Business Plan

The finest medical care...

Medical Office Online, Inc.
2821 North Ballas Road
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St. Louis, MO 63131

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Executive Summary

Mission Statement

To safeguard the finest medical care for patients by providing medical practitioners with the highest quality medical office Internet Netware; with responsiveness to the current medical office evolution to minimize office overhead and to maximize the flow of information.

Business Objectives

The long-term business objective is to establish Medical Office Online, Inc. as the **leading medical office Internetware provider worldwide**. This objective is achievable because: a) there are currently few, if any, Internetware providers in the market place; b) there is an anticipated demand for these products due to changes in Medicare and other regulations; and c) the relatively low cost to develop and introduce Internetware products and services facilitates the ability to bring them to market quickly and at a competitive price.

Shorter-term objectives include:

- Securing sufficient operating capital to fund the first three years of the operation.
- Acquisition of at least a 2.1 percent market share for the initial product offering within the first five years.
- Achievement of greater than a 40 percent return on assets within three years.
- Establishment of a minimum customer base of 1,235 customers within three years and 2,195 within 5 years.

To implement this plan, Medical Office Online is seeking investment funds in the amount of $750,000, which will be used to fund start-up costs and operating costs for the first three years. It is anticipated that Medical Office Online will begin to show a profit by its fourth quarter of operation and be fully in the black within two years.

We intend to develop and market successfully five products.

- Medical Notes Online
- Front Desk Online
- Ledger Online
- Electronic Claims Online
- Utilization Analysis Online

We will derive secondary revenues in at least three ways:

- Sale of utilization data to insurance companies.
- Pharmaceutical Company Ads on our screen shots.
- Medical data warehousing for insurance companies.

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Medical Notes Online was developed in response to changes in the Medicare documentation requirements for physicians, which are scheduled to go into effect on July 1, 1998. These revised regulations place a significantly greater burden on physicians to record and maintain accurate and thorough records for all of their Medicare patients. Failure to comply with these regulations could result in a $10,000 fine PER VIOLATION.

The *American Medical Association News* recently published an analysis of current documentation procedures by physicians and concluded that as many as 60 percent of all physicians will not be in compliance with these new regulations using their current approaches to documentation.

Medical Notes Online will provide an easy, quick, and flexible means for physicians to maintain complete and accurate records that meet the new Medicare requirements. Using Internet communications technology, Medical Notes Online software will allow physicians to record on-line (not scanned) active medical records. The program will provide edits and prompts to ensure accurate Medicare E & M specs per CPT code, ordered before storing the record. This system will eliminate the need for time-consuming hand-written or dictated notes. Notes will be pre-answered, with changes needing to be made only where variations in treatment occur, by hand-typing, pop-up box, or later voice recognition dictation of that item.

To date, this is the only program that actively edits medical notes. This is unique and of high marketability!!!

Medical Notes Online also eliminate or simplify the need for in-office paper file maintenance, costly storage space, and administrative staff. The records can be stored on the Medical Office Online server or printed to paper for a paper chart.

Front Desk Online will be introduced within three months of the first sale of Medical Notes Online. It will include at least the following items:

1) Patient Scheduler
2) Insurance Referral Rules
3) Patient Insurance Eligibility
4) OSHA and Hazardous Material Manuals for small offices
5) Patient Medical Information Handouts
6) WebSite Jumps for Expert Reference Information
7) Pharmaceutical Companies new product information

Ledger Online will be introduced within six months of the first sale of Medical Notes Online. This will record patient transactions and create the necessary forms for filing claims and billing patients. Contemporaneously, Electronic Claims Online will be marketed with Ledger Online. It will file claims to the insurance companies via NEIC, the national standard used by the majority of large insurance companies.

Utilization Analysis Online will provide physicians with an analysis of their practice patterns in relation to the costs of those services. It will also allow us to analyze groups of physicians for cost effectiveness and market this information to insurance companies.

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The target audience for this service is all physicians and osteopaths who are involved in any way with Medicare patients. The total target population in the United States is estimated at 600,000 caregivers.

This is an ideal time to enter the medical vendor market for two reasons. First, the year 2000 A.D. problem will obsolete many physicians' office software. Second, there is a consolidation going on in the field of vendors. It is anticipated The large numbers of vendors will collapse to a few large companies just like the field of banking.

Marketing will be handled in two ways: direct mail solicitation to introduce the product to the target audience and sales presentations before and after hospital Grand Rounds to allow physicians to see first-hand how the system can work for them. Potential customers can be given a 30-day free trial to test the system prior to enrollment.

The Medical Office Online business strategy of using the Internet to deliver needed services to physicians quickly and inexpensively presents substantial opportunities for future growth and success. We anticipate this particular development of universal access to the medical records of patients will be revolutionary in the way patients are cared for. It will provide a live, globally accessible, longitudinally complete medical record for patients.

Once physicians are comfortable with this new approach to record keeping, it will be a small step for them to utilize other planned Medical Office Online services. The days of manual note-taking and paper records are soon over. The paperwork has become too burdensome for the current system to continue. Electronic systems, such as the one proposed here, will ultimately replace much, if not all, of the physicians records and patient ledgers. Medical Office Online plans to be a leader in this evolution, with products and services that can be delivered easily and cost-effectively.

Medical Office Online's management team is knowledgeable and experienced in all aspects of medical office administration, record keeping, reporting, and compliance, as well as management of a start-up business, including forecasting, sales and marketing, customer service, product development, and financial management.

This business plan represents a unique opportunity to help transform an industry that has lagged behind others in the use of electronic communications. The potential for success is high, both now and for many years to come.

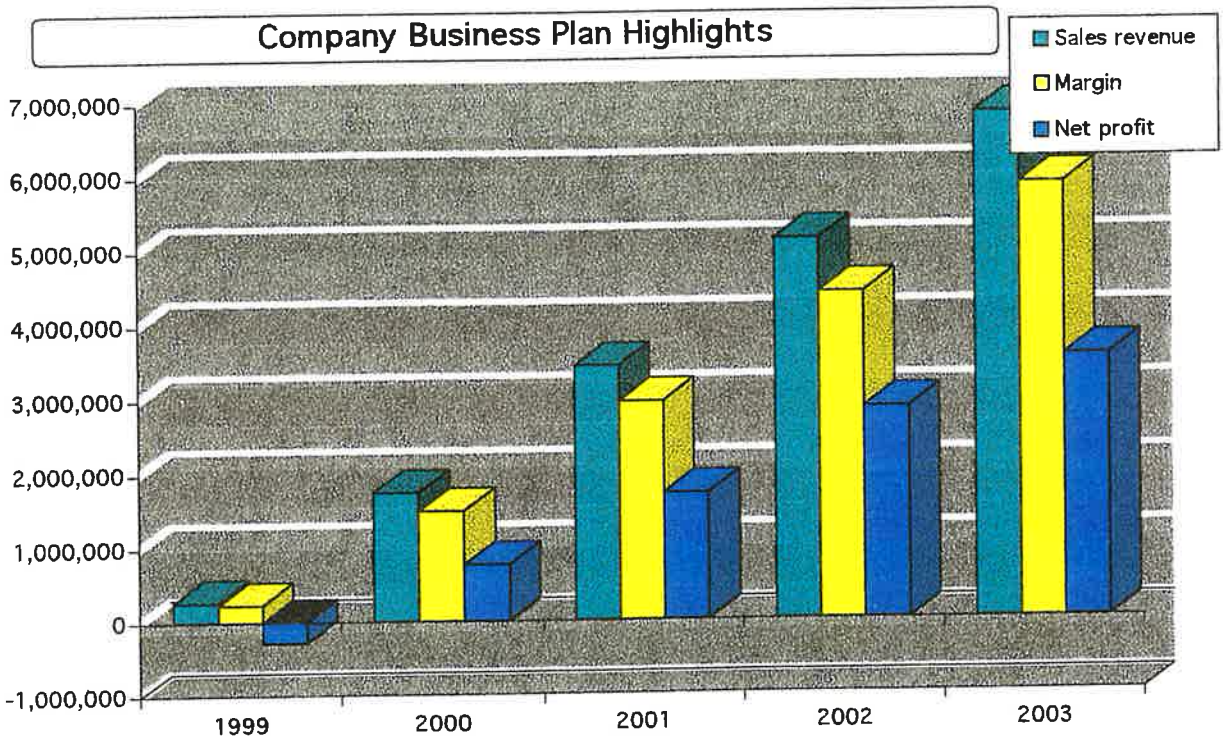
Investor Exit Strategy

Medical Office Online eventually plans to go public to acquire the funds necessary to bring its housekeeping functions (i.e. programming and server maintenance) in-house, thereby lowering costs and overhead. Lower costs should keep Medical Office Online competitive and allow it to market more effectively to larger organizations.

With proceeds from its initial public offering and as an established warehouser of medical records, Medical Office Online will consider the purchase PMSI or a similar company

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Income Statement



Company

Philosophy and Core Values

Medical Office Online will operate with the highest standards of quality, service and value. The overriding philosophy of the company will be to deliver the highest quality products and services at competitive costs and to continue to bring to market the advantages inherent in modern technological advances. It is also an important part of Medical Office Online's philosophy that these products and services be made available to those who cannot afford them.

Medical Office Online's core values are shown below:

1. Understand customers, competition and industry.
2. Product congruency for customers satisfaction.
3. Product lifecycles.
4. Growth by related fields of interest.
5. Balance customers, management and business goals.
6. Hire the best people. Treat all employees with respect and fairness.
7. Develop values and culture.

Company Ownership

The legal form of *Medical Office Online, Inc.* is a Missouri Corporation of the C - type or LLC. John B. Costello, M.D. will own 51% of the issued stock. Investors will be offered two 20% blocks of equity shares. Employees will be offered up to 9% of the equity shares with employment requirements.

Company History

Medical Office Online, Inc. was founded in 1998 by John B. Costello, M.D., a practicing physician who has always looked for ways to make his office more efficient and cost effective in the patients' best interests. Dr. Costello realized that the new Medicare regulations regarding patient notes and records would make the physician's work significantly more difficult and began to look for a simpler way to comply with these new requirements. Having worked previously with the development of an electronic claims filing program for physicians' offices, Dr. Costello knew that electronic notes were the logical solution. Working with several experienced Internet software developers, he created a simple but effective program that is easy-to-use, flexible enough to accommodate different practices, and fully compliant with all new Medicare requirements.

Company Location and Facilities

Medical Office Online will initially be housed in leased office space in the Town and Country Medical Office Building at 2821 North Ballas Road in St. Louis, Missouri. This space was chosen to allow Dr. Costello to remain in close

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physical proximity to this business on a daily basis. As the company grows, it is likely that expanded office space will be needed at a future site to be determined.

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Product

Background

The impetus to launch Medical Office Online comes from the pressure of new Medicare rules for coding patient visits. Beginning July 1, 1998 physicians must comply with a stringent list of documentation rules required for each patient visit. Failure to comply, whether intentional or not, could result in a $10,000 fine per infraction. With Medicare reimbursement increasingly prevalent in all areas of the medical profession, these documentation rules will impact almost every doctor's office across the country. A recent article in the *American Medical Association News* estimated that as much as 60 percent of all documentation as it currently exists would not meet these new exacting requirements. Thus, a new method of recording visits, one that is both thorough and easy-to-use, is needed.

Electronic notes are the logical and efficient answer. The present standard of handwritten or even dictated notes will quickly become obsolete because of the voluminous amount of information which must be recorded with every visit.

The concept of using the Internet eliminates and/or will simplify the in-office network. Medical Notes Online will be presented on-line, accessible from any work station in the medical office via simple modem connection to a dedicated, secure server. Notes will be designed with most required information already pre-answered to streamline the input process. Changes will need to be made only in those few places in the record where the procedures have varied from the norm. These changes can be easily input by hand-typing, pop-up box, or later voice recognition dictation of that one item. The records can be then stored on the server or printed out at the medical office for a paper chart.

Electronic Records, of course, are not a new concept. There is a wide range of companies providing related products and services (see Appendix). Most of them, however, are based on outdated and costly technology which is slow, time-consuming, and not easily upgraded. For example, most existing electronic notes systems either...

- Scan in documents.
- Dictate and transcribe in the documents.
- Hand fill-in or type in the documents.

All of these approaches require a significant amount of time and lead to incomplete documentation, unnecessary overhead, and inefficient use of both the physician's and the staff's time.

Existing systems also come up short because they typically require the purchase of expensive in-house servers and software. Customers must often purchase expensive software upgrades, pay for system maintenance, and face the real possibility of system obsolescence. On top of all that, most existing systems are not set up to handle easily the volume of documentation requirements which Medicare has imposed. Thus, the current situation is one which offers expensive but inadequate electronic or paper options that do not get the job done efficiently or effectively.

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Medical Notes Online also offers potential in the area of medical data warehousing. Insurance companies need access to medical records for underwriting rating. There are companies now that provide health information to insurance companies for pay. Medical Office Online will bypass these and sell the information directly, plus deliver it more efficiently. In time, it is anticipated that Medical Office Online will reach a point where it should consider vertical integration through the purchase of PMSI, Equifax or others that deliver this type of medical information to third parties

The reason for Front Desk Online is to facilitate the delivery of vital information to the doctor in a more effective manner. In working with any customer situation, it is always more effective if the salesman (in this case the doctor) personalizes his or her actions. This dynamic applies to scheduling the next visit, handing out patient information, providing material about illness and medical side effects, or updating the patient on rules by insurance companies.

Front Desk Online will provide this information at the doctor's desk, as well as at the receptionist's. Thus, physicians will be better able to serve their patients, resulting in greater patient satisfaction, higher levels of referrals, and less time spent repeating or clarifying information.

Ledger Online will create a more efficient and accessible office accounts receivable system. Existing vendor software has become needlessly difficult to use. Entry of a typical transaction of a medical encounter requires five entries:

1. Patient account number
2. Date of service
   - Provider (optional)
   - Document number (optional)
3. CPT code
4. Location/Diagnosis
5. Price

By incorporating much of this information directly into the record keeping process for the doctor to enter as he does his notes, Medical Office Online's system will allow the office to produce the day ledger as patients are seen in the exam room. At day's end, a day sheet can be created from the data base and then posted to NEIC or printed on paper, if needed, via our fourth product, Electronic Claims Online.

The fifth product is in response to the pressure by payers on providers to control costs. It is also in response to the physicians need to document cost effective care to the payers.

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Product Description

Medical Office Online's initial product is called Medical Notes Online, which is a medical record developed in Lotus Notes and accessible from a dedicated server via the Internet. Medical Notes Online will be templated with options to change entries that are relevant to a particular patient and then to be edited for correctness according to Medicare evaluation and management rules that apply in 1998. All appropriate securities will be provided on Medical Office Online's servers to maintain privacy for both parties in the relationship.

The second product, Front Desk Online will provide a patient scheduler, insurance referral rules, patient eligibility, OSHA and Hazardous materials Manuals, patient hand outs. Website jumps and drug companies new product information.

The third, Ledger Online will be a straight forward accounts receivable record of patient transactions with emphasis on simplicity of use.

Electronic Claims Online will file claims to NEIC. We may initially go through a clearinghouse but plan to bring this function in house within three years.

Utilization Analysis Online will compare CPT code utilization to payments. It will also look at the distribution of use of individual CPT codes.

Important Product Features and Comparison

The pay back for physicians will be a more accurate and detailed note. Medical Office Online's family of products will be better for patient care and better for documentation according to Medicare's recent E&M documentation rules.

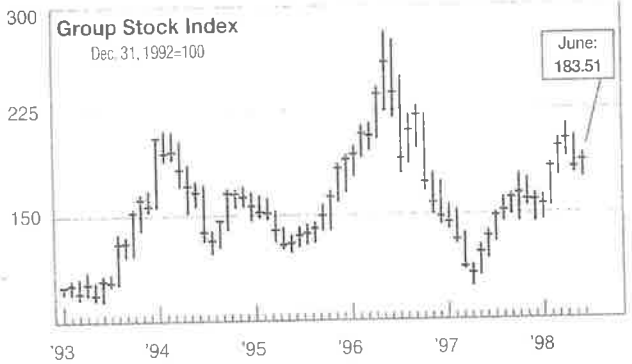
The pay back for the patients will be improved convenience and fewer tests, because results will be readily available through one source, one on-line file. As a courtesy, Medical Office Online will allow the records to be viewed online by anyone with proper authority from patients and a proper registration with our service. Only those who pay a fee will be able to write for the records.

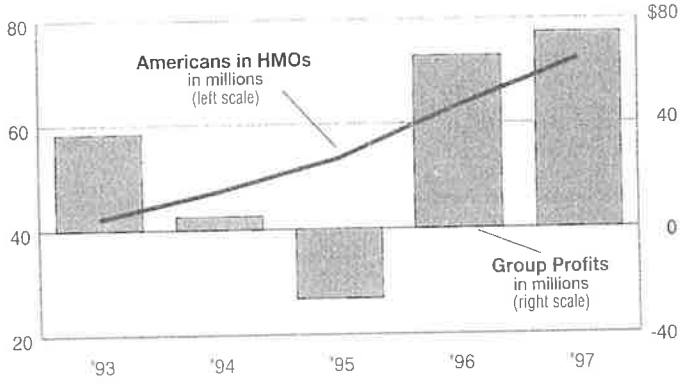
It should be noted here that we intend this service to be provided **free of charge for charity care**. The physician will be able to log-on to our service, and even if he is not paying the monthly service fee, enter data for a charity case that will then be available for other physicians and hospital networks that may provide care for that patient also. This will eliminate many problems that the underinsured often experience with continuity of care and physicians' difficulty in determining what has been done and what hasn't been done as a result. This will be of great savings to those institutions providing charity care with obvious benefits.

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▶ Macroscope: Computer Software — Medical

As hospitals and other health-care businesses invest to become more efficient, they increasingly turn to companies that provide medical-management software. The technology spending spree is expected to continue





Medical Software: It's proving crucial to players in today's managed-care world

The bulky paper files TV's Dr. Marcus Welby used to flip through to make a diagnosis are giving way to computer systems and electronic patient records.

1. BUSINESS

Health-care information technology companies sell software and consulting services to HMOs, hospitals and others.

They're also selling to another customer segment, integrated delivery providers, which has emerged in the past three years. These health-care providers are soup-to-nuts operators of hospitals, clinics and home services in a given area.

Hot health-care technology products today include clinical data repositories for patient records. Another new entry is scheduling software that tracks patients throughout a facility.

■ **Name of the game:** Hospitals and others use software and computer systems to become more efficient. Successful software companies stay close to their customers and can identify needs best. Customization is crucial.

2. MARKET

The health-care information services market grew an average 16% annually to $13.6 billion last year from $7.5 billion in '93, according to Dorenfest & Associates, a Chicago-based consultant. But health-care firms are wary shoppers.

They spend 1.5% to 2% of their operational budgets on information technology, compared with 6% by banks, says Doug O'Boyle, of market researcher Meta Group Inc. of Stamford, Conn. Still, hospitals are beginning to boost their budgets.

"Managed care is forcing the industry to cut the fat," O'Boyle said. "The business was never set up to be efficient. (But) managed care has turned the health-care model upside down. This is an industry that probably cuts down a forest a day because of all the paper."

It's estimated 500,000 doctors still use paper. But many will shift to electronic files in two to three years, after they see others using systems, says Richard Tarrant, chief executive of Burlington, Vt.-based IDX Systems Corp., a fast-growing health-tech provider.

"The health-care industry tends to be risk-averse," Tarrant said. "They want the tried and proven systems that work . . . because they're dealing with patient records. Very few want to be pioneers."

The challenge for technology companies is dealing with individual doctors and their unique demands.

But doctors must become more tech savvy. Regulations are increasing, and doctors need technology to keep detailed records, says John Cracchiolo, CFO of Quadramed Corp. a software provider in Larkspur, Calif.

The federal government started an aggressive program last year to clamp down on health-care fraud, he says.

"Nine months ago you couldn't find a compliance officer at a hospital," Cracchiolo said. "Today, everybody has one," as well as compliance software.

Another trend is growing patient activism, said Duncan James, marketing vice president for industry giant HBO & Co.

"The provider market is very consumer-conscious because people can switch easily," James said. "You're going to see more information in the hands of consumers."

For instance, diabetics can update diet, exercise and glucose information on the Internet and send it to their doctor for study. Problems are dealt with before they become emergencies.

▷ At A Glance

Y	N		
☑	☐	**Regulated?**	■ Health-care organizations must comply with Medicare and Medicaid regulations
☐	☑	**Global?**	■ While health-care technology is becoming more international, sales are concentrated in North America
☐	☑	**Cyclical?**	■ Health-care providers are constantly evaluating or updating their technology systems
☐	☑	**Diversifying?**	■ But health-care technology companies are on an acquisition binge to expand their product offerings

3. CLIMATE

Health-care providers are more receptive to technology than ever before, says industry consultant Joe Deluca of Alameda, Calif.

The change in attitude has created more players. Today, an estimated 600 companies specialize in health-care information technology. About 40 are publicly traded.

Consolidation could lend some critical mass and stability to the market. "Smaller companies often don't have the technical and financial resources to keep pace," said Meta's O'Boyle.

"There's more action to come," IDX's Tarrant said. "We're looking to acquire."

Quadramed has bought 19 companies in the past 4½ years. "It's important for us to get big and keep getting bigger," Cracchiolo said.

But bigger may not be better, Deluca says. A bunch of solid players with $500 million in annual revenue each will do more for healthy competition than a handful of billion-dollar companies, he said.

4. TECHNOLOGY

Integration of old systems — some of which have been around since the '70s — is a prime challenge. Many hospitals' radiology, pharmacy and other departments bought stand-alone systems that weren't meant to work together.

Worse, the legacy systems are inferior because they depend heavily on handwritten entries, with nurses making notations on multiple charts for one procedure, says consultant Sheldon Dorenfest of Dorenfest & Associates.

Year 2000 snafus could be the biggest tech problem the health-care industry faces, he says. Many old computers will read the year 2000 as 1900 and not function correctly.

Fixing that problem may siphon money from other health-care technology buys late this year and early next.

5. OUTLOOK

The health-care industry is likely to face considerable change in the years ahead. Consolidation will continue. One frightful possibility is that health-care costs will accelerate.

Also, the health-care information technology market is facing the same worker shortages the rest of the tech industry experiences. That problem could derail future growth.

■ **Upside:** Health-care companies are spending on tech and are expected to keep it up. "Healthy but not spectacular growth is where it's at," O'Boyle said. "There's going to be steady, healthy 15% to 20% annual growth."

■ **Risks:** Medical software is so new, it hasn't seen a recession. But a spending slowdown by hospitals would hurt. "One of the biggest risks is trying to get our customers to make a decision," Cracchiolo said. "Hospitals tend to be largely bureaucratic. If you're trying to make a decision by committee, it's going to be a long sales cycle."

— *Michele Hostetler*

▶ Who's Who In The Group

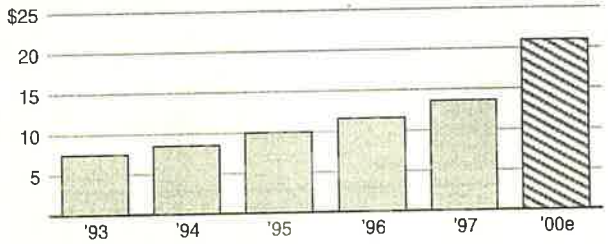
Twenty-five Computer Software — Medical companies ranked by a combination of their Earnings Per Share and Relative Strength ranks

Company	EPS Rank	Rel Str	Stock Price	Mkt Val ($ Mil)	Sales ($ Mil)	12-Mo Sales %	3-Mo Sls ($ Mil)	Vs Yr Ago	Prior Qtr Gain	Qtr EPS	Vs Yr Ago
1 **HBO & Co**	99	85	58.38	$12,307	$1,282.7	27%	$342.8	30%	27%	$0.30	67%
► *Industry's biggest player is also a leader in pretax margin and return on equity*											
2 **Mecon**	75	97	10.50	63.0	15.1	11	4.2	69	28	0.09	n.a.
► *Recently signed agreement to market benchmarking products to HBO & Co. customers*											
3 **Medirisk**	75	96	20.31	81.9	19.3	93	5.2	95	133	0.08	700
► *Provides proprietary databases and decision-support software*											
4 **Quadramed**	75	95	27.38	344.8	54.3	84	17.1	122	164	0.20	n.a.
► *Has made at least three acquisitions this year*											
5 **Dendrite International**	75	94	31.88	363.3	84.4	23	22.6	36	45	0.15	n.a.
► *Provides electronic territory management solutions to pharmaceutical industry*											
6 **Walsh International**	69	94	15.38	162.7	59.9	13	16.4	19	15	0.24	100
7 **Infocure**	65	96	12.63	72.5	24.8	57	10.6	609	44	0.08	n.a.
8 **I D X Systems**	89	69	43.13	1,132.6	264.6	22	72.7	22	27	0.28	65
9 **Medical Manager**	63	94	28.00	549.1	90.6	124	27.7	83	172	0.17	21
10 **Transition Systems**	93	53	18.75	339.8	49.8	29	12.6	28	29	0.14	27
11 **Cerner**	78	67	26.25	865.8	267.6	43	73.7	44	50	0.11	83
12 **A D A M Software**	46	88	3.63	17.8	6.9	50	1.6	40	20	0.01	n.a.
13 **Summit Medical Sys**	43	88	3.38	32.5	11.9	-28	2.8	-30	-22	-0.21	n.a.
14 **I V I Publishing**	7	97	5.69	43.6	2.4	-71	0.3	-81	-58	-0.22	n.a.
15 **Access Health**	65	16	23.25	433.4	114.9	27	31.2	24	18	0.29	32
16 **Proxymed**	16	61	10.19	114.7	15.4	691	4.8	1,027	224	-0.14	n.a.
17 **Medicus Systems**	7	63	7.25	47.0	16.5	-9	3.2	-22	-27	-1.20	n.a.
18 **Health Systems Design**	20	49	8.25	54.0	21.0	42	6.4	56	59	-0.06	n.a.
19 **Creative Computer**	39	27	1.31	3.8	6.6	0	1.3	-30	4	-0.20	n.a.
20 **Tripos**	23	24	12.06	37.6	29.6	-4	6.2	-9	-16	-0.10	n.a.
21 **Heuristic Development**	46	1	0.56	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	-0.19	n.a.
22 **Healthdesk**	42	2	1.44	8.2	0.2	-23	0	-94	-86	-0.13	n.a.
23 **Medplus**	4	35	6.88	40.7	9.2	-8	1.5	17	-11	-0.28	n.a.
24 **Oacis Healthcare**	29	6	3.25	33.1	26.6	25	6.4	34	27	-0.09	n.a.
25 **Global Med Tech**	11	9	1.16	9.4	2.1	-61	0.8	-31	-5	-0.24	n.a.

▶ Trends To Watch

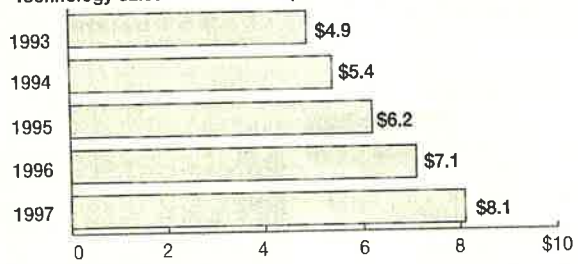
Efficiency efforts drive medical software spending . . .

Health-care information systems market, in billions



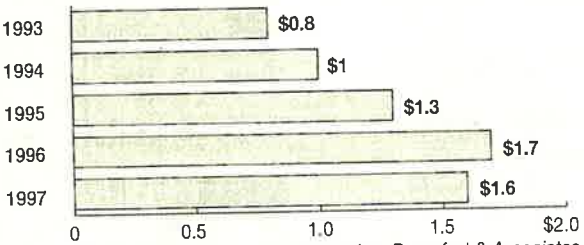
. . . in both hospitals . . .

Technology sales to acute-care providers, in billions



. . . and physicians' offices

Technology sales to physicians, in billions



Sources: Health Care Financing Administration, Dorenfest & Associates, InterStudy Publications

Market Analysis

Industry Analysis

The market for providing a medical record in an electronic form is large and fragmented. Most physicians, whether part of a large network, in a small group, or individually practicing, still use a paper chart. In the last five years with the development of networks, integrated systems are coming on line. For example, the St. Louis market now contains four networks, SSM, Unity, BJC and Tenet, each of which has developed or is developing its own integrated system. At this point, only BJC has electronic records, and theirs have not been implemented with any effectiveness. With the millennium bug and the new Medicare documentation rules, everyone is looking to change.

The leading source book for software for medical offices has been published by Aspen Distribution since 1968. A review of medical records systems in this book indicates only one company that has records on line. This company is Pearl On-Line and their web site is WWW.MIMSCORP.com.

An analysis of this company was done through their web site. They use older technology that requires that records be input in one of two ways: either they are dictated by the physician, transcribed and then stored electronically on line or they are hand written or typed locally by the physician and then scanned into the system and stored on line. These techniques are old and burdensome and technologically incompetent. In addition, the system is very expensive. The on-line service itself at this point for medical records is $39.00 per month (a discount is offered to those on America Online). This does not include a separate typing fee, although most physicians apparently transcribe their records. As of March 1998, the sales rep for Pearl On-Line indicated that one-thousand physicians nation-wide used this service.

A second potential competitor is called PCN. It is on the NASDAQ stock exchange with the letters PCNR. This company is an amalgamation of PCN and Glaxo Welcome. They have apparently invested $50,000,000 and bought out several companies including Versyss and Wallaby. The Wallaby system was set up by Blue Cross and became obsolete about five years ago. The Versyss system was a presence in St. Louis, but apparently went out of business with the remains of this company being bought by PCN. Their systems were in-house with no on-line capacity. They do have a very complete system of recording records. Screen presentations can be seen at WWW.PCN.com.

All other companies which recorded a web site on-line were surveyed and no one was recording records as Medical Office Online proposes to do.

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Market Strengths

Medical Office Online's competitive strengths are:

- Online note writing is quick, easy, and fool-proof.
- Medical Office Online's system simplifies the process by defaulting to the expected procedures.
- Records can be stored on Medical Office Online's server, thereby eliminating the need for costly file space.
- Record maintenance and input is reduced significantly.
- Medical Office Online can reach its target audiences relatively inexpensively using traditional direct marketing techniques.
- Medical Office Online's target audience should be predisposed to be receptive to this type of product given the Medicare requirements being put in place.
- Medical Office Online is run by knowledgeable and experienced professionals who understand the medical office environment and how to bring a new product to market.

Market Weaknesses

- There is a slim possibility that Medicare could reverse its new rules, thereby reducing the urgency for medical offices to find a better way to keep records. Dr. Costello has personally spoken with the medical director of General American in the St. Louis area on this point. He was 90% certain that the rules for the history and the physical components of the visit would not change and would be present July 1 regardless of physician complaints.
- Some other large company might see the need for this type of online service and devote substantially greater resources than Medical Office Online is able to muster.
- Medical offices which have already sunk costs into in-house servers and software packages may be reluctant to change, even if their systems do not operate as efficiently or effectively.

Market Forecast

The target market is world wide. It includes both osteopaths and medical physicians. It is estimated that this target market totals approximately 600,000 across the U.S. Marketing to these groups will be done in phases in this order:

- Solo physicians
- Small groups of physicians
- Large groups of physicians

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- Hospital systems

Within each target group, the marketing message will be directed toward either lead physician or the office manager or both. Experience has shown that the purchasing decision is usually made by the lead physician, but often following initial research and recommendations made by the office manager.

Eventually, the target market will be expanded world wide All products will be protected by trademarks, copyrights, and patents as required

The market forecast for Medical Office Online's family of products is conservatively estimated at $300,900,000 annually. This equates to an annual solicited market segment of 85,000 physicians times a potential total revenue of $3,540 in potential annual fees. Medical Office Online's most conservative estimates call for it to earn a 1.1 percent market share for its first product, Medical Notes Online, within three years and more than 2.1 percent within five years. The market forecast for subsequent products is estimated as follows: Front Desk Online (80% of same target market); Ledger Online (40%); Electronic Claims Online (40%); and Utilization Analysis Online (20%).

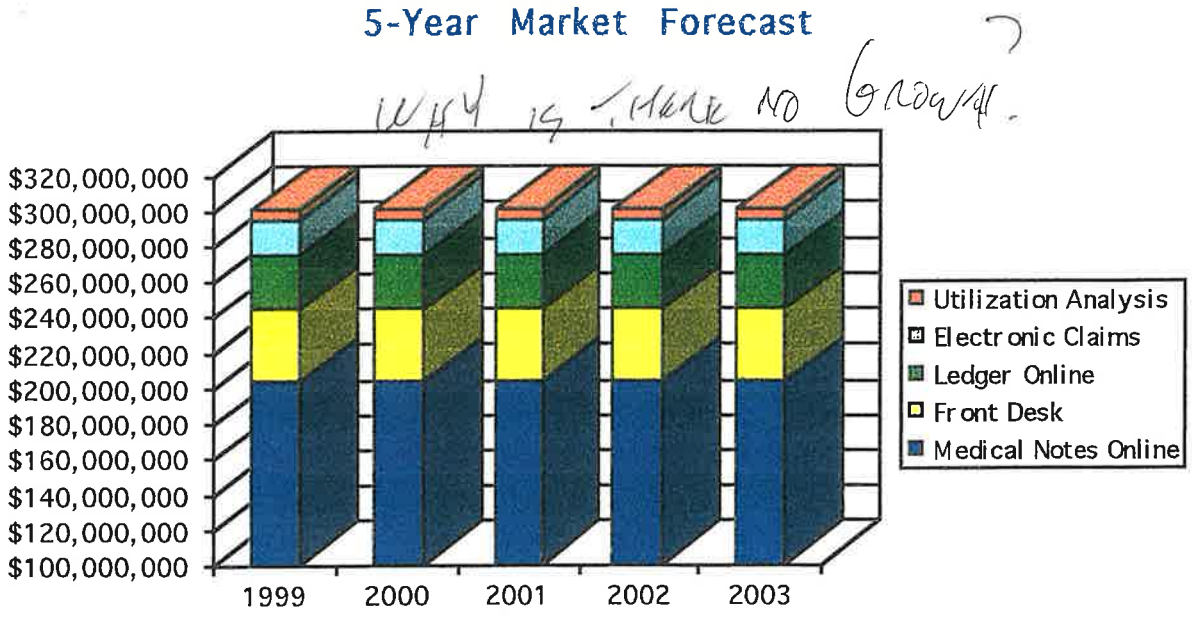
5-YEAR TOTAL MARKET FORECAST

	1999	2000	2001	2002	2003
Medical Notes Online	$204,000,000	$204,000,000	$204,000,000	$204,000,000	$204,000,000
Front Desk Online	40,800,000	40,800,000	40,800,000	40,800,000	40,800,000
Ledger Online	30,600,000	30,600,000	30,600,000	30,600,000	30,600,000
Electronic Claims Online	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000
Utilization Analysis Online	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Total Market	$300,900,000	$300,900,000	$300,900,000	$300,900,000	$300,900,000

No Growth Market?

