ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
Form 10-K
February 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-35547

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	36-4392754
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

222 Merchandise Mart Plaza, Suite 2024, Chicago, IL 60654

(Address of principal executive offices and zip code)

(312) 506-1200

(Registrant’s telephone number, including area code)

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

Title of Each Class:	Name of Each Exchange on which Registered
Common Stock, par value $0.01 per share	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

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

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant based upon the closing sale price of the common stock on June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was $2,265,556,247. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purposes.

As of February 21, 2018, there were 180,850,731 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement related to its 2018 annual meeting of stockholders (the "2018 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2018 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

TABLE OF CONTENTS TO

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Each of the terms “we,” “us,” “our” or “company” as used herein refers collectively to Allscripts Healthcare Solutions, Inc. and its wholly-owned subsidiaries and controlled affiliates, unless otherwise stated.

The “Business” section, the “Risk Factors” section, the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of this Annual Report on Form 10-K (this “Form 10-K”) contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the current beliefs and expectations of our management with respect to future events and are subject to significant risks and uncertainties. Such statements can be identified by the use of words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “co and similar terms. Actual results could differ from those set forth in the forward-looking statements, and reported results should not be considered an indication of future performance. Certain factors that could cause our actual results to differ materially from those described in the forward-looking statements include, but are not limited to, those discussed in Part I, Item 1A, “Risk Factors” of this Form 10-K, which are incorporated herein by reference. We do not undertake to update any forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements for any reason, except as required by law.

PART I

Item 1. Business

Allscripts Healthcare Solutions, Inc. (“Allscripts”) delivers information technology (“IT”) solutions and services to help healthcare organizations achieve optimal clinical, financial and operational results. Our solutions and services are sold to:

- Physicians
- Hospitals
- Governments
- Health systems
- Health plans
- Life-sciences companies
- Retail clinics
- Retail pharmacies
- Pharmacy benefit managers
- Insurance companies
- Employer wellness clinics
- Post-acute organizations
- Consumers
- Lab companies

Our portfolio, which we believe offers some of the most comprehensive solutions in our industry today, is designed to help clients advance the quality and efficiency of healthcare by providing electronic health records (“EHR”), financial management, population health management and precision medicine/consumer solutions. Built on an open integrated platform, Allscripts solutions enable users to exchange data, streamline workflows and leverage functionality from other software vendors. The Allscripts Developer Program focuses on nurturing partnerships with other developers to help clients optimize the value of their Allscripts investment.

During 2017, we completed the acquisition of McKesson’s hospital and health system business known as Enterprise Information Solutions (“EIS”) (the “EIS Business”). It expands our ability to meet the strategic needs of a broader range of hospitals and health systems, ranging from critical access and community hospitals to the largest, most complex integrated delivery networks. We expect that our combined customer base will mutually benefit from the increased breadth of the Allscripts portfolio. For example, clients of the EIS Business will benefit from our numerous solutions that are designed to help them stay ahead in the increasingly competitive environment in which they operate: precision

medicine, cross community care coordination, consumer solutions and financial analytics.

Allscripts also completed a transaction pursuant to which Allscripts exchanged its entire holdings of the NantHealth common stock for NantHealth's provider and patient engagement solutions business, including the FusionFX solution and components of NantOS software connectivity solutions. In addition, NantHealth amended its mutual license and reseller agreement with us to, among other things, commit to deliver a minimum dollar amount of software and related services from Allscripts over a 10-year period.

Subsequent to December 31, 2017, we entered into a definitive agreement to acquire all of the issued and outstanding shares of capital stock of Practice Fusion. Refer to Note 19, "Subsequent Events," in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K for further information about this agreement.

Founded in 1986, Allscripts is incorporated in Delaware with principal executive offices located at 222 Merchandise Mart Plaza, Suite 2024, Chicago, Illinois 60654. Our principal website is www.allscripts.com. The contents of this website are not incorporated into this filing. Furthermore, our references to the URLs for this website are intended to be inactive textual references only.

