RAMP CORP
Form 10-K
April 14, 2004
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

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

For the transition period from ____to ____

Commission File Number: 0-24768

RAMP CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**84-1123311**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
33 Maiden Lane, New York, NY	**10038**
(Address of principal executive offices)	(Zip Code)

(212) 440-1500

(Registrant's telephone number, including area code)

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

Common Stock - $.001 par value	American Stock Exchange
Title of Each Class	Name of Each Exchange on Which Registered

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

None

Title of Each Class

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

As of June 30, 2003, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $26,006,540 million (based upon the closing price of the registrant's common stock on the American Stock Exchange, as of the last business day of the most recently completed second fiscal quarter (June 30, 2003), and for purposes of this computation, all of the registrant's directors and executive officers are deemed to be affiliates).

As of March 31, 2004, 170,385,934 shares of the registrant's common stock, were outstanding.

RAMP CORPORATION

Form 10-K

For the Year Ended December 31, 2003

FORWARD-LOOKING STATEMENTS

To the extent that any statements made in this Form 10-K contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "may," "anticipates," "believes," "should," "intends," "estimates," and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, our ability to raise capital to finance the development of our Internet services and related software, the effectiveness, profitability and the marketability of those services, our ability to protect our proprietary information and to retain and expand our user base, the establishment of an efficient corporate operating structure as we grow and, other risks detailed from time-to-time in our filings with the Securities and Exchange Commission ("SEC"). We do not undertake any obligation to publicly update any forward-looking statements.

PART I

Item 1. Business

We were incorporated in Colorado in 1988 as Nur-Staff West, Inc. In 1988, we changed our name to Med-Temps, Incorporated, in 1990, we changed our name to International Nursing Services, Inc. and in 1998, we changed our name to Medix Resources, Inc. In 2003, we reincorporated in Delaware under the name Ramp Corporation through a merger with our wholly-owned Delaware subsidiary which we formed in 2003 for such purpose. From 1988 until 2000, we operated as a temporary healthcare staffing company, with offices at various times in Colorado, New York, Texas and California. We disposed of the healthcare staffing operations in February 2000 and retained only the offices in Colorado which we closed in 2003 and relocated our headquarters to New York City. In January 1998, we acquired Cymedix Corporation, which was merged into our wholly-owned healthcare technology subsidiary, Cymedix Lynx Corporation, and in 2000 we began focusing solely on the development and commercialization of software and connectivity solutions for certain areas of the healthcare industry. In 2002, we organized a wholly-owned subsidiary, PS Purchase Corp., in Delaware, and in 2003 changed its name to HealthRamp, Inc. ("HealthRamp") to continue this healthcare technology business. In 2003, we acquired the businesses and assets of Frontline Physicians Exchange and Frontline Communications ("Frontline") used in or necessary for the conduct of its 24-hour telephone answering and messaging services to physicians and other medically-related businesses and virtual office services to non-medical businesses and professionals, and the business and assets of ePhysician, Inc., whose technology has been integrated with those of our previously developed Cymedix suite of technologies, resulting in the CarePoint™ Suite (the "CarePoint Suite") that we are currently marketing to physicians and other healthcare professionals. In 2003 we also formed a wholly-owned subsidiary, LifeRamp Family Financial, Inc. ("LifeRamp"), in Utah that has not yet commenced business operations. We are currently exploring the feasibility of using LifeRamp to commence a new business, making non-recourse loans to terminally ill cancer patients secured by their life insurance policies. Ramp Corporation (the "Company") includes its subsidiaries, HealthRamp, LifeRamp and its newly acquired division, Frontline. See Note 11 to Consolidated Financial Statements for segment reporting

information.

Overview

With our consolidated wholly-owned HealthRamp subsidiary, we are engaged in developing and marketing healthcare connectivity software centered around our CarePoint Suite of application service providers ("ASP")-based internet technologies. These proprietary technologies provide Internet-based communication, data integration and transaction processing technologies, electronic prescribing of drugs, laboratory orders and results, connectivity of medical related information between patient point-of-care providers ("POCs") (i.e., physician or caretaker) and specific healthcare value chain intermediaries ("HVCIs") (e.g., pharmacies, laboratories, pharmacy benefit managers ("PBMs") and pharmaceutical companies). Frontline is a telephone answering service for physicians' practices, focused on call overflow during office hours, and after hours answering services. Our technology is designed, among other things, to improve the accuracy and the efficiency of the processes of drug prescribing and the ordering of laboratory tests and the receiving of laboratory results, and to enable POCs to raise the level of patient care and increase the efficiency of their practices and facilities through technologies that access critical medical information.

