

Sage Software Provides Systems and Services to Thousands of Medical Practices; a New Name with a 25-Year Industry History

Medical practices are conservative with their technology investments, so it's no wonder that Sage Software meets the needs of many thousands of them. The company is financially stable, boasts a healthcare legacy spanning over 25 years, and provides products and services that practices need to succeed. Its parent organization has 2.8 million customers in North America alone. We talked to Paul Stinson, senior vice president of product management for Sage Software Healthcare, Inc. about the company and the state of the physician systems industry.

Your products have been around for years, but the name Sage Software is relatively new. Tell me about the company and your products.

We've been around for decades and have thousands of customers, but most people know us as The Medical Manager. Thanks for the chance to clear this up.

Sage Software Healthcare, Inc. is a division of Sage Software North America. We're an independent division, with approximately 1,800 employees devoted exclusively to healthcare. Most people know of Sage Software through our Peachtree Accounting Software or CRM solution called ACT.

Our division sells, services, and supports practice management systems, electronic medical record systems, and business intelligence systems throughout the United States, with installations in all fifty states. We also provide clearinghouse functionality for EDI transactions to the payers.

We have five products in our portfolio: Intergy by Sage, MedWare by Sage, The Medical Manager by Sage, PCN by Sage, and HealthPro XL by Sage.

Intergy is an integrated, single-database practice management and electronic health records solution for ambulatory care practices. We also have a line extension called Intergy RIS by Sage, which is for standalone imaging centers. It's a RIS-specific application that sits on top of our system, targeted for radiology imaging centers.

We also have a product called MedWare, which is more of a value-based, feature-rich, and easy-to-use practice management and electronic medical record system for small offices.



FAST FACTS

PRODUCTS AND SERVICES

Practice management, electronic health records, business intelligence and connectivity tools and services to help ambulatory-care practices optimize the patient's experience while enhancing the bottom line.

COMPANY

Sage Software
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NOTABLE CUSTOMERS

Florida Medical Group, Front Range Center for Brain & Spine
Otsego Memorial Hospital Medical Group, Carondelet Medical Group, Memorial Medical Center, Huntington Internal Medical Group

In addition to Intergy and Medware, we support several other brands that have been around for many years. The Medical Manager by Sage is one of our brands which is still very popular in the marketplace today. We also have the PCN by Sage products in our portfolio, as well as HealthPro XL by Sage, which is a community health center/ Federally Qualified Health Centers product.

Sage Software acquired the Intergy product from WebMD/Emdeon about a year and a half ago. What's changed within the organization?

There have been some minor changes. For instance, we leverage IT services across the company now. We are implementing some best practices sharing with the other divisions. Other than that, our division is still staffed by the same dedicated team, with decades of healthcare IT experience and ambulatory practice knowledge.

Are your support services different?

Immediately after we joined Sage Software, we started participating in regularly scheduled Satmetrix customer satisfaction surveys. Each division of the company participates in this program. Based on feedback we've received in these surveys, we've implemented a number of changes, including a realignment of resources in our



PAUL STINSON

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support organization to improve call handling, speed-to-answer, and call backlog reduction.

These changes have empowered our employees to quickly resolve issues as they arise. As a result, our satisfaction scores are rising and both Satmetrix and KLAS scores have shown improvement.

Why was Sage Software interested in Intergy?

Sage Software was interested in our division because they had more than 7,000 healthcare customers already using their existing products and services, such as their accounting software. They noted that many of these practices had not yet embraced electronic health records. They saw great opportunity in being able to be the single source for information technology within these practices. When they had opportunity to buy the market leader, they jumped on it.

Tell me about the company's new leadership and what impact it will have.

It's going to be extremely positive for the organization. Every company experiences change. The successful

companies are those that embrace change and that's what we've done. We're coming off one of our best years ever for contracting and implementing new practice management and EHR systems.

Our interim president, John Lopiano, is leading us to think strategically about moving the company to the next level. He's inspiring us to think about how we can provide excellent customer service and innovative products that will generate solid growth. He's a very strategic-minded leader and he's fitting very well into the organization.

What is John's background?

Over the last 35 years, he has spent time in executive management at both Xerox and at IBM. He has been working with other divisions of Sage Software for about five years. He has tremendous experience running large organizations. John's bio is available on our website.

Small, relatively new physician systems companies seem to get much of the press. What do you think will determine their customers' success in the long term and how will those vendors compete with bigger, more established competitors like Sage?