Solutions

Our portfolio addresses a range of industry needs, with the goal of helping clients to connect communities across multiple care settings, encourage efficiency and deepen the engagement of the patient in his/her own care. Our principal solutions consist of the following:

Electronic Health Records

Allscripts offers a suite of EHRs for hospitals and health systems, as well as physician and community practices. Built on an open platform with advanced clinical decision support, our EHRs provide analysis and insights. Each of our EHR offerings delivers a single patient record, workflows and consolidated analytics. Our innovative technology-based solutions are designed to improve patient care delivery and outcomes. Our EHR solutions consist of the following:

Sunrise Acute EHR is a comprehensive interdisciplinary clinical solution for larger hospital facilities with a combination of services lines. The solution—including Sunrise Ambulatory to support health systems on a single platform for both inpatient and outpatient care—provides decision guidance, including computerized provider order entry, note and flowsheet documentation, clinical summary views and other key workflows necessary for driving quality care. Offerings include:

- Sunrise Surgical Care
- Sunrise Anesthesia
- Sunrise Emergency Care
- Sunrise Pharmacy
- Sunrise Oncology
- Sunrise Laboratory
- Sunrise Radiology
- Sunrise Rehabilitation/Madonna
- Sunrise Wound Care/TRUE-see
- Sunrise Access Manager
- Sunrise Hospital IQ
- Sunrise Clinical Performance Management
- Sunrise Health Information Management
- Sunrise Patient Administration System (international)

Administrative and operational modules are likewise available. Functionality is also offered on mobile devices.

Allscripts Paragon EHR is an integrated clinical, financial and administrative solution tailored for community hospitals and health systems. It is part of the EIS portfolio that supports the full scope of care delivery and business processes, from patient access management and accounting through clinical assessment, documentation and treatment. It offers integration with OneContent, an enterprise content management solution, to automate workflow across the enterprise for all content types, such as documents and images.

Allscripts TouchWorks EHR is designed for larger single and multispecialty practices and is built on an open platform that brings data sources together. This open platform feature, along with the ability to customize workflows, allows clinical staff to effectively coordinate and deliver both primary and specialized care. Functionality is also offered on mobile devices.

Allscripts Professional EHR is for small- to mid-size physician practices. Allscripts Professional EHR works in Accountable Care Organizations ("ACOs"), Patient-Centered Medical Homes and Federally Qualified Health Centers, and enables practices to adhere to government initiatives like Meaningful Use and the Medicare Access and CHIP Reauthorization Act.

Modules available with TouchWorks and Professional EHRs include:

- Allscripts eRecruit
- Allscripts Clinical Performance Reporting
- Allscripts Practice Management
- Allscripts eChart Courier
- Allscripts iAssist

Allscripts Payer & Life Sciences initiatives endeavor to optimize the value of our EHRs. We believe that a successful value-based care environment requires more efficient communication and collaboration among all stakeholders in the healthcare continuum. To that end, we collaborate with payers, providers, life-sciences companies, pharmacy benefit managers and other partners to develop new programs, processes and content to enhance clinical solutions and improve outcomes for patients. Data offerings from our providers enable payers and life-sciences organizations access to a real-world resource for research, insight and analysis. Programs include:

- Patient Assistance and Adherence
- Electronic Prior Authorization
- Medical Record Abstraction
- Gaps-in-Care
- Consumer Payment
- Clinical Trial Solutions

Financial Management

Allscripts financial solutions support revenue cycle, claims management, budgeting and analytic functions of a healthcare organization, among others. These tools can help change clinician behavior to improve patient flow, increase quality, advance outcomes, optimize referral networks, decrease leakage and reduce costs. Plus, our solutions allow our clients to extract the data needed to support new reimbursement models. Offerings include:

- Sunrise Financial Manager
- Allscripts EPSi
- Allscripts STAR
- Allscripts Revenue Cycle Management Services
- Allscripts Payerpath

Population Health Management

Allscripts CareInMotion™ is a community-connected population health management platform that delivers care coordination, patient engagement, connectivity, data aggregation and analytics.

- Allscripts Care Coordination solution includes Allscripts Care Management, Allscripts Care Director, CarePort, dbMotion Care Coordination Agent, Allscripts Referral Management and Chronic Care Management services.
- Our Connectivity solution is enabled by our open infrastructure, featuring dbMotion Solution, dbMotion Community and Allscripts Fusion.
- Patient Engagement is facilitated with Allscripts FollowMyHealth, FollowMyHealth TeleHealth and Remote Monitoring. Our patient engagement platform also serves as the foundation for emerging consumer health initiatives.
- Allscripts Population Health Analytics solution enables healthcare organizations to measure performance and outcomes, analyze utilization, manage risk, reduce cost and improve quality across the continuum of care.

Precision Medicine/ Consumer Solutions

Through precision medicine, healthcare is evolving from a one-size-fits-all model to a personalized approach aimed at customizing diagnostic, therapeutic and preventive interventions. 2bPrecise™ solutions seek to bring the intelligence and insights of precision medicine to the workflow of the clinician — while making this knowledge available for research and pharmacogenomics.

In 2017, Allscripts acquired NantHealth's provider and patient engagement solutions business, including the FusionFX solutions and components of NantOS software connectivity solutions. The FusionFX solutions improve the patient-clinician experience by bringing molecular medicine insights directly to the point of care.