When we shifted from temporary healthcare staffing to POC healthcare connectivity software in 2000, our previous management's plan was to initially deploy the technology in a single market. They began to test this approach in April 2002 with a small, local sales and installation team in Georgia that sought to deploy the Cymedix technology to physician practices. By August 2002 it was clear that although the technology worked, this approach would not be commercially viable due to limited support by major HVCIs in the Georgia marketplace, and the high cost of marketing, sales, installation and service associated with serving individual and small medical practices by physically locating sales and deployment personnel in the given marketplace. Based on this evaluation, the initial deployment in Georgia was halted in August 2002.

At that time, we evaluated the business of automating the POC transaction and concluded that a viable business could be built, but a different approach would be required than originally anticipated. Based on this evaluation, in September 2002, our Board recruited certain new senior managers including a new chief executive officer to pursue alternative approaches to developing and deploying POC technology.

Our current plan for the commercialization of our technology is not to focus exclusively on individual and small practices in individual geographic areas but to instead target physician practices and other POC centers that have the following characteristics: sufficient patient volume; clear economic incentive, such as administrative savings and time savings; commitment to electronic transfer of POC information; and HVCI or other healthcare participant support for the rollout of the technology. While we will at times send personnel into the offices of physicians, the primary deployment of our CarePoint technologies is virtual, utilizing the web and other related technologies. This shift, whereby we do not have to physically visit a physician's office is a fundamental difference in our current approach, when compared to the initial efforts in Georgia. In many respects, our ability to successfully deploy our product virtually is a key to our being able to reach physicians in a cost effective manner. Our goal remains to connect from the point of care to the various segments of the healthcare industry that meet these criteria, such as health plans, insurers, skilled nursing facilities, PBMs, pharmacies and pharmaceutical companies.

We believe that it is important to deploy technologies that are easy to adopt or already have established markets. On March 4, 2003 we acquired assets from Comdisco Ventures, Inc. that were formerly used by ePhysician, Inc. in its software and technology business prior to its cessation of operations in 2002. ePhysician POC technologies enable physicians to access and send on a secure basis information to pharmacies, billing service companies, and practice management systems via the Palm OS®-based handheld device and the Internet, meeting our objective of deploying a recognized technology. We have integrated the Cymedix and e-Physician technologies into our CarePoint Suite of technologies and, in 2003, formed HealthRamp to further develop and commercialize the CarePoint Suite. During October 2003, HealthRamp began its roll-out of the CarePoint Suite of technologies, with one focus being on converting ePhysician users to CarePoint.

We are actively expanding our product range for medical professionals. On November 10, 2003, we acquired the business and assets of Frontline which provides telephone answering services to physicians and other medically-related businesses and answering and other virtual office services to non-medical businesses and professionals, from The Duncan Group, Inc. ("Duncan Group"). Frontline has relationships with approximately 2,300 physicians, nurse practitioners and other healthcare providers in over 300 physicians' offices and focuses on the Indianapolis marketplace. Our current intention is to expand Frontline geographically and in the services it offers and to integrate the Frontline business with our other operations and the CarePoint Suite.

We are currently exploring the feasibility of using LifeRamp to commence a new business, making non-recourse loans to terminally ill cancer patients secured by their life insurance policies. There can be no assurance that we will secure financing on favorable terms necessary to fund that proposed business model, that the necessary regulatory approvals will be obtained or that the business, if commenced, will be cash flow positive or profitable. During 2003, we invested approximately $1.1 million in LifeRamp, and we will continue to divert working capital from HealthRamp until the LifeRamp business becomes self-supporting or is discontinued.

Since we do not have substantial revenues, we have continued to address our working capital needs and to finance the development of our software technology by the sale of our privately placed securities at a discount to market value.