The advantage that we have over smaller companies is that we're able to position and develop new products that are broad based and innovative across the entire market. The smaller your company, the more focused and isolated you are at solving a particular problem. The benefit that we have is that we can leverage our expansive customer base for greater innovation in our existing products and to help us uncover new ideas for greater growth.

We're also a very financially sound company. It's a benefit to our customers and prospects to do business with someone that's been around for thirty years and is going to be around a lot longer. We're able to leverage the experience of our employees and customers to bring new and innovative products to market. That's probably the number one thing that will help us differentiate from the small startups.

When you're a small startup, you're focused on building a customer base. Your development is focused purely on bringing in new customers and you will do whatever it takes to win a couple of deals here and there. We have the luxury of being market-driven, bringing new and innovative products to market that capture a broad base of the market opportunity. Our new product development programs are very well funded.

Are you seeing any effects from the relaxed Stark laws?

My first answer to that is no, we're not. The interesting thing is that the relaxation is a hot topic in the industry today. Hospitals are not jumping on the bandwagon yet. My conversation with many CIOs reveals they have issues that they want to address before they can take advantage of the relaxation.

Hospital CIOs and CEOs are asking, "How can I maintain service and support for my existing infrastructure? As costs rise, how am I going to support another 100 to 300 physicians when I want to be focused on providing quality IT support within the acute care organization?"

So, they're looking at their breadth and depth and asking, "Can we take care of all these independent physicians with the resources that we have?" It's a financial decision that CIOs and CEOs are evaluating. We will have to wait and see how things progress.

I think there are some practices out there that have cautious optimism that the hospitals are going to jump into this practice-based EHR opportunity. And so, I think some of my peers around the industry are also seeing a bit of a

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slowdown in demand in the small one-to three-doc market as physicians wait on the hospitals to make decisions.

You mention the small doctor's office, the practices with one or two doctors that make up the majority of the practices out there. What is Sage Software doing to penetrate that particular market segment?

The key to making sure that you're penetrating the one to three-doc market is having the right product at the right price points. You must market it and position it accordingly so it's an attractive and good, solid product for that marketplace.

The majority of our systems today are going into the one-to three-doc office. We saw a good increase over last year in that market segment and we continue to see that happening for next year as well. It's a very good market for us because we have great products from a feature, functionality, and price point perspective.

Additionally, we offer an industry-unique Remote Monitoring System (RMS) that's included with our maintenance plans. This system constantly monitors dozens of processes and systems. We're often able to fix a system problem or diagnose hardware problems before a customer even knows one exists. This is especially great for smaller practices that don't have full-time IT resources.

Will you be developing a hosted product?