Services

In addition to our solutions, Allscripts offers customizable professional and managed service offerings. From hosting, consulting, optimization and managed IT services to revenue cycle services for practices, Allscripts partners with clients to meet their goals. The following is a list of some of the services we provide:

- Allscripts Architecture Advisory Services
- Allscripts Comprehensive Care for Joint Replacement Consulting
- Allscripts Proactive Application Monitoring Service
- Assure
- Clinical Quality Program
- Consulting: MU3 Readiness Assessment and Rapid Design Services
- Consulting: FollowMyHealth Engagement and Optimization
- Consulting: Patient-centered Medical Home
- Consulting: TouchWorks EHR Optimization
- Education Services: Experiential Learning
- Education Services: Virtual Instructor-led Training
- Hosting Solutions
- Managed Services: Application Management and Staff Augmentation
- Managed Services: IT Service Management (Full IT Outsourcing)
- Managed Services: Managed Technology Deployment Model
- Managed Services: Service Deck
- Premier Support
- Revenue Cycle Consulting Services
- Security: Advanced Security Add On
- Sunrise Upgrade Center
- Support: Professional Safeguard
- TouchWorks Multi-Year Subscription Upgrade Service

Our Strategy

Our strategy is centered on the vision of enabling smarter care at virtually every point of the healthcare continuum. Given the breadth of our portfolio and global client installed base, we believe we are well positioned to connect physicians and caregivers to patients and payers across all healthcare settings. Smarter care is a strategic imperative for healthcare organizations globally and requires a balance between managing costs while maintaining the highest quality of care. We believe that our solutions are well-positioned to facilitate such transformation in the future of healthcare by offering community connectivity, interoperability, data analytics, and consumer engagement features and functionality. These key strategic areas all help healthcare providers better manage populations of patients, especially those with costly chronic conditions, such as diabetes, asthma, and heart disease, to help bring down the cost of care and improve patient outcomes.

- Community Connectivity – Our care coordination solutions improve safety and quality as a patient transitions from one care setting to another. We help build assessments, monitor results, track outcomes, and make modifications in a person's care plan. Healthcare is a group effort, and having full visibility into a patient's care plan is critical. Access to comprehensive patient information is key, and our community solutions help create an organized, longitudinal patient record spanning all points of care.
- Interoperability – We employ a wide array of interoperability tools to support our clients' desire to connect to numerous stakeholders in the industry, including other healthcare providers, labs, imaging facilities, public health entities and patients, as well as other third-party technology providers. Our unique open platform is a proven, scalable and user-friendly technology that connects both clinical and financial data across every setting. We also offer Application Programming Interfaces ("APIs") based on the Fast Healthcare Interoperability Resources (FHIR). With this unique open platform, clients can connect to any certified application or device, which saves time and money and gives clients full access to a variety of innovative solutions.
- Data Analytics – Healthcare organizations need to analyze dependencies, trends, and patterns so that they can develop business and clinical intelligence to better manage patient populations. Data-driven decisions require real-time, clean data for better decisions at the point of care. Insights and analytics serve as the foundation for informed analysis and effective planning.
- Consumer Engagement – Our patient engagement software helps healthcare organizations achieve better outcomes, reduce emergency room visits, and decrease hospitalizations. Our software also integrates with solutions across an organization, regardless of a provider's software. With a patient engagement platform, individuals and their families have the opportunity to become active members of their care team, which improves results.

Healthcare IT Industry

The healthcare IT industry in which we operate is highly regulated and the services we provide are subject to a complex set of healthcare laws and regulations, among others, the Medicare Access and CHIP Reauthorization Act ("MARCA"), the Health Information Technology for Economic and Clinical Health Act ("HITECH"), the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), regulations issued by the Centers for Medicare and Medicaid Services ("CMS") and the Department of Health and Human Services ("HHS"), a number of fraud and abuse laws, including the federal Anti-Kickback Statute and the False Claims Act, and the Patient Protection and Affordable Care Act (as amended, the "PPACA"). In addition, the healthcare IT industry is subject to changing political, legislative, regulatory, and other industry standards, which create both significant opportunities as well as certain challenges. These include:

- Provider Reimbursement: In recent years, there have been significant changes to provider payment models by the United States federal government to move more towards a value-based care model that have been followed by commercial payers and state governments. This leads to increasing pressure on healthcare organizations to reduce costs and increase quality, replacing fee-for-service models in part by expanding advanced payment models. Such changes to provider payments models could further encourage the adoption of healthcare IT as a means of improving quality of patient care through increased efficiency, care coordination, and improving access to complete medical documentation.
  - The passage of MACRA in 2015 codified the creation of new payment models, such as ACOs, that will significantly expand the number of ambulatory healthcare professionals delivering care under payment programs that are driven by quality measures currently under development. Many of our clients are also involved with the Comprehensive Primary Care Plus program, which is working toward similar goals by emphasizing the role of the primary care provider. Another important driver of healthcare IT adoption in the primary care space is the Patient Centered Medical Home program, a voluntary program in which many of our clients are participating and that has a strong emphasis on quality measurement and patient engagement. Even where some of these programs will likely be adjusted in part by HHS under the new presidential Administration, significant levels of reimbursements will still require providers to capture, communicate, measure and share outcomes through technology solutions such as ours, given that those requirements are bound in federal statute.
- HITECH: In 2009, the United States federal government enacted HITECH, which authorized the EHR Incentive program (the "meaningful use" program). This law provided significant incentive funding by the Medicare and Medicaid programs to physicians and hospitals that can prove they have adopted and are appropriately using technology such as our EHR solutions. CMS establishes and oversees the criteria that healthcare providers must meet to receive HITECH stimulus funding, while the Office of the National Coordinator for Health Information Technology ("ONC") establishes and oversees the functionality that EHR products must meet. In order for our customers to qualify for funding under HITECH, our technology must meet various requirements for product certification under the regulations, and must enable our customers to achieve "Meaningful Use" as defined under CMS regulations. CMS regulations provide for a phase approach to implementation of the "Meaningful Use" standards. For each stage, a final rule is implemented by the ONC to adopt an initial set of standards, implementation specifications and certification criteria to enhance the use of health information technology and support its "Meaningful Use". For providers to receive "Meaningful Use" incentive funds, they must use EHRs that are certified according to regulations put forth by the ONC. Currently, ONC recognizes a variety of Authorized Testing and Certification Bodies ("ATCBs") eligible to test for and designate that EHRs are certified for "Meaningful Use" quality reporting. These ONC-ATCBs are the only organizations capable of designating that an EHR is certified for "Meaningful Use" incentive capture.
- HIPAA: HIPAA and its implementing regulations contain substantial restrictions and requirements with respect to the use and disclosure of individuals' protected health information. HIPAA applies to "Covered Entities," such as certain healthcare providers, health plans, and health care clearinghouses, as well as business associates that performed functions on behalf of or provide services to Covered Entities. We consider ourselves a Covered Entity due to our acting as a "healthcare clearinghouse" through our provision of Allscripts Payerpath due to its filing of

electronic healthcare claims on behalf of healthcare providers that are subject to HIPAA and HITECH. In addition, as a result of our dealings with certain clients and others in the healthcare industry, which may be considered Covered Entities under or otherwise subject to the requirements of HIPAA, we are, in some circumstances, considered a business associate under HIPAA. As a business associate, we are subject to the HIPAA requirements relating to the privacy and security of protected health information. Among other things, HIPAA requires business associates to (i) maintain physical, technical and administrative safeguards to prevent protected health information from misuse, (ii) report security incidents and other inappropriate uses or disclosures of the information, including to individuals and governmental authorities, and (iii) assist Covered Entities from which we obtain health information with certain of their duties under HIPAA. We have policies and safeguards in place intended to protect health information as required by HIPAA and have processes in place to assist us in complying with applicable laws and regulations regarding the protection of this data and responding to any security incidents.

- ANSI-5010/ICD-10: Under HIPAA, HHS implemented a new version of the standards for HIPAA-covered electronic

transactions, including claims, remittance advices, and requests and responses for eligibility, which are called ANSI-5010. Additionally, HIPAA required entities to upgrade to the tenth revision of the International Statistical Classification of Diseases and Related Health Problems from the World Health Organization, also known as ICD-10, for use in reporting medical diagnoses and inpatient procedures by no later than October 1, 2015. These changes in coding standards required our clients to upgrade to more advanced versions of our solutions.