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Business Strategy and Implementation

Marketing Strategy

The Medical Office Online marketing strategy is to promote and support the fact that our solutions to the medical office problem of complying with Medicare E and M coding and the administrative tasks and costs of personnel to handle records is superior to all others in the market.

Given the urgency brought on by the July 1 Medicare enforcement date, Medical Office Online's marketing strategy will be to pitch physicians on a nationwide basis as quickly as possible. The specific elements of the marketing strategy will include:

- A direct mail package sent to physicians and medical office managers.
- A Medical Office Online website. - WHY NOT GIVE 30 DAY FREE IN WEBSITE
- Selected regional or national advertising in trade publications as needed to reinforce the company's image and to establish credibility with the target audience. WHAT
- Publicity efforts designed to garner feature stories in trade media about this innovative product. WHO IS DR FRANK
- Direct sales efforts targeted at larger medical offices/networks. (SALES FORCE?)
- Educational forums offered at hospitals or seminars. (WHO?)
- Development of an informational brochure about the Medical Office Online.

We have chosen direct mail advertising as the primary vehicle to reach all physicians and osteopaths initially. We are aware that the response rate of direct mail is approximately 1-2%. We intend to test market in a limited number of states at first and then in all fifty states once initial results have been assessed.

To prove the value of our software over all other methods of record keeping, we will allow on-line use of the product for a short specified amount of time by any and all medical offices that wish to test it. If at a certain point of time, the customer feels that it is superior to what they are currently using we will allow them to sign on and pay through MasterCard or Visa on a monthly basis. The system will be set up to issue an alert when an office has reached the end of its trial period and to cut off all further testing for that office if it fails to agree to payment terms.

All payment of fees will be done through automatic monthly charges on MasterCard or Visa. Monthly renewals will be automatic unless and until the customer requests discontinuation of the service.

Product Positioning

The product should be seen as a way to protect physicians' offices from Medicare fraud and abuse investigations when no wrong doing has been committed. Because of the tremendous pressure on physicians, there should be substantial interest in this product.

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It is also important for Medical Office Online to create the appearance of longevity and stability in the marketplace.

Key Selling Points

We estimate that the physicians' offices that use our product will save at least fifty percent on overhead in personnel handling charts and paper in the chart over any one specified given period of time. We anticipate the needs for space to be reduced as the actual physical burden for handling all records in the office will be reduced to telephone outlets, a modem, a computer screen and a basic computer network, possibly a very simplified network with a server to route the call to our on-line service.

Other key selling points include the security of the records, as well as the fact that these records will be edited in real time to determine whether the note the physician produces is in compliance with Medicare's evaluation and management guidelines for the history, physical, decision making and choice of procedure code. It is also important to stress the product is going to allow physicians to create their own templates to store and use repeatedly without retyping. Finally physicians will be able to log-on and use the system free of charge for any charity cases they may be handling.

Advertising and Promotion

Medical Office On-line, Inc. recognizes that the key to success requires timely and extensive promotion. This must be done aggressively and on a nationwide scale. To accomplish sales goals, we will need a competent advertising plan and public relations firm. We plan to do most of our advertising through direct mail in all fifty states.

Our initial advertising and promotion objectives are:

- To mail a minimum of 250,000 packages in the first year of operation.
- To achieve a minimum response rate of 1%.
- To achieve a response to purchase conversion rate of 20%.
- To garner at least one feature article in a national medical trade publication within the first 12 months of operation.

The advertising campaign is to be developed and properly focused on the concept of evaluation and management fears that physician offices are under. We want to maintain the appearance of longevity and stability in the marketplace. We want to identify in our ad copy the security of the records as well as the fact that these records will be edited in real time to determine whether the note the physician produces is in compliance with Medicare's evaluation and management guidelines for the history, physical, decision making and choice of procedure code. We will also stress the product is going to allow the physicians to create their own templates to store and use repeatedly without retyping. Finally we will allow the offices to log-on and use the system free of charge for any charity cases.

W e will also develop an informational brochure about the company.

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Selling Tactics

We are choosing direct sales. The majority of the sales will be through the Internet with a log on for a response to use the service to be paid for by MasterCard or Visa.

There is the intention to sell this product to large hospitals and networks to be used as an independent subcontract to their systems. In those conditions, there may be group rates paid on a monthly basis to the company and allow them to a fixed number of access points anywhere in their system.

Distribution

Obviously, distribution is global. The system will be accessible anywhere in the world.

Marketing Responsibilities

The president of Medical Office Online, Stanley P. Reynaud will be responsible for these marketing decisions:

- New business development
- Subcontractors
- Contracts
- Products
- Brandmark recognition
- Direct Response promotion
- Marketing Sales Tactics

James O'Donnell will serve as marketing director and creative director for all aspects of the marketing plan. He will have responsibility for developing advertising messages that are on strategy, overseeing the translation of these messages to the appropriate media, coordinating list development, print production, mailhouse services, and public relations activities.

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Strategic Alliances

Medical Office Online is investigating partnerships with hospital systems as a means of developing and testing its various products. One or more of these hospital systems may be used as Beta test sites for the various products as they are developed.

In developing future products, alliances with companies such as Gateway EDI or directly with NEIC may be necessary to complete the electronic claims online portion of the product offering.

Service

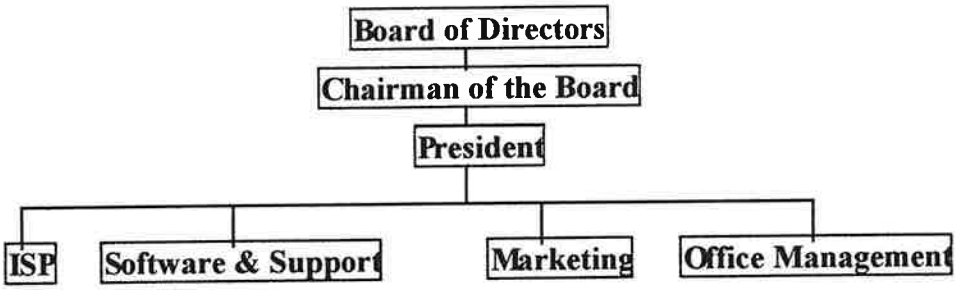
Medical Office Online places a high premium on the delivery of the highest levels of customer service at all times. We recognize that customer satisfaction will be key to our continued success and referral business. Every effort will be made to ensure that all systems, servers, and routers are fully functional and operational during all standard physician office hours.

In addition, Medical Office Online will establish a service desk to assist customers with any issues related to server connections or other matters. Technical assistance will also be available from the software developers at Wordlink.

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Organization

Organizational Structure



Management Team

Medical Office Online's management team is a blend of professionals who understand the medical profession and have extensive experience starting their own businesses. They include:

The management team consists of:

John B. Costello, M.D., Chairman

Stanley P. Reynaud, President

James E. O'Donnell, Director of Marketing

Julia Albano, R.N., Director of Office Management

Julie Schallert, Assistant Director of Sales and Marketing

The strength of the management team stems from a combined expertise in management, product development and sales. Every one of the persons in this project has unique talents that will assist and promote the goals of the company to bring an excellent and successful product to the market place.

John B. Costello, M.D., President.....Dr. Costello has successfully expanded an Internal Medicine practice beginning in 1985 from a part-time business to a full-time business with increases in revenue of over 400% with a very low over-head margin. In addition to this, in 1985, he started a health newsletter, in 1990, an attempt to sell a software utility for the purpose of filing electronic medical claims for a medical office. The consistent theme of all projects was to improve the efficiency of the office for the patient's benefit.

His responsibilities include guidance of product development, creation of new ideas in terms of products and services that can be provided on line, establishing the office and business operations, obtaining financing through investors and making sure the legal aspects of the corporation are intact.

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Stanley P. Reynaud, RN, President – Stan began his career as a staff nurse at City Hospital, becoming head nurse of the coronary care unit one year later. He implemented the ultrasound department there at City Hospital, serving as director until 1983. He established a mobile ultrasound company with physicians as partners, building a client base in St. Louis with revenues of over $900,000. After merging with Mobile Diagnostic Imaging, the combined companies were purchased by a publicly traded company, DHS, with Stan as manager of a four state division, responsible for $4,000,000 in yearly revenues, 32 employees, 28 hospitals, and accountable for all equipment purchases, installations, staffing, and daily operations.

James E. O'Donnell, Director of Marketing.....Mr. O'Donnell is president of O'Donnell Communications, a full-service marketing and communications firm in St. Louis. He has more than 21 years of experience in these fields, including 15 years as senior vice president for public relations/public affairs with Citicorp in St. Louis and Florida.

His responsibilities will be production and implementation of marketing ideas which may include any form of media or direct marketing.

Julia Albano, R.N., Director of Office Management.....Mrs. Albano is a Registered Nurse with Emergency Room and medical office management experience. She was also employed for several years as an executive secretary. In her current position, she manages public relations and trouble shoots. She is capable of handling bookkeeping and marketing.

Her responsibilities will be to assist in office management, product development and general maintenance of corporate premises and staff.

Julie Schallert, Assistant Director of Sales and Marketing...Mrs. Schallert was trained as a Marketing Rep for a large, successful pharmaceutical company with extensive experience in selling to physicians both on a personal and system-wide level, i.e. hospital or network.

Her responsibilities will include assisting and choosing sales staff and training in marketing techniques for these products.

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Board of Directors

The outside Board of Directors include: Joseph Mash, head of Creative Arts Design; and Robert W. Nolan, Jr., President, Nolan Communications, and Frank Grelle, President of Multiplex Incorporated.

In addition, investors with substantial commitments will be offered a seat on the Board pending approval from existing Board members.

Management Team Gaps

The Medical Office Online development team recognizes that additional staff is required to properly support marketing, sales, research and support functions.

Currently, Medical Office Online comprises the above named personnel. Over the next three years, we plan to expand to include up to twenty new personnel with the staff requirements of:

- Sales
- Customer Relations
- Administration
- Product Development
- Hardware Service Support

Outside Suppliers

We will initially contract out any programming to be done as well as any server services and routers. The outside computer programming will be done by Wordlink and the outside handling of the server and maintenance will handled by Inlink.

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Financial Analysis

Assumptions

New Medical Notes Online Subscribers	5,000 Mailers per wk/1% respond/20% sales
Cumm.Medical Notes Online Subscribers	3 PIECE MAILER TO SMALLER MORE REGIONALLY TARGETED AUDIENCE
New Front Desk Online Subscribers	Presume 80% of the Medical Notes Online Subscribers will use this module
Cumm.Front Desk Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts three months after Medical Notes Online
Front Desk Online Revenue	
New Ledger Online Subscribers	Presume 40% of the Medical Notes Online Subscribers will use this module
Cumm.Ledger Online Subscribers	but in the first six months of offering only half the number sign on
Monthly Fee	Starts six months after Medical Notes Online
Ledger Online Revenue	
New Electronic Claims Online Subscribers	Presume 100% of the Ledger Online Subscribers will use this module
Cumm.Electronic Claims Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts six months after Medical Notes Online
Electronic Claims Online Revenue	
New Utilization Analysis Online Subscribers	Presume 20% of the Medical Notes Online Subscribers will use this module
Cumm.Utilization Analysis Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts twelve months after Medical Notes Online
Utilization Analysis Online Revenue	
Total Revenue	

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WHY?

Service Credit	Presuming service credit at 2% of Total Revenue
Cost of Sales	Presuming cost of sales at 12% Total Revenue

Saleries&Wages	Start with three employees
Employee benefits	Benefits estimated at 3% of salary gross; same as above.
Payroll Taxes	Salary taxes estimated at 15% of wages; same as above.
Commissions	
Insurance LIABILITY ? IS IT EXPENSIVE. SPECIAL CONSIDERATIONS?	Doubles in the 2nd and 3rd year; increases by .5 year 4 and 5.
Advertising	Doubles in year 2 and 4.
Rent	Doubles in year 3 and 5.
Furniture&Equipment	Doubles in year 3 and 5.
Phones&Other Utilities	Doubles in year 2, 3 and 5.
Office Supplies	Doubles in year 2, 3 and 5.
Postage	Doubles in year 2 and 3.
Legal	Doubles in year 2.
Depreciation&Amortization	$15,000 expensed out in year one and $80,000 over five years
Softrware Maintenance Contracts	Doubles in year 3 and 5.
Server Maintenance Contracts	Doubles in year 3 and 5.
Netware Development cost	Doubles in year 3 and 5.
Server Equipment	Doubles in yr 2, 3 and 5.

MATCH DEVELOPMENT & HW AGING

WHY?

SEEMS LOW

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Start-Up Costs and Capitalization

	List	Subtotals	Totals
START-UP EXPENSES			
General and administrative			
Legal and accounting	10,000		
Rental deposits	2,500		
Utility deposits	1,000		
Prepaid insurance	1,250		
Payroll Fee	50		
Bank Fees	500		
Postage	500	15,800	
Office Establishment			
Office Build out	5,000		
Office Set up	12,500		
Office Supplies	2,500	20,000	
Sales and marketing			
Business Plan Development	2,500		
Promotion	1,000		
Signage	100		
Logo design	500		
Printing	500		
Other	0	4,600	
Technology Costs			
ISP Service Setup Costs	4,200	4,200	$44,600
Total start-up expenses	$44,600	$44,600	$44,600

- Cost of Liability Waiver & End User Agreement Included?

Start-Up Costs and Capitalization

	List	Subtotals	Totals
START-UP ASSETS			
Opening cash (min. balance)	0	0	
Netware related equipment			
Domino Server	25,000		
Router	18,700		
Firewall	17,100		
Internet Software	25,000		
Credit Card Software	5,000	90,800	
Capital equipment			
Furniture	3,000		
Phone Equipment	5,000		
Fixtures	1,000		
Computers Etc.	5,000		
Other	0	14,000	
Leasehold improvements			
Local Network Wiring Installation	1,000		
ISDN install	2,500		
Other	0	3,500	
Other assets			
Bank Account	500		
Other	0	500	$108,800
Total start-up assets	$108,800	$108,800	
Start-up requirements	$153,400	$153,400	$153,400

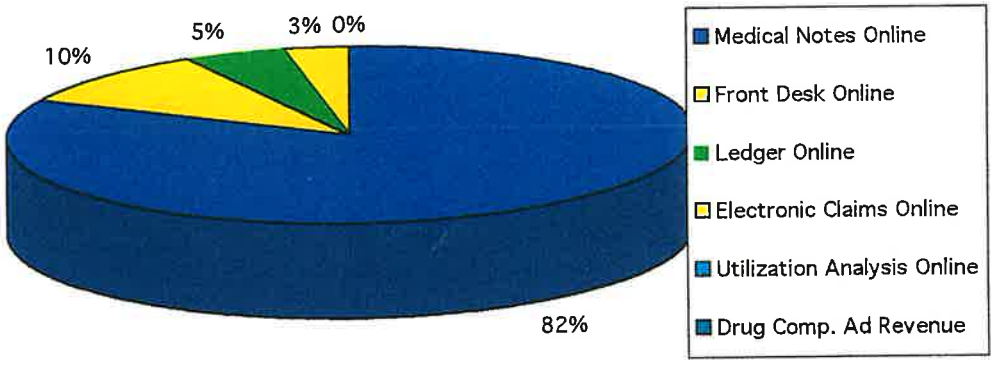
Start-Up Costs and Capitalization

	List	Subtotals	Totals
START-UP CAPITALIZATION			
Owners' investment			
John B.Costello, M.D.	25,000		
Investor Group #1	250,000		
Investor Group #2	250,000		
Investor Group #3	250,000		
Employee Group	11,000		
Other	0	786,000	
Bank loans			
Bank 1	0		
Other	0	0	786,000
Total capitalization	$786,000	$786,000	$786,000
Capitalization deficit	$632,600	$632,600	$632,600

Year 1 Sales Forecast

	Q1-99	Q2-99	Q3-99	Q4-99	1999
Sales					
Medical Notes Online	0	11,000	69,000	141,000	221,000
Front Desk Online	0	1,100	6,900	18,900	26,900
Ledger Online	0	0	3,600	9,000	12,600
Electronic Claims Online	0	0	2,400	6,000	8,400
Utilization Analysis Online	0	0	0	0	0
Drug Comp. Ad Revenue	0	0	0	0	0
Total	$0	$12,100	$81,900	$174,900	$268,900
Cost of sales					
ervice Credit on Total Gross	0	242	1,638	3,498	5,378
Cost of Sales on Total Gross	0	1,452	9,828	20,988	32,268
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
Total Cost of Sales	$0	$1,694	$11,466	$24,486	$37,646

Year 1 Sales by Product Line



Year 1 Pro Forma Income Statement

	Q1-99	Q2-99	Q3-99	Q4-99	1999
Sales	0	12,100	81,900	174,900	268,900
Cost of Sales					
Currency	0	1,694	11,466	24,486	37,646
Total	$0	$1,694	$11,466	$24,486	$37,646
Gross margin					
Currency	0	10,406	70,434	150,414	231,254
Percent	0.00%	86.00%	86.00%	86.00%	86.00%
Operating expenses					
Wages and salaries	30,000	30,000	30,000	30,000	120,000
Employee Benefits	900	900	900	900	3,600
Payroll Taxes	4,500	4,500	4,500	4,500	18,000
Commissions	0	0	0	0	0
Insurance	3,000	3,000	3,000	3,000	12,000
Advertising	42,000	42,000	42,000	42,000	168,000
Rent	6,000	6,000	6,000	6,000	24,000
Furniture&Equipment	900	900	900	900	3,600
Phones&Other Utilities	900	900	900	900	3,600
Office Supplies	300	300	300	300	1,200
Postage	300	300	300	300	1,200
Legal	3,000	3,000	3,000	3,000	12,000
Depreciation	7,749	7,749	7,749	7,749	30,996
Software Maintainance	4,500	4,500	4,500	4,500	18,000
Server Maintainance	4,500	4,500	4,500	4,500	18,000
Netware Development	7,500	7,500	7,500	7,500	30,000
Server Purchases	6,000	6,000	6,000	6,000	24,000
Accounting	6,000	6,000	6,000	6,000	24,000
Other					
Total	$128,049	$128,049	$128,049	$128,049	$512,196

Percent of sales	0%	1058%	156%	73%	190%
Pre-tax profit	($128,049)	($117,643)	($57,615)	$22,365	($280,942)
Short-term interest	$0	$0	$0	$0	$0
Long-term interest	$0	$0	$0	$0	$0
Taxes incurred	$0	$0	$0	$0	$0
Net profit	($128,049)	($117,643)	($57,615)	$22,365	($280,942)
Net profit/sales	0.00%	-972.26%	-70.35%	12.79%	-104.48%

5-Year Pro Forma Income Statement

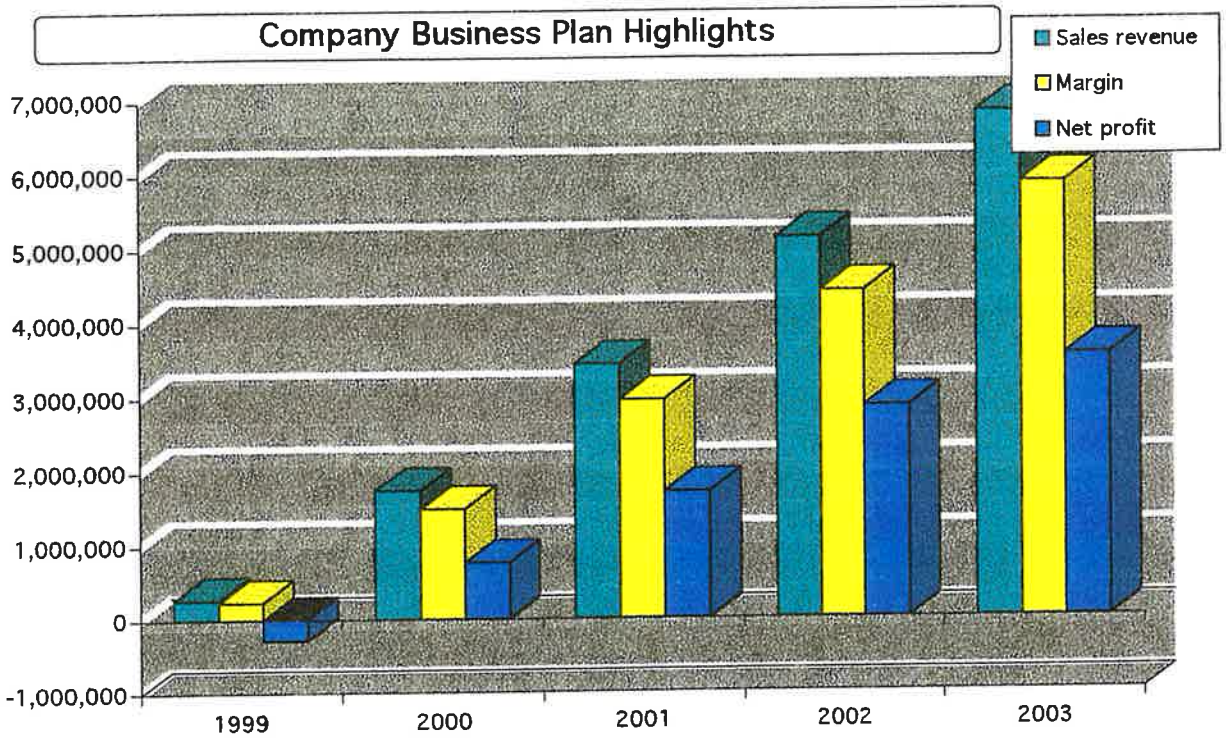
SALES AND GROSS MARGIN

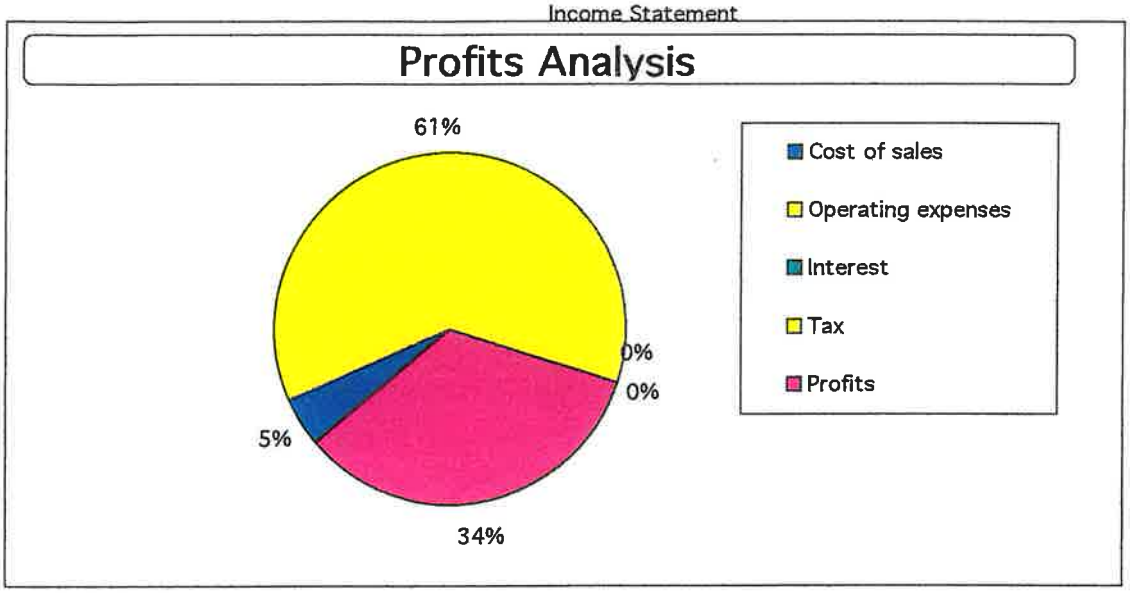
	1999	2000	2001	2002	2003	CAGR
Sales						
Sales revenue	268,900	1,741,500	3,439,200	5,138,400	6,837,600	125%
Cost of sales						
Cost of sales	37,646	243,810	481,488	719,376	957,264	125%
Other sales costs	0	0	0	0	0	0%
Total cost of sales	$37,646	$243,810	$481,488	$719,376	$957,264	125%
Gross margin						
Margin	231,254	1,497,690	2,957,712	4,419,024	5,880,336	125%
Percent	86.00%	86.00%	86.00%	86.00%	86.00%	

WHAT is Q1-Q2 How Does it look?

OPERATING EXPENSES

	1999	2000	2001	2002	2003	CAGR
Expenses						
Wages and salaries	120,000	243,600	487,200	730,800	1,096,200	74%
Employee Benefits	3,600	7,200	14,400	21,600	32,400	73%
Payroll taxes etc.	18,000	36,000	72,000	108,000	162,000	73%
Commissions	0	0	0	0	0	0%
Insurance	12,000	24,000	48,000	72,000	108,000	73%
Advertising	168,000	336,000	336,000	672,000	672,000	41%
Rent	24,000	24,000	48,000	48,000	96,000	41%
Furniture&Equipment	3,600	3,600	7,200	7,200	14,400	41%
Phones&Other Utilities	3,600	7,200	14,400	14,400	28,800	68%
Office Supplies	1,200	2,400	4,800	4,800	9,600	68%
Postage	1,200	2,400	4,800	4,800	9,600	68%
Legal	12,000	24,000	24,000	24,000	24,000	19%
Depreciation	30,996	30,996	30,996	30,996	30,996	0%
Software Maintainance	18,000	18,000	36,000	36,000	72,000	41%
Rserver Maintainance	18,000	18,000	36,000	36,000	72,000	41%
Netware Development	30,000	30,000	60,000	60,000	120,000	41%
Server Purchases	24,000	48,000	96,000	96,000	192,000	68%
Accounting	24,000	48,000	96,000	96,000	96,000	41%
Total	512,196	$903,396	$1,415,796	$2,062,596	$2,835,996	53%
Percent of sales	190.48%	51.87%	41.17%	40.14%	41.48%	
Profit						
Operating profit	-280,942	594,294	1,541,916	2,356,428	3,044,340	0%
Short-term interest	0	0	0	0	0	0%
Long-term interest	0	0	0	0	0	0%
Taxes incurred	0	0	0	0	0	0%
Net profit	($280,942)	$594,294	$1,541,916	$2,356,428	$3,044,340	50%
Net profit/sales	-104.48%	34.13%	44.83%	45.86%	44.52%	


Company Business Plan Highlights
Sales revenue
Margin
Net profit
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
-1,000,000
1999
2000
2001
2002
2003


Profits Analysis
61%
0%
0%
5%
34%
Cost of sales
Operating expenses
Interest
Tax
Profits

Profitability Details

	1999	2000	2001	2002	2003
Cost of sales	37,646	243,810	481,488	719,376	957,264
Operating expenses	512,196	903,396	1,415,796	2,062,596	2,835,996
Interest	0	0	0	0	0
Tax	0	0	0	0	0
Profits	-280,942	594,294	1,541,916	2,356,428	3,044,340
Sales	0	0	0	0	0

WHY NO TAXES?

WHY AR? CC DISCOUNT RATE IS?

MEDICAL OFFICE ONLINE INC.	1999	2000	Changes	2001	Changes	2002	Changes	2,003	Changes
Cash	307,058	969,352	662,294	2,568,268	1,598,916	5,326,696	2,758,428	8,783,036	3,456,340
Accounts receivable	65,000	200,000	135,000	351,000	151,000	493,000	142,000	630,000	137,000
Inventory	0	0	0	0	0	0	0	0	0
Other ST assets	10,000	10,000	0	10,000	0	10,000	0	10,000	0
TOTAL	382,058	1,179,352	797,294	2,929,268	1,749,916	5,829,696	2,900,428	9,423,036	3,593,340
Capital Assets	150,000	120,000	(30,000)	90,000	(30,000)	60,000	(30,000)	30,000	(30,000)
Accu.Depreciation	(30,000)	(30,000)	0	(30,000)	0	(30,000)	0	(30,000)	0
TOTAL	120,000	90,000	(30,000)	60,000	(30,000)	30,000	(30,000)	0	(30,000)
TOTAL ASSETS	502,058	1,269,352	767,294	2,989,268	1,719,916	5,859,696	2,870,428	9,423,036	3,563,340
A/P	10,000	15,000	5,000	25,000	10,000	35,000	10,000	50,000	15,000
ST Notes	0	0	0	0	0	0	0	0	0
Other ST Liab.	5,000	5,000	0	5,000	0	5,000	0	5,000	0
TOTAL	15,000	20,000	5,000	30,000	10,000	40,000	10,000	55,000	15,000
Paid-In Capital	768,000	768,000	0	768,000	0	768,000	0	768,000	0
Retained earnings	0	(280,942)	(280,942)	481,352	762,294	2,191,268	1,709,916	5,051,696	2,860,428
Earnings	(280,942)	762,294	1,043,236	1,709,916	947,622	2,860,428	1,150,512	3,548,340	687,912
	487,058	1,249,352	762,294	2,959,268	1,709,916	5,819,696	2,860,428	9,368,036	3,548,340
TOTAL DEBT & EQUOTY	502,058	1,269,352	767,294	2,989,268	1,719,916	5,859,696	2,870,428	9,423,036	3,563,340

NO EARNINGS PAY DATES?

MEDICAL OFFICE ONLINE INC.