Our principal executive offices are located at 33 Maiden Lane, New York, New York 10038, and our telephone number is (212) 440-1500. We have offices which serve as a telecommunications center for our Frontline business in Indianapolis, Indiana. We also have office space in Utah, Florida, California and Texas. We have closed one of our California offices and our Colorado and Georgia offices, and we have negotiated an exit to our remaining lease in California. Our Lexington Avenue, New York City office space is currently vacant, and we are trying to sublease it. However, even though we believe it is available at slightly below market rates for comparable space, the relatively short nature of the lease, which expires on January 31, 2005, and its sparse infrastructure, do not make such a sublease easy. Although we intend to negotiate to limit our liability to less than the full term remaining on the lease, there can be no assurance that we will be successful in doing so. We are also in the process of exploring additional space in downtown Manhattan, nearby to our Maiden Lane headquarters, as we anticipate that our staffing needs over the next twelve months may require additional office space.

Industry Background

Growth of the medical information management marketplace is driven by the need to share significant amounts of accurate clinical and patient information among many participants in the healthcare system. The U.S. Centers for Medicare and Medicaid Services estimates that approximately $1.3 trillion dollars, (15% of the U.S. gross domestic product) was spent on healthcare in 2002. It also estimates that healthcare expenditures are expected to grow to approximately $2.8 trillion by 2011, due to increasingly expensive and sophisticated clinical technology, an aging population base and the growing demands of newly-empowered and health conscious consumers. Health economists estimate that 26% or more of the nation's total healthcare expenditures are spent on back office administration. These economists also estimate that another 10% of these expenditures are attributable to the consequences of adverse health events caused by inaccurate or unavailable patient information or other relevant clinical data. Our CarePoint Suite targets this 36% of the nation's total healthcare expenditures and offers ways to reduce the cost by increasing the efficiency and accuracy of POC transactions.

Our relevant healthcare participants include the approximately 645,000 practicing physicians, 5,800 hospitals, 16,400 Medicare/Medicaid-certified nursing homes, 1,000 private long-term care facilities, 2,000 nursing facilities servicing the mentally handicapped, 40,000 assisted-living/residential care homes, 8,000 home healthcare agencies, 4,500 independent laboratories and thousands of managed care organizations and other ancillary healthcare providers in the United States. The larger organizations in healthcare have over the years installed large-scale automated systems to structure and share uniform information. Physician practices, which are mostly comprised of five or fewer physicians, have systems to support billing, scheduling and some clinical activity. The same is true of hospitals. However, very few healthcare provider organizations have automated the origin of a transaction, which occurs at the clinical point of patient care.

Healthcare providers record, manage and share various types of clinical patient data, including patient demographics, treatment histories, examination notes, lab test results and medication orders histories. Currently, much of this data is captured at the point of care in a handwritten or printed paper form that must later be manually converted to an electronic form for easier management, analysis and exchange. Historically, while the healthcare industry has deployed large-scale integrated back-end administrative and financial processing systems, little transactional automation has been implemented at the point of care due to economic constraints, lack of awareness or expertise in information technologies on the part of the practicing physician and the lack of compelling, affordable solutions. Due to a convergence of recent regulatory, economic, technological, social and demographic trends, healthcare providers are becoming increasingly aware of the benefits of using wireless handheld computers in their practice.

The healthcare industry is highly regulated by both federal and state regulations. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), a set of federal regulations, establishes standards and requirements for the management, storage and electronic transmission of patient information. Under HIPAA, POCs and HVCIs that transmit patient medical information electronically are required to use technology that meets HIPAA standards for electronic transactions and code sets, data security, unique identifiers and patient privacy.

Technology

HealthRamp's proprietary healthcare communication technology software products, including HealthRamp CarePoint, CarePoint Companion™ and CareGiver™ ("HealthRamp Technology"), are intended for electronic prescribing, laboratory orders and results, treatment and dietary orders, Internet-based communication, data integration and transaction processing through a handheld device or browser, at the point of patient care. Through HealthRamp, we are developing and marketing productivity tools, applications and services designed to, among other things, enable medical professionals to raise the level of patient care, improve safety and increase the clinical and administrative efficiency of their medical practice, hospital or long-term care facility and other patient care setting with technologies that access and record electronically critical medical information at the point of care.