- Federal Anti-Kickback Statute: The federal Anti-Kickback Statute prohibits any person or entity from offering, paying, soliciting or receiving anything of value, directly or indirectly, for the referral of patients covered by Medicare, Medicaid and other federal healthcare programs or the leasing, purchasing, ordering or arranging for or recommending the lease, purchase or order of any item, good, facility or services covered by these programs. Courts have interpreted the law to provide that a financial arrangement may violate this law if any one of the purposes of an arrangement is to encourage patient referrals or other federal healthcare program business, regardless of whether there are other legitimate purposes for the arrangement. There are several limited exclusions known as safe harbors that may protect some arrangements from enforcement penalties. Penalties for federal Anti-Kickback Statute violations can be severe, and include imprisonment, criminal fines, civil money penalties with triple damages (when the False Claims Act is implicated) and exclusion from participation in federal healthcare programs. The PPACA broadened the reach of the fraud and abuse laws by, among other things, amending the intent requirement of the federal Anti-Kickback Statute and the applicable criminal healthcare fraud statutes. Pursuant to the statutory amendment, a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute. Many states have adopted laws similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs.
- False Claims Act: The federal False Claims Act prohibits anyone from, among other things, knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services that are false or fraudulent. Although we would not submit claims directly to payors, Allscripts could be held liable under the False Claims Act if they are deemed to "cause" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers through our revenue cycle/claims management services, or if our EHR products are found to have caused providers to have inaccurately attested to Meaningful Use criteria.
- PPACA: PPACA, which was signed into law in 2010, has impacted us and our clients. Since taking office, President Trump has continued to support the repeal of all or portions of the PPACA. As such, the PPACA may be repealed in part or in whole under the new presidential administration, but many components of the law, including those which have had a positive effect by requiring the expanded use of products such as ours to participate in certain federal programs, are expected to be included in any new legislation passed to replace it. Any provisions, such as those mandating reductions in reimbursement for certain types of providers or decreasing the number of covered lives in the United States or the depth of insurance coverage available to patients, may have a negative effect by reducing the resources available to our current and prospective clients to purchase our products. The repeal of, or any significant changes in, the incentive programs for Meaningful Use of EHRs could also reduce the resources or the incentive for customers to purchase our EHR products. Further, ambiguity remains for the industry as a whole regarding the future of many programs initially authorized by the PPACA, which may slow purchasing decisions as healthcare organizations wait for clarity.

We believe that these and other changes in laws and regulations, along with increasing pressure from private payers to move providers to quality-based payment programs and market opportunities to maximize the data that is increasingly being created and captured through the care process, will continue to drive adoption of healthcare IT products and services such as ours. For example, although many large physician groups have already purchased EHR technology, we expect those groups may choose to replace their older EHR technology to comply with future Quality Payment Program requirements and to add new features and functionality. Further, opportunities for healthcare provider organizations to expand their care coordination efforts in order to successfully comply with new payment programs or

to add software specific to the precision medicine expansion, as outlined in the 21st Century Cures Act passed in December 2016, could lead to additional demand for our solutions. We also seek replacement markets for health information exchanges and patient portals, despite their recent deployment.

Business Organization

We derive our revenues primarily from sales of our proprietary software (either as a direct license sale or under a subscription delivery model), which also serves as the basis for our recurring service contracts for software support and maintenance and certain transaction-related services. In addition, we provide various other client services, including installation, and managed services such as outsourcing, private cloud hosting and revenue cycle management.

During 2017, we completed the acquisitions of the EIS Business and NantHealth's provider and patient engagement solutions business. These acquisitions initially resulted in the formation of four new operating segments: (i) EIS-Paragon, (ii) EIS-Enterprise Workflow Solutions ("EIS-EWS"), (iii) EIS-Classics and (iv) NantHealth. Refer to Note 2, "Business Combinations and Other Investments," in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K for further information about these acquisitions. The EIS-Paragon operating segment provides integrated EHR and revenue cycle management solutions for the small hospital market segment and was integrated within our Hospitals and Health Systems operating segment during the fourth quarter of 2017. The EIS-EWS operating segment primarily provides document, content and supply chain management solutions. The EIS-Classics operating segment primarily provides revenue cycle management solutions. The NantHealth operating segment offers provider and patient engagement solutions. Based on the qualitative and quantitative criteria under Accounting Standards Codification Topic 280, Segment Reporting, we concluded that the EIS-Classics operating segments can be included as part of the Clinical and Financial reportable segment, while the EIS-EWS and NantHealth operating segments can be included as part of the Population Health reportable segment. As a result, as of December 31, 2017, we identified ten operating segments, which were aggregated into three reportable segments: (i) Clinical and Financial Solutions, (ii) Population Health and (iii) Netsmart.

Information regarding financial data by segment is set forth in Part II, Item 7 of this Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 14, "Business Segments," to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

Clients

As of December 31, 2017, approximately 75,000 physician practices, 3,400 hospitals and 100,000 coordinated community care organizations use our products and services. Our clients, which include some of the most prestigious medical groups and hospitals in the United States, often serve as reference sources for prospective clients that are interested in purchasing our solutions. No single client accounted for more than 10% of our revenue in the years ended December 31, 2017, 2016 and 2015.