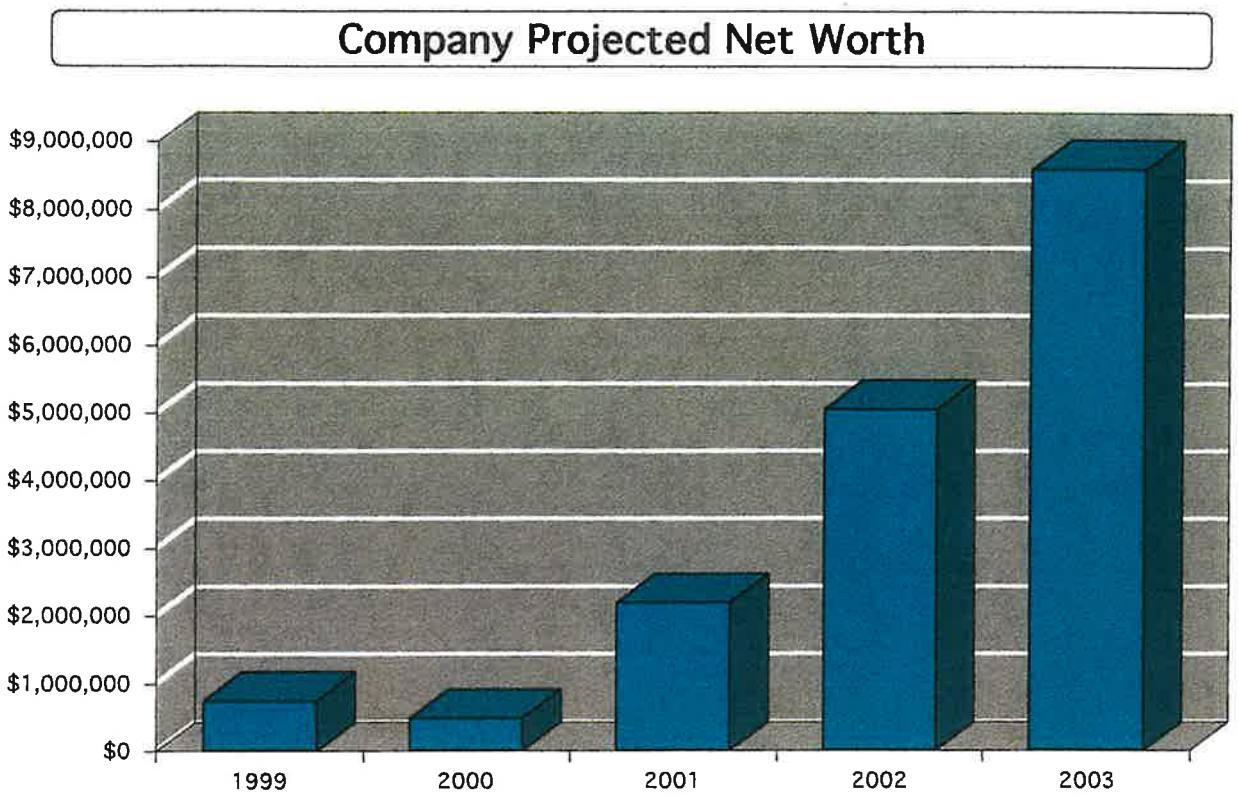
5-Year Pro Forma Cash Flows

	1999	2000	2001	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income/(Loss) at the end of year	(280,942)	762,294	1,709,916	2,860,428	3,548,340
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation & Amortization	30,000	30,000	30,000	30,000	30,000
(Increase) Decrease in:					
Accounts receivable	(65,000)	(135,000)	(151,000)	(142,000)	(137,000)
Inventory	0	0	0	0	0
Increase (Decrease) in:					
Accounts payable	10,000	5,000	10,000	10,000	15,000
Net Cash Flows (Used)/Provided by Operating Activities	(305,942)	662,294	1,598,916	2,758,428	3,456,340
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisitions of Capital Assets	(160,000)	0	0	0	0
Net Cash Flows Used)/Provided in Investing Activities	(160,000)	0	0	0	0
CASH FLOWS FROM FINANCING ACTIVITIES:					
ST Notes	5,000	0	0	0	0
Paid-In Captial	768,000	0	0	0	0
Net Cash Flows Provided by Financing Activities	773,000	0	0	0	0
NET INCREASE (DECREASE) IN CASH FLOWS	307,058	662,294	1,598,916	2,758,428	3,456,340
CASH - BEGINNING	0	307,058	969,352	2,568,268	5,326,696
CASH - ENDING	307,058	969,352	2,568,268	5,326,696	8,783,036

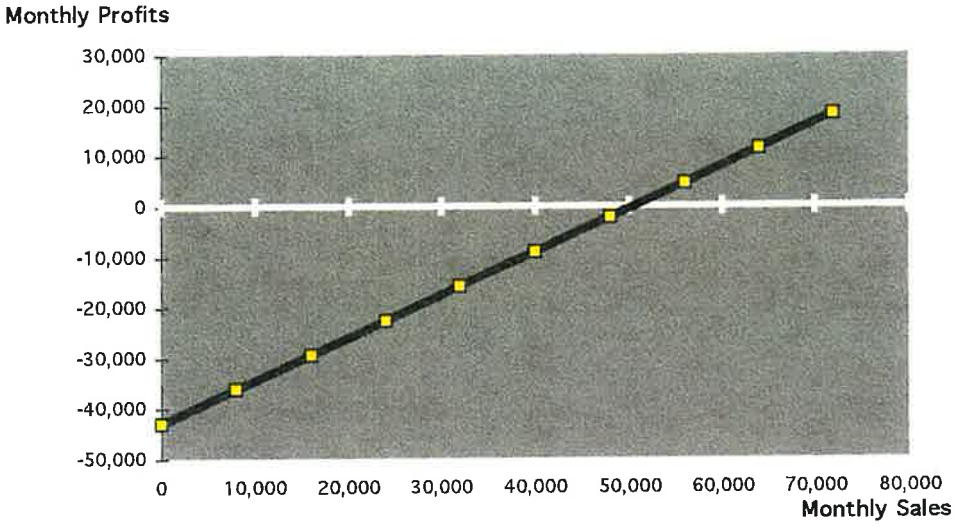
MEDICAL OFFICE ONLINE INC.
5-Year Pro Forma Balance Sheet

	1999	2000	2001	2002	2003
ASSETS					
Cash	307,058	969,352	2,568,268	5,326,696	8,783,036
Accounts Receivable	65,000	200,000	351,000	493,000	630,000
Inventory	0	0	0	0	0
Other ST Assets	10,000	10,000	10,000	10,000	10,000
Total	382,058	1,179,352	2,929,268	5,829,696	9,423,036
Long-term Assets					
Capital Assets	150,000	120,000	90,000	60,000	30,000
Accumulated Depreciation	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Total	120,000	90,000	60,000	30,000	0
TOTAL ASSETS	502,058	1,269,352	2,989,268	5,859,696	9,423,036
DEBT AND EQUITY					
Short-term Liabilities					
Accounts Payable	10,000	15,000	25,000	35,000	50,000
Short-term Notes	0	0	0	0	0
Other short-term Liabilities	5,000	5,000	5,000	5,000	5,000
Total	15,000	20,000	30,000	40,000	55,000
Long-term Liabilities	0	0	0	0	0
Total Liabilities	15,000	20,000	30,000	40,000	55,000
Equity					
Paid-In Capital	768,000	768,000	768,000	768,000	768,000
Retained Earnings	0	(280,942)	481,352	2,191,268	5,051,696
Current Year Earnings	(280,942)	762,294	1,709,916	2,860,428	3,548,340
Total	487,058	1,249,352	2,959,268	5,819,696	9,368,036
TOTAL DEBT & EQUITY	502,058	1,269,352	2,989,268	5,859,696	9,423,036

SHOULD LIST KEY RATIOS AND LIST INDUSTRY RATIOS


Company Projected Net Worth
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
1999
2000
2001
2002
2003

Company Breakeven Analysis



Break-Even Analysis

Break-Even Analysis

ASSUMPTIONS

Average sale	$200
Variable cost per sale	30
Fixed expenses per month	43,000

MONTHLY BREAK-EVEN VOLUME

Units	253
Sales	$50,588

Business Ratios

	1999	2000	2001	2002	2003
Gross margin	86%	86%	86%	86%	86%
Net margin	-104.48%	43.77%	49.72%	55.67%	51.89%
Return on equity	-38%	158%	78%	57%	41%
Return on investment	-27%	0%	0%	0%	0%
Return on assets	-37%	152%	77%	56%	41%
Current ratio	42.60	20.57	72.04	126.54	157.36
Quick ratio	42.60	20.57	72.04	126.54	157.36
Debt to equity	2%	4%	1%	1%	1%
Net worth	$744,058	$481,352	$2,191,268	$5,051,696	$8,600,036

WHY IS THIS CONSTANT? AND SO HIGH

INDUSTRY RATIOS ARE?

Month	
New Medical Notes Online Subscribers	5,000 Mailers per wk/1% respond/20% sales
Cumm.Medical Notes Online Subscribers	
Monthly Fee	
Medical Notes Online Revenue	
New Front Desk Online Subscribers	Presume 80% of the Medical Notes Online Subscribers will use this module
Cumm.Front Desk Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts three months after Medical Notes Online
Front Desk Online Revenue	
New Ledger Online Subscribers	Presume 40% of the Medical Notes Online Subscribers will use this module
Cumm.Ledger Online Subscribers	but in the first six months of offering only half the number sign on
Monthly Fee	Starts six months after Medical Notes Online
Ledger Online Revenue	
New Electronic Claims Online Subscribers	Presume 100% of the Ledger Online Subscribers will use this module
Cumm.Electronic Claims Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts six months after Medical Notes Online
Electronic Claims Online Revenue	
New Utilization Analysis Online Subscribers	Presume 20% of the Medical Notes Online Subscribers will use this module
Cumm.Utilization Analysis Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts twelve months after Medical Notes Online
Utilization Analysis Online Revenue	
Total Revenue	
Service Credit	Presuming service credit at 2% of Total Revenue
Cost of Sales	Presuming cost of sales at 12% Total Revenue
Total Cost of Sales	
Gross Margin	

Saleries&Wages	Start with three employees Double payroll 2nd and 3rd yr; increase payroll by .5 year 4 and 5.
Employee benefits	Benefits estimated at 3% of salery gross; same as above.
Payroll Taxes	Salery taxes estimated at 15% of wages; same as above.
Commissions	
Insurance	Doubles in the 2nd and 3rd year; increases by .5 year 4 and 5.
Advertising	Doubles in year 2 and 4.
Rent	Doubles in year 3 and 5.
Furniture&Equipment	Doubles in year 3 and 5.
Phones&Other Utilities	Doubles in year 2, 3 and 5.
Office Supplies	Doubles in year 2, 3 and 5.
Postage	Doubles in year 2 and 3.
Legal	Doubles in year 2.
Depreciation&Amortization	$15,000 exspenced out in year one and $80,000 over five years
Softrware Maintainance Contracts	Doubles in year 3 and 5.
Server Maintainance Contracts	Doubles in year 3 and 5.
Netware Development cost	Doubles in year 3 and 5.
Server Equipment	Doubles in year 2, 3 and 5.
Accounting	Doubles in Year 2 and 3.

Year 1

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	0	0	0	5	10	20	40	40	40	40	40	40	275
Cumm.MedicalNotes Online Subscribers	0	0	0	5	15	35	75	115	155	195	235	275	275
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$0	$0	$0	$1,000	$3,000	$7,000	$15,000	$23,000	$31,000	$39,000	$47,000	$55,000	$221,000
New Front Desk Online Subscribers	0	0	0	2	4	8	16	16	16	32	32	32	
Cumm.Front Desk Online Subscribers	0	0	0	2	6	14	30	46	62	94	126	158	158
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$0	$0	$0	$100	$300	$700	$1,500	$2,300	$3,100	$4,700	$6,300	$7,900	$26,900
New Ledger Online Subscribers	0	0	0	0	0	0	8	8	8	8	8	8	
Cumm.Ledger Online Subscribers	0	0	0	0	0	0	8	16	24	32	40	48	48
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$0	$0	$0	$0	$0	$0	$600	$1,200	$1,800	$2,400	$3,000	$3,600	$12,600
New Electronic Claims Online Subscribers	0	0	0	0	0	0	8	8	8	8	8	8	
Cumm.Electronic Claims Online Subscribers	0	0	0	0	0	0	8	16	24	32	40	48	48
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$0	$0	$0	$0	$0	$0	$400	$800	$1,200	$1,600	$2,000	$2,400	$8,400
New Utilization Analysis Online Subscribers	0	0	0	0	0	0	0	0	0	0	0	0	
Cumm.Utilization Analysis Online Subscribers	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue	$0	$0	$0	$1,100	$3,300	$7,700	$17,500	$27,300	$37,100	$47,700	$58,300	$68,900	$268,900
Service Credit	$0	$0	$0	$22	$66	$154	$350	$546	$742	$954	$1,166	$1,378	$5,378
Cost of Sales	$0	$0	$0	$132	$396	$924	$2,100	$3,276	$4,452	$5,724	$6,996	$8,268	$32,268
Total Cost of Sales	$0	$0	$0	$154	$462	$1,078	$2,450	$3,822	$5,194	$6,678	$8,162	$9,646	$37,646
Gross Margin	$0	$0	$0	$946	$2,838	$6,622	$15,050	$23,478	$31,906	$41,022	$50,138	$59,254	$231,254

Saleries&Wages	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$120,000
Employee benefits	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Payroll Taxes	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$12,000
Advertising	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$168,000
Rent	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Furniture&Equipment	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Phones&Other Utilities	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Office Supplies	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200
Postage	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200
Legal	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$12,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Server Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Netware Development Costs	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$30,000
Server Equipment	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Accounting	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Totals	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$512,196
Operating Profit	-$42,683	-$42,683	-$42,683	-$41,737	-$39,845	-$36,061	-$27,633	-$19,205	-$10,777	-$1,661	$7,455	$16,571	-$280,942

300
$55/m
$16,500

THESE NUMBERS HAVE TO BE WRONG

Year 2

Year2

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	40	40	40	40	40	40	40	40	40	40	40	40	480
Cumm.MedicalNotes Online Subscribers	315	355	395	435	475	515	555	595	635	675	715	755	755
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$63,000	$71,000	$79,000	$87,000	$95,000	$103,000	$111,000	$119,000	$127,000	$135,000	$143,000	$151,000	$1,284,000
New Front Desk Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Front Desk Online Subscribers	190	222	254	286	318	350	382	414	446	478	510	542	542
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$9,500	$11,100	$12,700	$14,300	$15,900	$17,500	$19,100	$20,700	$22,300	$23,900	$25,500	$27,100	$219,600
New Ledger Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Ledger Online Subscribers	64	80	96	112	128	144	160	176	192	208	224	240	240
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$4,800	$6,000	$7,200	$8,400	$9,600	$10,800	$12,000	$13,200	$14,400	$15,600	$16,800	$18,000	$136,800
New Electronic Claims Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Electronic Claims Online Subscribers	64	80	96	112	128	144	160	176	192	208	224	240	240
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$3,200	$4,000	$4,800	$5,600	$6,400	$7,200	$8,000	$8,800	$9,600	$10,400	$11,200	$12,000	$91,200
New Utillzation Analysis Online Subscribers	4	4	4	4	4	4	8	8	8	8	8	8	
Cumm.Utilization Analysis Online Subscribers	4	8	12	16	20	24	32	40	48	56	64	72	72
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$100	$200	$300	$400	$500	$600	$800	$1,000	$1,200	$1,400	$1,600	$1,800	$9,900
Total Revenue	$80,600	$92,300	$104,000	$115,700	$127,400	$139,100	$150,900	$162,700	$174,500	$186,300	$198,100	$209,900	$1,741,500
Service Credit	$1,612	$1,846	$2,080	$2,314	$2,548	$2,782	$3,018	$3,254	$3,490	$3,726	$3,962	$4,198	$34,830
Cost of Sales	$9,672	$11,076	$12,480	$13,884	$15,288	$16,692	$18,108	$19,524	$20,940	$22,356	$23,772	$25,188	$208,980
Total Cost of Sales	$11,284	$12,922	$14,560	$16,198	$17,836	$19,474	$21,126	$22,778	$24,430	$26,082	$27,734	$29,386	$243,810
Gross Margin	$69,316	$79,378	$89,440	$99,502	$109,564	$119,626	$129,774	$139,922	$150,070	$160,218	$170,366	$180,514	$1,497,690
Saleries&Wages	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$243,600
Employee benefits	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Payroll Taxes	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Advertising	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$336,000
Rent	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Furniture&Equipment	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Phones&Other Utilities	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Office Supplies	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400
Postage	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Server Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Netware Development Costs	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$30,000
Server Equipment	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Accounting	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Totals	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$903,396
Operating Profit	-$5,967	$4,095	$14,157	$24,219	$34,281	$44,343	$54,491	$64,639	$74,787	$84,935	$95,083	$105,231	$594,294

!!! WTF?!!

Year 3

Year3

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	40	40	40	40	40	40	40	40	40	40	40	40	480
Cumm.MedicalNotes Online Subscribers	795	835	875	915	955	995	1035	1075	1115	1155	1195	1235	1235
	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$159,000	$167,000	$175,000	$183,000	$191,000	$199,000	$207,000	$215,000	$223,000	$231,000	$239,000	$247,000	$2,436,000
New Front Desk Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Front Desk Online Subscribers	574	606	638	670	702	734	766	798	830	862	894	926	926
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$28,700	$30,300	$31,900	$33,500	$35,100	$36,700	$38,300	$39,900	$41,500	$43,100	$44,700	$46,300	$450,000
New Ledger Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Ledger Online Subscribers	256	272	288	304	320	336	352	368	384	400	416	432	432
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$19,200	$20,400	$21,600	$22,800	$24,000	$25,200	$26,400	$27,600	$28,800	$30,000	$31,200	$32,400	$309,600
New Electronic Claims Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Electronic Claims Online Subscribers	256	272	288	304	320	336	352	368	384	400	416	432	432
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$12,800	$13,600	$14,400	$15,200	$16,000	$16,800	$17,600	$18,400	$19,200	$20,000	$20,800	$21,600	$206,400
New Utilization Analysis Online Subscribers	8	8	8	8	8	8	8	8	8	8	8	8	
Cumm.Utilization Analysis Online Subscribers	80	88	96	104	112	120	128	136	144	152	160	168	168
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$2,000	$2,200	$2,400	$2,600	$2,800	$3,000	$3,200	$3,400	$3,600	$3,800	$4,000	$4,200	$37,200
Total Revenue	$221,700	$233,500	$245,300	$257,100	$268,900	$280,700	$292,500	$304,300	$316,100	$327,900	$339,700	$351,500	$3,439,200
Service Credit	$4,434	$4,670	$4,906	$5,142	$5,378	$5,614	$5,850	$6,086	$6,322	$6,558	$6,794	$7,030	$68,784
Cost of Sales	$26,604	$28,020	$29,436	$30,852	$32,268	$33,684	$35,100	$36,516	$37,932	$39,348	$40,764	$42,180	$412,704
Total Cost of Sales	$31,038	$32,690	$34,342	$35,994	$37,646	$39,298	$40,950	$42,602	$44,254	$45,906	$47,558	$49,210	$481,488
Gross Margin	$190,662	$200,810	$210,958	$221,106	$231,254	$241,402	$251,550	$261,698	$271,846	$281,994	$292,142	$302,290	$2,957,712
Saleries&Wages	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$487,200
Employee benefits	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Payroll Taxes	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Advertising	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$336,000
Rent	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Furniture&Equipment	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Phones&Other Utilities	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Office Supplies	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Postage	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Server Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Netware Development Costs	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$60,000
Server Equipment	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Accounting	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Totals	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$1,415,796
Operating Profit	$72,679	$82,827	$92,975	$103,123	$113,271	$123,419	$133,567	$143,715	$153,863	$164,011	$174,159	$184,307	$1,541,916

Year 4

Year4

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	40	40	40	40	40	40	40	40	40	40	40	40	480
Cumm.MedicalNotes Online Subscribers	1275	1315	1355	1395	1435	1475	1515	1555	1595	1635	1675	1715	1715
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$255,000	$263,000	$271,000	$279,000	$287,000	$295,000	$303,000	$311,000	$319,000	$327,000	$335,000	$343,000	$3,588,000
New Front Desk Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Front Desk Online Subscribers	958	990	1022	1054	1086	1118	1150	1182	1214	1246	1278	1310	1310
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$47,900	$49,500	$51,100	$52,700	$54,300	$55,900	$57,500	$59,100	$60,700	$62,300	$63,900	$65,500	$680,400
New Ledger Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Ledger Online Subscribers	448	464	480	496	512	528	544	560	576	592	608	624	624
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$33,600	$34,800	$36,000	$37,200	$38,400	$39,600	$40,800	$42,000	$43,200	$44,400	$45,600	$46,800	$482,400
New Electronic Claims Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Electronic Claims Online Subscribers	448	464	480	496	512	528	544	560	576	592	608	624	624
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$22,400	$23,200	$24,000	$24,800	$25,600	$26,400	$27,200	$28,000	$28,800	$29,600	$30,400	$31,200	$321,600
New Utilization Analysis Online Subscribers	8	8	8	8	8	8	8	8	8	8	8	8	
Cumm.Utilization Analysis Online Subscribers	176	184	192	200	208	216	224	232	240	248	256	264	264
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$4,400	$4,600	$4,800	$5,000	$5,200	$5,400	$5,600	$5,800	$6,000	$6,200	$6,400	$6,600	$66,000
Total Revenue	$363,300	$375,100	$386,900	$398,700	$410,500	$422,300	$434,100	$445,900	$457,700	$469,500	$481,300	$493,100	$5,138,400
Service Credit	$7,266	$7,502	$7,738	$7,974	$8,210	$8,446	$8,682	$8,918	$9,154	$9,390	$9,626	$9,862	$102,768
Cost of Sales	$43,596	$45,012	$46,428	$47,844	$49,260	$50,676	$52,092	$53,508	$54,924	$56,340	$57,756	$59,172	$616,608
Total Cost of Sales	$50,862	$52,514	$54,166	$55,818	$57,470	$59,122	$60,774	$62,426	$64,078	$65,730	$67,382	$69,034	$719,376
Gross Margin	$312,438	$322,586	$332,734	$342,882	$353,030	$363,178	$373,326	$383,474	$393,622	$403,770	$413,918	$424,066	$4,419,024
Salaries&Wages	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$730,800
Employee benefits	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$21,600
Payroll Taxes	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$108,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Advertising	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$672,000
Rent	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Furniture&Equipment	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Phones&Other Utilities	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Office Supplies	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Postage	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Server Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Netware Development Costs	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$60,000
Server Equipment	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Accounting	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Totals	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$2,062,596
Operating Profit	$140,555	$150,703	$160,851	$170,999	$181,147	$191,295	$201,443	$211,591	$221,739	$231,887	$242,035	$252,183	$2,356,428

Year 5

Year5

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	40	40	40	40	40	40	40	40	40	40	40	40	480
Cumm.MedicalNotes Online Subscribers	1755	1795	1835	1875	1915	1955	1995	2035	2075	2115	2155	2195	2195
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$351,000	$359,000	$367,000	$375,000	$383,000	$391,000	$399,000	$407,000	$415,000	$423,000	$431,000	$439,000	$4,740,000
New Front Desk Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Front Desk Online Subscribers	1342	1374	1406	1438	1470	1502	1534	1566	1598	1630	1662	1694	1694
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$67,100	$68,700	$70,300	$71,900	$73,500	$75,100	$76,700	$78,300	$79,900	$81,500	$83,100	$84,700	$910,800
New Ledger Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Ledger Online Subscribers	640	656	672	688	704	720	736	752	768	784	800	816	816
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$48,000	$49,200	$50,400	$51,600	$52,800	$54,000	$55,200	$56,400	$57,600	$58,800	$60,000	$61,200	$655,200
New Electronic Claims Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Electronic Claims Online Subscribers	640	656	672	688	704	720	736	752	768	784	800	816	816
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$32,000	$32,800	$33,600	$34,400	$35,200	$36,000	$36,800	$37,600	$38,400	$39,200	$40,000	$40,800	$436,800
New Utilization Analysis Online Subscribers	8	8	8	8	8	8	8	8	8	8	8	8	
Cumm.Utilization Analysis Online Subscribers	272	280	288	296	304	312	320	328	336	344	352	360	360
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$6,800	$7,000	$7,200	$7,400	$7,600	$7,800	$8,000	$8,200	$8,400	$8,600	$8,800	$9,000	$94,800
Total Revenue	$504,900	$516,700	$528,500	$540,300	$552,100	$563,900	$575,700	$587,500	$599,300	$611,100	$622,900	$634,700	$6,837,600
Service Credit	$10,098	$10,334	$10,570	$10,806	$11,042	$11,278	$11,514	$11,750	$11,986	$12,222	$12,458	$12,694	$136,752
Cost of Sales	$60,588	$62,004	$63,420	$64,836	$66,252	$67,668	$69,084	$70,500	$71,916	$73,332	$74,748	$76,164	$820,512
Total Cost of Sales	$70,686	$72,338	$73,990	$75,642	$77,294	$78,946	$80,598	$82,250	$83,902	$85,554	$87,206	$88,858	$957,264
Gross Margin	$434,214	$444,362	$454,510	$464,658	$474,806	$484,954	$495,102	$505,250	$515,398	$525,546	$535,694	$545,842	$5,880,336
Saleries&Wages	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$1,096,200
Employee benefits	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$32,400
Payroll Taxes	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$162,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$108,000
Advertising	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$672,000
Rent	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Furniture&Equipment	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Phones&Other Utilities	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$28,800
Office Supplies	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$9,600
Postage	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$9,600
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Server Maintainance Contracts	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Netware Development Costs	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$120,000
Server Equipment	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$192,000
Accounting	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Totals	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$2,835,996
Operating Profit	$197,881	$208,029	$218,177	$228,325	$238,473	$248,621	$258,769	$268,917	$279,065	$289,213	$299,361	$309,509	$3,044,340

Month	
New Medical Notes Online Subscribers	10,000 Mailers per wk/1% respond/20% sales
Cumm.Medical Notes Online Subscribers	
Monthly Fee	
Medical Notes Online Revenue	
New Front Desk Online Subscribers	Presume 80% of the Medical Notes Online Subscribers will use this module
Cumm.Front Desk Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts three months after Medical Notes Online
Front Desk Online Revenue	
New Ledger Online Subscribers	Presume 40% of the Medical Notes Online Subscribers will use this module
Cumm.Ledger Online Subscribers	but in the first six months of offering only half the number sign on
Monthly Fee	Starts six months after Medical Notes Online
Ledger Online Revenue	
New Electronic Claims Online Subscribers	Presume 100% of the Ledger Online Subscribers will use this module
Cumm.Electronic Claims Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts six months after Medical Notes Online
Electronic Claims Online Revenue	
New Utilization Analysis Online Subscribers	Presume 20% of the Medical Notes Online Subscribers will use this module
Cumm.Utilization Analysis Online Subscribers	but in the first six months of offering, only half the number sign on
Monthly Fee	Starts twelve months after Medical Notes Online
Utilization Analysis Online Revenue	
Total Revenue	
Service Credit	Presuming service credit at 2% of Total Revenue
Cost of Sales	Presuming cost of sales at 12% Total Revenue
Total Cost of Sales	
Gross Margin	
Saleries&Wages	Start with three employees Double payroll 2nd and 3rd year; increase payroll by .5 year 4 and 5.
Employee benefits	Benefits estimated at 3% of salery gross; same as above.
Payroll Taxes	Salery taxes estimated at 15% of wages; same as above.
Commissions	
Insurance	Doubles in the 2nd and 3rd year; increases by .5 year 4 and 5.
Advertising	Doubles in year 2 and 4.
Rent	Doubles in year 3 and 5.
Furniture&Equipment	Doubles in year 3 and 5.
Phones&Other Utilities	Doubles in year 2, 3 and 5.
Office Supplies	Doubles in year 2, 3 and 5.
Postage	Doubles in year 2 and 3.
Legal	Doubles in year 2.
Depreciation&Amortization	$15,000 exspenced out in year one and $80,000 over five years
Softrware Maintainance Contracts	Doubles in year 3 and 5.
Server Maintainance Contracts	Doubles in year 3 and 5.
Netware Development cost	Doubles in year 3 and 5.
Server Equipment	Doubles in year 2, 3 and 5.
Accounting	Doubles in year 2 and 3.

Year 1

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	0	0	0	10	20	40	80	80	80	80	80	80	550
Cumm.MedicalNotes Online Subscribers	0	0	0	10	30	70	150	230	310	390	470	550	550
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$0	$0	$0	$2,000	$6,000	$14,000	$30,000	$46,000	$62,000	$78,000	$94,000	$110,000	$442,000
New Front Desk Online Subscribers	0	0	0	4	8	16	32	32	32	64	64	64	316
Cumm.Front Desk Online Subscribers	0	0	0	4	12	28	60	92	124	188	252	316	
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$0	$0	$0	$200	$600	$1,400	$3,000	$4,600	$6,200	$9,400	$12,600	$15,800	$53,800
New Ledger Online Subscribers	0	0	0	0	0	0	16	16	16	16	16	16	96
Cumm.Ledger Online Subscribers	0	0	0	0	0	0	16	32	48	64	80	96	
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Onlne Revenue	$0	$0	$0	$0	$0	$0	$1,200	$2,400	$3,600	$4,800	$6,000	$7,200	$25,200
New Electronic Claims Online Subscribers	0	0	0	0	0	0	16	16	16	16	16	16	96
Cumm.Electronic Claims Onlne Subscribers	0	0	0	0	0	0	16	32	48	64	80	96	
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$0	$0	$0	$0	$0	$0	$800	$1,600	$2,400	$3,200	$4,000	$4,800	$16,800
New Utillzation Analysis Online Subscribers	0	0	0	0	0	0	0	0	0	0	0	0	0
Cumm.Utilization Analysis Online Subscribers	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue	$0	$0	$0	$2,200	$6,600	$15,400	$35,000	$54,600	$74,200	$95,400	$116,600	$137,800	$537,800
Service Credit	$0	$0	$0	$44	$132	$308	$700	$1,092	$1,484	$1,908	$2,332	$2,756	
Cost of Sales	$0	$0	$0	$264	$792	$1,848	$4,200	$6,552	$8,904	$11,448	$13,992	$16,536	
Total Cost of Sales	$0	$0	$0	$308	$924	$2,156	$4,900	$7,644	$10,388	$13,356	$16,324	$19,292	$0
Gross Margin	$0	$0	$0	$1,892	$5,676	$13,244	$30,100	$46,956	$63,812	$82,044	$100,276	$118,508	$462,508
Saleries&Wages	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$120,000
Employee benefits	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Payroll Taxes	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$12,000
Advertisinq	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$14,000	$168,000
Rent	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Furniture&Equipment	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Phones&Other Utilities	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Office Supplies	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200
Postage	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200
Legal	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$12,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Server Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Netware Development Costs	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$30,000
Server Equipment	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Accounting	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Totals	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$42,683	$512,196
Operating Profit	-$42,683	-$42,683	-$42,683	-$40,791	-$37,007	-$29,439	-$12,583	$4,273	$21,129	$39,361	$57,593	$75,825	-$49,688

Year2a

Year 2

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	80	80	80	80	80	80	80	80	80	80	80	80	960
Cumm.MedicalNotes Online Subscribers	630	710	790	870	950	1,030	1,110	1,190	1,270	1,350	1,430	1,510	1,510
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$126,000	$142,000	$158,000	$174,000	$190,000	$206,000	$222,000	$238,000	$254,000	$270,000	$286,000	$302,000	$2,568,000
New Front Desk Online Subscribers	64	64	64	64	64	64	64	64	64	64	64	64	
Cumm.Front Desk Online Subscribers	380	444	508	572	636	700	764	828	892	956	1,020	1,084	1,084
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$19,000	$22,200	$25,400	$28,600	$31,800	$35,000	$38,200	$41,400	$44,600	$47,800	$51,000	$54,200	$439,200
New Ledger Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Ledger Online Subscribers	128	160	192	224	256	288	320	352	384	416	448	480	480
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$9,600	$12,000	$14,400	$16,800	$19,200	$21,600	$24,000	$26,400	$28,800	$31,200	$33,600	$36,000	$273,600
New Electronic Claims Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Electronic Claims Online Subscribers	128	160	192	224	256	288	320	352	384	416	448	480	480
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$6,400	$8,000	$9,600	$11,200	$12,800	$14,400	$16,000	$17,600	$19,200	$20,800	$22,400	$24,000	$182,400
New Utilization Analysis Online Subscribers	8	8	8	8	8	8	16	16	16	16	16	16	
Cumm.Utilization Analysis Online Subscribers	8	16	24	32	40	48	64	80	96	112	128	144	144
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$200	$400	$600	$800	$1,000	$1,200	$1,600	$2,000	$2,400	$2,800	$3,200	$3,600	$19,800
Total Revenue	$161,200	$184,600	$208,000	$231,400	$254,800	$278,200	$301,800	$325,400	$349,000	$372,600	$396,200	$419,800	$3,483,000
Service Credit	$3,224	$3,692	$4,160	$4,628	$5,096	$5,564	$6,036	$6,508	$6,980	$7,452	$7,924	$8,396	
Cost of Sales	$19,344	$22,152	$24,960	$27,768	$30,576	$33,384	$36,216	$39,048	$41,880	$44,712	$47,544	$50,376	
Total Cost of Sales	$22,568	$25,844	$29,120	$32,396	$35,672	$38,948	$42,252	$45,556	$48,860	$52,164	$55,468	$58,772	$487,620
Gross Margin	$138,632	$158,756	$178,880	$199,004	$219,128	$239,252	$259,548	$279,844	$300,140	$320,436	$340,732	$361,028	$2,995,380
Salaries&Wages	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$20,300	$243,600
Employee benefits	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Payroll Taxes	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Advertising	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$336,000
Rent	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Furniture&Equipment	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600
Phones&Other Utilities	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Office Supplies	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400
Postage	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Software Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Server Maintainance Contracts	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$18,000
Netware Development Costs	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$30,000
Server Equipment	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Accounting	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Totals	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$75,283	$903,396
Operating Profit	$63,349	$83,473	$103,597	$123,721	$143,845	$163,969	$184,265	$204,561	$224,857	$245,153	$265,449	$285,745	$2,091,984

Year3a

Year 3

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	80	80	80	80	80	80	80	80	80	80	80	80	960
Cumm.MedicalNotes Online Subscribers	1590	1670	1750	1830	1910	1990	2070	2150	2230	2310	2390	2470	2470
	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$318,000	$334,000	$350,000	$366,000	$382,000	$398,000	$414,000	$430,000	$446,000	$462,000	$478,000	$494,000	$4,872,000
New Front Desk Online Subscribers	64	64	64	64	64	64	64	64	64	64	64	64	
Cumm.Front Desk Online Subscribers	1148	1212	1276	1340	1404	1468	1532	1596	1660	1724	1788	1852	1852
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$57,400	$60,600	$63,800	$67,000	$70,200	$73,400	$76,600	$79,800	$83,000	$86,200	$89,400	$92,600	$900,000
New Ledger Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Ledger Online Subscribers	512	544	576	608	640	672	704	736	768	800	832	864	864
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$38,400	$40,800	$43,200	$45,600	$48,000	$50,400	$52,800	$55,200	$57,600	$60,000	$62,400	$64,800	$619,200
New Electronic Claims Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Electronic Claims Online Subscribers	512	544	576	608	640	672	704	736	768	800	832	864	864
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$25,600	$27,200	$28,800	$30,400	$32,000	$33,600	$35,200	$36,800	$38,400	$40,000	$41,600	$43,200	$412,800
New Utilization Analysis Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Utilization Analysis Online Subscribers	160	176	192	208	224	240	256	272	288	304	320	336	336
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$4,000	$4,400	$4,800	$5,200	$5,600	$6,000	$6,400	$6,800	$7,200	$7,600	$8,000	$8,400	$74,400
Total Revenue	$443,400	$467,000	$490,600	$514,200	$537,800	$561,400	$585,000	$608,600	$632,200	$655,800	$679,400	$703,000	$6,878,400
Service Credit	$8,868	$9,340	$9,812	$10,284	$10,756	$11,228	$11,700	$12,172	$12,644	$13,116	$13,588	$14,060	
Cost of Sales	$53,208	$56,040	$58,872	$61,704	$64,536	$67,368	$70,200	$73,032	$75,864	$78,696	$81,528	$84,360	
Total Cost of Sales	$62,076	$65,380	$68,684	$71,988	$75,292	$78,596	$81,900	$85,204	$88,508	$91,812	$95,116	$98,420	$962,976
Gross Margin	$381,324	$401,620	$421,916	$442,212	$462,508	$482,804	$503,100	$523,396	$543,692	$563,988	$584,284	$604,580	$5,915,424
Salaries&Wages	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$40,600	$487,200
Employee benefits	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Payroll Taxes	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Advertising	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$336,000
Rent	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Furniture&Equipment	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Phones&Other Utilities	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Office Supplies	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Postage	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Software Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Server Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Netware Development Costs	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$60,000
Server Equipment	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Accounting	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Totals	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$117,983	$1,415,796
Operating Profit	$263,341	$283,637	$303,933	$324,229	$344,525	$364,821	$385,117	$405,413	$425,709	$446,005	$466,301	$486,597	$4,499,628