HealthRamp CarePoint

Our CarePoint Suite provides medical professionals with functionalities, such as access to patient information stored in their practice management systems ("PMSs"), updated patient-specific formularies and the ability to send and receive laboratory orders electronically, and automates the prescription writing process. Real-time transactions may be performed to determine patient eligibility for drug benefit coverage and medication history and formulary compliance at the point of care. Data may be extracted from a PMS electronically and securely. The CarePoint Suite operates on wireless devices such as Microsoft® Windows Mobile™- Pocket PCs and SmartPhones, Palm OS®-based personal digital devices ("PDAs" and SmartPhones, or through Web browsers, and integrates with many PMSs, through its patient data exchange ("PDX") technology. CarePoint is HIPAA compliant and utilizes encryption to ensure data security. The main features of the CarePoint Suite include:

Electronic Prescribing

Electronic prescribing is designed to reduce patient data verification requests, avoid complications due to illegible handwriting, avert adverse drug interactions and provide access to a current drug reference guide and patient-specific formulary information. Prescriptions are automatically sent to a patient's pharmacy through secure fax lines, or through encrypted electronic data interchange. Prescriptions can also be printed. The prescriber's signature is electronically captured and appears on all scripts. Renewal requests can be queued for approvals, edited and notes or comments can be added. Approved prescriptions can be conveniently sent to pharmacies, a prescriber's list of commonly prescribed medications can be customized and common SIG (directions) can be included in the presriptions, allowing a physician to complete a script within seconds, in three distinct steps. As an added convenience to the patient, prescriptions can be filled before the patient has left the physician's office and be waiting for pickup or delivered sooner than would be the case with a conventional paper prescription.

Drug Reference Guide

Drug information accessible from the CarePoint Suite includes: adverse reactions, alternative medication monographs, indications, contraindications, brand name or generic medications, drug-to-drug comparisons, drug and allergy interactions, dosage and administration, and patient monographs.

Drug Interactions Checker

This function enables physicians to check for potential interactions in multiple drug combinations with a patient's medication history. Automatic alerts for potential problems are displayed based on the patient's medication history including drug utilization review alerts and drug-to-drug and drug-to-allergy interactions with medications (resident within the CarePoint Suite) that the patient is already taking. Pediatric, geriatric, pregnancy and lactation advisories are displayed where appropriate. Prescribers can select alternative medications where such drug interactions are indicated.

Real-Time Formulary Referencing

Through real-time access to the nation's largest pharmacy benefit managers and patient-specific formularies, physicians have information needed to write formulary-compliant prescriptions. Additionally, alternative medications that are within formulary are viewable when a non-formulary drug is selected.

CarePoint STAT

CarePoint STAT is our Web browser-only product that allows e-prescribing and all of the other functionality of CarePoint, on a desktop computer.

Patient Data Exchange

HealthRamp's PDX technology allows for the secure, remote extraction of patient demographics, insurance and scheduling information from an existing PMS within a medical practice and currently integrates with over 100 PMSs.

Frontline

Frontline provides 24-hour medical practice-centric telephone answering and messaging services that functions as a virtual office. Frontline is staffed with highly trained operators and state-of-the-art equipment to provide answering, messaging, voicemail, virtual office and overflow call services.

HealthRamp CareGiver

HealthRamp CareGiver is designed as a comprehensive electronic order entry, administration and fulfillment solution for long term care facilities. We anticipate that HealthRamp CareGiver will be deployed on a production basis early in the third quarter of 2004.

Electronic Ordering

CareGiver will allow caregivers at long term care facilities to electronically place orders for prescription and non-prescription drugs, treatments and rehabilitation orders, dietary orders, medical/surgical supplies, laboratory tests, patient demographics, and admissions, discharges and transfers, from a secure, WiFi-enabled wireless Pocket PC or PDA, cellular smartphone or Internet-connected Web browser. Electronic orders will be automatically routed to institutional pharmacies and other vendors including, durable medical equipment vendors, oxygen suppliers, medical test labs, diagnostic radiology facilities and wound care specialists via HIPAA compliant electronic fax, or electronic data interchange.

Drug Reference Guide

CareGiver contains clinical reference tools including a drug reference guide and multiple drug interaction checker as described above.

Real-Time Formulary Verification

CareGiver provides real-time formulary access as described above.