Research and Development

Rapid innovation characterizes the healthcare IT industry. We believe our ability to compete successfully depends heavily on our ability to ensure a continual and timely flow of competitive products, services and technologies to the markets in which we operate.

Because of this, we continue to invest heavily into our research and development efforts. These efforts are primarily focused on developing new solutions as well as new features and enhancements to our existing solutions, which we believe will ensure that our solutions comply with continually evolving regulatory requirements and create additional opportunities to connect our systems to the healthcare community.

Our total gross research and development spending was $359.1 million, $290.4 million and $234.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts consist of research and development expenses of $220.2 million, $187.9 million and $184.8 million, and capitalized software development costs of $138.9 million, $102.5 million and $49.3 million, for each of these periods respectively. We expense research and development expenses as incurred, and we capitalize software development costs incurred from the time technological feasibility of the software is established, or when the preliminary project phase is completed in the case of internal use software, until the software is available for general release. Non-capitalizable research and development costs and other software maintenance costs are expensed as incurred.

10

Competition

The markets for our solutions and services are highly competitive, and are characterized by rapidly evolving technology and solution standards and user needs, as well as frequent introduction of new solutions and services. Some of our competitors may be more established, benefit from greater name recognition, and have substantially greater financial, technical, and marketing resources than we do.

Additionally, many of our prospective clients have invested substantial personnel and financial resources to implement and integrate competing solutions to ours. As a consequence, they may be reluctant or unwilling to migrate to our solutions. Third-party developers may be reluctant to build application services on our platform since they have invested in other competing technology platforms.

We compete primarily with numerous types of organizations, including developers of revenue cycle and practice management software and services, large system integrators, IT service providers, ambulatory and acute care EHR solutions, population health management and value-based care technologies, analytics systems, care management solutions and post-acute solutions. We generally compete on the basis of several factors, including breadth and depth of services (including our open architecture and the level of solution integration across care settings), integrated platform, regulatory compliance, reputation, reliability, accuracy, security, client service, total cost of ownership, innovation and industry acceptance, expertise and experience.

Moreover, we expect that competition will continue to increase as a result of consolidation in both the IT and healthcare industries. If one or more of our competitors or potential competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively.

Our principal existing competitors in these markets include, but are not limited to (in alphabetical order) AdvancedMD, athenahealth Inc., Cerner Corporation, Change Healthcare, CPSI (Computer Programs and Systems Inc.), CureMD Healthcare, eClinicalWorks, Enli Health Intelligence, Epic Systems Corporation, Evolent Health, GE Healthcare, Greenway Medical Technologies, Harris Healthcare, Healthagen, Health Catalyst, Homecare Homebase (part of Hearst Health network), IBM Watson Health, IQVIA, Kareo, MEDHOST, Inc., Meditech (Medical Information Technology, Inc.), Navicure/Zirmed, NaviHealth (a Cardinal Health company), nThrive, Optum, Philips Wellcentive, Premier Inc., Quadramed, Quality Systems, Inc., Roper Industries, T-System, The TriZetto Group, Inc. (a division of Cognizant Technology Solutions, Inc.) and Wellsoft Corporation.

Backlog

We had a contract backlog of $4.6 billion and $4.1 billion as of December 31, 2017 and 2016, respectively, an increase of $500 million or 12%. Contract backlog represents the value of bookings and support and maintenance contracts that have not yet been recognized as revenue. Total contract backlog increased primarily due to an increase in bookings related to subscription-based agreements and managed services, such as outsourcing, private cloud hosting and revenue cycle management. We estimate that approximately 38% of our aggregate contract backlog as of December 31, 2017 will be recognized as revenue during 2018.

Intellectual Property

We rely on a combination of trademark, copyright, trade secret and patent laws in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our brand. We also enter into confidentiality and proprietary rights agreements with our employees, consultants and other third parties and control access to software, documentation and other proprietary information.

Many of our products include intellectual property obtained from third parties. For example:

- Many of our products are built on technology provided by Microsoft Corporation, such as the Microsoft SQL Server information platform, the Microsoft .NET Framework and the Microsoft Azure cloud platform.
- We license content from companies such as OptumInsight, 3M Health Information Systems, Wolters Kluwer Health, Elsevier, IMO and Clinical Architecture, which we incorporate or use in certain solutions.

It may be necessary in the future to seek or renew licenses relating to various aspects of our products and services. While we have generally been able to obtain licenses on commercially reasonable terms in the past, there is no guarantee that we can obtain such licenses in the future on reasonable terms or at all. Because of continuous healthcare IT innovation, current extensive patent coverage and the rapid rate of issuance of new patents, it is possible that certain components of our solutions may unknowingly infringe upon an existing patent or other intellectual property rights of others. Occasionally, we have been notified that we may be infringing certain patent or other intellectual property rights of third parties. While the outcome of any litigation or dispute is uncertain, we do not believe that the resolution any of these infringement notices will have a material adverse impact on our business.