Year 4

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	80	80	80	80	80	80	80	80	80	80	80	80	960
Cumm.MedicalNotes Online Subscribers	2550	2630	2710	2790	2870	2950	3030	3110	3190	3270	3350	3430	3430
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$510,000	$526,000	$542,000	$558,000	$574,000	$590,000	$606,000	$622,000	$638,000	$654,000	$670,000	$686,000	$7,176,000
New Front Desk Online Subscribers	64	64	64	64	64	64	64	64	64	64	64	64	
Cumm.Front Desk Online Subscribers	1916	1980	2044	2108	2172	2236	2300	2364	2428	2492	2556	2620	2620
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$95,800	$99,000	$102,200	$105,400	$108,600	$111,800	$115,000	$118,200	$121,400	$124,600	$127,800	$131,000	$1,360,800
New Ledger Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Ledger Online Subscribers	896	928	960	992	1024	1056	1088	1120	1152	1184	1216	1248	1248
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$67,200	$69,600	$72,000	$74,400	$76,800	$79,200	$81,600	$84,000	$86,400	$88,800	$91,200	$93,600	$964,800
New Electronic Claims Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Electronic Claims Online Subscribers	896	928	960	992	1024	1056	1088	1120	1152	1184	1216	1248	1248
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$44,800	$46,400	$48,000	$49,600	$51,200	$52,800	$54,400	$56,000	$57,600	$59,200	$60,800	$62,400	$643,200
New Utilization Analysis Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Utilization Analysis Online Subscribers	352	368	384	400	416	432	448	464	480	496	512	528	528
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$8,800	$9,200	$9,600	$10,000	$10,400	$10,800	$11,200	$11,600	$12,000	$12,400	$12,800	$13,200	$132,000
Total Revenue	$726,600	$750,200	$773,800	$797,400	$821,000	$844,600	$868,200	$891,800	$915,400	$939,000	$962,600	$986,200	$10,276,800
Service Credit	$14,532	$15,004	$15,476	$15,948	$16,420	$16,892	$17,364	$17,836	$18,308	$18,780	$19,252	$19,724	
Cost of Sales	$87,192	$90,024	$92,856	$95,688	$98,520	$101,352	$104,184	$107,016	$109,848	$112,680	$115,512	$118,344	
Total Cost of Sales	$101,724	$105,028	$108,332	$111,636	$114,940	$118,244	$121,548	$124,852	$128,156	$131,460	$134,764	$138,068	$1,438,752
Gross Margin	$624,876	$645,172	$665,468	$685,764	$706,060	$726,356	$746,652	$766,948	$787,244	$807,540	$827,836	$848,132	$8,838,048
Saleries&Wages	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$60,900	$730,800
Employee benefits	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$21,600
Payroll Taxes	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$108,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Advertising	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$672,000
Rent	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$48,000
Furniture&Equipment	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Phones&Other Utilities	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Office Supplies	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Postage	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$4,800
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Softrware Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Server Maintainance Contracts	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$36,000
Netware Development Costs	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$60,000
Server Equipment	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Accounting	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Totals	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$171,883	$2,062,596
Operating Profit	$452,993	$473,289	$493,585	$513,881	$534,177	$554,473	$574,769	$595,065	$615,361	$635,657	$655,953	$676,249	$6,775,452

Year5a

Year 5

Month	1	2	3	4	5	6	7	8	9	10	11	12	
New Medical Notes Online Subscribers	80	80	80	80	80	80	80	80	80	80	80	80	960
Cumm.MedicalNotes Online Subscribers	3510	3590	3670	3750	3830	3910	3990	4070	4150	4230	4310	4390	4390
Monthly Fee	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	
Medical Notes Online Revenue	$702,000	$718,000	$734,000	$750,000	$766,000	$782,000	$798,000	$814,000	$830,000	$846,000	$862,000	$878,000	$9,480,000
New Front Desk Online Subscribers	64	64	64	64	64	64	64	64	64	64	64	64	
Cumm.Front Desk Online Subscribers	2684	2748	2812	2876	2940	3004	3068	3132	3196	3260	3324	3388	3388
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Front Desk Online Revenue	$134,200	$137,400	$140,600	$143,800	$147,000	$150,200	$153,400	$156,600	$159,800	$163,000	$166,200	$169,400	$1,821,600
New Ledger Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Ledger Online Subscribers	1280	1312	1344	1376	1408	1440	1472	1504	1536	1568	1600	1632	1632
Monthly Fee	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
Ledger Online Revenue	$96,000	$98,400	$100,800	$103,200	$105,600	$108,000	$110,400	$112,800	$115,200	$117,600	$120,000	$122,400	$1,310,400
New Electronic Claims Online Subscribers	32	32	32	32	32	32	32	32	32	32	32	32	
Cumm.Electronic Claims Online Subscribers	1280	1312	1344	1376	1408	1440	1472	1504	1536	1568	1600	1632	1632
Monthly Fee	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	
Electronic Claims Online Revenue	$64,000	$65,600	$67,200	$68,800	$70,400	$72,000	$73,600	$75,200	$76,800	$78,400	$80,000	$81,600	$873,600
New Utilization Analysis Online Subscribers	16	16	16	16	16	16	16	16	16	16	16	16	
Cumm.Utilization Analysis Online Subscribers	544	560	576	592	608	624	640	656	672	688	704	720	720
Monthly Fee	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	
Utilization Analysis Online Revenue	$13,600	$14,000	$14,400	$14,800	$15,200	$15,600	$16,000	$16,400	$16,800	$17,200	$17,600	$18,000	$189,600
Total Revenue	$1,009,800	$1,033,400	$1,057,000	$1,080,600	$1,104,200	$1,127,800	$1,151,400	$1,175,000	$1,198,600	$1,222,200	$1,245,800	$1,269,400	$13,675,200
Service Credit	$20,196	$20,668	$21,140	$21,612	$22,084	$22,556	$23,028	$23,500	$23,972	$24,444	$24,916	$25,388	
Cost of Sales	$121,176	$124,008	$126,840	$129,672	$132,504	$135,336	$138,168	$141,000	$143,832	$146,664	$149,496	$152,328	
Total Cost of Sales	$141,372	$144,676	$147,980	$151,284	$154,588	$157,892	$161,196	$164,500	$167,804	$171,108	$174,412	$177,716	$0
Gross Margin	$868,428	$888,724	$909,020	$929,316	$949,612	$969,908	$990,204	$1,010,500	$1,030,796	$1,051,092	$1,071,388	$1,091,684	$11,760,672
Saleries&Wages	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$91,350	$1,096,200
Employee benefits	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$2,700	$32,400
Payroll Taxes	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$162,000
Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$9,000	$108,000
Advertising	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$56,000	$672,000
Rent	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Furniture&Equipment	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400
Phones&Other Utilities	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$28,800
Office Supplies	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$9,600
Postage	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$9,600
Legal	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Depreciation&Amortization	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$2,583	$30,996
Software Maintainance Contracts	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Server Maintainance Contracts	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$72,000
Netware Development Costs	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$120,000
Server Equipment	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000	$192,000
Accounting	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$96,000
Totals	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$236,333	$2,835,996
Operating Profit	$632,095	$652,391	$672,687	$692,983	$713,279	$733,575	$753,871	$774,167	$794,463	$814,759	$835,055	$855,351	$8,924,676

physician's management

March 1998

Your guide to professional and financial success

NEW! See your customized section on page 61.

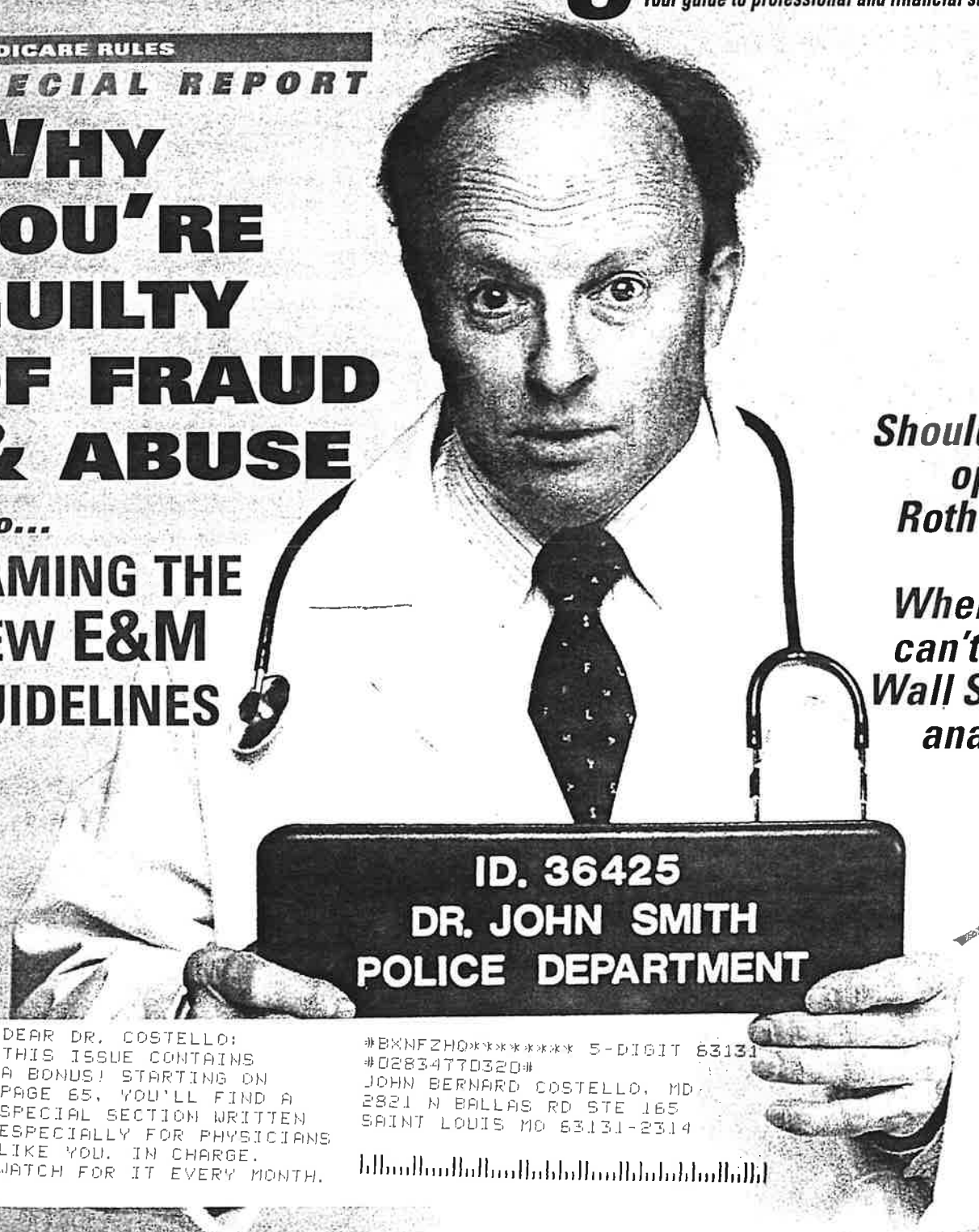
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also...

TAMING THE NEW E&M GUIDELINES



Should you open a Roth IRA?

When you can't trust Wall Street analysts

AN ADVANSTAR HEALTH CARE PUBLICATION

DEAR DR. COSTELLO:
THIS ISSUE CONTAINS A BONUS! STARTING ON PAGE 65, YOU'LL FIND A SPECIAL SECTION WRITTEN ESPECIALLY FOR PHYSICIANS LIKE YOU. IN CHARGE. WATCH FOR IT EVERY MONTH.

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American Medical
NEWS

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Pay denied in E&M audits

More physician education on documentation rules urged

By Sean Martin
AMNEWS STAFF

WASHINGTON — An ongoing federal audit of physicians' documentation related to Medicare evaluation and management services has resulted in reduced or denied payment in 60% of cases.

The surprisingly high figure from the Health Care Financing Administration's audit illustrates the huge challenge the government faces in educating angry doctors about the new E&M rules.

The audit findings stunned members of HCFA's Practicing Physician's Advisory Council when they were released at a council meeting last month.

The results provide more fuel to the fire for physicians already angry about the new Medicare documentation guidelines for E&M services. For months, controversy has surrounded the new guidelines, slated to be enforced by the government in July. Physicians label the requirements cumbersome and unnecessary.

At the same time, physician leaders acknowledge that the audit results indicate that physicians need to improve their Medicare documentation.

Last October, HCFA began prepayment audits of E&M billings. According to HCFA Program Integrity Director Linda Ruiz, preliminary results from the first three months of the effort found that 40% of claims were completely denied because of "insufficient documentation."

Another 20% of the claims were reduced to a lower service level, Ruiz said; the remaining 40% were paid in full. HCFA carriers are using either the 1995 or 1997 documentation guidelines for Medicare visits — whichever are more beneficial to the physician.

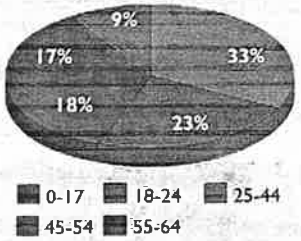
HCFA is primarily using the audit to gauge physician use of the guidelines. According to Ruiz, the audit is randomly sampling at least 1% of E&M

See E&M, page 55

Who has insurance?

A large majority of the population under age 65 with individual health insurance live in families headed by a full-time worker. Still, many of them can't afford health insurance, despite the 1996 Kassebaum-Kennedy law.

Percentage of population by age with individual insurance:



Source: Alpha Center tabulation of March 1997 Current Population Survey (U.S. Dept. of Commerce, Bureau of Census).



Photo by Ernie Leyba

Pediatrician Larry Meuli, MD, director of the Cheyenne health department, sees hundreds of children who don't have a regular doctor.

Refusing federal funds

Wyoming opts out of plan for kids' health coverage

By Leigh Page
AMNEWS STAFF

As the federal government begins to distribute $20 billion in the largest expansion of health insurance since Medicare and Medicaid, Wyoming won't be asking for its share.

The state Legislature voted Feb. 26 against participating in the Children's Health Insurance Program, which funds new or existing state programs that extend coverage to uninsured children.

As a result, Wyoming lost $7.7 million in federal funds, money that would have covered an estimated 15,000 uninsured children.

Adjourning last month, lawmakers said a severe budget crunch made it impossible to come up with the state's $2.7 million share of the program's generous 25% state, 75% federal match.

But legislators cannot point to the state's fiscal problems for their lack of action, said Bob Prentice, MD, president of the Wyoming chapter of the American Academy of Pediatrics.

He said federal guidelines permit states to spend as little as several thousand dollars on the program this year and still retain the full 1998 allotment. This option, used by several other states, would have given Wyoming up to three years to claim the 1998 funds.

Dr. Prentice said he and officials of the state health department had presented such a funding strategy to a state Senate committee before legislators voted. When he returned from a trip out of state and read that the measure had

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Inside this week

Naming names

Many states require names reporting as an efficient way to track the HIV epidemic. But there are confidentiality concerns. In Health.
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The first cadaver

You are invited to share memories of anatomy class for an upcoming feature.
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Carriers' prices undermine insurance law

By Geri Aston
AMNEWS STAFF

WASHINGTON — Insurer practices and consumer confusion are partly undermining the promise of the Kassebaum-Kennedy health insurance law, according to a new government report.

The General Accounting Office analysis of the law's implementation showed that high premiums in the individual market and consumer misconceptions about the law's guarantees have undercut its potential. Most of the law, formally called the Health Insurance Portability and Accountability Act of 1996, went into effect in July 1997 or January 1998.

The GAO report, released last month, spurred a legislative proposal, a Dept. of Health and Human Services notice outlining the Clinton administration's opposition to some insurers' practices, and a Senate Labor and Human Resources Committee hearing.

Experts testifying at the March 19

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claims around the country. She said it would be "rare" for more than one of a doctor's claims to be audited. So, referral of claims to the Dept. of Health and Human Services' Office of Inspector General for investigation also would be rare, since physician intent to defraud would be necessary and that would require proof of a pattern of abuse.

But HCFA isn't making any promises, as it continues its war against fraud, waste and abuse in Medicare payments to all providers.

An intra-agency audit of 1996 Medicare payments estimated $23 billion in questionable reimbursements. HCFA said physicians accounted for some 22% of such payouts, with documentation problems a key issue.

"I think that this has put a scare into physicians," Ruiz told doctors at the PPAC meeting. "You will see us looking at more claims."

Much of the 1997 guidelines are the same as the 1995 set. What has changed, Ruiz explained, is the government's focus on fraud, waste and abuse.

AMA Trustee Herman Abromowitz, MD, said he was "very surprised" at the findings. He also noted that the initial figures are preliminary and additional details are scant from HCFA. But the overall situation they portray is serious.

"With such significant findings, it emphasizes that both HCFA and the Federation must have strong education programs for physicians and reviewers," he said. "Hopefully, with further education, these statistics will improve."

PPAC members also asked for better education. Mary Herald, MD, an internist from Westfield, N.J., said, "We're going to have to focus on the paper drill ... we've got to teach people." Sandral Hullett, MD, a family physician from Eutaw, Ala., added that "a good note ... is not that difficult."

As the yearly congressional appropriations battle shapes up, physician organizations plan to stress the need for additional HCFA funding — not via user fees — to educate carriers and physicians on the guidelines.

Audit ambiguity

Ruiz reported that the audit findings reveal a "fundamental lack" of adequate physician documentation. Claims denials are not generally the result of a failure to document one of many items for a particular code, for instance.

But that may not be true for all the physicians hit by the audit.

The audit issued questionable total denials to seven claims for the nursing facility visits of seven different physician members of one group practice in January, according to Tom Prose, MD. Dr. Prose is senior medical director of General Medicine, a 135-doctor multi-specialty group based in Plymouth, Mich.

"Our documentation is the best I've ever seen," he said. The group's systems required only "minimal adaptation" to jibe with the 1997 guidelines.

Dr. Prose said he thought the claims' documentation was comprehensive. But the carrier working on the audit, Blue Cross Blue Shield of Illinois, informed him that the claims were denied for "medical necessity," which was later explained as illegible physician signatures. The group will resubmit the bills. "If they deny it again, I'd be very surprised."

At the same time, Dr. Prose commented that he was not surprised that HCFA had found a large degree of documentation problems. "Most doctors do not put the time and effort into developing documentation systems."

Not just education

Education is the final of three steps AMA believes are crucial to developing and implementing workable guidelines.

The Association first wants to ensure that physicians do not inappropriately become subject to fraud sanctions for

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inadvertent mistakes, as it joins state and specialty groups to improve the clinical content of the guidelines.

In preparation for an April 27 Chicago "fly-in" on the topic, AMA staff are working to assess various comments from state and specialty associations.

While HCFA wants to start enforcing the 1997 guidelines this July, Dr. Abromowitz emphasized that the AMA backs at least another delay of six months to properly rework the guidelines and inform physicians of the expectations before they are mandatory. The AMA also backs a "pilot test" of the guidelines before they are effective nationwide.

How doctors document is the question. Marie Kuffner, MD, a Los Angeles anesthesiologist and PPAC vice-chair, said, "[Doctors] charts are being manipulated into a system that doesn't reflect the way they practice medicine."

Joining Dr. Abromowitz with similar concerns at the March PPAC meeting were the American Society of Internal Medicine and the American College of Physicians. Alan Nelson, MD, president of ASIM, spoke to the importance of the continued input of organized medicine. "Let's fix it within the family," he said, as a HCFA-only document "could be far less to our liking."

Saying that many changes could involve retreating to the earlier guidelines, Dr. Nelson also suggested creating a body similar to the Relative Value Update Committee for documentation guideline refinement.

Complaints continue about the time it takes to comply with the 1997 guidelines. ACP President William Reynolds, MD, noted that a physician and staff could expect to spend an additional 140 to 200 minutes each day documenting physician visits for 20 patients. He said the issue had brought the biggest outcry from physicians he's seen in 40 years of practice.

The American Academy of Family Physicians also laid out major concerns. "We have designed an Edsel," declared academy President Neil Brooks, MD. AAFP suggested that the guidelines' distinction between multi- and single-system examinations may be artificial, suggesting a single-exam standard may be preferable.

The 1997 guidelines lay out standards for single-system examinations that may allow specialists to code more safely at higher levels. Dr. Abromowitz noted that many physicians have been undercoding. But the documentation requirements for the exams have proven very controversial.

Some medical groups are even more pessimistic. The American Gastroenterological Assn. said it had "profound concerns regarding not merely the details but the underlying logic of the proposed guidelines."

REVIEW & OUTLOOK

Japan's Big Bang

Today marks the official commencement of Japan's "Big Bang," but no one should expect a flow of quick solutions for the country's financial sector. Nor as some worry will foreigners overrun the country's banking, brokering and fund management industries. Make no mistake, the Big Bang is going to put the Japanese economy through a period of creative destruction. But this initiative offers hope that the savings of Japan's people will ultimately be channeled more efficiently to productive uses—an outcome likely to do more to restart growth in this embarrassingly laggard economy than anyone's fiscal stimulus package.

There are reasons to reserve judgment on any likely short-term effects. Chief among them is the possibility that Japan's bureaucrats will fight a rear-guard action to maintain their competition-stifling system of "administrative guidance." Yet optimism for the longer term is by no means unwarranted.

It's true that Japan's political system has been notoriously slow to turn. It took seven years of near-zero growth before a prime minister could overcome vested interests opposing these reforms; among them are measures London and New York adopted 12 and 22 years ago. But Japanese history suggests that once consensus occurs, change is likely to follow. The Big Bang appears to be such a turning point.

Tokyo won't become a world financial hub anytime soon, of course. But the country's long-suffering savers will get some quick relief. Today's reforms include the deregulation of brokerage commissions on large stock trades, a move expected to drop the price of such trades by 30% right away. Trading in foreign exchange will be thrown open to all businesses, allowing savers to invest abroad more easily and cutting costs for multinational corporations. The combined effect should boost the fund management industry.

On the down side, the Japanese will have to wait for a healthy corporate bond market and the full opening of the insurance market, and for various changes in accounting rules that will cause greater transparency and market discipline.

Nevertheless, Prime Minister Ryutaro Hashimoto's promise of "free, fair and global" markets is a heartening rallying cry. Japan's financial services sector is narrowly compartmentalized and protected, an arrangement that enhances the power of the Ministry of Finance. Provided the MoF doesn't interfere, firms will soon be free to encroach on one another's territory, and foreigners free to enter each market. The resulting competition will mean better prices and better products for consumers.

Now Japan has a chance to again lead Asia, this time toward more stable growth, by embracing debt and equity financing. It has always seemed incredible that Tokyo lacks a truly liquid debt securities market, an important tool for allocating capital efficiently and for lowering borrowing costs and avoiding systemic risk. Japan's system has discouraged initial public offerings, starving entrepreneurs of capital. Now there's hope for overcoming these deficiencies.

From today on, competition should pressure banks to put all their capital to productive use—that is, to sell off some of their share holdings in the affiliated companies. These cross-holdings, a central features of Japan Inc., have shielded companies from the pressures of independent shareholder interests. The unraveling of the *keiretsu* system, if that happens, would cause a sea change in corporate governance. As the fund management industry grows, small investors stand to gain greater leverage for forcing management to be more responsive to their needs, as happened in the U.S.

All these changes are bound to be unsettling. Some Japanese fear that the influx of foreign firms heralds a loss of control over their own destiny. In fact, the phenomenon of firms like Merrill Lynch or Citicorp in Japan represents a strong vote of confidence in Japan's future, and a long-term investment in its recovery. It will be fascinating to watch what happens as major Western financial institutions bring to Tokyo not only capital, but the sophisticated expertise necessary for building a world-class securities industry. Their confidence suggests that Japan stands at the threshold of an opportunity to resurrect its economy by embracing markets that are indeed free, fair and global.

Mandela's Leadership

South African President Nelson Mandela is widely regarded as a skilled politician, and properly so. During the 1994 election, he rallied a bitterly fractured black population behind his party, the African National Congress (ANC). More important, he adeptly gained acceptability with the white population, which feared retribution under black rule. To the extent Mr. Mandela's political sensitivity fostered a relatively peaceful end to apartheid, his rise might be, as Bill Clinton remarked in Johannesburg last week, "one of the true heroic stories of the 20th century."

Still, Mr. Mandela's management of South Africa's political economy remains a matter of concern. His missteps are generally blamed for the economy's deterioration. Most notable has been Mr. Mandela's coziness with the far left, especially the Congress of South African Trade Unions (Cosatu), to maintain his political support. This in turn has led to restrictive labor legislation that has pumped up wages to a level at which corporations can no longer justify the expense of adding new employees.

This helps explain South Africa's devastating unemployment rate, hovering around 30% and as high as 60% in some townships. The legions of angry, unemployed drifters in Johannesburg gives South Africa crime and murder rates higher than some war-torn nations.

To its credit, the ANC sometimes says the right things. Its GEAR platform—Growth, Employment and Redistribution—calls for an ambitious reduction in government spending, faster privatizations, lower taxes and greater labor flexibility, all of which would surely help the economy. But GEAR's redistribution cog cripples its effectiveness. Guaranteed housing in predominantly black regions and other redistribution efforts have caused budget deficits to soar, and so tax cuts are deemed politically feasible. In fact, the ANC has levied punitively high taxes, especially on property, in the wealthier and whiter areas. The targets of these taxes in many cases simply refuse to pay.

Mr. Mandela's background ought to give him the moral authority to do better. But even within his own party, he hasn't shown much willingness to take on its more radical members. It is possible of course that Mr. Mandela himself isn't particularly keen on economic reform. In 1999 Thabo Mbeki is expected to become South Africa's new leader, taking over from the 79-year-old Mr. Mandela. But the close working relationship between the two suggests that Mr. Mbeki already has had a role in the government's mistakes; it's hard to see that he would change much.

Mr. Mandela will certainly be remembered for his past heroics and courage. But it's not possible to disassociate his personal record from the record of his government. When assessing his performance, it has to be kept in mind that South Africa isn't really the "Africa" of popular image, conjuring images of desperate poverty and chaos. The country has a strong foundation—political stability, good infrastructure, the rule of law—on which to build a sound economy. It would be altogether unfortunate if Mr. Mandela's deserved reputation for leadership is never quite put at the service of the economic interests of all South Africans.

Asides

Goodbye to All Hats

In noting the death yesterday of Bella Abzug at the age of 77 one thinks: Big hats, big heart, big, big mouth. More often than not, the right-minded wished they had earplugs whenever Bella stepped to the mike in Washington—where she bellowed from 1971 to 1977 in the House of Representatives—or her hometown of New York, whose mayor she once wished to become. Tireless and tiresome, but also immensely devoted to the feminist and left-wing causes that mattered to her—and which she identified without the help of polls—Abzug rode the crest of liberalism into office and finally, as it ebbed, almost out of sight. Her spirit was irrepressible. Riding through Greenwich Village, her home (of course) during some campaign or other, she rolled down the window of her car and asked a dog-walking journalist if she'd voted for her. Told that only the dog voted for her, Abzug yelled back: "He's got better taste than you do!"

Nixon, Clinton and the Polls

By Everett Carll Ladd

For the first time since Watergate, there is serious discussion about the possibility of dismissing an incumbent president, whether by forced resignation or impeachment. It's hard to imagine two men more different in personality and political style than Richard Nixon and Bill Clinton, and the scandals that have embroiled their presidencies diverge in many ways. We know, of course, the end result of the Nixon scandals; in Mr. Clinton's, the jury—American opinion—is still out.

Nonetheless, whatever Mr. Clinton's critics say about the decline of public standards, there are striking similarities between public opinion about today's presidential scandals and the original generation's:

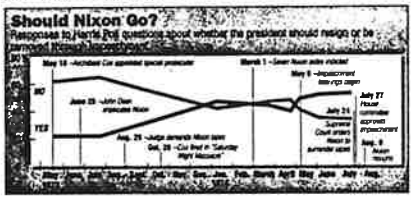
• *Dudgeon for the "game"* of politics. In April 1973, as the pot began to boil in both grand jury and Senate inquiries, just 31% of respondents who had heard of Watergate (87% of the total) described it as "a very serious matter," 54% called it "just politics." As the investigations proceeded, these numbers shifted, but only gradually. As late as two months before Nixon's Aug. 9, 1974, resignation, 49% called Watergate a very serious matter, 42% "just politics."

Public Irritation

Similarly, during Watergate as today, much of the public expressed irritation that the scandal was drawing attention from more important matters. In June 1973 the Harris Poll asked whether "the president was right in saying it is more important for him to spend his time working for the country than to be trying to find out what happened in the Watergate affair." Fifty-two percent agreed; 36% disagreed. In the same poll, respondents agreed, 54% to 34%, that "it is best to give [Nixon] the benefit of the doubt in the Watergate bugging and coverup."

• *Suspicion of the press.* Even in late June 1974, 51% of the Gallup Poll's respondents said the media "have provided too much coverage" of Watergate, vs. 29% who were satisfied with the amount of coverage and 15% who wanted more. The public rejected the view that the press was out to get Nixon, but pluralities consistently saw him as a victim of unfair media attacks.

• *Reluctance to pass judgment.* The most striking finding from polling on Watergate is how slowly and reluctantly many Americans came to accept the idea of ousting the president. In response to questions on whether Nixon should resign or should be forced out through impeachment, substantial majorities said throughout 1973 that he should not. Support for Nixon's removal from office grew as the hearings proceeded in 1974—but even then tentatively. In early May 1974, three months before his resignation, 49% of respondents told Gallup interviewers that the president's actions were not serious enough "to warrant his being impeached and removed from the presidency." Sympathy for Nixon persisted even as his presidency drew to a close. In a Harris poll completed July 21, 1974, 55% agreed that Nixon "is trying to do his best in an almost impossible job."



But support for Nixon's forced exodus jumped whenever "ifs" were added about firm evidence of illegal action—if he had participated in the Watergate coverup, or if he refused to hand over subpoenaed documents and tapes. Claims of executive privilege found little support: In an April 1974 Harris survey, only 30% said Nixon was right to assert executive privilege in refusing to turn over tapes; 56% thought "he is using it as an excuse to keep important information from Congress which might convict him."

• *Partisanship.* Republicans were much more likely to stand by Nixon. In a Gallup poll of July 1973, 34% of Democrats but just 7% of Republicans favored his removal through impeachment. Six months later, the proportion of Democrats favoring Nixon's removal had climbed to 48%, vs. just 11% of Republicans. In early August 1974, 71% of Democrats wanted Nixon out, while a majority of Republicans (56%) stood by their man and opposed his removal. Partisanship plays a similar role today, with Democrats far more inclined than Republicans to defend Mr. Clinton, criticize his critics and oppose his removal from office.

But what about Mr. Clinton's sky-high approval ratings? That is the one big difference between 1973-74 and 1998. Nixon's approval ratings were high in 1972 when he won re-election in a landslide, and they remained high in early 1973. But then they began going south. In December 1973, according to Gallup, just 29% of Americans approved of the way he was doing his job, a figure that remained fairly stable for the rest of his term. By contrast, Mr. Clinton's approval scores have risen significantly in his second term and now stand at their highest level for his time in office.

Does this mean the Clinton scandals are uniquely different? No. Job-approval ratings have little to do with scandal. Recall that in 1973 and 1974, Americans saw their country in a terrible mess; now we're generally upbeat and, with regard to the economy, almost exuberant. Nixon's standing would probably have been greatly diminished even if Watergate never happened.

It's easy to forget how perilous the economy seemed in 1973-74. In 1971 and 1972, inflation was a relatively modest 3.4%. But it ballooned to 8.8% in 1973, the year of the Arab oil embargo, and to 12.2% in 1974. In August 1974, when Nixon resigned, 80% of respondents to a Gallup poll identified economic matters as the most important problem facing the country, and 70% referred specifically to the high cost of living. The oil embargo brought not just inflation, but gas lines and a deep recession.

No wonder the nation's mood was sour. A Yankelovich Skelly & White poll in March 1974 found 71% of respondents saying things were going badly. In September, 65% said in another Yankelovich poll that the U.S. was "in deep and serious trouble." At the same time, the Roper Organization recorded 75% believing that things had seriously gotten off on the wrong track. Nixon's job-approval rating followed these measures.

In 1973-74, then, Nixon held perhaps the weakest hand of any modern American president. Today Mr. Clinton holds the strongest—and even his predecessors are benefiting. In a survey taken by Gallup in early February, 74% said that, looking back, they approved of the way George Bush handled the presidency. Sixty-nine percent said the same of Ronald Reagan, and 65% of Jimmy Carter.

Job-approval ratings, then, reflect a public assessment of the president's performance and the general mood. But other measures better reflect the extent to which scandal has diminished a president's public standing. And here things do not look good for Mr. Clinton. An ABC News survey completed Feb. 15 recorded 66% saying that he does not have "high personal moral and ethical standards," vs. just 28% who said he does. A Yankelovich Partners poll of mid-January found only 37% calling Mr. Clinton "a leader you can trust." In a Princeton Survey Research Associates study completed in early February, 63% approved of Mr. Clinton's policies, but only 42% said they liked him personally. Asked by Opinion Dynamics in December whether they would rather have their child grow up to be like Bill Gates or Bill Clinton, 47% picked the Microsoft CEO, and just 24% preferred the president. (Twenty percent found both options unappealing.)

Man of Integrity?

A number of polls over the past several years have asked respondents to compare Mr. Clinton's performance with that of his predecessors. He usually trails everyone except Mr. Carter in leadership and everyone save Nixon in honesty and integrity. But even in the latter comparison, Mr. Clinton's position is not secure. A Harris survey of early May 1973 found 64% agreeing with the statement that "President Nixon is a man of high integrity," while 23% disagreed. As Watergate unfolded, Nixon's reputation for probity fell, but as late as May 1974, 40% of respondents called Nixon a man of integrity.

In a survey completed July 21, 1974, just over two weeks before he was forced to resign, 35% still saw Richard Nixon as a man of high integrity—a greater proportion than so credits Bill Clinton today.

Mr. Ladd is a professor of political science and president of the Roper Center for Public Opinion Research at the University of Connecticut.

Japan's 'Bang' Is Not Big Enough

By Jean-Michel Paul

The widely heralded Japanese financial Big Bang officially begins today with the partial liberalization of brokerage commissions and the relaxation of foreign exchange controls. Between now and 2001 a number of measures will gradually be implemented to increase competition among banks, securities houses and insurance companies. The Ministry of Finance is taking this effort seriously, having already promulgated more than 2,000 pages of enabling regulation.

