21, 2010.

Employees

As of May 31, 2010, we employed 2,428 persons, including 679 in customer service and support, 405 in sales and marketing, 413 in product development, 657 in product deployment and 274 in general and administrative. In addition, through our shared services agreement with Misys and on a third-party consulting basis we engage the services of approximately 315 additional dedicated development professionals. None of our employees is covered by a collective bargaining agreement or is represented by a labor union.

Financial Information About Segments

Financial information about our three segments is described in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

Available Information

Our website address is www.allscripts.com. Information on our website is not incorporated by reference herein. Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments to those reports, as well as Section 16 reports filed by our insiders, are available free of charge on our website as soon as reasonably practicable after we file the reports with, or furnish the reports to, the Securities and Exchange Commission.

Table of Contents

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below and other information in this report. These are not the only risks and uncertainties that we face. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial may also harm our business operations. If any of these risks or uncertainties occurs, it could have a material adverse effect on our business.

Risks Related to the Merger

We may be unable to successfully integrate Eclipsys' business with our business and realize the anticipated benefits of the Eclipsys Merger.

The success of the Eclipsys Merger will depend, in part, on the ability to realize the anticipated synergies, growth opportunities and cost savings from integrating Eclipsys' business with our business. The integration of two independent companies is a complex, costly and time-consuming process and involves numerous risks, including difficulties in the assimilation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the entry into markets in which we or Eclipsys have little or no direct prior experience, the potential loss of our key employees or Eclipsys' key employees, and the potential inability to maintain the goodwill of existing clients. The difficulties of combining the operations of the companies include, among other factors:

managing a significantly larger company;

the possibility of faulty assumptions underlying expectations regarding the integration process;

integrating two unique business cultures, which may prove to be incompatible;

creating uniform standards, controls, procedures, policies and information systems and minimizing the costs associated with such matters;

integrating information, purchasing, accounting, finance, sales, billing, payroll and regulatory compliance systems;

preserving customer, supplier, research and development, distribution, marketing, promotion and other important relationships;

commercializing products under development and increasing revenues from existing marketed products;

coordinating geographically separated organizations, systems and facilities, including complexities associated with managing the combined businesses with separate locations;

combining the sales force territories and competencies associated with the sale of products and services presently sold or provided by us or Eclipsys;

integrating personnel from different companies while maintaining focus on providing consistent, high-quality products and customer service and attractive to prospective customers;

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integrating complex technologies, solutions and products from different companies in a manner that is seamless to customers;

unforeseen expenses or delays associated with the Eclipsys Merger; and

performance shortfalls at one or both of the companies as a result of the diversion of management's attention to the Eclipsys Merger. If management is unable to combine successfully our business and the business of Eclipsys in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to result from the Eclipsys Merger, such anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. Any of the above difficulties could adversely affect the combined company's ability to maintain relationships with customers, partners, suppliers and employees or the combined company's ability to