Geographic Information

Historically, the majority of our clients and revenue have been associated with North America, where we have clients in the United States and Canada. While we remain focused on the North American market, which we expect will continue to drive our revenue in the future, we believe that there are opportunities for us globally as other countries face similar challenges of controlling healthcare costs while improving the quality and efficiency of healthcare delivery. As a result, we have increased our efforts to selectively expand the sales of many of our solutions outside of North America, primarily in the United Kingdom, the Middle East, Asia and Australia.

During the year ended December 31, 2017, our domestic and international sales accounted for 97% and 3%, respectively, of our total revenue. Information regarding financial data by geographic segment is set forth in Note 16, “Geographic Information,” to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Form 10-K.

Employees

As of December 31, 2017, we had approximately 8,900 employees worldwide. None of our employees are covered by a collective bargaining agreement or are represented by a labor union. The increase over December 31, 2016 was due primarily to the acquisition of the EIS business.

Available Information

Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are filed with the U.S. Securities and Exchange Commission (the “SEC”). We are subject to the informational requirements of the Exchange Act and we file or furnish reports, proxy statements and other information with the SEC. Such reports and information are available free of charge at our website at investor.allscripts.com as soon as reasonably practicable following our filing of any of these reports with the SEC. The public may read and copy any materials filed by us with the SEC at the SEC’s Public Reference Room at 100 F Street, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this filing. Furthermore, our references to the URLs for these websites are intended to be inactive textual references only.

12

Item 1A. Risk Factors

Our business, financial condition, operating results and stock price can be materially and adversely affected by a number of factors, whether currently known or unknown, including, but not limited to, those described below. Any one or more of such factors, some of which are outside of our control, could directly or indirectly cause our actual financial condition and operating results to vary materially from our past or anticipated future financial condition or operating results.

Because of the following factors, as well as other factors affecting our financial condition and operating results, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

These risk factors may be important to understanding any statement made by us in this Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes in Part II, Item 8, “Financial Statements and Supplementary Data” of this Form 10-K.

Risks Related to Our Industry

Markets for our products and services are highly competitive and subject to rapid technological change, and we may be unable to compete effectively in these markets.

The markets for our products and services are intensely competitive and are characterized by rapidly evolving technology, solution standards and user needs and the frequent introduction of new products and services. There can be no assurance that we capture additional opportunities in the replacement market. Some of our competitors may be more established, benefit from greater name recognition and have substantially greater financial, technical and marketing resources than us. Moreover, we expect that competition will continue to increase as a result of potential incentives provided by government programs and as a result of consolidation in both the IT and healthcare industries. If one or more of our competitors or potential competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively.

We compete on the basis of several factors, including:

- breadth and depth of services, including our open architecture and the level of product integration across care settings;
- integrated platform;
- regulatory compliance;
- reputation;
- reliability, accuracy and security;
- client service;
- total cost of ownership;
- innovation; and
- industry acceptance, expertise and experience.

There can be no assurance that we will be able to compete successfully against current and future competitors or that the competitive pressures that we face will not materially and adversely impact our business, financial condition and operating results.

13

Consolidation in the healthcare industry could adversely impact our business, financial condition and operating results.

Many healthcare provider organizations are consolidating to create integrated healthcare delivery systems with greater market power. As provider networks and managed care organizations consolidate, thus decreasing the number of market participants, competition to provide products and services like ours will become more intense, and the importance of establishing and maintaining relationships with key industry participants will increase. These industry participants may try to use their market power to negotiate price reductions for our products and services. Further, consolidation of management and billing services through integrated delivery systems may decrease demand for our products. Such consolidation may also lead integrated delivery systems to require newly acquired physician practices to replace their current Electronic Health Record, such as an Allscripts product, with that already in use in the larger enterprise. Any of these factors could materially and adversely impact our business, financial condition and operating results.

We are subject to a number of existing laws, regulations and industry initiatives and we are susceptible to a changing regulatory environment.