The Japanese financial sector desperately needs reform. For the first time since the oil shock, Japan is entering recession. Meanwhile, prices—a recent increase in the sales tax aside—are falling, and unemployment is at its highest level in 45 years. The government's repeated attempts since 1992 to jump-start the economy with ill-designed and ill-targeted stimulus packages, including the record-setting plan announced last week, have cost more than 90 trillion yen ($692 billion).

These massive sums typically have been spent in uneconomic, if not altogether useless, public works. The most significant result was a ballooning public debt, which is now worth more than a year of gross domestic product—twice that sum if the pension debt is included. Even the Bank of Japan's attempts to reflate the economy by injecting liquidity, with an increase in its assets of up to 42% in one year, are failing to stimulate economic activity. Yet the failure of the monetary-policy machine is not surprising given that its transmission, the financial sector, is out of order.

Decades of meddling by the government have created a financial system that ranges, depending on the activity, from inefficient to virtually bankrupt. Japan's regulatory environment has already led to the hollowing out of many new financial services. This is why a third of the Nikkei 225 futures are traded in Singapore. Moreover, in a country whose population is rapidly getting older, the insurance system has produced a miserable 2.5% yearly return for the last 15 years, seriously endangering the system's capacity to finance future retirements.

> *Decades of government meddling have created a financial system that ranges, depending on the activity, from inefficient to bankrupt.*

Yet even this pales in comparison with the banks' failures. Under the rules of the Bank for International Settlements, most Japanese banks would have been banned from international markets this year but for a massive public capital injection of up to 30 trillion yen. The result is that a financial system that was not properly allocating funds before is now reluctant to lend at all. In a recent private survey, more than 95% of Japanese companies interviewed complained that raising funds is becoming more difficult. Indeed, lenders are less willing to take risks, typically deciding to lend based on collateral rather than a project's economic viability.

Hence the need for a Big Bang to fix the rapidly deteriorating second-largest economy in the world. As things now stand, however, it is unlikely to be much more than a prolonged series of positive but insufficient reforms. We are told that the Big Bang is a carefully crafted long-term plan for financial reform that will eventually reinstate Tokyo as Asia's main financial center. Yet even among Japanese officials there is little consensus about what the Big Bang is or should be in practice. Some reforms have been downplayed and delayed due to intense lobbying, while the imprecision about others is already creating uncertainty and conflicts. For instance, today's reforms are supposed to replace prior authorization by the Ministry of Finance for capital movements of more than five million yen with a reporting requirement to the tax office for financial institutions of movements of more than two million yen. But what the tax office will do with this information is far from clear.

Much worse, the very essence of a successful reform—a willingness to let the market work—is not taken seriously in Tokyo. This was made apparent recently when Liberal Democratic Party officials requested that the Nikkei stock index be set at 18000 for the fiscal year's closing day, a cynical move to help banks meet the Bank for International Settlements' requirements. As for long-term planning, the government's recent bailout of all banks without any consolidation or bankruptcies was a deliberately missed golden opportunity to reduce the structural banking sector overcapacity.

The so-called Big Bang is a set of small moves in the right direction. But if Japan is truly to recover, the country needs nothing less than a free-market revolution, and a prolonged and postponed series of truncated reforms. As Japan enters recession with an aging population and an unprecedented level of national debt, indecisiveness is not an affordable option.

Japanese resources are substantial, including one of the world's most educated work forces and an impressive savings rate. Yet restoring growth and confidence is not possible without an efficient financial system to allocate capital and human resources swiftly and optimally. That means the ability to securitize bad loans and consolidate the banking sector. Ultimately, it calls for a revolution in attitude, investment in ideas and, above all, a willingness in all quarters to let the market work.

Mr. Paul is a doctoral candidate in both finance and real estate at the University of California, Berkeley's Haas School of Business.

I'm a Doctor, Not a Paper Pusher

By Judy Robinson

Starting this July, under the federal government's new Medicare Correct Coding Policy, doctors will be spending a lot more time on paperwork rather than patient care. In fact, documentation requirements are on the verge of subsuming medical care itself. These regulations started as a legitimate effort to determine that services government pays for have actually been delivered. But they've developed into a Rube Goldberg system in which auditors with little or no medical training will determine if doctors are actually doing their jobs instead of committing fraud all day long.

Under little-publicized provisions of the 1996 Health Insurance Portability and Accountability Act (the Kennedy-Kassebaum law), enforcement responsibility will rest with 450 FBI agents hired specifically for this purpose. This also means that if you are a Medicare patient, the FBI will have unfettered access to your medical records.

The new regulations, issued by the Health Care Financing Administration, are so heavy-handed that it is clear they have little or nothing to do with the care of the patient. For example, to justify a 25-minute visit with a Medicare patient, a physician will have to generate a written record including—just try to follow this—the chief complaint, an extended history of the present illness (four or more elements, or the status of at least three chronic or inactive conditions); a review of systems (an inventory of two to nine body systems); pertinent past medical, family and social history; plus either a detailed examination including at least six organ systems or body areas with at least two elements each or at least 12 elements in two or more organ systems or body areas), as well as two out of three of either multiple diagnoses or management options, a moderate amount or complexity of data to be reviewed, along with the risk of complications or morbidity or mortality.

There's more. Somewhere along the line, a numbingly complex matrix of required elements must be considered for each medical interaction to determine which level of office-visit service should be coded for billing to Medicare. Failure to do so with consistent accuracy can subject the miscreant physician to fines of up to $10,000 an incident. So the physician must turn to elaborate tables of symptoms and body parts to be sure that the reported number of findings are distributed among the right number of body systems and duly recorded.



The effective date of these new regulations was delayed to July from January after a howl of protest from physicians. But there is little indication that they will be substantially modified. They should be dumped altogether.

The concept of standardizing the work to be expected with various levels of care seems reasonable at first glance. Medical records, after all, once consisted of little more than scanty scribbled observations. But the days of undocumented medical treatment have long since passed. Physicians, who have labored for at least 30 years under the threat of malpractice litigation, long ago became conscientious at recording the details of significant findings and treatments.

A look at the new regulations leads to the unavoidable conclusion that a disproportionate amount of time will be consumed by pedantic record keeping, at the expense of the patient. The information mandated is so voluminous—lots of chaff for little or no wheat—that it's of no use to the next person to use the medical record, either.

Such a single-minded focus on documentation may satisfy the bureaucrat and the accountant, but it can be hazardous to the patient. After all, a doctor can do only so much in 15 to 30 minutes. Every unnecessary or arbitrary documentation mandate takes away from the time available to evaluate symptoms, formulate a diagnosis or a treatment plan, explain the problem, write prescriptions . . . and, oh yes, comfort and console the patient. These requirements are demeaning to physicians, surely among the most skilled, educated and ethical professionals in our society.

The real purpose of these regulations is to find ways to reduce the payment for services provided to patients by applying the rule: *If it isn't documented, it didn't happen.*

How can a doctor keep the patient's needs foremost in mind when every interaction is laden with administrative burden and fraught with legal peril? "The secret of caring for the patient is to care for the patient," said the great early-20th-century physician William Osler. To put it in contemporary lingo, it's the patient, not the chart. Documentation should not become the tail that wags the dog.

On the other hand, if this is good medicine for doctors, perhaps every government official and employee should be subject to similar work-substantiation requirements. It might be instructive to have each of our public servants report minute-to-minute activities and accomplishments in comparable detail, so we could all see just where our tax dollars are going.

Dr. Robinson practices internal medicine in Washington, D.C.

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I'm a Doctor, Not a Paper Pusher

By Jody Robinson

Starting this July, under the federal government's new Medicare Correct Coding Policy, doctors will be spending a lot more time on paperwork rather than patient care. In fact, documentation requirements are on the verge of subsuming medical care itself. These regulations started as a legitimate effort to determine that services government pays for have actually been delivered. But they've developed into a Rube Goldberg system in which auditors with little or no medical training will determine if doctors are actually doing their jobs instead of committing fraud all day long.

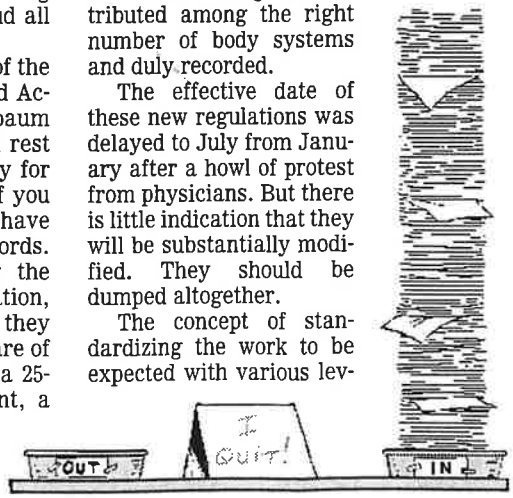
Under little-publicized provisions of the 1996 Health Insurance Portability and Accountability Act (the Kennedy-Kassebaum law), enforcement responsibility will rest with 450 FBI agents hired specifically for this purpose. This also means that if you are a Medicare patient, the FBI will have unfettered access to your medical records.

The new regulations, issued by the Health Care Financing Administration, are so heavy-handed that it is clear they have little or nothing to do with the care of the patient. For example, to justify a 25-minute visit with a Medicare patient, a physician will have to generate a written record including—just try to follow this—the chief complaint, an extended history of the present illness (four or more elements, or the status of at least three chronic or inactive conditions); a review of systems (an inventory of two to nine bodily systems); pertinent past medical, family and social history; plus either a detailed examination (including at least six organ systems or body areas with at least two elements each or at least 12 elements in two or more organ systems or body areas), as well as two out of three of either multiple diagnoses or management options, a moderate amount or complexity of data to be reviewed, along with the risk of complications or morbidity or mortality.

There's more. Somewhere along the line, a numbingly complex matrix of required elements must be consulted for each medical interaction to determine which level of office-visit service should be coded for billing to Medicare. Failure to do so with consistent accuracy can subject the miscreant physician to fines of up to $10,000 an incident. So the physician must turn to elaborate tables of symptoms and body parts to be sure that the reported number of findings are distributed among the right number of body systems and duly recorded.

The effective date of these new regulations was delayed to July from January after a howl of protest from physicians. But there is little indication that they will be substantially modified. They should be dumped altogether.

The concept of standardizing the work to be expected with various levels of care seems reasonable at first glance. Medical records, after all, once consisted of little more than scanty scribbled observations. But the days of undocumented medical treatment have long since passed. Physicians, who have labored for at least 30 years under the threat of malpractice litigation, long ago became conscientious at recording the details of significant findings and treatments.



A look at the new regulations leads to the unavoidable conclusion that a disproportionate amount of time will be consumed by pedantic record keeping, at the expense of the patient. The information mandated is so voluminous—lots of chaff for little or no wheat—that it's of no use to the next person to use the medical record, either.

Such a single-minded focus on documentation may satisfy the bureaucrat and the accountant, but it can be hazardous to the patient. After all, a doctor can do only so much in 15 to 30 minutes. Every unnecessary or arbitrary documentation mandate takes away from the time available to evaluate symptoms, formulate a diagnosis or a treatment plan, explain the problem, write prescriptions . . . and, oh yes, comfort and console the patient. These requirements are demeaning to physicians, surely among the most skilled, educated and ethical professionals in our society.

The real purpose of these regulations is to find ways to reduce the payment for services provided to patients by applying the rule: *If it isn't documented, it didn't happen.*

How can a doctor keep the patient's needs foremost in mind when every interaction is laden with administrative burden and fraught with legal peril? "The secret of caring for the patient is to care for the patient," said the great early-20th-century physician William Osler. To put it in contemporary lingo, it's the patient, not the chart. Documentation should not become the tail that wags the dog.

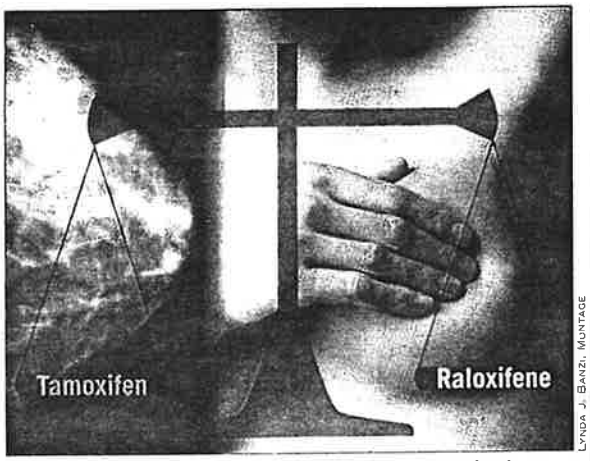
On the other hand, if this is good medicine for doctors, perhaps every government official and employee should be subject to similar work-substantiation requirements. It might be instructive to have each of our public servants report minute-to-minute activities and accomplishments in comparable detail, so we could all see just where our tax dollars are going.

Dr. Robinson practices internal medicine in Washington, D.C.

Special Report: Primary Care Dermatology, page 17

Internal Medicine News

VOL. 31, NO. 9 — *The Leading Independent Newspaper for the Internist* — MAY 1, 1998



LYNDA J. BANZI, MONTAGE

Researchers now want to put raloxifene to the test, hoping it can prevent breast cancer like tamoxifen, but without adverse effects.

BREAST CANCER PREVENTION

Tamoxifen's Benefits Come at a Risk

BY MIKE BYKOWSKI
Staff Writer

Tamoxifen reduces the risk for breast cancer, but the preventive advantage comes at a price—increased risks for pulmonary embolism and uterine cancer.

The adverse events in last month's much publicized and as yet unpublished Breast Cancer Prevention Trial have experts saying that using tamoxifen (Nolvadex) to prevent breast cancer is an idea that is not ready for clinical prime time.

Several also advised waiting for the results of prevention trials using raloxifene (Evista), which might also prevent breast cancers—and with fewer adverse events.

Commenting at the press conference announcing the results, Dr. Richard Klausner noted that "these women have only been followed for [around 4 years]. There's much we don't know about how long the protection will last and how long the drug should be taken."

Furthermore, there needs to be a way to select out women

See **Tamoxifen** *page 4*

INSIDE



ACP/ASIM Target E&M Codes
ACP's William Reynolds wants them streamlined.
PAGE 5

Drug Update
Oral agents for type 2 diabetes.
PAGE 44



Profilers Need Practice
Measures must be linked to quality improvement.
PAGE 50

AS MUCH AS 35 MG OF LISINOPRIL

High-Dose ACE Inhibitors Cut Heart Failure Death Rate

ATLAS trial raises the bar on what is considered clinically optimal therapy.

BY BRUCE JANCIN
Rocky Mountain Bureau

ATLANTA — High doses of ACE inhibitors for congestive heart failure are considerably more effective than the far lower ones widely used today, a major new study shows.

The Assessment of Treatment with Lisinopril and Survival (ATLAS) trial also demonstrated that high-dose therapy is as safe and well tolerated as low-dose therapy.

The message of ATLAS is that physicians who now commonly use low doses of ACE inhibitors in their heart failure patients need to rethink their approach, ATLAS principal investigator Dr. Milton Packer said at the annual meeting of the American College of Cardiology.

Boosting the doses used today to a hefty 32.5-35 mg of lisinopril or its equivalent—say, 10-20 mg of enalapril twice daily—will extend survival time and avoid hospitalizations, said Dr. Packer, professor of medicine and pharmacology and director of the center for heart failure research at Columbia-Presbyterian Medical Center in New York.

"The results of ATLAS should be translated immediately into clinical practice. We are asking physicians to take a class of drugs that they know works and

See **High-Dose** *page 2*

MAY CUT BIOPSIES BY 20%

Test for Free PSA Reduces Unneeded Prostate Biopsies

When standard value falls in gray zone.

BY MITCHEL L. ZOLER
Philadelphia Bureau

A newly approved test for measuring the level of free prostate-specific antigen is expected to cut the number of unnecessary prostate biopsies by 20%.

The assay, approved by the Food and Drug Administration in March, will be used as an adjunct to the conventional test for prostate-specific antigen (PSA). The assay for free PSA would be used when the standard PSA value falls into what is considered a diagnostic gray zone: 4-10 ng/mL.

When men with PSA levels in this range are biopsied for prostate cancer, 75% come up negative. That is an unacceptably high number of unnecessary biopsies, said Dr. Alan W. Partin, a urologist at Johns Hopkins University in Baltimore.

PSA is a protease that is usually bound in the serum by a protease inhibitor. Inactive protease requires no protein binding and sits in serum as free PSA. It is unclear why high levels of protein-bound PSA in serum are a marker for cancer.

Results from a multicenter study of 773 men, aged 50-75, with total PSA levels of 4-10 ng/mL showed that by limiting biopsies to men with free PSA levels that are less than 25% of total PSA, the number of procedures could have been cut by 20%, with a 5% false-negative rate.

By adding the free PSA measure,

See **PSA** *page 2*

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VITAL SIGNS

AMA a Big Spender in Washington*

No. 1	American Medical Association	$8.6 million
No. 2	U.S. Chamber of Commerce	7 million
No. 3	Philip Morris	5.9 million
No. 4	General Motors	5.2 million
No. 5	Edison Electric Institute	5 million
No. 6	Pfizer	4.6 million
No. 7	United Technologies	4.2 million
No. 8	General Electric	4.1 million
No. 9	AT&T	4.1 million
No. 10	Citicorp	4.1 million

*Based on lobbying expense reports filed for the first half of 1997.

Source: The Associated Press and the Center for Responsive Politics

KEVIN FOLEY, REUTER/LOUISE A. LYNCH, CCS JR

NATIONAL GROUPS TAKE UP THE BATTLE

IM Organizations Push for E&M Coding Changes

JOHN R. GUARDIANO
Senior Writer

The American College of Physicians, the American Society of Internal Medicine, and other internal medicine subspecialty groups are pushing for wholesale changes in Medicare's revised evaluation and management documentation guidelines.

"No issue in our recent experience has aroused a greater outcry from physicians," ACP President William A. Reynolds told this newspaper.

"The guidelines are too onerous and need to be streamlined," added ASIM Executive Vice President Alan R. Nelson. They force physicians to become preoccupied with coding details to justify payment, thereby detracting from the time they spend actually treating patients.

ACP and ASIM recently joined a growing chorus of physician groups opposed to the evaluation and management (E&M) guidelines. The California Medical Association has called for scrapping the guidelines, and the American Academy of Family Physicians has described them as "overly burdensome, a threat to good patient care, and impossible."

Because of the uproar, Health Care Financing Administration officials extended the implementation date from Jan. 1 to July 1. Now medical group leaders say that physicians need still more time to learn how to apply the new coding rules.

Meanwhile, the American Medical Association convened an April 27 meeting of state and specialty society leaders in Chicago to address how, specifically, the guidelines should be changed.

"It is not only a hot issue; it is *the* hot issue in medicine today," said Dr. Paul Speckart, chairman of a joint ACP-ASIM task force that is pushing to make the E&M guidelines more patient- and physician-friendly. "This is probably the most destructive thing to happen to patient care in the U.S. in memory."

The task force estimated that the new guidelines will add between 120 and 200 minutes per day to the average internist's workload. That means an extra 3-5 minutes per patient just for E&M coding.

In addition, the task force determined that there are more than 6,000 different ways an office visit for a new patient could evolve and be classified.

To remedy this problem, the ACP-ASIM task force is calling for a simplified set of guidelines that give doctors greater flexibility and autonomy in how they document for E&M services.

Specifically, the task force is calling for the elimination of the detailed system-body area "bullets" in the general multisystem examination. Meanwhile, ACP and ASIM want to return temporarily to the more general 1994 guidelines until a new documentation system can be pilot tested and physicians can be educated on its use.


ACP

ACP President William A. Reynolds addresses the "outcry from physicians."

The task force's recommendations are similar to those from the AAFP. For example, the AAFP has called for replacing the two exam options—the general multisystem examination and the single-organ-system examination—with "an all-inclusive exam outline" that allows doctors to mix and match elements from both.

ASIM and ACP, by contrast, have refrained from offering recommendations to improve the single-organ-system exams, preferring instead to leave that to the component subspecialty societies.

But like the AAFP, ASIM and ACP are asking HCFA to eliminate the requirement that physicians document "normal findings related to unaffected areas or asymptomatic organ systems."

ASIM and ACP also are urging HCFA to conduct an economic analysis of the guidelines to ascertain the financial impact on physicians and patients alike.

Dr. Barry Eisenberg of the AMA, who helped coordinate the April meeting in Chicago, said he is confident that physician groups and HCFA can design an system that is acceptable to everyone. He is less sanguine, however, about their ability to agree on the role of claims audits.

Just 1% of all E&M claims reportedly are subject to either pre- and postpayment audits. Still, an agency official recently told the Practicing Physician Advisory Council that more than half of Medicare E&M claims in a sample audit were rejected during the first quarter of this fiscal year due to inadequate documentation.

Physician groups said this is a source of grave concern among doctors who fear that an innocent coding mistake could be construed as a false claim and thereby subject them to civil fines of $10,000 per claim and criminal sanctions of as much as $250,000 per claim.

Most major medical groups—including ASIM and ACP—have called on HCFA to pledge not to use the guidelines as the basis for physician prosecutions. HCFA officials have maintained that they are under a congressional mandate to eliminate Medicare waste, fraud, and abuse. ■

Health Care Software Sourcebook

1998

ASPEN REFERENCE GROUP

Lynn Antosz
Editor

Sandra Bloom Painter
Senior Editor

Sara Nell Di Lima
Managing Editor



AN ASPEN PUBLICATION®
Aspen Publishers, Inc.
Gaithersburg, Maryland
1998

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CPR/ELECTRONIC MEDICAL RECORDS

records. Providers can order tests, write prescriptions, review results, make referrals, and document a visit. EpicCare alerts physicians to considerations necessary in evaluating each patient's health. EpicCare is designed for large, multi-site ambulatory care environments.

EpicCare's CPR components include: patient histories, visit documentation, document imaging support, health maintenance management, medications management, order entry and communications, results reporting, referral management, powerful chart review, alerts, electronic messaging, clinical guidelines, clinical data repository, and more. EpicCare also provides powerful analysis tools for HEDIS and outcome reporting. EpicCare's graphical user interface runs in Windows in a client/server environment.

Epic develops enterprise-wide software for large integrated health c are delivery systems, including managed care organizations, medical groups, and hospitals.

HEALTHPOINT ACS

HealthPoint
800-452-9653
919-572-1100
Fax: 919-572-1201
www.healthpoint.com

Requirements

Hardware: Intel X86-based; Windows NT compatible; 486 PC or better
Memory: 4 MB
Disk space: 40 MB
Operating system: Windows 95; Windows 3.1; Windows NT
Network software: Windows NT
Additional equipment: Access to CD-ROM for install on server
Language: C++; Pascal
Training/Support/Maintenance: Training is provided. Technical support is available. There is an additional cost for technical support. Toll-free support is available. Maintenance is available from vendor. Product available exclusively through Value Added Resellers.

Price/Licenses: All pricing available through value-added reseller channel.

Description

HealthPoint ACS™ is a highly advanced clinical system for the ambulatory setting that enables physicians and other caregivers to:

- document the clinical encounter
- monitor and improve their workflow
- conduct practice analysis

Designed and tested by physicians for more than a decade, HealthPoint ACS is a network-ready computerized patient record system. It allows caregivers to easily access and record comprehensive patient and health plan information during the encounter at the point of care, ensuring accurate, complete and legible medical records. HealthPoint ACS facilitates the delivery of quality patient care by displaying a longitudinal summary of each patient's past and present conditions, medications, allergies and previous clinical encounters, all on one screen. The system provides drug interaction warnings and patient education materials, as well as codes notes, procedures and diagnoses automatically, based on built-in knowledge.

HealthPoint is a joint venture between Glaxo Wellcome Inc. and Physician Computer Network, Inc.

HealthPoint ACS (PCN)

Physician Computer Network Inc (PCN Inc)
800-221-1476
201-490-3100
Fax: 201-490-3102
www.pcn.com
E-mail: infoline@pcn.com

Requirements

Hardware: IBM Compatibles
Memory: Varies
Disk space: Varies
Operating system: Windows NT; IBM AIX
Network software: Windows NT
Additional equipment: CD-ROM, 5 GB DAT Drive, 28.8 FAX/Modem, UPS
Language: C++
Training/Support/Maintenance: Training is provided. Technical support is available. There is an additional cost for technical support. Toll-free support is available. Maintenance is available from vendor.

Price/Licenses: Varies
First installed in 1995. Total number installed: 20.

Description

Built upon a computerized patient system, HealthPoint ACS is designed to provide information access at the point of care. It runs in a Windows, GUI environment and utilizes the Oracle database structure for ease of use and flexibility in data access. Taking advantage of today's cost-effective, leading edge platforms like Microsoft Windows NT and IBM AIX servers, HealthPoint ACS takes advantage of Client/Server applications with point-and-click functionality.

LANIER Clinical Data Repository

Lanier Worldwide Inc
800-708-7088
513-252-9541
Fax: 800-252-9703
www.lanier.com/healthcare

Requirements

Hardware: Digital AlphaServer, PC compatible as workstation
Memory: 8 MB
Disk space: 5 MB
Operating system: Windows 3.1, Windows 95, Windows NT
Network software: Novell, MS Windows NT
Language: SQL
Training/Support/Maintenance: Training is provided. Technical

CPR/ELECTRONIC MEDICAL RECORDS

immunization scheduler, on-line word processor, patient information sheets.

MR2000 for Windows

The ISYS Group
A Subsidiary of IASD Health Services Corp
515-237-6604
Fax: 515-237-6605
www.isysgroup.com

Requirements
Hardware: 486 PC or better; Pentium or better
Memory: 16 MB
Disk space: 120 MB stand-alone; 1 GB networked
Operating system: Windows 3.x, 95; Windows NT Client
Network software: Novell; Windows NT
Additional equipment: Printer; modem; tape drive
Language: Progress
Training/Support/Maintenance: Training is provided. Technical support is available. Toll-free support is available. Maintenance is available from vendor.

Price/Licenses: Contact vendor
First installed in 1992. Total number installed: 40.

Description
The ISYS Group offers the MR2000, a computerized medical record system designed by a team of physicians for physicians. The MR2000 provides physicians with all of the functions needed to computerize current patient charting systems while incorporating user-friendly features that allow even the first-time computer user to comfortably operate the system. The MR2000 contains complete demographic and historical information, notes of each patient encounter, pharmaceutical records, laboratory results, referral and consultation information, and more.

OptiMaxx™ Archival Systems for Windows NT

MedPlus Inc
800-444-6235
513-583-0500
Fax: 513-583-8885
www.medplus.com
E-mail: info@medplus.com

Requirements
Hardware: Pentium or better; Windows NT, 3.1 or higher
Memory: 32 MB; 16 MB minimum
Disk space: 8 MB
Operating system: NT
Network software: NT
Additional equipment: HP Jukeboxes
Language: Visual Basic; Oracle
Training/Support/Maintenance: Training is provided. Technical support is available. Toll-free support is available. Demo available.

Description
OptiMaxx Archival System, one of the leading document archival systems in health care with more than 100 installations in the nation and abroad. OptiMaxx is designed to meet the departmental needs of healthcare providers that require electronic storage and quick retrieval of information. It also enables users to build toward an enterprise-wide system in the future via integration with MedPlus' ChartMaxx Electronic Patient Record System. OptiMaxx collects information from existing systems using COLD and document imaging. Its solid foundation of a Windows NT operating system and an Oracle database ensures scaleability and seamless integration with any existing information system. Users can quickly scan paper documents and electronically capture data from any information system without the need for complex interfaces or programming, saving time and money. Advanced search options enable data mining of important information for data mining purposes.

PEARL™

Medical Information Management Systems Inc
800-796-6467
615-313-5877
Fax: 615-255-3482
www.mimscorp.com
E-mail: dcumming@mimscorp.com

Requirements
Hardware: Pentium or better; UNIX Server
Memory: 64 MB
Disk space: 6 GB
Operating system: UNIX-5.4; Windows 95; OS/2; Windows NT
Network software: MS Windows NT; SCO/UNIX;
Additional equipment: Scanners; Printers
Language: C++; Oracle
Training/Support/Maintenance: Training is provided. Technical support is available. There is an additional cost for technical support. Toll-free support is available. Maintenance is available from vendor.

Price/Licenses: Single-user—$7,500 per Physician or $500 per month per physician;
Site License—$7,500 per Physician or $500 per month per physician
First installed in 1994. Total number installed: 16.

Description
The MIMS PEARL™ System is a comprehensive software solution that combines the best of both the Computer-based Patient Record and Physician Practice Management worlds to create the first truly holistic Medical Information Management System.

The PEARL™ system's state-of-the-art client/server 2- and 3-tier architecture, utilizing the powerful Oracle database running on a UNIX platform, represents the next generation of network technology brought to life in the healthcare arena.

For the first time, clinicians and administrators can operate from the same application and from any location

Appendix B

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2. Azron Inc. - http://azron.com
3. Healtheon - http://www.healtheon.com
4. LTC Solutions - http://www.ltcs.com
5. Meta Health Technology - http://metahealth.com
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7. Patient Medical Records, Inc. - http://pmrinc.com



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Products and Services
Conferences
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What's New

Abaton.com is a clinical transaction company with the mission of reaching th physician at the point of care with functionality and connectivity delivered thr Internet/intranet technology.

Abaton.com's business is automating the clinical transactions between physi and their trading partners (laboratories, pharmacies, prescription benefit man (PBMs) and healthcare payers). Abaton.com's initial suite of products delive to physicians and trading partners by automating expensive and time consum activities which are currently performed manually.

Enabling Technologies to Revolutionize Health Care

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Products & Services

Products

PGMR™ or Pretty Good Medical Record™

POLaR™ or Physician Online Laboratory Reporter™

PPW™ or Physician's Prescription Writer™

Clinic Operations Support

Future Applications

Services

Why Abaton.com?

The Company:

Abaton.com develops and markets products that automate clinical transaction between physicians and their trading partners (laboratories, pharmacies, pres benefit managers (PBMs) and health care payers). Abaton.com's initial suite products delivers value to physicians and trading partners by automating exp and time consuming activities which are currently performed manually. Som these activities include:

- Laboratory test ordering and results reporting
- Prescription ordering and refilling
- Patient eligibility verification
- Referral requests and authorizations.

By delivering products that automate these activities, Abaton.com is position the leading player in the emerging automated clinical transaction market.

The new business model for the physician office is requiring major informati system design initiatives that include support of:

- Clinical care management
- Clinic operations support
- Point-of-care medical management
- Transaction processing with:
  - Other providers
  - Managed care/insurance organizations
  - Reference laboratories
  - Pharmacy benefit managers
  - Hospitals
  - Internet based education information

Given the nature and importance of today's clinical transactions, most transac must be processed in real time. Until recently, real-time connections to organ that operate different hardware/software systems have been cost-prohibitive a real-time requirement necessitated expensive and time consuming telephone c Abaton.com is taking advantage of the most advanced computing technologie available. With Abaton.com's use of Internet based architecture and protocol time links are not only technically realistic, but also cost-justifiable.

Abaton.com's products are designed to work in concert with one another to p one integrated healthcare solution for our customers. These products include:

- Pretty Good Medical Record™ (PGMR™)
- Physician Online Laboratory Reporter™ (POLaR™)

- Physician's Prescription Writer™ (PPW™)
- Clinic Operations Support

Abaton.com's mission is to bring relevant information to each clinical decisic in the context of how they perform their work. Abaton.com's products and s will take physicians through an incremental approach and assure that they ha connectivity with their trading partners in the health care enterprise. Using Internet-based technology, the clinician can access critical clinical informatior point of care, whether the point of care is the physician office, clinic, hospita home.

Pretty Good Medical Record™ (PGMR™):

Point of care access to critical pieces of clinical data is an essential requireme physicians to be able to appropriately care for a patient. The most effective us information technology occurs at or near the point of care when patient-specif decision support is available as part of the "natural" work process of seeing a and documenting care. This demand is not being met today due to the absenc on-demand views of critical information.

Abaton.com's PGMR enables the processing of clinical transactions in the co the clinical workflow. The PGMR is a framework for conducting clinical trar and a repository for storing and retrieving clinical data. The PGMR contains patient demographic information, medical history, and medical problems. In the PGMR has built-in capabilities that warn physicians of potential adverse interactions, it provides pertinent clinical guidelines, and provides the founda clinically-based alerts delivered through the use of expert systems and rules b transactions.

The product functions as a productivity tool for the physician at the point of c allowing:

- Access to basic clinical information without the issues of navigating fully automated medical record
- System-generated worklists to coordinate efforts among office staff
- Voice transcription support
- Access to the full suite of Abaton.com's automated clinical transactic products

Named for the immediate need it serves, the PGMR is intended to provide rel functionality needed to support the physician during the patient care encounte PGMR has been designed to allow the structured collection and documentatic essential clinical information such as problem lists, medications and objective Data fields in the PGMR can be populated with test results, through transacti ordering, interfaces with other information systems, or manual entry. Unlike automated medical record (AMR) vendors, the PGMR is purposefully simple providing clinical relevance to the physician at the point of care. The PGMR i physicians will use because it was designed to benefit them.

Physician Online Laboratory Reporter™ (POLaR™):

The timely availability and appropriate presentation of clinical laboratory info is a challenge in most health care facilities. A clinical information system that efficient order entry capability and presents laboratory results in a format con with the way clinicians think about and use such data can significantly increa

speed and accuracy of results retrieval and improve the health status of the pa

POLaR is a laboratory order entry and automated results processing system. application allows physicians to electronically order tests, verify laboratory b eligibility, and receive the results of those tests in the PGMR. POLaR has em display capabilities that consolidate test results over time and display them gr In addition, POLaR has built-in capabilities that alert physicians (through sec e-mail) when test results are outside of predetermined range or when results h been received by their expected date.

There are substantial benefits to be realized through the use of POLaR. For physicians, the direct connection with the laboratory provides an enhanced da and a reduced administrative burden (30% of chart pulls in the physician offi performed to compare prior lab results). For laboratories the benefits include:

- avoidance of re-keying data
- eligibility verification to reduce bad debts
- direct results reporting
- improved pickup scheduling and inventory management
- reduction in phone calls from physicians
- an unsurpassed marketing channel.