Treatment Queuing for Approval

With CareGiver, nurses and other caregivers will be able to enter pending treatments into a virtual queue for remote approval by physicians and other qualified medical personnel.

Automated Ordering and Reconciliation of Recurring Drugs and Treatments

CareGiver is designed to provide for the automation of regular recurring drug and treatment orders and to streamline the monthly order reconciliation process.

Resident Administration

CareGiver is also designed to manage pre-admission screenings, admissions, discharges and transfers, patient demographics and facility logistics.

HealthRamp CarePoint Companion

Messaging Via CarePoint Companion

CarePoint Companion allows partner organizations to place targeted messages via CarePoint, to medical professionals in their work environments. The POP (point-of-prescribing) messaging system provides partner marketers with the ability to assign specific conditions under which their messages will be displayed.

Message Categories

Targeted messaging may be used for alternative medication information at the POP, medical news, billboard, subscriptions, general messages from partner marketers, surveys, samples, order forms and event announcements/invitations and may be programmed to appear under specific conditions. Message triggers may include type of medication, region, gender and age. HealthRamp will provide message tracking services and response analysis to analyze the effectiveness of partner marketing features.

CarePoint Companion is designed to allow partner companies to detail and monitor feedback from physicians in real-time. The program provides electronic detailing, intelligent messaging, electronic prescribing and marketing content control, real time prescription data analysis at the point of care with wireless and Internet connectivity to sales and marketing force, patient-specific messaging when the physician prescribes in a specific drug category, diagnosis-specific journal articles from a sponsored medical journal, patient-specific samples in real-time with inventory tracking, and electronic invitations confirmations and directions to the event. CarePoint Companion offers means of strategically delivering messages to physicians at the POP. Context-specific, intelligent messages can be displayed in a number of formats. POP message spots can be purchased in specific categories and can be delivered either nationally or by region.

The feature set of our HealthRamp Technology includes the functionality described below, which may be modified from time to time based on the needs of our end-users.

HVCI	TARGETED FUNCTIONALITY
Pharmacy	• PBM identification (eligibility verification and an automatic link to formulary / benefits information).

	• Medication history
	• Treatment electronic prescribing (retail and mail order)
	• Patient-specific formulary at the POC
	• Drug utilization review (drug-to-drug interaction, drug-to-allergy, drug-to-condition checking, duplicate therapy and other clinical checks)
	• Messaging and prompts
	• Compliance analysis
Laboratory	• Complete laboratory order entry
	• Medical necessity verification
	• 24/7 results reporting (partial and full)
	• Specimen tracking
	• Messaging and prompts

Intellectual Property and Proprietary Rights

We use and benefit from a portfolio of intellectual property in our healthcare information and technology solutions.

We currently hold United States patents on some of the technologies included in our products and we intend to continue to file patent applications. We believe that, because of the rapid pace of technological change in the eHealth and computer software industry, factors such as the knowledge, ability and experience of our employees, frequent software product enhancements and the timeliness and quality of support services are key to our success. This success is also dependent, in part, upon our proprietary technology and other intellectual property rights.

We have two patent applications pending for Point of Care and Method for Efficient Public Key Based Certification for Mobile and Desktop Environments. The present invention generates a report that is placed in a patient's medical file, which the patient's physician can refer to prior to writing a prescription. At a minimum, the report includes a list of the medications that are most commonly dispensed by the physician, an indication of which of the listed drugs are covered by the patient's health care benefit plan, and the results of a drug utilization review (DUR) for each of the most commonly dispensed drugs. A list of the most-commonly dispensed medications is compiled, and coverage for each is determined by communicating with the patient's benefit plan. A DUR is performed for each covered drug, and the report is created using the gathered information. The method is implemented with application software that runs on a physician's local computer and communicates with health benefit plan providers via an Internet web server, or with application software that runs on the web servers themselves.

We use the trademarks HealthRamp CarePoint™, and HealthRamp CareGiver™ and CarePoint Companion™ in our healthcare technology solutions and the registered trademarks FRONTLINE COMMUNICATIONS and FRONTLINE PHYSICIANS EXCHANGE in connection with our Frontline business. In addition, we have pending trademark applications for registration of HealthRamp, HealthRamp CarePoint and LifeRamp LivingChoice.