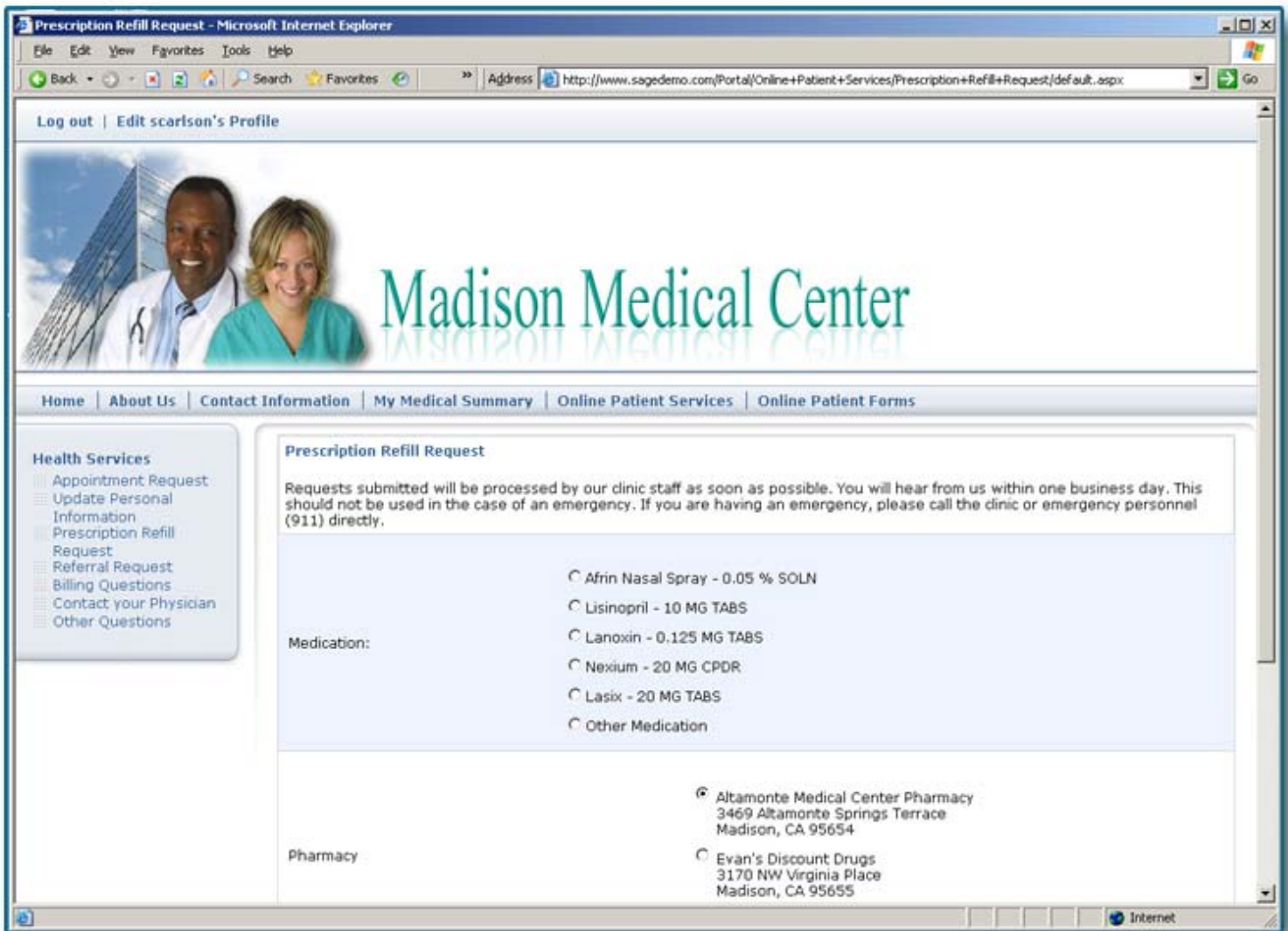
We offer our products today in either an on-premise model or an ASP-subscription model. A customer has the option of purchasing the software or subscribing to the service. Our hosted solutions product is called Intergy OnDemand.

Does Sage Software provide the actual server hosting for that as well?

That's correct. We do offer our product to billing services and MSOs who can choose to host it, but we don't redirect our customers to third-party supplier like some of our competitors do. We offer that service ourselves and contract directly with the customer.

What will it take to make electronic prescribing more common?

Only the major pharmacies receive electronic prescriptions. There are still a tremendous number of smaller pharmacies that are not part of the big chains and are not connected through EDI. There are a lot of patients that do business with those smaller pharmacies. So in order for e-prescribing



to really take off, there's going to have to be an e-prescription network available for everyone, including the small mom-and-pop pharmacies. Once everybody has access to electronic prescriptions, I think it will certainly take off.

In our base of installations, e-prescribing is very popular. Right now, we enable about 600,000 e-prescriptions a month from our systems. That's more than six million e-prescriptions a year.

Tell me about new products and software upgrades coming out, including those we'll be hearing more about at the HIMSS conference.

We're very excited about several. We've recently made Intergy Practice Portal generally available. It enables practices that utilize Intergy EHR to connect to their patients securely through the web. The practice can now have their own website and they can interact with their patients to provide the ability for patient registration, prescription refills, secure messaging, appointment requests ... things like that.

Intergy Practice Portal is completely integrated into the practice management and electronic health records system, so practice personnel don't need to switch between systems or re-key information. For example, a patient refill request

received through Intergy Practice Portal is seamlessly delivered for approval to the appropriate person's workspace within Intergy.

Number two, we're releasing Intergy by Sage version 4.0 soon. It's bringing in some new functionality that we're pretty excited about, such as the ability to confidentially manage VIP patients. In the industry, we call it the Clooney Effect.

In addition, we have strength-ened security and improved our claims scrubbing functionality. We've also significantly enhanced our denial tracking capabilities and added tasking to streamline the assignment of claims rejections throughout an office. We've also made huge improvements to our orders management solution. And we're offering an optional Enterprise Desktop that will allow large medical enterprises to handle multiple practices' billing from a single location. These are all things that customers have been asking for.

We're excited about Intergy On Demand, the ASP version of our product. Last year, we announced the development of Intergy CHC for Federally Qualified Health Centers. That's going to be out this fall. We're very excited and looking forward to that product. It really does a good job

of integrating together the complex financial components of FQHC accounting along with an integrated electronic medical record, which is what our CHC customers have been asking for. Those are a couple of the big ones that we have for the year ahead.

What kind of feedback have you gotten so far from clients and prospects about the portal and the new enhancements?