Duplicate test orders can be identified and reduced improving both the cost ar of health care delivery.

Physician Prescription Writer™ (PPW™):

PPW is an electronic prescribing system that automatically presents lists of d which are approved for a patient in a particular health plan by linking the pro the prescription benefit manager (PBM) for that health plan. The PPW systen provides an automated means of ordering and refilling drugs that dramatically the physician's time requirements in this process. PPW stores medication his automatically checks drug/drug, drug/disease, and drug/allergy interactions.

Automation of this process offers the physician clear, significant advantages including: reduced burden of formulary look-up; easier refill processing; and automatic verifications on allergy/drug and drug/drug interactions (one of the causes of malpractice claims). PBMs have a strong incentive to automate the prescribing process in order to:

- reduce the administrative burden of changing drugs to those on the p formulary lists
- improve the ability to prompt physicians, in real time, to suggest mai or other low-cost alternatives
- enable patient compliance checks as part of the PBM offered disease management programs.

Pharmacies, in turn, realize tangible savings by reducing the pharmacists' tir contacting physicians to clarify drug selection or request a change in medicati the fact.

With PPW, the informed physician delivers quality care and more prudent us expensive medications. The physician can provide appropriate carry-home information, which educates the patient about the drug itself and proper use a point of care, eliminating future potential problems. Focus on providing the r information at the right time pays off positively in both the quality and cost of

care.

Clinic Operations Support:

Abaton.com offers tools that provide intelligent worklist sorting and sequenc continuous re-prioritization according to commonly understood rules and pol timely alerts and reminders regarding consequential events, and complete, leg documentation of the completion process for key tasks. It is estimated that up minutes of each hour worked by clinic office staff is spent re-evaluating prio performing repetitive re-work, and reacting to unpredictable scenarios genera the high volume of errors and omissions typical of inter-office transactions ar requests.

Abaton.com offers a suite of smart worklist management tools that achieve si savings in cost and staff time. Abaton.com offers automated eligibility verific referral management. This product electronically sends a request to the payer eligibility verification or referral authorization, provides a list of approved spe physicians to whom a physician can refer, and sends clinical information (via e-mail or fax modem) to the physician receiving the referral. These are traditi physician-labor intensive tasks that are streamlined through this product.

The value to physicians is the improved use of physician time. Abaton.com p the office support staff with a full capability for patient reminders as well as self-reminders to reduce the number of missed appointments due to not havin information available for that visit. Additional savings are achieved through i documentation of tasks and work processes which allow the multi-site office and float office personnel more flexibly, with fewer errors and less time requ train new staff. The streamlined communications achieved for physicians as v for the office staff represents important qualitative benefits. Ad hoc interrupti re-work loops are virtually eliminated. Patients benefit from a more organize effective handling of the patient care process.

Future Applications:

Beyond the initial product set described, the technological structure of Abato products allows for a number of future applications to be created, sold and di with modest incremental costs. These future applications include a series of a workflow, intelligent alerts and real-time messaging transactions to be integra the product. Potential transaction types will include automated protocols, prev care updates, PBM drug utilization interventions and additional automated ale reminders. In addition, physicians have a number of other significant trading whose transactions would be automated. These include home care transactio medical supplies ordering, radiology results reporting and additional medical management capabilities.

Services:

Abaton.com surrounds its extensive product suite with a broad base of superi service offerings, including:

- Implementation/Installation
- Onsite training ("Train the Trainer" approach)
- Ongoing support
- Integration & Networking
- Interface development

- Documentation
- Custom programming
- Upgrades and Maintenance

Abaton.com's service offering assists its customers in obtaining the maximur for their systems, while relying upon one source for all of their information technology needs.

Why Abaton.com?

Abaton.com believes the basis of competition in the industry will shift from a single-product to an integrated transaction suite of products. Abaton.com is p to provide a full suite of transactions and to drive additional products through existing customer base as the Company expands. Abaton.com is positioned a market leader due to the following competitive advantages:

- Physician focused product solution that integrates into the physician workflow
- Short customer implementation timeframe
- Ease of use and relevance for clinic staff and physicians
- Ability to support geographically dispersed network physicians
- Cost-effective infrastructure requirements
- Focus on connectivity and clinical transactions
- Scalable systems architecture
- Value creation for all constituencies meeting the needs of providers, transaction vendors and managed care organizations
- Highly experienced technical staff
- Strong management team and widespread industry expertise

Choosing an information systems partner is a significant and often complex p that must be made by evaluating the overall ability of an organization to meet business, information and technology objectives. Abaton.com is focused on l its customers achieve their overall goals and become market leaders.

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What's New

Abaton.com is taking advantage of the most advanced computing technologies available to buil products. The nature of these technologies and the methods used to deploy them are an import strategic direction for Abaton.com.

The technology and methods were selected to minimize hardware and software in the physicia office and on the clinician desktop. The layered application architecture developed at Abaton.c provides the foundation on which the systems are developed. This architecture leverages Abaton.com's extensive three-tiered distributed system development experience with web tech create scaleable and secure solutions. In a rapidly changing technological environment, the lay architecture isolates system components, enabling Abaton.com to quickly address business complexities and the clinical variations in operations and workflow. This approach also speeds connectivity to relevant vendors, scales to match business volume, and provides a framework enhancing and adding new functionality.

Abaton.com's system architecture is layered to address complexity and provide mechanisms tc new technologies and functional components. It is based on object-oriented principles to align development with business concepts and relationships.

Underlying each of Abaton.com's applications is a "hyper-tiered" client server philosophy in v browser-based workstations are connected to content and transactions using a CORBA-based middleware. The workstation employs a "thin client" based upon the two prevailing Internet b Netscape's Communicator™, and Microsoft's Internet Explorer™. Server-based software is b upon an object framework, using primarily the Java language, an approach that allows for flex the choice of database technology. Most of Abaton.com's software is being built from the gro to run whether on selected versions of Unix™, or on servers which use the Microsoft NT™ o system. Early development partners include Oracle Corporation, Visigenic, Sun and Microsoft

Abaton.com's security architecture separates the functions of authentication, user roles, systen resources, and permissions. This allows maximum customer flexibility in a highly secure envi where all transmissions are encrypted with digital certificate technology. All databases and bus logic run on physically secure production servers operating behind state-of-the-art firewalls. A points have active monitoring to detect attacks on the systems such as password dictionary atta denial of service attacks. In addition to building state-of-the-art, network-based security protec Abaton.com provides an added measure of security by deploying on private leased-line netwo this way, customers have the option to ensure that no Abaton.com transmissions flow across t public Internet.

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What's New

Supporting Information Exchange Between Health Care Providers

"The Times, They are a Changing..."

The healthcare industry is undergoing the most intensive restructuring of its history. Sinc early 1990's, the formation of complex delivery systems has been the hallmark of the hea industry. As 1998 begins, the majority of freestanding hospitals, large clinics and health (HMOs) have become part of these more complex delivery systems. These changes are s the $1 trillion health care business from a cottage-industry mentality to one that is focuse understanding, achieving and demonstrating the value for the participants.

Today's marketplace is characterized by premiums that are on the rise. Physicians are consolidating in order to control their own destiny and the market is beginning to recogni physicians play an integral role in controlling the health care dollar. If they are to be succ physicians will need information and automated tools to support the management of healt resources and spending. Historically, health care has under-invested in information syste relative to other industries (IS spending in health care averages 2% of costs compared to banking and finance), but over the next decade we will see a significant commitment to I spending in this market.

This new investment will focus on physician-based health information tools with an estin billion market potential in ambulatory clinical systems and another $3-5 billion in clinical analysis systems. Physicians represent the most influential constituents of the delivery sy because of their relationship with the patient and their ability to control utilization and spe Over 85% of the health care dollar spent is initiated by the attending physician. In order t advantage of the influence of primary care physicians, new information technology must wide variety of requirements including patient satisfaction, enhanced clinical and adminis workflow, financial risk management and many aspects of clinical medical management.

Abaton.com's services have been developed to support physicians. Historically, targetin physician market has proved unsuccessful; of the 738,000 licensed physicians in the US majority work alone or with one or two other physicians. According to the AMA, only 3 physicians participate in a group of 3 or more physicians. The physician's office today is dominated by paper and manual processes. Less than 10% of all physicians' offices toda supported by automation. The market for clinical transactions is in the infancy stage and current market space anemic in its ability to deliver value to the physicians.

Management of healthcare cannot be accomplished unless tools are provided to the other physicians who work in multiple large networks. These clinics are non-owned, non-excl clinics that want to support but also want to maintain control of their practice. These clini demand a tool set that has the following characteristics:

- Non-invasive
- Non-exclusive
- Reduces paper work hassles
- Access to information from multiple as well as disparate sources

- Reduces the pain of complying with managed care rules
- Supports appropriate reporting compliance
- Improves (doesn't hinder) day-to-day operations
- Limits up-front capital expenditures
- Assists in the improvement of healthcare delivery
- Easy to install, learn and maintain
- Limited disruption to the practice.

Traditionally, Managed Care organizations and other payers who are at risk for the cost o care have been stymied by their inability to actively manage medical expenses. While suc organizations have enjoyed much financial success over the past five to ten years, that su come primarily by financial arbitrage (reducing medical costs by utilization management techniques and effective contracting arrangements), not by ensuring high quality, cost-eff delivery of health care.

As a result, payers today are looking for ways to more proactively coordinate the service delivered by attempting to work with the physician, by establishing guidelines for patient making that information readily available to the physician, and proactively coordinating compliance with those guidelines. This environment is further fueled by employer health buying coalitions that are demanding not only a moratorium on the rising cost of health c that better care be given to their constituents through the use of wellness programs, qualit care analysis and reporting, and the use of health care outcome assessments and guidelin

Knowing that the primary relationship in health care today is between the patient and phy there is an urgency to evolve to the next generation of tools to manage cost, improve effi and promote quality. The model should be shifted from managing cost to managing the cl process. To actively engage in this process, the physician, or their immediate clinical staf begin to interact with information systems that are both administratively and clinically rel their practice. Since the health care system crosses many enterprise and geographical bou the Abaton.com service offering gives the physician tools that can improve workflow in t practice and establishes the foundation for a service that will appeal to the diverse risk tak health care industry.

Regardless of who is at risk, further progress in the coordination of care, management of and costs, and overall improvement of the health care system, will depend upon new tool capabilities which engage, organize and inform the physician at the point of care. Today Abaton.com, Inc. is addressing this need.

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"Internet technologies have stormed the [health care] marketplace and are becoming widel embraced".

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Press Releases

Abaton.com, Inc. Announces New Appointments

Minneapolis, MN, July 30, 1997---Abaton.com, Inc. (Abaton.com™), announced today the appointment new members to its Board of Directors: Charles J. Singer, Singer and Associates, and past president of C Singer & Company; and John Holton, former Sr. Vice President, Atwork, a Subsidiary of Medaphis Cor and co-founder and President of the Atwork Corporation.

"I am delighted to welcome Charlie and John to the Abaton.com team. Management is very excited abou opportunity to work with such outstanding executives; individuals who are seen as icons in the health cai information industry," stated James P. Bradley, Chairman and CEO, Abaton.com.

"The additions of Charles Singer, the premier healthcare information technology analyst, and John Holto successful health care information entrepreneur, bring substantial and relevant depth to the board," said G Accel Partners.

"Web-based technology has emerged as a 'near perfect' solution for efficiently and effectively, facilitating exchange of information across all stakeholders in the health care delivery system," said Charles Singer. "Abaton.com is positioned, with the right focus, right market drivers, and has the right people to become significant leader in the transformation of health care."

"I am excited to be a part of the new generation of Web-based health care Information Systems," said Joh "Abaton.com has the right personnel and financial backing to allow the Company to quickly make a sign contribution to the health care field."

The board consists of five additional members including: George Borkow, Director of several health care including OnCare and Navmed; James Bradley, Chairman and CEO, Abaton.com, Inc.; Sage Givens, Gen Partner, Acacia Venture Partners; and, Gene Hill, General Partner and Arthur Patterson, Managing Gener of Accel Partners.

Acacia Venture Partners, San Francisco, CA, is a private venture capital fund dedicated exclusively to the services industry and focused on backing companies which have the potential to become leading participa industry sector.

Accel Partners, San Francisco, CA, is a private venture capital firm that invests in entrepreneurial compa they believe can be leaders of select technology-driven markets.

Abaton.com is a health care services company with the mission of reaching the physician at the point of functionality and connectivity delivered through Internet/intranet technology. This functionality is intende the physician to make informed decisions and to automate much of the work that traditionally has been paper-based. Abaton.com offers an initial suite of tools providing on-demand access to key clinical, problem-oriented information, comprehensive laboratory test results, prior clinical results and medication and the ability to prescribe new and refill prescriptions. Access is available from any networking environ supports a Web browser.

More information on Abaton.com is available on their home page at http://www.abaton.com.

Abaton.com links health-care pieces
CityBusiness
August 22, 1997

Profile of Abaton.com. Abaton.com CEO James Bradley is quoted:
"We want to put physicians back at the center of how health-care decisions are made."

"Start-up cash is rolling in fast"
Minneapolis Star Tribune
August 20, 1997

Abaton.com one of three companies highlighted in this report on venture capital investme

"Venture Capital Activity Remains Stable"
Minneapolis Star Tribune
May 20, 1997

Abaton.com listed as one of 20 Minnesota-based companies to receive venture capital inv during the first quarter of 1997.

"Computerized Records Gain Ground"
InfoCare
May/June 1997

Abaton.com officers James Bradley and Rochelle Woolley are quoted (the latter below) ir article about the evolution of computer-based medical records.
"The most significant impact [in the delivery of health care] can be made by automating cl information for physicians who work in a more complex, multi-payor, multi-rules-based environment."

"The Future for Web-based Products and Services in Health Care"
Robertson Stephens & Company
Health Care Research
May 2, 1997

"So where is the innovation taking place? One area is applications that leverage Web advantages...Abaton.com is making progress in this area."

"Accel, Acacia Seed Effort to Put Doctors on Internet"
Venture Capital & Health Care
May 1997

Eugene Hill, Abaton.com board member, is quoted here:
"Right now, there is a major discontinuity between the ambulatory physician and his maj partners. [Abaton.com] would extend the world of electronic commerce to the doctor's w

"Crafting New Methods of Systems Integration"
Health Data Management
June 1997

Abaton.com Chairman and CEO Jim Bradley is listed as stating that



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Abaton.com's appearances in publications such as:

Healthcare Informatics
InfoCare
Health Data Management
Minneapolis Star-Tribune

"The Internet as a Practice Management Tool for Clinicians"
New Medicine
February 1998

Abaton.com's CEO James Bradley discusses how our products can be used to promote b clinical and adminstrative efficiency and to enhance quality care.

"Power Shift"
Healthcare Informatics
February 1998

Abaton.com's CEO James Bradley talks about the tidal wave of change enabling an overl the way physicians work, bringing clinical information and connectivity to the point of ca
Link to article

"Privacy, Are there any guarantees?"
InfoCare
November/December 1997

Abaton.com's CEO James Bradley talks about security and confidentiality of healthcare information on the Internet.

"Startups Spring from UHC's fold"
CityBusiness
December 22, 1997

Abaton.com officers James Bradley and Rochelle Woolley are quoted in this article about startup ventures founded by ex-United HealthCare's executives including Abaton.com.

"Net Commerce Development Grows"
Healthcare Informatics
September 1997

"Electronic commerce goes beyond transactions to the reengineering of business processe themselves," states Abaton.com CEO James Bradley in this article, which discusses deve electronic commerce standards in health care. Several companies' approaches are cited, ir Abaton.com's.

"Abaton.com links health care pieces"

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James P. Bradley to Lead Abaton.com™, New Business Venture Focused on Health Care Delivery at the Point of Care

Minneapolis, Minnesota, May 5, 1997---James P. Bradley, Chairman and CEO, announces his newly for business venture, Abaton.com. Mr. Bradley is the former President of Health Systems Integration, Inc., a of software for the managed health care industry, and former Chief Information Officer of United HealthC Corporation (UNH). Abaton.com is a health care information technology and services company that will network-based clinical point-of-care decision making applications, physician workflow, secure and reliabl messaging to all constituents in the health care enterprise, as well as key administrative functions throug connected to physician offices and based on Internet/intranet technologies.

Over 80% of health care costs are initiated by physicians at the point of care. Knowing that the primary in health care today is between the patient and the physician, significant progress must be made in develc appropriate tools for providing quality care, improving access to information for better informed decision increasing productivity and efficiency in daily workflow and reducing the administrative onus placed on pr by payer and purchaser organization.

Abaton.com's physician interface is browser and/or Java-based and addresses basic workflow in the practi offers connectivity to payers, hospitals, laboratories, pharmacy benefit managers, managed care organizat payer systems, physicians, and other providers of health care services. Abaton.com plans to offer functior connectivity on a broad basis, which should prove useful in the case of most if not all patients seen by tl physician and the physician's staff. The company will offer connectivity to existing installed systems, as appropriate, or can provide a full range of applications relating to practice management and both clinical a administrative electronic commerce. The workflow and electronic message infrastructures integrate these a in a way that matches physician requirements. In collaboration between physicians and technologists, Ab has developed an open architecture designed to leverage and extend existing technology investments. The applications are intended to coexist and accommodate future improvements in technology.

"If we are to fundamentally improve the way that health care is delivered, we must get information into tl physicians at the time decisions are being made," says Mr. Bradley. "We are at a unique time when press health care system and enabling technology are developing at a parallel and explosive pace."

A management team with broad health care and technical experience has been brought together in this nev enterprise, along with the prestigious investment firms of Accel Partners and Acacia Venture Partners, bc headquartered in San Francisco. "We are very excited about the potential of Abaton.com to change the fac care delivery," says Gene Hill of Accel Partners. "Jim Bradley has brought together some of the most tal information technology professionals in the health care industry along with some of the best new techno believe this new venture will offer their customers and business partners tremendous opportunity for coll coordinated health care delivery, with communications connectivity not available before."

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Company Profile

Azron, Incorporated was founded in 1993 to provide healthcare systems that cost-effectively enhance productivity at point-of-care facilities. Azron's vision is to become the world leader in the electronic medical record marketplace by providing a comprehensive suite of solutions based on state-of-the-art core architecture, leading edge applications, extensive integration with other application components and legacy systems, and a full offering of implementation and support services.

Azron's highly flexible electronic medical record product, Azron EMR, can be accessed with wireless, pen-based, mobile computing technology. Azron EMR is based on industry standard technologies and open architecture. Because Azron EMR was developed in conjunction with physician collaborators, it has been widely accepted and adopted by novice and experienced clinicians alike. Azron has developed significant expertise from installing and supporting a wide range of users in the field. Ambulatory care clinics have been using Azron EMR since January 1995 as their sole charting technology, managing over 90,000 active patients. Active users include phyusicians, nurses, physician assistance, and administrative staff, in specialties such as internal medicine, pediatrics, and occupational medicine. Azron EMR has proven effective in both fee-for-service and managed care environments.

The Product

Azron EMR is a flexible electronic medical record system that can be accessed using wireless, pen-based, mobile computing technology. Azron EMR provides particular value to clinicians because of its intuitive design, short learning curve, point-of-care mobility, and ease of use. Azron's three-phased implementation strategy overcomes typical barriers to technology adoption in clinical settings, easing acceptance and speeding return on investment.

Azron EMR's revolutionary design changes the use and perception of computers in clinical record-keeping settings. Azron EMR was designed for clinicians to simplify existing methods of patient chart maintenance and retrieval. Azron EMR automates manual processes, allowing healthcare providers to capture and manipulate data more quickly and intuitively than ever before. Pen-based technology furnishes providers with an interface that masks the underlying transformation of the patient chart from a static paper record of a few clinical interactions, to a comprehensive record tied to an enterprise-wide clinical database.

Azron EMR enables providers to streamline administrative processes, thus freeing up time available to render services to an increased patient population without changing the steps in their current processes. Since electronic records are stored in an enterprise-wide clinical database, providers can deliver care at multiple facilities and still maintain access to the comprehensive patient record.

Clinicians quickly adopt Azron EMR because it is comfortable to learn and use for the following reasons:

- Intuitive design emulates existing processes
- Icon-based interface common across the continuum of care
- Pen-based technology delivers required mobility
- Three-phased implementation speeds learning curve
- Improved care delivery through access to comprehensive patient information



To contact Azron, please see our More Information Page.

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webmaster



Meta's Products

Meta is a full-service software provider that has successfully served the healthcare industry for over 20 years. Our products are sophisticated and feature-rich, yet easy to use. They comprise a comprehensive, integrated solution to meet medical record needs in a variety of healthcare settings.

Using the latest Windows technology for PC products, our CHARMS 2000™ family of HIM software is a powerful, intuitive management tool that increases both revenue and efficiency in medical facilities of all sizes.

In addition, our original CHARMS mainframe product line is still going strong. Now running on the IBM 390, "Classic CHARMS" is preparing for the 21st century as it continues to serve the needs of many customers.

The CHARMS 2000™ Family

CHARMS 2000™ includes modules for chart abstracting, record tracking and deficiency analysis. Together, they form a comprehensive system to meet all your medical record needs.

PowerAbstract™, *a comprehensive coding and abstracting system*

- Abstracts all patient types
- Computes DRGs automatically
- Improves reimbursement

PowerTrac™, *sophisticated, easy-to-use chart location software*

- Tracks chart movement
- Simplifies chart requests
- Maximizes staff productivity

PowerMonitor™, *efficient record deficiency collection and reporting tool*

- Monitors physician compliance
- Manages workloads effiiciently
- Supports any completion process

The Whole is Greater...

CHARMS 2000™ modules are designed to work as a team. The use of shared databases and other common elements eliminates redundancy and ensures coordination among the applications. In addition, the integrated design makes it possible to combine abstracting and chart management data in your reports.

Unmatched Reporting Capabilities

With CHARMS 2000™, you can produce all the reports you want when you want them. Using step by step, easy to use guides, all you have to do is point and click to answer simple questions. Our comprehensive data dictionary enables you to select whatever data elements you want in your reports to produce powerful visual reports, such as:

- graphs
- detail reports
- summaries
- cross tabs.

You can view your reports on line or print them. With online reports, you can *drill down* to view the case details. You can even export your reports to wordprocessors and spreadsheets. To get you up and running as quickly as possible, each module is delivered with a variety of predefined reports that you can use as is or modify to meet your specific needs.

The report writer uses the market-leading Crystal Reports engine from Seagate Software — the same product used by leading software developers such as Microsoft and Borland.

Help at Every Turn

Context-sensitive help is available throughout the CHARMS 2000™ products. No need to remember data values. With dropdown assistance on every data entry field, you can easily select the values you need. Dropdowns also ensure that the data you enter is valid. There are even calendars for selecting dates.

In addition, the advanced Windows design includes both "bubble help" on the toolbars and "microhelp" on the status line. All you have to do is touch the icon with your mouse and the system identifies the function.

What Do I Need to Operate the System?

CHARMS 2000™ runs under Windows 95, Windows 3.1 or Windows NT, either standalone or on Novell Netware and Windows NT local area networks. See Technical Requirements for details.

Will My Systems Talk to Your Systems?

CHARMS 2000™ can interface to your existing systems, whether mainframe or PC. See Interfaces for more information.

Tell Me More

For more information, call Bob Rosenberg at 800-334-6840. We'll be happy to send you literature or a demo disk.

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Meta Health Technology

Meta Health Technology provides leading-edge software solutions designed to enhance day to day functions in hospital Medical Record, Utilization Review and Quality Improvement departments. Established in 1978, Meta serves client hospitals throughout the country. Our comprehensive systems are operational in many of the nation's largest and most prestigious medical institutions.

Designed for acute care facilities, HMOs and large physician groups, our software solutions are regarded as powerful tools that enable our customers to increase revenue by streamlining the collection and reporting of clinical information.

A Growing Company

From the day Meta opened its doors, the company has grown steadily. Our reputation is built on extensive healthcare experience and our proprietary software packages. Our client list includes some of the most prestigious medical centers in New York City and over sixty customers throughout the United States.

Meta offers a full product portfolio for hospital medical record, utilization review and quality improvement professionals. With continuous enhancements and upgrades, we have been able to ensure contemporary software solutions, resulting in a strong and loyal client base.

Support and Service

Meta has built a solid reputation for service and support. Our Professional Services division offers a wide range of technical and consulting assistance to our clients.

Testimony to the quality of Meta's products and implementation skills is the award presented to one of our client hospitals. The National Association of Counties cited our client for the most efficient implementation and optimum use of a medical record abstracting and DRG management system. As a result of the implementation of our product, our client reduced their unbilled accounts by a significant factor. This joint effort between hospital and Meta reflects both the hospital's expertise and Meta's ability to work closely with clients to produce award-winning results.

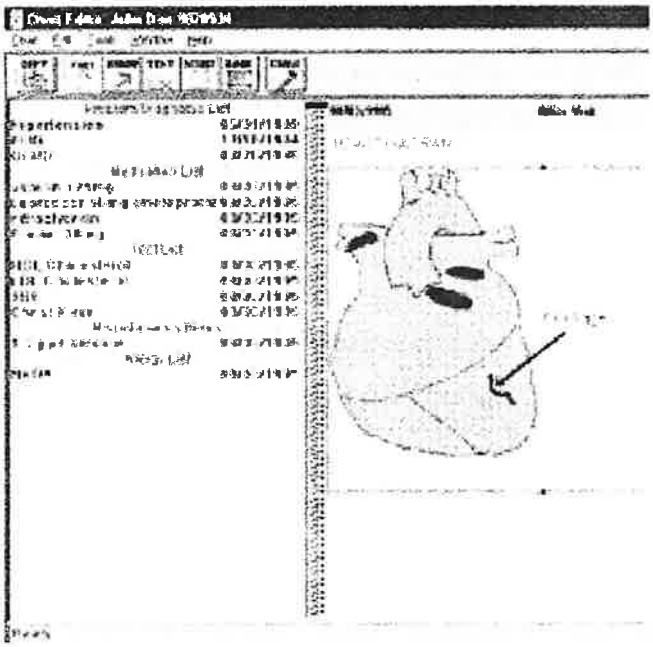
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About

ChartMaker®

Computerized Patient Record Software from MIS

- **ChartMaker®** is a computerized patient record system that can improve the documentation of your patient records while saving you time and money.
- **ChartMaker** assists you in creating your patient charts while storing the information in your own private, computerized, clinical data base for medical analysis.
- Most likely, you will more than justify the purchase of ChartMaker with reduced dictation time and cost, while improving the quality of your patient records, correspondence, and practice image.
- **ChartMaker** provides information to help you justify treatment decisions to payers by analyzing and demonstrating the quality and efficiency of your medical care.
- 

  It may even reduce your malpractice costs through better patient records, and minimize the liability of incomplete or illegible records.Most importantly, ChartMaker can help you to provide more and improved medical care.
- **ChartMaker** is the most technologically advanced and comprehensive patient record system available today with all of the features you need. ChartMaker is an OLE, pen-based product designed for mobile computing under the Microsoft Windows operating system. ChartMaker is an easy to use graphical product designed to make you more efficient and productive.
- Although the medical market has been ready for a product like ChartMaker, until recently the programming tools required to make it a reality were not available. Our technical staff used the newest programming tools available and brought over ten years of computerized medical system experience to design and program ChartMaker.
- Most computerized patient record systems grow out of the desire to get clinical information into a computerized data base. What you have to do to get it there is a nasty little detail.
- We designed ChartMaker from the opposite direction. Our plan is to use computers to make the creation of patient records easier and better than it has been before. Putting the data into the computer data base is still the objective, but how easy it is for you to accomplish is a detail solved by our programmers, not you.
- **ChartMaker** is backed by a dedicated support team to train you and your medical staff on how to computerize your patient records while maintaining control and privacy of your charts. Most importantly, ChartMaker is designed to grow with you to meet all of your future patient record needs.
- **ChartMaker** is your best choice for computerizing your patient medical records.

ChartMaker is a Computerized Patient Record System from:

Medical Information Systems
1150 First Avenue, Suite 620
King of Prussia, PA 19406
Telephone: 610-768-9030
Fax: 610-768-5129

E-mail:jcerra@chartmaker.com

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HSD What's New

KEANE

HSD Products

Keane is focused on providing solutions to the challenges that healthcare organizat today and are anticipating in their future. The company markets and supports a comprehensive Healthcare Information System (HIS) utilizing open system compu technologies. Keane offers a range of services that include outsourcing, consultin network analysis, help desk abilities, year 2000 compliance and product enhancen help your organization meet changing regulatory requirements. Keane has gained a reputation for its ability to provide a total system solution — from implementation customization to training to documentation.

Some of Keane's products include:

- Patcom plus, a UNIX based, highly rated patient management system desi hospitals of all sizes, including large teaching hospitals and large hospital
- Keane/INFINET a financial and clinical data repository
- Managed Care applications that include contract management, enrollment, and eligibility
- Enterprise applications that include scheduling, patient index, and manage
- Leadership Plus, the premier financial and resident care system specificall developed for long-term care facilities.
- Keane HIS, a comprehensive healthcare information system

About Keane | What's New | Capabilities | Investor Center | Branch Offices

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LTC SOLUTIONS

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- MEDICAL RECORDS
- PAYROLL

Horizon Graphics Systems
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Saint Louis, MO 63146
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Questions:
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Comments:
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LTC Solutions software is continually evolving to incorporate technology and regul
Our first installation took place in 1985 and there are now over 2000 long term care
using our system. These facilities are realizing cost savings, time savings, improvec
care and higher staff morale through the use of our software.

The LTC Solutions Commitment

We at LTC Solutions are completely committed to providing our clients with the b
products, as well as service. Our telephone support is fast, accurate and friendly. Ou
and training sessions are staffed by experienced nursing home experts, who will wor
determine the best way to train your staff and implement your software.

LTC Solutions software is in constant development

Many of the enhancements are driven by changes in state and federal regulations, bu
new releases consist of refinements, additions, and enhancements to our existing mo
of the suggestions come from our customers, and each request is seriously considere
updates are provided to our clients at NO ADDITIONAL CHARGE above the standa
license/support fee. This support fee is fixed. It will NEVER GO UP.

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Term Computer Systems' personnel are actively involved in the regulatory process t
committee membership with governing bodies.

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throughout your facility. Light-bar menus, single-point entry and pick windows are s
features throughout all of our modules. There are never any codes to memorize.

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The Quality Assurance component of the system is designed to maintain adequate dc
and a high quality of care for your residents. The system incorporates analyses and e
and helps to answer important questions, such as: Are you following the care plan?
are your approaches? How many meds are your residents taking? For how long and v
medications or treatments are physicians ordering for each diagnosis? How has the re
assessment changed over time? Why did some items trigger and others did not? Othe
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The comprehensive security features provide nursing home management with a prec
maintain the integrity of your computer system. The ability to import and export A
provides the unlimited flexibility you need. All of our modules are completely integ
maintained in a historical format.

RFK Associates Inc.

Health Care System Consulting Services

Richard F. Kubli established RFK Associates, Inc. in March of 1983 after 15 years as a management consultant specializing in information systems consulting. Throughout that period, he developed and managed a number of information system consulting practices for larger consulting firms.

As a result of this experience, Mr. Kubli became convinced that the interests of the Client could best be served by having the most experienced Consultant, as opposed to the least experienced, actually perform the work. Mr. Kubli has performed individual engagements as well as teaming with other consulting organizations to provide the highest level of expertise to serve the Client. Please view our Client List.

RFK Associates, Inc.'s health care system consulting services are grouped into three major areas.

- Planning Services
- Assistance Services
- Custom Systems

Our consulting services are directed to achieve four principal goals for our Clients.

- Realization of cost benefits through improved utilization of information technology.
- Provide rapid response and compliance to changing regulatory requirements through improved delivery of information at the User level.
- Unburden Clients of unnecessary manual processing activities through the improved application of information technology.
- Establishment of a long range information systems planning function that allows our Clients to measure and control the effectiveness of their information processing organization.

RFK Associates, Inc.

P.O. Box 554
Sudbury, MA 01776
1-508-485-8381
rfka@aol.com

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Patient Medical Records, Inc. software products

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CPR (Smart Card-ready) software for private practice, hospital, rural health clinic, HMO/PPO, etc. — S-O-A-P Computerized Patient Records system

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Student health record and daily logging software for school nurses — Dyn-O-Mite Student Health Records system

Dyn-O-Log Daily Log system for student health

General use medical software — The Drug Guide On-line Drug Information system

About the authors... — Sherman A. Hope, M.D.
Richard H. Hope, M.D.
Judy Whisenant, RN, BSN
Sue Ann Kimberling, RN, BSN

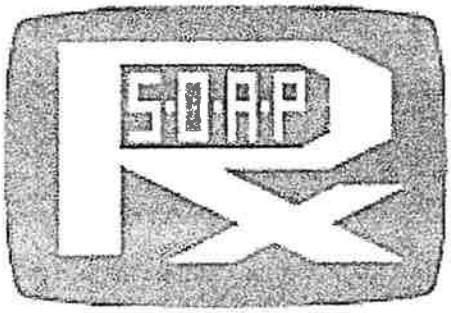
A special kind of author... (she writes *smileware!*)

Links and general information — Other sites Links to other sites of interest to medical professionals

CPR Features An extensive review of what every CPR system should include

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S-O-A-P Rx Technical Specifications

IBM PCs and compatibles. 640K RAM, MS-DOS 3.3 and higher. S-O-A-P is networkable with Novell, LANtastic, Windows for Workgroups and Windows '95

Product Support

Purchase includes tutorial and training manual,and one year telephone technical support

Product History

Released in 1985.

Price

Full program starts at $199.50
$100.00 each additional physician

For demo software or more information,
write us, call us or email us at

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901 Tahoka Road
Brownfield, TX 79316

Sales and Presales Inquiries
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3-Minute Medical Record Demo

S-O-A-P Technical Specifications

IBM PCs and compatibles. 640K RAM, MS-DOS 3.3 and higher. S-O-A-P is networkable with Novell, LANtastic, Windows for Workgroups and Windows '95

Product Support

Purchase includes tutorial and training manual,and one year telephone technical support

Product History

Released in 1985.