Cymedix has obtained seven copyright registrations for two versions of each of three modular software components of the Cymedix suite of products, as well as a technical evaluation document that describes the software products. Cymedix has assigned such patent and copyright registrations to us and we are utilizing these modular software components in the HealthRamp Technology.

We license software and data from third parties, which we incorporate into our own products, some of which are critical to the operation of our software. These third party licenses may not continue to be available to us on commercially reasonable terms. Our loss of or inability to maintain or obtain upgrades to any of these licenses could have a material adverse effect on our business.

No assurance can be given that any of our software products will receive additional patent or other intellectual property protection. It is unclear whether any of the existing copyrights or patents will contribute any significant value to our business in the future.

There can be no assurance that any of our current or future patent applications or trademark or service mark applications will be approved. Our inability to protect our marks adequately could have a material adverse effect on our business and hurt us in establishing and maintaining our brands.

We seek to protect our proprietary technology and our other intellectual property primarily through a combination of patent, trade secret, trademark and copyright law, confidentiality procedures, employee and client non-disclosure agreements and other contractual provisions and technical measures. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information, products, technologies or intellectual property that we regard as proprietary. Policing unauthorized use of our products is difficult and expensive. While we are unable to determine the extent to which piracy of our products exists, software piracy can be expected to be a persistent problem, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. In addition, there can be no assurance that we will be able to adequately enforce the contractual arrangements that we have entered into to protect our proprietary rights.

From time to time, we may be involved in intellectual property disputes. We may notify others that we believe their products infringe upon our intellectual property rights, and others may notify us that they believe that our products infringe on their intellectual property rights. We expect that providers of eHealth solutions will increasingly be subject to infringement claims as the number of products and competitors in our industry grows and traditional suppliers of healthcare data and transaction solutions begin to offer Internet-based products. If our proprietary technology is subjected to infringement claims, we may have to expend substantial amounts to defend ourselves, and,

if we lose, we may be required to pay damages or seek a license from third parties, which could delay the commercialization of our products. If such a license is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating the intellectual property of others, and our operating results could be materially and adversely affected. If our proprietary technology is infringed upon, we may have to expend substantial amounts to prosecute the infringing parties, and we may experience losses, including the invalidation of our registered intellectual property, if we cannot support our claim of infringement.

Business Strategy

Our business strategy is focused on providing physicians and other healthcare providers with a low-cost, easily adopted, narrowly defined set of technologies, whose primary functionality is currently centered on electronic prescribing. We anticipate being able to offer lab orders and results by the middle of the second quarter of 2004, and are exploring the development and acquisition of other ancillary products and services which would be useful to physicians and other healthcare providers in their daily practice. The implementation of a full electronic medical records system ("EMR") is typically a relatively expensive commitment for a physician's office, often involving significant disruption of current operations to accommodate the EMR's implementation. We believe that EMRs have not been successfully adopted on a widescale basis due to this high financial and operating cost. We are seeking to get physicians and other healthcare providers to utilize our narrowly-defined HealthRamp Technology, which requires a modest financial commitment, and is more easily implemented when compared to a comprehensive EMR or PMS solution.

Some PBMs have been willing to pay transaction fees to electronic prescribers for prescriptions delivered electronically for their covered lives. These transaction fees may not justify the cost of deploying our CarePoint Suite to POC healthcare providers. Our existing contracts with Medco Health Solutions and Express Scripts when implemented, would pay us transaction fees on their covered lives. We intend to explore the possibilities of PBMs, health plans and other interested parties providing us with additional financial assistance that might better justify deploying our HealthRamp Technology to a targeted POC audience of their choosing. On March 31, 2004, we entered into our first agreement with respect to the deployment of our HealthRamp CareGiver nursing home technology. If acceptable to the customer after a 90 day pilot period, this agreement will generate monthly licensing fees.

We are exploring other distribution channels and venues through which our HealthRamp Technology could be deployed. We believe potentially attractive areas for us to pursue must offer us an opportunity to aggregate POCs or prescriptions in a concentrated manner. Skilled nursing facilities, institutional pharmacies, hospices and veteran's hospitals appear to be venues that may have attractive characteristics for the commercialization of our products. In evaluating these distribution channels and venues, we plan to focus on ease of entry into a given distribution channel or venue, and the potential to extract a reasonable economic return from a paying customer. We do not intend to deploy our HealthRamp Technology to areas where we would need to invest significant financial resources. Instead, we are seeking opportunities where we perceive that we may be able to generate attractive levels of revenue over reasonable periods of time. No assurance can be given that this goal can be achieved.