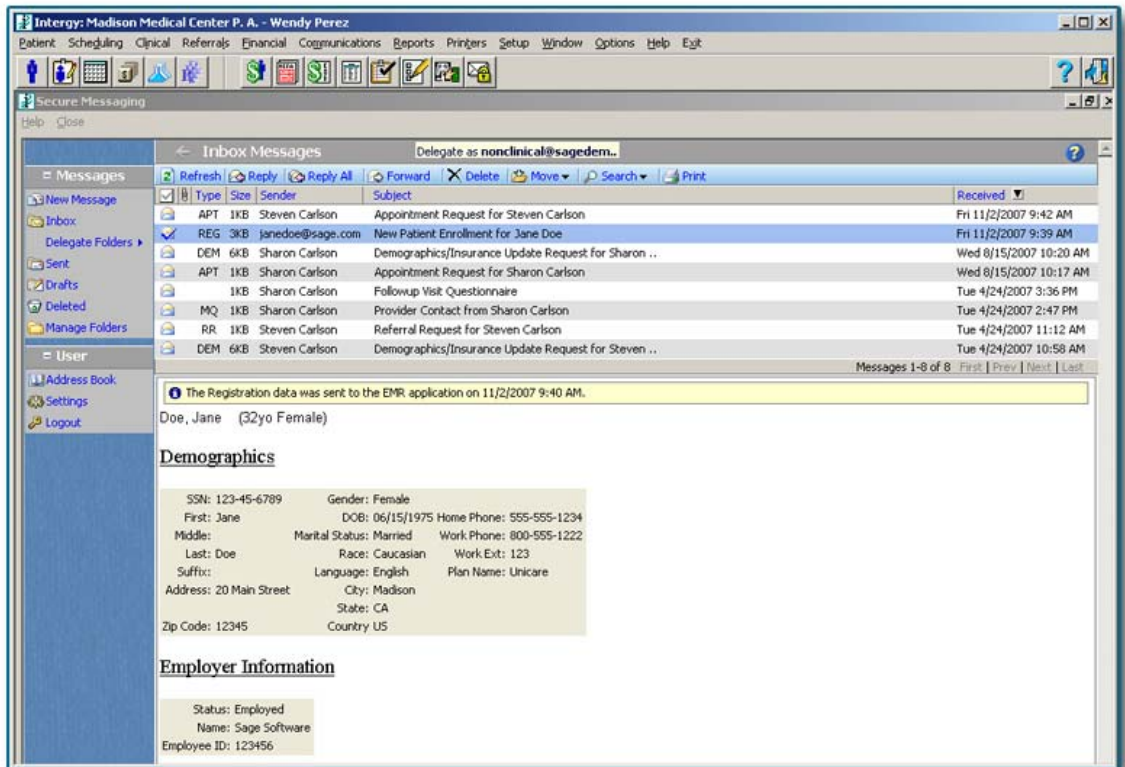
The Intergy Practice Portal is big. Last May, we received a Hot Products award at TEPR for it. It has taken off since it became generally available. I thought it would be positioned very well for the small to medium-sized practices. We're getting some larger practices, in excess of 25-doc practices, that are purchasing it. So that's very exciting as well.

The customers that have been running Intergy version 4.0 have been very positive, especially about denial tracking. So those are the two big ones that we've heard back from our customers.

Tell me why should people stop by your booth at HIMSS. Are you going to have some good trinkets?

Every CIO in the world needs to stop by our booth. [laughs] We always have some cool trinkets, but here's another reason they should stop by. CIOs are looking for ways to connect their facilities to the practices in their community. And virtually every hospital is surrounded by practices using The Medical Manager by Sage or Intergy by Sage – in fact, thousands of them. That gives these CIOs a huge population for creating the interoperability they need to move documents and lab results to those physician offices and allow the physicians to connect to the hospitals. No one else has the practice population around those hospitals that we do, and we're successfully connecting practices to hospitals, laboratories, and other facilities today.

CIOs who stop by our booth will have the opportunity to look at the density of our products around their hospital and begin talking about ways to offer additional services to the practices and ultimately gain referrals. The interoperability components within our systems allow them to do that. That's why they need to come by. The density



of our products around their hospitals is very high. They can certainly add functionality and increase their referral base with some simple connections. And we have a great EHR, if they want to offer that as well.

THE BOTTOM LINE

- Sage Software serves tens of thousands of ambulatory-care practices nationwide.
- Proven connectivity to dozens of laboratory and hospital systems.
- Enabling more than 600,000 e-prescriptions each month.

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