Price

Full program starts at $695.00, based on patient record capacity.
Semi-annual drug update $175.00
Fully functional demonstration version (limited patient capacity) $90.00.

For demo software or more information,
write us, call us or email us at

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Smart Card technology


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About Healtheon

Who is Healtheon ?

Healtheon is an Internet-based services company which provides con supports secure transactions across healthcare enterprises. This allow shared information and vastly simplifies work flows across business boundaries. The result is better service, higher quality of care and lo

Healthcare; a fractured industry

Healthcare is the single largest industry on earth, and costs for health escalating out of control. Because of this, consumers and employers value - better service, demonstrated quality and lower cost.

Managed care has tempered the rise in costs, but added even greater c system which has always been a cottage industry characterized by fra highly-individual players and paper-based processes. While some au predominantly in insurers' and hospitals' large, mainframe systems, difficult, connectivity between participants is limited and coordinatio continuum of services is poor. The result is:

- Inefficient, duplicative processes
- Poor service
- High costs
- Poor quality care

Healtheon's solution

Healtheon believes the Internet provides a unique solution to connecti healthcare in a common end-to-end solution, independent of location providing immediate access to information and supporting common t business boundaries, and moving mission-critical functions out of the onto the Internet, work flows between entities can be vastly simplifie greatly enhanced.

In order to do this, Healtheon has developed a secure, scalable Intern which supports high-volume mission-critical applications in a modul Healtheon has also begun to develop Internet-based applications and provide the core functionality essential for integrating and supporting business and geographic boundaries. Healtheon provides these Interr solutions as a service, which eliminates the need for expensive invest software.

For more information, please call

(888) 718-7128

Healtheon

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Overview

Healtheon has automated key processes over the Internet, using its se high-volume, mission-critical healthcare transactions. By connecting employers, information is easily obtained and synchronized across de communities. This synchronization enables customers to efficiently r drive out duplication of effort, and eliminate unecessary work.

Healtheon uses the open standard of the Internet and a ubiquitous "th interface to reduce the cost for creating and deploying web-based ser This delivery is fast and inexpensive compared with traditional legacy proprietary networks.

Medical Information Management Systems, Inc.
of Nashville, Tennessee, created PEARL® - a computerized
patient-centered Medical Records system based on the requirements of the
health care providers.

THE BENEFITS OF PEARL®



INSTANT ACCESS

PEARL provides an on-line, patient-centered medical record giving physicians, nurses, health care providers, and necessary medical records personnel the ability to accumulate, organize, access and utilize more patient in formation. It provides fast and accurate record retrieval from any user location.





CUSTOMIZED

Complete patient files with instant access are made possible by state-of-the-art document imaging, as the main source of input, and distributed identical database capabilities. This transforms the patient's medical record into a workflow management system with highly organized and end-user customized reports for clinical outcomes, cost analyses, conformance and quality assurance.





CONCISE AND COMPLETE

A conventional chart can often take 30 minutes to review in detail: the PEARL Patient Summary includes trend analyses and is so concise it can be reviewed in under two minutes! Try out the Demo





SECURED FILES

Instead of employees shuffling accumulated stacks of "to be filed" paper, PEARL "Intelligent Imaging" allows paperless workflow to all those who need to see the patient's chart. PEARL's "Privacy Lock" assures controlled confidentiality and information access only to authorized users.

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 Electronic Medical Records

 Chart Lookup Module

 Transcribe Module

 Medications/Allergy Module

 Order Entry / Results Reporting

 Patient Reminder Module

 Health Maintenance

 Document Imaging Technology

 Physician Referral Tracking

 System Adminstration

 Data Input

 Security/Confidentiality

 Graphs and Images

 Outside Documents

 Patient Education

Transfer of Information

 E-Mail

 Interfaces

 Reports

 Decision Support

 Utilization Review

Billing


Practice Management


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News

Financial Info

Product Info

Systems/Services

VAR Program

Where are we Now?

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Contact Us

Product Information

Practice/Information Management

PCN Health Network Overview

Scheduling

Collections

Reporting

Electronic Claims - PCN Link™

PCN Laboratory Communicator™

CodeLink Plus™

PCN Health Network Overview

PCN Health Network is a full featured information management system. Standard system features include billing, scheduling, collections, managed care and a host of other integrated modules. PCN has devoted significant resources to develop a software solution that accommodates a vast array of healthcare providers - from individual physicians and large group practices to Management Service Organizations and Integrated Delivery Networks. The current focus of PCN development includes the expansion of features that address Integrated Delivery Networks and larger physician organizations of all types.

PCN Health Network has been rated as having the best overall composite of features in performance, reporting, user friendliness, ease of start-up and documentation.

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Scheduling

The PCN Health Network Scheduling module was designed with the flexibility to handle a variety of scheduling scenarios and environments. From scheduling routine visits for the solo practitioner to multi-resource scheduling within the integrated delivery network, the PCN Scheduling module provides ease of use and automated functionality. Our scheduler is integrated with the PCN Health Network financial system and our HealthPoint ACS clinical information system, allowing for the viewing of financial, managed care and clinical data at initial identification of

the patient. Our scheduler is also equipped to handle multiple locations, extensive resources and varying schedule formats. In addition, PCN's Scheduling module provides sophisticated reporting features to give the practice detailed information on scheduling patterns, productivity and a host of other data.

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Collections

The PCN Health Network Collections module was designed to help physician organizations monitor and improve their collection ratio and reduce delinquent accounts. Whether used to organize and manage standard account balances, or for handling accounts that have become delinquent, PCN provides the tools for efficient management and tracking of receivables. The PCN Collections Module includes features like free-form and structured notes, tickler reminders, payment plan management, collection account management, collection reporting and more. PCN allows the organization to establish the criteria used in defining collection account categories and procedures, and helps automate the task of tracking receivables.

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Reporting

The reporting features and flexibility of PCN Health Network have been rated the highest in the healthcare information systems industry. With an almost limitless number of reporting options and structures, PCN helps to accommodate the increasing demand for information access. PCN Reporting is integrated within the various modules of PCN Health Network to provide easy access to data where and when it is needed. Through analysis of scheduling patterns, billing and accounts receivable statistics, as well as patient demographic information, PCN provides the reporting tools organizations need to evaluate efficiency, profitability, and general practice trends.

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Electronic Claims- PCN Link

PCN Link provides access to a powerful family of state-of-the-art electronic data interchange (EDI) services designed to make healthcare-related electronic transactions easier and more cost-efficient. The Claims Submission Services capability provided through PCN Link delivers an All Payor solution for the submission of HCFA 1500 claims that includes On-line Claims Status Inquiry, On-line Claims Edit Reporting and Claims Submission Summary Reporting. Financial Services include On-line Patient Eligibility Verification and Benefits Inquiry, Credit Card Processing and Check Guarantee Services. Also offered as

part of PCN Link is access to Electronic Remittance Processing.

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PCN Laboratory Communicator

As modern healthcare continues to evolve, electronic links between physicians and other Healthcare service providers can help pave the way for faster, easier, and more accurate communication. The variety of capabilities that comprise the PCN Laboratory Communicator offer providers seamless electronic access to participating clinical laboratories for such benefits as sending electronic requisitions, receiving patient test results electronically, and populating patient demographic and clinical information without data entry. PCN provides links to most national and several regional laboratories. Services vary by lab.

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CodeLink Plus

CodeLink Plus, the code referencing tool developed by Context Software Systems, Inc. is available to PCN customers to be used in conjunction with the PCN Health Network Information System, or as a stand alone coding solution.

CodeLink Plus provides immediate access to the entire listing of CPT, HCPCS, and ICD-9 CM codes, as well as notes, cautions, warnings, Medicare rules and regulations and scores of other features that help ensure proper code selection. CodeLink also contains the logical links between CPT and ICD-9 CM codes by specialty.

The combination of CodeLink and the PCN Health Network Information System provides PCN customers with seamless access to CodeLink features right from their practice management system.

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SUITE 300
ST. LOUIS, MISSOURI 63141

ADMINISTRATION
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FAX: 314/542-9942

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PHONE: 314/542-0777
FAX: 314/542-3607

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SUITE 1
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FAX: 561/791-3351

SCOTT PROPERTIES
COMMERCIAL REAL ESTATE

April 14, 1998

John B. Costello, M.D.
2821 North Ballas Road
Suite 165
St. Louis, MO 63131

Dear Dr. Costello:

Per our conversation, here is a list of the available suites at the Town & Country Medical Building.

Suite	Square Footage
C-11	1,322
102	571
116*	765

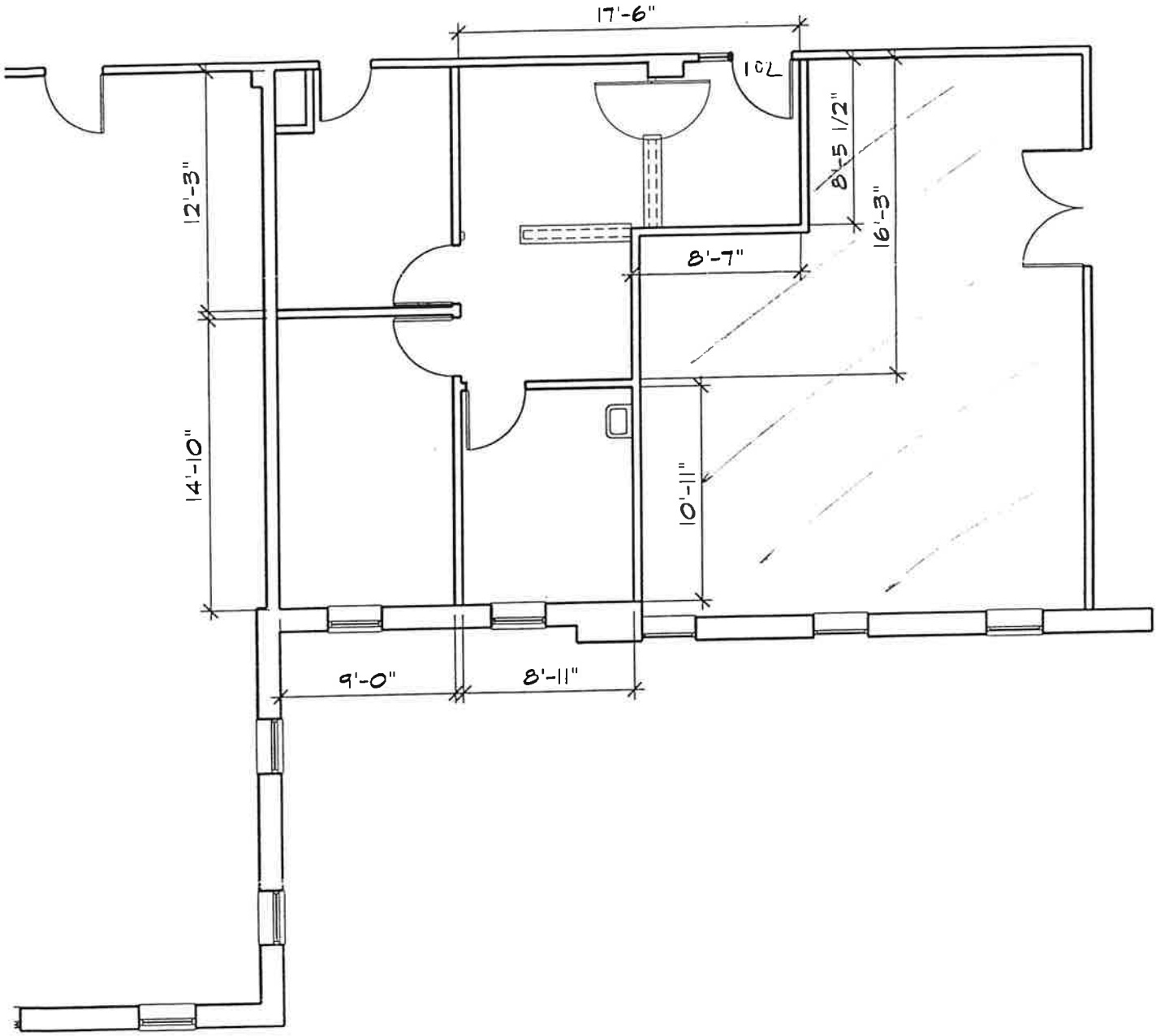
* Available July 1, 1998.

The current market rate for space in the building is $19.00 per square foot. Please call me if you would like to arrange to see any of these suites.

Sincerely,

David Kunkel

David L. Kunkel
Property Manager



EXISTING PLAN

1/8" = 1'-0"

571± s.f.

Suite 102

Town & Country
Medical Office Building
2821 North Ballas Road
St. Louis, Missouri 63131

Scott Properties
1065 Executive Parkway
St. Louis, Mo. 63141
314-542-0777

Skibbe Uhlig Inc.
Architects
124 West Jefferson
Kirkwood, Missouri 63122
314-984-9447
314-984-9448 fax

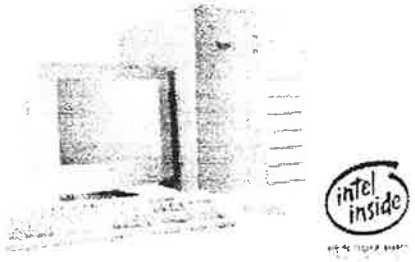
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Now available with Intel's 200MHz Pentium® Pro processor featuring a 512k or 1MB level 2 cache, the PowerEdge 6100 is prepared to meet your application server needs with a powerful combination of performance, availability, scalability, and manageability found on no other system of its class. The PowerEdge 6100 is FCC-A certified for commercial usage.



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$24,933

Date Configured:	Friday, April 10, 1998 10:27:25 AM CDT
Catalog Number:	04 Retail
Dell PowerEdge 6100 Server:	200MHZ Pentium® Pro processor w/512K Cache, Non-Redundant Power Supply P6200N - [220-4169]
Processor Install:	Quad Processors Installed 4PROC - [311-0373]
Memory:	1GB RAM (8 X 128 DIMMS) 1GBDIMM - [311-0255]
Keyboard:	Performance 104-key Keyboard P - [310-0038]
Monitor:	Ultrascan 1000HS 17 inch monitor, 16.0 inch Viewable Image Size 10TM - [320-0120]
1st Hard Drive:	9GB Ultra/Wide SCSI-3 Hard Drive 9SU - [340-5889]
Secondary Controller:	RAID w/16MB RAM PERC16 - [340-0088]
Floppy Drive:	1.44MB Floppy Drive 3 - [340-5891]
Operating System:	Microsoft NT 4.0 CD, 10 users NTS40CD - [430-2185]
Mouse:	Logitech System Mouse LDN - [310-0016]
Network Card:	Intel EtherExpress PRO 100/B PCI Ethernet Adapter IN5 - [430-0008]
Tape Drive:	12/24GB DDS-3 Tape Backup TB13 - [340-7696]
CD-ROM Drive:	12/24X SCSI CD-ROM CD24S1 - [313-0155]
2nd Hard Drive:	9GB Ultra/Wide SCSI-3 2nd Hard Drive 9SU - [340-5889]
Hard Drive Configuration:	RAID 5 - Requires 3 or more drives RAID5 - [340-5898]
Service:	3Yr Nxt Bus Day Parts & Labor Service w/DirectLine NOS

	Support WBC3OS - [900-1300][900-1302][900-4915]
Installation Service:	Wang On-site install validation WOSV - [900-4679]
Ready Ware:	ReadyWare Install Fee (charged 1x per system if Readyware items are ordered) RW - [365-1234]
Accessories:	APC Smart UPS 1400 Net Bundle w/Powerchute APC1400 - [310-0048]
3rd Hard Drive:	9GB Ultra/Wide SCSI-3 Hard Drive 9SU - [340-5889]
4th Hard Drive:	9GB Ultra/Wide SCSI-3 Hard Drive 9SU - [340-5889]
5th Hard Drive:	9GB Ultra/Wide SCSI-3 Hard Drive 9SU - [340-5889]
6th Hard Drive:	4GB Ultra/Wide SCSI-3 Hard Drive 4SU - [340-5888]

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Corporate Customers		
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Large Business (2,000 - 18,000 total employees)	800-408-3355	512-728-8327
Mid-Size Business (400-2,000 total employees)	888-583-3355	512-728-0568
Small Business (<400 total employees)	800-917-3355	800-225-4893
Government Customers		
Federal Government	800-694-3355	800-926-7595
State and Local Government	800-416-3355	800-443-9527
Education Customers		
Higher Education - Institutions	800-626-8286	800-365-5329
Higher Education - Personal Purchases	800-926-9587	888-242-0964
K-12 Education - Institutions	800-879-3300	888-820-7454
K-12 Education - Personal Purchases	800-419-7322	888-242-0964
Healthcare Customers		
Health Related Organizations	888-264-7788	888-820-7457
Home/Home Office Customers		
Personal users & students	800-915-3355	800-317-3355

Dell Computer Corporation
One Dell Way
Round Rock, Texas 78682

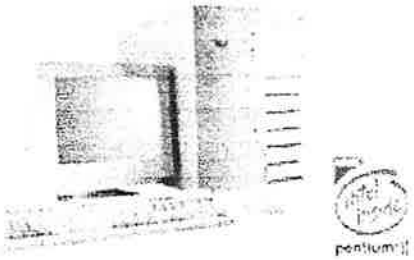
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DELL POWEREDGE 4200

The PowerEdge 4200, retains the basic design of its predecessor -- the server LAN Times called "the best SMP server we evaluated" (3/17/97) -- and integrates Intel's latest Pentium® II processors, with higher clock speeds and dual-processing capabilities, to give you even more power and expandability.



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$19,796

Date Configured:	Friday, April 10, 1998 10:16:21 AM CDT
Catalog Number:	04 Retail
Dell PowerEdge 4200 Server:	333MHz Pentium® II processor w/512K Cache, redundant power supply P4333R - [220-0508]
Second Processor:	Additional 333MHz Pentium II Processor PR333 - [311-0459]
Memory:	1GB RAM (8 DIMMS) - for use only with the 333MHz processor option 1GBM8D - [311-0215]
Keyboard:	Performance 104-key Keyboard P - [310-0038]
Monitor:	Ultrascan 1000HS 17 inch monitor, 16.0 inch Viewable Image Size 10TM - [320-0120]
1st Hard Drive:	9GB Ultra/Wide SCSI-3 Hard Drive 9SU - [340-5889]
Secondary Controller:	RAID w/4MB RAM PERC4 - [340-0087]
Floppy Drive:	1.44MB Floppy Drive 3 - [340-5891]
Operating System:	Microsoft NT 4.0 CD, 10 users NTS40CD - [430-2185]
Mouse:	Logitech System Mouse LDN - [310-0016]
Network Card:	Intel EtherExpress PRO 100/B PCI Ethernet Adapter IN5 - [430-0008]
Modem:	US Robotics ISA 33.6 Data/Fax Modem MO336 - [313-0200]
Tape Drive:	12/24GB DDS-3 Tape Backup TB13 - [340-7696]
CD-ROM Drive:	12/24X SCSI CD-ROM CD24S1 - [313-0155]
2nd Hard Drive:	9GB Ultra/Wide SCSI-3 2nd Hard Drive 9SU - [340-5889]
Hard Drive Configuration:	RAID 5 - Requires 3 or more drives RAID5 - [340-5898]
Service:	3Yr Std Warranty (Yr1,Nxt Bus Day Parts & Labor; Yrs 2&3,Nxt

	Bus Day Parts) w/DirectLine WBC3 - [900-1300][900-5112][900-4915]
Ready Ware:	ReadyWare Install Fee (charged 1x per system if Readyware items are ordered) RW - [365-1234]
3rd Hard Drive:	9.1GB 10,000RPM Hard Drive 9GB10K - [340-0484]
Accessories:	APC Smart UPS 1400 Net Bundle w/Powerchute APC1400 - [310-0048]
4th Hard Drive:	9GB Ultra/Wide SCSI-3 4th Hard Drive 9SU - [340-5889]
5th Hard Drive:	9GB Ultra/Wide SCSI-3 5th Hard Drive 9SU - [340-5889]
6th Hard Drive:	9GB Ultra/Wide SCSI-3 6th Hard Drive 9SU - [340-5889]

How to Contact Us

E-Mail	Phone	Fax
Corporate Customers		
Enterprise Business (>18,000 total employees)	800-847-4085	512-728-8327
Large Business (2,000 - 18,000 total employees)	800-408-3355	512-728-8327
Mid-Size Business (400-2,000 total employees)	888-583-3355	512-728-0568
Small Business (<400 total employees)	800-917-3355	800-225-4893
Government Customers		
Federal Government	800-694-3355	800-926-7595
State and Local Government	800-416-3355	800-443-9527
Education Customers		
Higher Education - Institutions	800-626-8286	800-365-5329
Higher Education - Personal Purchases	800-926-9587	888-242-0964
K-12 Education - Institutions	800-879-3300	888-820-7454
K-12 Education - Personal Purchases	800-419-7322	888-242-0964
Healthcare Customers		
Health Related Organizations	888-264-7788	888-820-7457
Home/Home Office Customers		
Personal users & students	800-915-3355	800-317-3355

Dell Computer Corporation
One Dell Way
Round Rock, Texas 78682

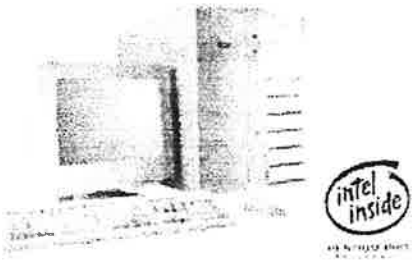
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BUILD YOUR OWN SYSTEM

DELL POWEREDGE 6100

Now available with Intel's 200MHz Pentium® Pro processor featuring a 512k or 1MB level 2 cache, the PowerEdge 6100 is prepared to meet your application server needs with a powerful combination of performance, availability, scalability, and manageability found on no other system of its class. The PowerEdge 6100 is FCC-A certified for commercial usage.



VIEW ALL OPTIONS | VIEW ITEM DETAIL | ADD TO CART | UPDATE PRICE **$11,501**

Selection may require changes to other configuration choices. Check below.

Dell PowerEdge 6100 Server
200MHZ Pentium® Pro processor w/512K Cache, Non-Redundant Power Supply

Processor Install
All processors are the same speed as selected above.
Quad Processors Installed [add $2900]

Memory
1GB RAM (8 X 128 DIMMS) [add $4000]

Secondary Controller
Selection of a RAID controller is required when a RAID Hard drive configuration option is selected.
RAID w/16MB RAM

This option requires the selection of a RAID hard drive configuration -- please confirm your "Hard Drive Configuration" choice is a RAID option.

Hard Drive Configuration
RAID 5 - Requires 3 or more drives

1st Hard Drive
9GB Ultra/Wide SCSI-3 Hard Drive

2nd Hard Drive
Please ensure additional hard drive selections match the hard drive selected above.
9GB Ultra/Wide SCSI-3 2nd Hard Drive [add $899]

3rd Hard Drive
Please ensure additional hard drive selections match the hard drives selected above.

9GB Ultra/Wide SCSI-3 Hard Drive [add $899]

4th Hard Drive
Please ensure additional hard drive selections match the hard drives selected above.
9GB Ultra/Wide SCSI-3 Hard Drive [add $899]

5th Hard Drive
Please ensure additional hard drive selections match the hard drives selected above.
9GB Ultra/Wide SCSI-3 Hard Drive [add $899]

6th Hard Drive
Please ensure additional hard drive selections match the hard drives selected above.
4GB Ultra/Wide SCSI-3 Hard Drive [add $599]

Network Card
Intel EtherExpress PRO 100/B PCI Ethernet Adapter

Operating System
Microsoft NT 4.0 CD, 10 users

Service
"4 HR" service options are available in many major metro areas -- you will be contacted if this service is selected and not yet available in your area.
3Yr Nxt Bus Day Parts & Labor Service w/DirectLine NOS Support

Installation Service
Wang On-site install validation [add $250]

Tape Drive
12/24GB DDS-3 Tape Backup [add $849]

Monitor
Ultrascan 1000HS 17 inch monitor, 16.0 inch Viewable Image Size [add $599]

Keyboard
Performance 104-key Keyboard

Mouse
Logitech System Mouse

CD-ROM Drive
12/24X SCSI CD-ROM

Floppy Drive
1.44MB Floppy Drive

Accessories
☐ APC Smart UPS 1400 Net Bundle w/Powerchute [$639]

VIEW ALL OPTIONS | VIEW ITEM DETAIL | ADD TO CART | UPDATE PRICE

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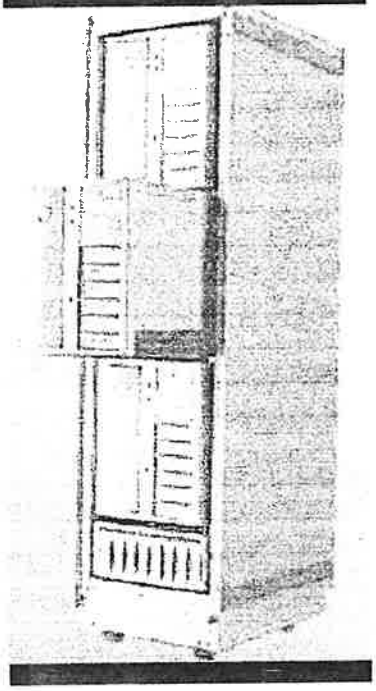


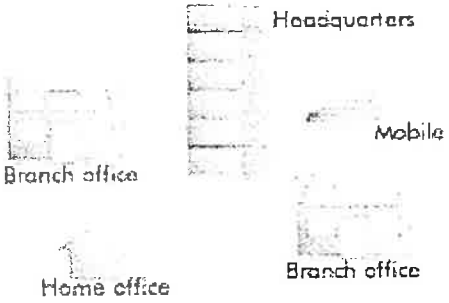
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POWEREDGE 2200 RACK MOUNTING KIT





WHY DELL? SERVERS
MORE

Service Plans

Dell Rack Advisor

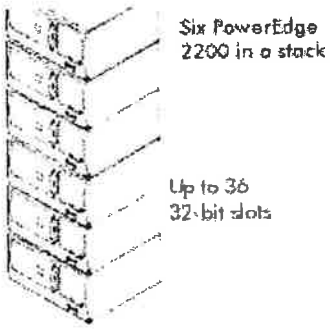
Many customers are deploying the Dell PowerEdge 2200 server as a remote dial-in communications server or an internet access gateway. These servers are typically deployed in the data center, where floor space is at a premium, so minimizing the floor space requirements of servers is becoming even more of an issue as a business grows.

The flexible PowerEdge 2200 was designed to be deployed not only as a mini-tower chassis, but also as a rack-mounted server. By mounting the PowerEdge 2200 server with its specially designed rack mounting kit, you can minimize the floor space requirements of your data center by installing **up to six PowerEdge 2200 servers** in an industry-standard 19" rack that consumes approximately six square feet of floor space. This conservation of space allows you to leverage the remaining space for future expansion of your business.

RETURN TO POWEREDGE HOME

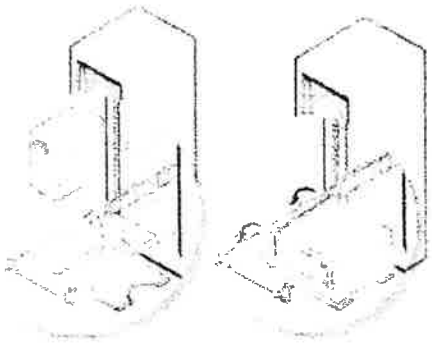
RETURN TO POWEREDGE 2200

RETURN TO POWEREDGE RACKS



Drive Down
Management Cost

Also, by rack mounting servers, you can help drive down the physical management costs associated with the systems by reducing the time between servicing servers in separate locations. With multiple servers in a single rack, you have better access to these systems, simplifying troubleshooting, upgrades, regular maintenance and daily backups.



The innovative rack mounting kit that Dell has designed for the PowerEdge 2200 servers allows the server to be installed horizontally in the rack, minimizing the space requirements within the rack. Should servicing or upgrading be required on the system, thumbscrews allow you to easily unlock the system from the rack and slide the tray out. Once the tray is fully extended, the system can be stood up on the shelf and easily serviced with full access.

Once your servicing or upgrading is complete, individual systems can then be moved back to its horizontal position and easily slid back into the rack.

The flexibility of this solution helps make installing and maintaining the PowerEdge 2200 within the data center a snap. Exactly what you'd expect from Dell, a leading direct provider of network servers.

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POWEREDGE CLUSTERS

DELL POWEREDGE CLUSTERS

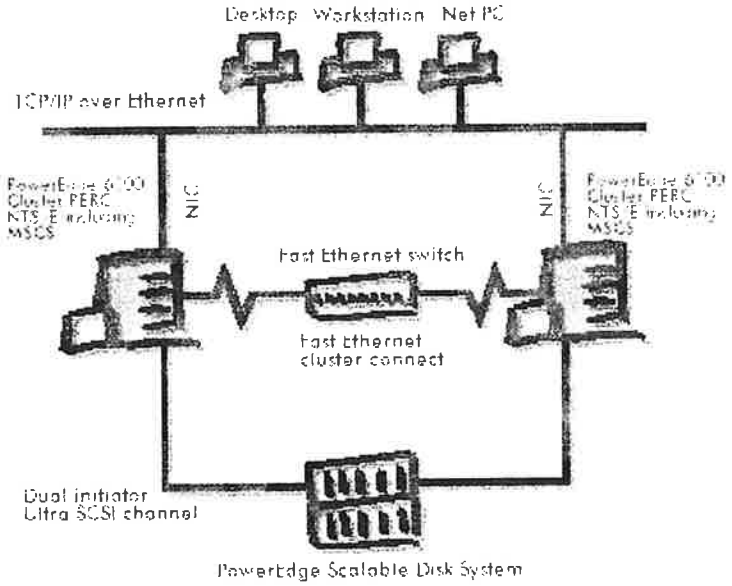
WHAT IS CLUSTERING?

Clustering is the process of connecting multiple servers together in order to provide greater overall system availability and capacity for your server platforms.

FAILOVER CLUSTERING

Failover clusters provide greater availability of applications by allowing one server in the cluster to monitor applications running on the other server. In the event one of the servers should fail, the other can re-start and run the monitored applications.

PowerEdge Cluster Hardware



NOTE: This is a sample configuration only.

SCALABLE CLUSTERING

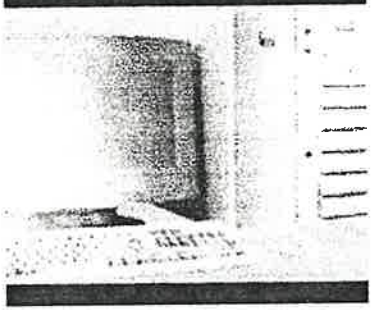
With scalable clusters, multiple servers are

CLUSTERING SERVICE

To complement your high availability

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POWEREDGE 6100



Great configurations for the PowerEdge 6100:

SMALL BUSINESS

RETURN TO POWEREDGE HOME

As your organization moves to industry-standard servers for your business-critical applications, the PowerEdge® 6100 is prepared to meet your application server needs with a powerful combination of performance, availability, scalability, and manageability found on no other system of its class. Designed to deliver outstanding performance for multiprocessing applications, the PowerEdge 6100 also has plenty of room to grow, meeting your future needs with ten expansion bays and up to 342GB of total storage capacity. This Pentium® Pro system integrates a variety of high availability features with industry-standard management tools to ensure that your server is always online and driving your enterprise-wide applications around the clock. So your organization can depend on the PowerEdge 6100 to service even the largest of networks--on demand and with the high performance your users require.

- Cluster certified
- I_2O^{TM} ready
- Intel Pentium Pro 200/1MB or the Pentium Pro 200/512KB processors.
- Up to Four Pentium Pro Processors
- ECC Memory
- Dual Ultra/Wide SCSI-3 Controller
- PowerEdge Expandable RAID Controller (Optional)
- Industry-Standard HP® OpenView Network Node Manager SE included
- Redundant Cooling Standard
- Optional Redundant Power Supplies
- Fully Supported with Windows NT Server 3.51 or 4.0 and Novell NetWare 4.1
- Rack-mount or floorstanding chassis
- Supports PowerEdge Scalable Disk System
- TPC-C Performance

COMPARE



Ease of Use

WHY DELL SERVERS

DELL INSIDER

• Dayton Hudson Discovers a Powerful, Common Server Platform.



System In-depth

CONFIGURE PRICE BUY

Non-redundant power supply

Redundant power supply



Service Plans

Designed for



Microsoft BackOffice

connected together to provide not only greater availability but also increased performance and resources.

PowerEdge solution, Dell delivers a host of service and support programs designed to meet the critical needs of a clustered environment.