Formulary compliance, which is the ability of an HVCI to have a POC prescribe a pharmaceutical product of the HVCI's choice, is an area that we intend to explore. We believe our technologies have the possibility of enabling an HVCI to achieve better formulary compliance. We seek to prove this premise in a given marketplace through pilot projects, in order to attract HVCIs for whom this capability would be a significant attraction. The key manner in which our HealthRamp Technology could affect formulary compliance is through messaging and placement of information, intended to affect the POCs prescribing behavior prior to having prescribed any product. However, our HealthRamp Technology may not prove to be commercially viable in the manner in which we contemplate its use in this area.

We are presently exploring other applications for our HealthRamp Technology, expansion and integration of Frontline capabilities with our core healthcare business and other businesses, including LifeRamp.

RISK FACTORS

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating an investment in our company and in analyzing our forward-looking statements.

Risks Related to Our Company

We have incurred and reported net losses which endanger our viability as a going-concern and caused our accountants to issue a "going concern" qualification in their annual audit reports. We have reported net losses of ($31,321,000), ($9,014,000) and ($10,636,000) for the years ended December 31, 2003, 2002, and 2001, respectively. At December 31, 2003, we had a working capital deficit of ($1,098,000) and an accumulated deficit of ($72,368,000). These losses and negative operating cash flow have caused our accountants to include a "going concern" qualification in their reports in connection with their audits of our financial statements for the years ended December 31, 2001, 2002 and 2003.

We rely on investments and financings to provide working capital. While we believe that we can continue to sell our securities to raise the cash needed to continue operating until cash flow from operations can support our business, there can be no assurance that this will occur. There can be no assurance that additional investments in our securities or other debt or equity financings will be available to us on favorable terms, or at all, to adequately support the development and deployment of our technology. Moreover, failure to obtain such capital on a timely basis could result in lost business opportunities.

The success of the development, distribution and deployment of our technology is dependent to a significant degree on our key management and technical personnel. We believe that our success will also depend

upon our ability to attract, motivate and retain highly skilled, managerial, sales and marketing, and technical personnel, including software programmers and systems architects skilled in the computer languages in which our technology operates. Competition for such personnel in the software and information services industries is intense. The loss of key personnel, or the inability to hire or retain qualified personnel, could have a material adverse effect on our results of operations, financial condition or business.

We expect to continue to experience losses until such time as our technology can be successfully deployed and produce revenues. The continuing development, marketing and deployment of our technology will depend upon our ability to obtain additional financing. Our technology has generated limited recurring revenues to date. We are funding our operations now through the sale of our securities.

We may not be able to retain our listing on the American Stock Exchange. The American Stock Exchange has not notified us of any listing concerns. However, should our common stock trade at a low price for a substantial period of time or should the American Stock Exchange consider our circumstances for continued listing in a negative light, we may not be able to retain our listing. The American Stock Exchange has certain listing requirements in order for us to continue to have our common stock traded on this exchange. Although the American Stock Exchange does not identify a specific minimum price per share that our stock must trade above or any other rigid standards compelling delisting, we may risk delisting if our common stock trades at a low price per share for a substantial period of time or if it fails to meet the financial condition, result of operations, market capitalization or other financial or non-financial standards considered by the American Stock Exchange. Trading in our common stock after a delisting, if any, would likely be conducted in the over-the-counter markets in the so-called "pink sheets" or on the National Association of Securities Dealers' Electronic Bulletin Board. As a consequence of a delisting our shareholders would find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock, and our common stock would become substantially less attractive as collateral for margin and purpose loans, for investment by financial institutions under their internal policies or state investment laws or as consideration in future capital raising transactions.

Although we have had operations since 1988, because of our move away from temporary healthcare staffing to provide healthcare connectivity solutions at the point of care, we have a relatively short operating history in the healthcare connectivity solutions business and limited financial data to evaluate our business and prospects. In addition, our business model is likely to continue to evolve as we attempt to develop our product offerings and enter new markets. As a result, our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies that are attempting to move into new markets and continuing to innovate with new and unproven technologies. We are still in the process of gaining experience in marketing physician connectivity products, providing support services, evaluating demand for products, financing a technology business and dealing with government regulation of health information technology products. While we are putting together a team of experienced executives, they have come from different backgrounds and may require some time to develop an efficient operating structure and corporate culture for our company. Furthermore, our executive management and Board of Directors have been subject to change as executives have left or been terminated and others have been hired to take their places and directors have left and others have been elected or appointed to take their places. Such changes can cause disruption and distraction.

Although we have focused our business on healthcare connectivity, we may decide to explore new business models before our core business generates cash flow, if at all. Until feasibility is proven for any such new business models, such as LifeRamp, scarce resources may be allocated to endeavors that may never be commercialized.

The success of our products and services in generating revenue may be subject to the quality and completeness of the data that is generated and stored by the physician or other healthcare professionals and entered into our interconnectivity systems, including the failure to input appropriate or accurate information. Failure or unwillingness by the healthcare professional to accommodate the required information may result in our not being paid for our services.

As a developer of connectivity technology products, we will be required to anticipate and adapt to evolving industry standards and regulations and new technological developments. The market for our technology is characterized by continued and rapid technological advances in both hardware and software development, requiring ongoing expenditures for research and development, and timely introduction of new products and enhancements to existing products. Our future success, if any, will depend in part upon our ability to enhance existing products, to respond effectively to technology changes and changes in applicable regulations, and to introduce new products and technologies that are functional and meet the evolving needs of our clients and users in the healthcare information systems market.

We rely on a combination of internal development, strategic relationships, licensing and acquisitions to develop our products and services.

The cost of developing new healthcare information services and technology solutions is inherently difficult to estimate. Our development of proposed products and services may take longer than originally expected, require more testing than originally anticipated and require the acquisition of additional personnel and other resources. In addition, there can be no assurance that the products or services we develop or license will be able to compete with the alternatives available to our customers.

New or newly integrated products and services will not become profitable unless they achieve sufficient levels of market acceptance. There can be no assurance that healthcare providers will accept from us new products and services or products and services that result from integrating existing and/or acquired products and services, including the products and services we are developing to integrate our services into the physician's office or other medical facility, such as our handheld solution. In addition, there can be no assurance that any pricing strategy that we implement for any such products and services will be economically viable or acceptable to the target markets. Failure to achieve broad penetration in target markets with respect to new or newly integrated products and services could have a material adverse effect on our business prospects. The market for our connectivity products and services in the healthcare information systems may be slow to develop due to the large number of practitioners who are resistant to change, as well as the financial investment and workflow interruptions associated with change, particularly in a period of rising pressure to reduce costs in the marketplace.

Achieving market acceptance of new or newly integrated products and services is likely to require significant efforts and expenditures. Achieving market acceptance for new or newly integrated products and services is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by participants in the healthcare industry. In addition, deployment of new or newly integrated products and services may require the use of additional resources for training our existing sales force and customer service

personnel and for hiring and training additional salespersons and customer service personnel. There can be no assurance that the revenue opportunities from new or newly integrated products and services will justify amounts spent for their development, marketing and roll-out.

We could be subject to breach of warranty claims if our software products, information technology systems or transmission systems contain errors, experience failures or do not meet customer expectations. We could face breach of warranty or other claims or additional development costs if the software and systems we sell or license to customers or use to provide services contain undetected errors, experience failures, do not perform in accordance with their documentation, or do not meet the expectations that our customers have for them. Undetected errors in the software and systems we provide or those we use to provide services could cause serious problems for which our customers may seek compensation from us. We attempt to limit, by contract, our liability for damages arising from negligence, errors or mistakes. However, contractual limitations on liability may not be enforceable in certain circumstances or may otherwise not provide sufficient protection to us from liability for damages.

If our systems or the Internet experience security breaches or are otherwise perceived to be unsecure, our business could suffer. A security breach could damage our reputation or result in liability. We retain and transmit confidential information, including patient health information. Despite the implementation of security measures, our infrastructure or other systems that we interface with, including the Internet, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, attacks by third parties or similar disruptive problems. Any compromise of our security, whether as a result of our own systems or systems that they interface with, could reduce dema