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PowerEdge® Server Side-by-side Comparison

	PowerEdge 2200	PowerEdge 4200	PowerEdge 6100
Processor	233, 266, 300 or 333MHz Pentium® II processor	233, 266, or 300MHz Pentium® II processor	200MHz Pentium® Pro processor
Cache	512KB	512KB	512KB or 1MB
Maximum Memory	512 MB	512 MB	4GB
I/O	Six PCI	Bridged PCI	Dual-peer PCI
	Four EISA	Five PCI	I_2O^{TM} ready
	None shared	Three EISA	Six PCI
		None shared	Four EISA
			None shared
Network Interface Controllers	Intel EtherExpress™ Pro 10/100 PCI;	Intel EtherExpress™Pro 10/100 PCI;	Intel EtherExpress™ Pro 10/100 PCI;
	IBM® Token Ring 16/4 PCI	IBM® Token Ring 16/4 PCI	IBM® Token Ring 16/4 PCI
	3Com 3C900 EtherLink® 10 PCI	3Com 3C900 EtherLink® 10 PCI	
	3Com 3C905 EtherLink® 10 PCI		
Drive Controller	Integrated Ultra/Wide SCSI-3 controller (Adaptec® 7880)	Integrated Ultra/Wide SCSI-3 controller (Adaptec® 7880) and integrated Ultra/Narrow SCSI-3 controller (Adaptec® 7860)	Dual Integrated Ultra/Wide SCSI-3 controller (Adaptec® 7880)
	Adaptec 2940UW Ultra/Wide SCSI-3 controller *(optional)*	Adaptec 2940UW Ultra/Wide SCSI-3 controller *(optional)*	Adaptec 2940UW Ultra/Wide SCSI-3 controller *(optional)*
	PowerEdge Expandable RAID Controller *(optional)*	PowerEdge Expandable RAID Controller *(optional)*	PowerEdge Expandable RAID Controller *(optional)*
Maximum Storage	27GB internal	54GB internal	54GB internal
Removable Media	1.44MB diskette	1.44MB diskette	1.44MB diskette
	12X/24X SCSI variable speed CD-ROM	12X/24X SCSI variable speed CD-ROM	12X/24X SCSI variable speed CD-ROM

	one open bay	two open bays	two open bays
Tape Backup	Optional 12/24GB DDS-3	Optional 12/24GB DDS-3	Optional 12/24GB DDS-3
		DDS-3 AutoLoader	DDS-3 AutoLoader
		20/40GB DLT	20/40GB DLT
		35/70GB DLT	35/70GB DLT
Server Management	HP OpenView Network Node Manager Special Edition	HP OpenView Network Node Manager Special Edition	HP OpenView Network Node Manager Special Edition
	Integrated server management features	Integrated server management features	Integrated server management features
Remote Management	Optional Dell Remote Assistant Card	Integrated Dell Remote Assistant	Optional Dell Server Monitor Module
High Availability Features	ECC Memory	ECC Memory	ECC Memory
	Automatic Server Recovery	Automatic Server Recovery	Automatic Server Recovery
	Optional RAID controller	Redundant hot-pluggable cooling fans	Redundant hot-pluggable cooling fans
	Optional redundant NICs	Optional redundant hot-pluggable power supplies	Optional redundant hot-pluggable power supplies
		Hot-pluggable hard drives	Hot-pluggable hard drives
		Optional RAID controller	Optional RAID controller
		Optional redundant NICs	Optional redundant NICs
FCC Certification	FCC-B	FCC-A	FCC-A



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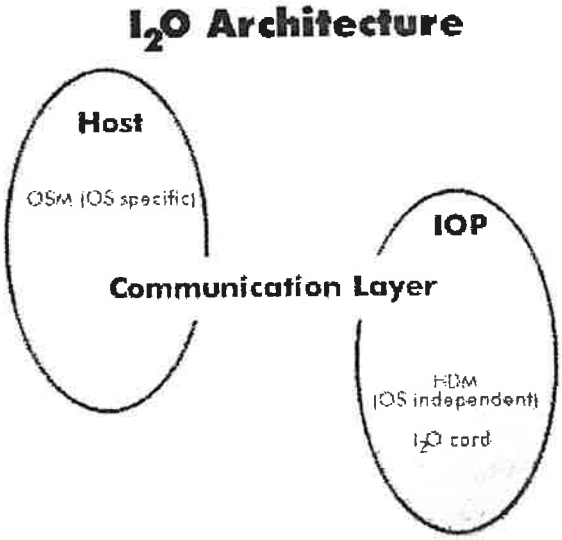
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POWEREDGE TECHNOLOGY

I_2O Technology

Conceptually, I_2O drivers have two parts — the OS Services Module (OSM), which interfaces with the host operating system, and the Hardware Device Module (HDM), which interfaces with a specific I/O device that the driver must manage. The OSM is operating system-specific and does not depend on a specific device, whereas the HDM is device-specific and is independent of the host operating system. The OSM and HDM communicate through a well-defined message-based protocol. The OSM runs in the host system and the HDM resides within the Intelligent I/O Processor (IOP)—the controller —as illustrated below.



I_2O (Intelligent I/O) is an emerging technology that can help to **increase I/O performance in servers** and is being supported by Dell and other leading server vendors as a standard.

The concept behind I_2O is not new, and actually dates back to the days of the mainframe systems. With I_2O, I/O traffic is managed by intelligent processors on I_2O-

based peripherals instead of being managed by the main system processors. By offloading the processing chores for I/O traffic to the peripherals, customers can expect to see increased I/O performance and lower CPU utilization. Both of these benefits should result in overall system performance increases for customers.

In addition, the I_2O architecture involves a **simplification for device drivers**, allowing peripheral manufacturers to develop optimized drivers to interact with the I_2O driver instead of creating a driver for each operating system, platform and system. This simplification should result in more **optimized and stable device drivers** for manufacturers and **simplified management of device drivers** for network administrators.

Potential I_2O Benefits:

- Greater data throughput can mean that your server will perform at it's highest levels
- Lower CPU utilization can mean that your system processors have more headroom for your applications
- I_2O can offer compatibility with the next generation of peripherals
- I_2O can offer simplified management of device drivers

I_2O Ready™ PowerEdge Servers:

- PowerEdge 6100

More Information

Dell Press Release

Vectors Newsletter, November 1997: Intelligent Input/Output (I2O) Architecture



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THE AMERICAN BOARD OF INTERNAL MEDICINE
DIPLOMATE, INTERNAL MEDICINE
DIPLOMATE, RHEUMATOLOGY

THE TOWN & COUNTRY MEDICAL BUILDING
2821 NORTH BALLAS ROAD, SUITE 165
ST. LOUIS, MISSOURI 63131-2314
(314) 995-9988

CURRICULUM VITAE

Name: John Bernard Costello, M.D.

Birthdate: November 25, 1953
St. Louis, Missouri USA

Social Security Number: [redacted]

Home Address: [redacted]

Office Address: 2821 North Ballas Suite 165
St. Louis, MO 63131
314 995-9988 Fax 314 995-7241

Marital Status: Married - Michaela Marie Campos
Children - Margaret Christine
Mary Cathleen
John Michael
George Joseph [redacted]

Education:

September, 1965 - May, 1971 St. Louis Priory School
St. Louis, Missouri

June, 1971 - August, 1973 St. Louis University School of Arts and Science
St. Louis, Missouri
Washington University School of Arts and Science
Summer Session
St. Louis, Missouri

September, 1973 - May, 1977 St. Louis University School of Medicine
St. Louis, Missouri

Degrees

August, 1974 A. B., St. Louis University School of Arts and Science
May, 1977 M.D., St. Louis University School of Medicine

Appointments

1977 - 1978 Internship, Department of Internal Medicine
St. Louis University Hospital Group
St. Louis, Missouri

1978 - 1980 Residency, Department of Internal Medicine
St. Louis University Hospital Group
St. Louis, Missouri

1980 - 1984 Fellowship, Division of Rheumatology
Washington University School of Medicine
St. Louis, Missouri
Division of Rheumatology
University College Hospital
London, England

Board Certification

1978 Diplomate, National Board of Medical Examiners
1980 Diplomate, American Board of Internal Medicine
1984 Diplomate, American Board of Internal Medicine,
Subspecialty of Rheumatology

Honors

1973 Pi Mu Epsilon National Mathematics Honor Society
1973 Beta Beta Beta Biological Honor Society
1973 Phi Beta Kappa
1974 Magna Cum Laude, A.B.

Publications

Costello, J.B., Poklis, A.: Treatment of a Massive Phenobarbital Overdose with a Dopamine Diuresis. Archives Intern. Med. 141:938-940, 1981

Manian, F.A., Weidner, J., Costello, J., Fishbein, D., Dawson, J.: Human Ehrlichiosis Missouri Medicine, October 1989

Employment History

1984 - Present Private Practice
St. Louis, Missouri

Stanley P. Reynaud
[redacted]

PERSONAL

[redacted]

EMPLOYMENT

Divisional Manager - Diagnostic Health Services
September 1994 - May 1998

After acquisition of Mobile Diagnostic Imaging by Diagnostic Health Services, assumed the position of Divisional Manager of Northern Region. This position was responsible for the delivery of diagnostic services to a four state area. Client base consisted of 115 mobile ultrasound accounts, 28 hospital-based nuclear medicine and CT sites, and 8 technologist staffing accounts. Managed revenue base of $4,000,000 per year. Developed additional product lines, including neurodiagnostic testing, temporary staffing placements, training of client personell. Procured interpreting physicians for the various modalities performed by technologists. Responsible for contract negotiations and establishing fee schedules with hospital administrators, CFO's, and third party payors. Analyzed data for evaluation of profitability and productivity of staff. Developed divisional budgets and projections for yearly expenditures. Responsible for acquisition of equipment and resources from corporate headquarters. Developed and evaluated client satisfaction surveys and marketing results from sales staff. Directly accountable for 32 technologists, 3 supervisors, and 4 administrative personnel. Gave presentations for introduction of services for potential clients. Involved in acquisition of licensure and Nuclear Regulatory compliance. Personally involved in customer sevice and operational relations. Approved all raises, hirings, terminations and evaluations.

Vice President of Operations - Mobile Diagnostic Imaging
1990 - 1994

Responsible for daily operations of diagnostic services including echocardiography, abdominal and vascular testing and obstetrics.

Developed a programmed scheduling procedure. Accountable for data capture of technologists' productivity and revenue analysis. Managed office personnel, supervisors and technologists. Contracted with HMO's, insurance companies and other third party payors for inclusion into their provider networks. Developed and implemented sales/marketing plans and operational budgets.

President - St. Louis Mobile Ultrasound
1985 - 1990

Responsible for acquisition of personnel, development of testing protocols, establishment of new product lines. Allocated assets and approved all major equipment purchases. Set pricing for testing and assisted clients with reimbursement problems. Prepared proposals for contractual arrangements with insurance companies. Established quality assurance protocols for both testing and physician interpretation. Maintained company compliance for Medicare outpatient testing.

Owner/Technologist - St. Louis Mobile Ultrasound
1983 - 1987

Established outpatient diagnostic company with physicians as partners. Responsible for purchase of equiment, van conversions for machine accessibilty, and office equipment. Performed abdominal, OB/GYN, echocardiographic and vascular ultrasound exams. Responsible for sales and marketing to physician offices. Established criteria for training of new technologists, protocols for uniformity of testing, and employment policies.

Director - Ultrasound Department, St. Louis City Hospital
1979 - 1983

Established diagnostic ultrasound department in radiology division of hospital. Responsible for all aspects of testing within the department. Performed biopsies, needle aspirations, and invasive procedures with staff physicians and radiologists. Instructed residents and interns in the operation and utilization of ultrasound as a diagnostic tool. Participated in research projects with university affiliated physicians.

Head Nurse CCU - St. Louis City Hospital`
1978 - 1979

Responsible for patient care, personel, and daily operations of a coronary care unit. Prepared schedules, monitored medication ledgers, maintained JCAHO accreditation guidelines, established protocols for emergencies, and assisted with pacemaker implantations within the unit. Responsible for conduct and performance of all personel and patient care activities. Instructed nursing students in the daily care of coronary patients.

Education: Forest Park Community College - Liberal Arts
City Hospital School of Nursing - Nursing Degree

Certification: American Registry of Diagnostic Medical Sonographers, March 1983. Certificate number: [redacted]

Licensure: Missouri State Board of Nursing, September 1977, License number: [redacted]

Publications: R. Greenberg, P. Poepsel, S. Reynaud and P. Tangshewinsirikul. Staphylococcal Fascial Space Infection Diagnosed by Ultrasonography, Southern Medical Journal 76(6):814, June 1983

Business Plan for Medical Office Online, Inc.

The finest medical care...

Medical Office Online, Inc.
2821 North Ballas Road
Suite 165
St. Louis, MO 63131

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Executive Summary

Mission Statement

To safeguard the finest medical care for patients by providing medical practitioners with the highest quality Medical Office Service Software strictly via the Internet; with responsiveness to the current medical office evolution to minimize office overhead and to maximize the flow of information

Overall Business Objectives

The long-term business objective is to establish Medical Office Online, Inc. as the **leading Medical Office Internet provider worldwide**. This objective is achievable because: a) there are currently few Medical Internet providers in the market place; b) there is an anticipated demand for these products due to changes in Medicare and other regulations; and c) the relatively low cost to develop and introduce Internet products and services facilitates the ability to bring them to market quickly and at a competitive price.

We intend to develop and market successfully five products.

- Medical Record Online
- Front Desk Online
- Ledger Online
- Electronic Claims Online
- Utilization Analysis Online

Medical Office Online's initial product is called Medical Record Online, which is a medical record developed in Lotus Notes and accessible from a dedicated server via the Internet. Medical Record Online will be templated with options to change entries that are relevant to a particular patient and then to be edited for correctness according to Medicare evaluation and management rules that apply in 1998. All appropriate securities will be provided on Medical Office Online's servers to maintain privacy for both parties in the relationship.

Universal access to the medical records of patients is a necessary evolution in patient care. Uniquely, we anticipate the development of MOO's medical record allows us to set the standard for patient records with universal access.

Further, it is our belief and a principle that we are basing this business on, that the key software to control in a medical office is the medical record and that we can convert to customers even those offices with strong vendor ties to their practice management software.

The second product, Front Desk Online will provide a patient scheduler, insurance referral rules, patient eligibility, OSHA and Hazardous materials Manuals, patient hand outs. Web site jumps, drug companies new product information, and physician resume' information and patient access to lab results and scheduling questions.

The third product, Ledger Online will be a straightforward accounts receivable record of patient transactions with emphasis on simplicity of use.

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The fourth product will be the ability to file Electronic Claims Online to NEIC. We may initially go through a clearinghouse but plan to bring this function in house within three years.

The fifth product, Utilization Analysis Online, will compare CPT code utilization to payments. It will also look at the distribution of use of individual CPT codes.

Medical Office Online will eliminate or simplify the need for paper file maintenance, space and staff. The records can be stored on the Medical Office Online server. The important secondary benefit to the physicians using our service will be no hardware or software purchases and no maintenance fees.

The target audience for this service is all physicians and osteopaths who are still using paper charts. The total target population in the United States is estimated at 500,000 caregivers, (Investor's Business Daily, June 8, 1998).

This is an ideal time to enter the medical market for three reasons;

First, Medicare documentation requirements for physicians, which are scheduled to go into effect on July 1, 1999 place a significantly greater burden on physicians to record and maintain accurate and thorough records for all of their Medicare patients. Failure to comply with these regulations could result in a $10,000 fine PER VIOLATION.

Second, the year 2000 AD problem will obsolete many physicians' office software.

Third, there is a consolidation going on in the field of medical software providers. Orphaned medical practice management software will need to be replaced.

Marketing will be handled in two ways: direct mail solicitation to introduce the product to the target audience and sales presentations before and after hospital Grand Rounds to allow physicians to see first-hand how the system can work for them. Potential customers can be given a 30-day free trial to test the system prior to enrollment.

Medical Office Online's management team is knowledgeable and experienced in medical office administration, record keeping, reporting and compliance, sales and marketing, customer service, product development, and financial management.

This business plan represents a unique opportunity to help transform an industry that has lagged behind others in the use of electronic communications. The potential for success is high, both now and for many years to come.

Startup objectives include:

- Securing sufficient operating capital to fund the first three years of the operation.
- Assembling a management team with a history of success and knowledge of the business.
- Partnering with reliable and successful programmers and ISP and keeping their interest in MOO by equity commitment.
- Establishment of a minimum customer base of 255 customers within eleven months and 395 customers by the end of the first quarter of the second year.
- Partnering with Web active sites, which have developed pieces of this concept but not the whole vision.

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To implement this plan, Medical Office Online is seeking investment funds in the amount of $1,000,000, which will be used to fund start-up costs and operating costs for the first three years. It is anticipated that Medical Office Online will begin to show a profit by its fourth quarter of operation of the first year.

With 500,000 potential users at $200 per month the total annual revenue is 1.2 billion. Even if 90% of the revenue goes to expenses the return in terms of annual revenue is a multiple of 120.

Investor exit strategy includes Medical Office Online going public within one year of its first two consecutive profitable quarters to acquire the funds necessary to bring its housekeeping functions (i.e. programming and server maintenance) in-house, thereby lowering expenses. Lower costs should keep Medical Office Online competitive and allow it to market more effectively to larger organizations.

If the business plans financial projections are accurate the IPO will occur in the second quarter of the second year.

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Company

Philosophy and Core Values

Medical Office Online will operate with the highest standards of quality, service and value. It is also an important part of Medical Office Online's philosophy that these products and services be made available to those who cannot afford them, i.e. Charity care.

Medical Office Online's core values are as follows:

1. Integrity, profit and no compromise.
2. Understand and anticipate the customer, the competition and the industry.
3. Hire the best people. Treat all employees with respect and fairness.

Company Ownership

The legal form of *Medical Office Online, Inc.* is a Missouri S Corporation. Employees will be offered equity interest with employment requirements. Investor equity has yet to be determined. Dr. Costello would plan to retain controlling interest depending on the success of the business.

Company History

John B. Costello, M.D., a practicing physician who has always looked for ways to make his office more efficient and cost effective in the patients' best interests founded medical Office Online, Inc. in 1998. Dr. Costello realized that the new Medicare regulations regarding patient notes and records would make the physician's work significantly more difficult and began to look for a simpler way to comply with these new requirements. Having worked previously with the development of electronic claims filing program for physicians' offices, Dr. Costello knew that electronic notes were the logical solution. Working with several experienced Internet software developers, he created a simple but effective program that is easy-to-use, flexible enough to accommodate different practices, and fully compliant with all new Medicare requirements.

Company Location and Facilities

Medical Office Online will initially be housed in leased office space in the Town and Country Medical Office Building at 2821 North Ballas Road in St. Louis, Missouri. This space was chosen to allow Dr. Costello to remain in close physical proximity to this business on a daily basis. As the company grows, it is likely that expanded office space will be needed at a future site to be determined.

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Product

Background and Description

Medical Record Online was developed in response to changes in the Medicare documentation requirements for physicians, which are scheduled to go into effect on July 1, 1999. These revised regulations place a significantly greater burden on physicians to record and maintain accurate and thorough records for all of their Medicare patients. Failure to comply with these regulations could result in a $10,000 fine PER VIOLATION.

The *American Medical Association News* recently published an analysis of current documentation procedures by physicians and concluded that as many as 60 percent of all physicians will not be in compliance with these new regulations using their current approaches to documentation.

Medical Record Online will provide an easy, quick, and flexible means for physicians to maintain complete and accurate records that meet the new Medicare requirements. Using Internet communications technology, Medical Notes Online software will allow physicians to record on-line (not scanned) active medical records. The program will provide edits and prompts to ensure accurate Medicare E & M specs per CPT code, ordered before storing the record. This system will eliminate the need for time-consuming hand-written or dictated notes. Notes will be pre-answered, with changes needing to be made only where variations in treatment occur, by hand-typing, pop-up box, or later, voice recognition dictation of that item change.

Medical Record Online will also eliminate the need for in-office paper file maintenance, costly storage space, and administrative staff. The records will be stored on the Medical Office Online Inc.'s server.

Electronic Records, of course, are not a new concept. There is a wide range of companies providing related products and services. Most of them, however, are based on outdated and costly technology, which is time-consuming; lead to incomplete documentation, unnecessary overhead and not easily upgraded. For example, most existing electronic notes systems either...

- Scan in documents.
- Dictate and transcribe in the documents.
- Hand fill-in or type in the documents.

Existing systems also come up short because they typically require the purchase of expensive in-house servers and software. Customers must often purchase expensive software upgrades, pay for system maintenance, and face the expensive reality of system obsolescence. On top of all that, most existing systems are not set up to handle easily the volume of new documentation requirements, which Medicare has imposed.

The reason for Front Desk Online is to facilitate the delivery of vital information to the doctor in a more effective manner. In working with any customer situation, it is always more effective if the salesman (in this case the doctor) personalizes his or her actions. This dynamic applies to scheduling the next visit, handing out patient information, providing

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material about illness and medical side effects, or updating the patient on rules by insurance companies. . Front Desk Online will include at least the following items:

1) Patient Scheduler
2) Insurance Referral Rules
3) Patient Insurance Eligibility
4) OSHA and Hazardous Material Manuals for small offices
5) Patient Medical Information Handouts
6) WebSite Jumps for Expert Reference Information
7) Pharmaceutical Companies new product information

Front Desk Online will provide this information at the doctor's desk, as well as at the receptionist's. Thus, physicians will be better able to serve their patients, resulting in greater patient satisfaction, higher levels of referrals, and less time spent repeating or clarifying information.

Ledger Online will create a more efficient and accessible office accounts receivable system. Existing vendor software has become needlessly difficult to use. Entry of a typical transaction of a medical encounter requires five entries:

1. Patient account number
2. Date of service
   - Provider (optional)
   - Document numbers (optional)
3. CPT code
4. Location/Diagnosis
5. Price

By incorporating much of this information directly into the record keeping process for the doctor to enter as he does his notes, Medical Office Online's system will allow the office to produce the day ledger as patients are seen in the exam room. At day's end, a day sheet can be created from the database and then posted to NEIC or printed on paper, if needed, via our fourth product, Electronic Claims Online.

The fifth product is in response to the pressure by payers on providers to control costs. It is also in response to the physicians need to document cost effective care to the payers.

Product Unique Benefits

The Medical Record Online **pay back for physicians** will be a more accurate and detailed notes and better documentation according to Medicare's recent E&M documentation rules. Less expense in filing clean claims to insurance companies. Providing all regulatory documentation requirements at one convenient site. Eliminates the software and hardware upgrade chase that medical vendors thrive on.

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The Medical Record Online **pay back for the patients** will be secure, instant, worldwide record access and thus, fewer tests, because results will be readily available through one source, one on-line file. As a courtesy, Medical Record Online will allow the records to be viewed online by anyone with proper authority from patients and a proper registration with our service. Only those who pay a fee will be able to write to the record.

It should be noted here that we intend this service to be provided **free of charge for charity care**. The physician will be able to log-on to our service, and even if he is not paying the monthly service fee, enter data for a charity case that will then be available for other physicians and hospital networks that may provide care for that patient also. This will eliminate many problems that the underinsured often experience with continuity of care and physicians' difficulty in determining what has been done and what hasn't been done as a result. This will be of great savings to those institutions providing charity care with obvious benefits.

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Market Analysis

Industry Analysis

The market for providing a medical record in an electronic form is large and fragmented. Most physicians, whether part of a large network, in a small group, or individually practicing, still use a paper chart. In the last five years with the development of networks, integrated systems are coming on line. For example, the St. Louis market now contains four networks, SSM, Unity, BJC and Tenet, each of which has developed or is developing its own integrated system. At this point, only BJC has electronic records, and theirs have not been implemented with any effectiveness. With the millennium bug and the new Medicare documentation rules, everyone is looking to change.

The leading source book for software for medical offices has been published by Aspen Distribution since 1968. A review of medical records systems in this book indicates only one company that has records on line. This company is Pearl On-Line and their web site is WWW.MIMSCORP.com.

An analysis of this company was done through their web site. They use older technology that requires that records be input in one of two ways: either they are dictated by the physician, transcribed and then stored electronically on line or they are hand written or typed locally by the physician and then scanned into the system and stored on line. These techniques are old and burdensome and technologically incompetent. In addition, the system is very expensive. The on-line service itself at this point for medical records is $39.00 per month (a discount is offered to those on America Online). This does not include a separate typing fee, although most physicians apparently transcribe their records. As of March 1998, the sales rep for Pearl On-Line indicated that one thousand physicians nation-wide used this service.

A second potential competitor is called PCN. It is on the NASDAQ stock exchange with the letters PCNR. This company is an amalgamation of PCN and Glaxo Welcome. They have apparently invested $50,000,000 and bought out several companies including Versyss and Wallaby. The Wallaby system was set up by Blue Cross and became obsolete about five years ago. The Versyss system was a presence in St. Louis, but apparently went out of business with the remains of this company being bought by PCN. Their systems were in-house with no on-line capacity. They do have a very complete system of recording records. Screen presentations can be seen at WWW.PCN.com.

All other companies, which recorded a web site on-line, were surveyed and no one was recording records as Medical Office Online proposes to do.

Market Strengths

Medical Office Online's competitive strengths are:

- Online note writing is quick and easy.
- Medical Office Online's system simplifies the process by defaulting to the expected procedures.

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- Records can be stored on Medical Office Online's server, thereby eliminating the need for costly file space.
- Record maintenance and input is reduced significantly.
- Medical Office Online can reach its target audiences relatively inexpensively using traditional direct marketing techniques.
- Medical Office Online's target audience should be predisposed to be receptive to this type of product given the Medicare documentation requirements being put in place.
- Medical Office Online being started by experienced professionals who understand the medical office environment.

Market Weaknesses

- There is a slim possibility that Medicare could reverse its new rules, thereby reducing the urgency for medical offices to find a better way to keep records. Dr. Costello has personally spoken with the medical director of General American in the St. Louis area on this point. He was 90% certain that the rules for the history and the physical components of the visit would not change and would be present July 1 regardless of physician complaints.
- Some other large company might see the need for this type of online service and devote substantially greater resources than Medical Office Online is able to muster.
- Medical offices, which have already sunk costs into in-house servers and software packages, may be reluctant to change, even if their systems do not operate as efficiently or effectively.

Market Forecast

The target market is worldwide. It includes both osteopaths and medical physicians. It is estimated that these target market totals approximately 500,000 across the U.S. Marketing to these groups will be done in phases in this order:

- Solo physicians
- Small groups of physicians
- Large groups of physicians
- Hospital systems

Within each target group, the marketing message will be directed toward either lead physician or the office manager or both. Experience has shown that the lead physician usually makes the purchasing decision, but often following initial research and recommendations made by the office manager.

Eventually, the target market will be expanded worldwide. Trademarks, copyrights, and patents as required will protect all products.

The potential market forecast for this type of product is conservatively estimated at $1.2 billion annually.

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Business Strategy and Implementation

Marketing Strategy

The Medical Office Online marketing strategy is to promote and support the fact that our solutions to the medical office problem of complying with Medicare E and M coding and the administrative tasks and costs of personnel to handle records is superior to all others in the market.

Given the urgency brought on by the July 1 Medicare enforcement date, Medical Office Online's marketing strategy will be to pitch physicians on a nationwide basis as quickly as possible. The specific elements of the marketing strategy will include:

- A direct mail package sent to physicians and medical office managers.
- A Medical Office Online website.
- Selected regional or national advertising in trade publications as needed to reinforce the company's image and to establish credibility with the target audience.
- Publicity efforts designed to garner feature stories in trade media about this innovative product.
- Direct sales efforts targeted at larger medical offices/networks.
- Educational forums offered at hospitals or seminars.
- Development of an informational brochure about the Medical Office Online.

We have chosen direct mail advertising as the primary vehicle to reach all physicians and osteopaths initially. We are aware that the response rate of direct mail is approximately 1-2%. We intend to test market in a limited number of states at first and then in all fifty states once initial results have been assessed.

To prove the value of our software over all other methods of record keeping, we will allow on-line use of the product for a short specified amount of time by any and all medical offices that wish to test it. If at a certain point of time, the customer feels that it is superior to what they are currently using we will allow them to sign on and pay through MasterCard or Visa on a monthly basis. The system will be set up to issue an alert when an office has reached the end of its trial period and to cut off all further testing for that office if it fails to agree to payment terms.

All payment of fees will be done through automatic monthly charges on MasterCard or Visa. Monthly renewals will be automatic unless and until the customer requests discontinuation of the service.

Product Positioning

The product should be seen as a way to protect physicians' offices from Medicare fraud and abuse investigations when no wrong doing has been committed. Because of the tremendous pressure on physicians, there should be substantial interest in this product.

It is also important for Medical Office Online to create the appearance of longevity and stability in the marketplace.

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Key Selling Points

We estimate that the physicians' offices that use our product will save at least fifty percent on overhead in personnel handling charts and paper in the chart over any one specified given period of time. We anticipate the needs for space to be reduced as the actual physical burden for handling all records in the office will be reduced to telephone outlets, a modem, a computer screen and a basic computer network, possibly a very simplified network with a server to route the call to our on-line service.

Other key selling points include the security of the records, as well as the fact that these records will be edited in real time to determine whether the note the physician produces is in compliance with Medicare's evaluation and management guidelines for the history, physical, decision making and choice of procedure code. It is also important to stress the product is going to allow physicians to create their own templates to store and use repeatedly without retyping. Finally physicians will be able to log-on and use the system free of charge for any charity cases they may be handling.

Advertising and Promotion

Medical Office Online, Inc. recognizes that the key to success requires timely and extensive promotion. This must be done aggressively and on a nationwide scale. To accomplish sales goals, we will need a competent advertising plan and public relations firm. We plan to do most of our advertising through direct mail in all fifty states.

Our initial advertising and promotion objectives are:

- To mail a minimum of 250,000 packages in the first year of operation.
- To achieve a minimum response rate of 1%.
- To achieve a response to purchase conversion rate of 20%.
- To garner at least one feature article in a national medical trade publication within the first 12 months of operation.

The advertising campaign is to be developed and properly focused on the concept of evaluation and management fears that physician offices are under. We want to maintain the appearance of longevity and stability in the marketplace. We want to identify in our ad copy the security of the records as well as the fact that these records will be edited in real time to determine whether the note the physician produces is in compliance with Medicare's evaluation and management guidelines for the history, physical, decision making and choice of procedure code. We will also stress the product is going to allow the physicians to create their own templates to store and use repeatedly without retyping. Finally we will allow the offices to log-on and use the system free of charge for any charity cases.

W e will also develop an informational brochure about the company.

Selling Tactics

We are choosing direct sales. The majority of the sales will be through the Internet with a log on for a response to use the service to be paid for by MasterCard or Visa.

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There is the intention to sell this product to large hospitals and networks to be used as an independent subcontract to their systems. In those conditions, there may be group rates paid on a monthly basis to the company and allow them to a fixed number of access points anywhere in their system.

Distribution

Obviously, distribution is global. The system will be accessible anywhere in the world.

Marketing Responsibilities

James O'Donnell will be responsible for these marketing decisions:

- New business development
- Subcontractors
- Contracts
- Products
- Brandmark recognition
- Direct Response promotion
- Marketing Sales Tactics

He will serve as marketing director and creative director for all aspects of the marketing plan. He will have responsibility for developing advertising messages that are on strategy, overseeing the translation of these messages to the appropriate media, coordinating list development, print production, mailhouse services, and public relations activities.

Strategic Alliances

Medical Office Online is investigating partnerships with hospital systems as a means of developing and testing its various products. One or more of these hospitals systems may be used as Beta test sites for the various products as they are developed.

In developing future products, alliances with companies such as Gateway EDI or directly with NEIC may be necessary to complete the electronic claims online portion of the product offering.

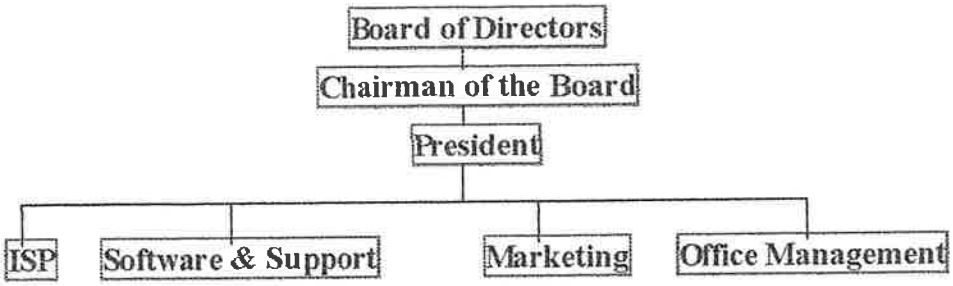
Service

Medical Office Online places a high premium on the delivery of the highest levels of customer service at all times. We recognize that customer satisfaction will be key to our continued success and referral business. Every effort will be made to ensure that all systems, servers, and routers are fully functional and operational during all standard physician office hours.

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Organization

Organizational Structure



Management Team

Medical Office Online's management team is a blend of professionals who understand the medical profession and have extensive experience starting their own businesses. They include:

The management team consists of:

John B. Costello, M.D., Chairman

James E. O'Donnell, Director of Marketing

The strength of the management team stems from a combined expertise in management, product development and sales. Every one of the persons in this project has unique talents that will assist and promote the goals of the company to bring an excellent and successful product to the market place.

John B. Costello, M.D., President Dr. Costello has successfully expanded an Internal Medicine practice beginning in 1985 from a part-time business to a full-time business with increases in revenue of over 400% with a very low over-head margin. In addition to this, in 1985, he started a health newsletter, in 1990, an attempt to sell a software utility for the purpose of filing electronic medical claims for a medical office. The consistent theme of all projects was to improve the efficiency of the office for the patient's benefit.

He has taken the Lotus Notes Application Development 1 & 2 Courses. He has taken the Lotus Notes Web Development Course. He has signed up as a Lotus Notes Business Partner. With the knowledge in hand, he has written the design document for the Medical Record Online, which includes screen shots that are usable Notes forms and documents. The second product is partially written. Parts three and four will mimic our current ledger and electronic claims entry.

His responsibilities include guidance of product development, creation of new ideas in terms of products and services that can be provided on line, establishing the office and business operations, obtaining financing through investors and making sure the legal aspects of the corporation are intact.

James E. O'Donnell, Director of Marketing Mr. O'Donnell is president of O'Donnell Communications, a full-service marketing and communications firm in St. Louis. He has

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more than 21 years of experience in these fields, including 15 years as senior vice president for public relations/public affairs with Citicorp in St. Louis and Florida.

His responsibilities will be production and implementation of marketing ideas, which may include any form of media or direct marketing.

Board of Directors

The outside Board of Directors includes Frank Grelle, President of Multiplex Incorporated; Michaela M. Costello, my wife.

In addition, investors with substantial commitments will be offered a seat on the Board pending approval from existing Board members.

Management Team Gaps

The Medical Office Online development team recognizes that additional staff is required to properly support marketing, sales, research and support functions.

Currently, Medical Office Online comprises the above named personnel. Over the next three years, we plan to expand to include up to twenty new personnel with the staff requirements of:

- Sales
- Customer Relations
- Administration
- Product Development
- Hardware Service Support

We will initially contract out any programming to be done as well as any server services and routers. The outside computer programming will be done by Wordlink and the outside handling of the server and maintenance will handled by Inlink.

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