As a participant in the healthcare industry, our operations and relationships, and those of our clients, are regulated by a number of federal, state and local governmental entities. The impact of this regulation on us is direct, to the extent we are ourselves subject to these laws and regulations, and is also indirect, both in terms of the level of government reimbursement available to our clients and in that, in a number of situations, even if we are not directly regulated by specific healthcare laws and regulations, our products must be capable of being used by our clients in a manner that complies with those laws and regulations. The ability of our clients to comply with laws and regulations while using our solutions could affect the marketability of our products or our compliance with our client contracts, or even expose us to direct liability under the theory that we had assisted our clients in a violation of healthcare laws or regulations. Because our business relationships with physicians, hospitals and other provider clients are unique and the healthcare IT industry as a whole is relatively young, the application of many state and federal regulations to our business operations and to our clients is uncertain. In the United States, there are federal and state privacy and security laws; fraud and abuse laws, including anti-kickback laws and limitations on physician referrals; numerous quality measurement programs being adopted by our clients; and laws related to distribution and marketing, including off-label promotion of prescription drugs, which may be directly or indirectly applicable to our operations and relationships or the business practices of our clients. It is possible that a review of our business practices or those of our clients by courts or regulatory authorities could result in a determination that could adversely affect us. Furthermore, as we expand our business globally, we become subject to comparable laws and regulations in each non-United States jurisdiction in which we operate, which creates additional risks. See the risk factor entitled “Our business is subject to the risks of global operations” below for more information.

In addition, the healthcare regulatory environment may change in a way that restricts our existing operations or our growth. The healthcare industry generally and the EHR industry specifically are expected to continue to undergo significant legal and regulatory changes for the foreseeable future, which could have an adverse effect on our business, financial condition and operating results. We cannot predict the effect of possible future enforcement, legislation and regulation.

Specific risks include, but are not limited to, risks relating to:

Healthcare Fraud. Federal and state governments continue to enhance regulation of and increase their scrutiny over practices involving healthcare fraud perpetrated by healthcare providers and professionals whose services are reimbursed by Medicare, Medicaid and other government healthcare programs. The healthcare industry is subject to laws and regulations on fraud and abuse which, among other things, prohibit the direct or indirect payment or receipt

of any remuneration for patient referrals, or for the purchase or order, or arranging for or recommending referrals or purchases, of any item or service paid for in whole or in part by these federal or state healthcare programs. Federal enforcement personnel have substantial funding, powers and remedies to pursue suspected or perceived fraud and abuse. Moreover, both federal and state laws forbid bribery and similar behavior. Any determination by a regulatory, prosecutorial or judicial authority that any of our activities involving our clients, vendors or channel partners violate any of these laws could subject us to civil or criminal penalties, require us to change or terminate some portions of our business, require us to refund a portion of our license or service fees and disqualify us from providing services to clients doing business with government programs, all of which could have a material adverse effect on our business, financial condition and operating results. Even an unsuccessful challenge by regulatory or prosecutorial authorities of our activities could result in adverse publicity, require a costly response from us and have a material adverse effect on our business, financial condition and operating results.

Patient Information. As part of the operation of our business, we, and our subcontractors may have access to, or our clients may provide to us, individually-identifiable health information related to the treatment, payment and operations of providers' practices. In the United States, government and industry legislation and rulemaking, especially HIPAA, HITECH and standards and requirements published by industry groups such as the Joint Commission require the use of standard transactions, standard identifiers, security and other standards and requirements for the transmission of certain electronic health information. National standards and procedures under HIPAA include the "Standards for Electronic Transactions and Code Sets" (the "Transaction Standards"); the "Security Standards" (the "Security Standards"); and the "Standards for Privacy of Individually Identifiable Health Information" (the "Privacy Standards"). The Transaction Standards require the use of specified data coding, formatting and content in all specified "HealthCare Transactions" conducted electronically. The Security Standards require the adoption of specified types of security measures for certain electronic health information, which is called Protected Health Information ("PHI"). The Privacy Standards grant a number of rights to individuals as to their PHI and restrict the use and disclosure of PHI by "Covered Entities," defined as "health plans," "healthcare providers," and "healthcare clearinghouses." Entities that perform services to or on behalf of Covered Entities where PHI is or is likely to be accessed are called Business Associates.

We believe we are a Covered Entity due to our acting as a "healthcare clearinghouse" through our provision of Allscripts Payerpath due to its filing of electronic healthcare claims on behalf of healthcare providers that are subject to HIPAA and HITECH. We also believe that in certain business relationships we are a Business Associate. The 2013 modifications to the HIPAA Privacy, Security, Breach Notification, and Enforcement Rules impose additional obligations and burdens on Covered Entities, Business Associates and their subcontractors relating to the privacy and security of PHI. Much of the Privacy Standards and all of the Security Standards now apply directly to Business Associates and their subcontractors. These new rules may increase the cost of compliance and could subject us to additional enforcement actions, which could further increase our costs and adversely affect the way in which we do business.

In addition, certain provisions of the Privacy Standards and Security Standards apply to Business Associates when they create, access or receive PHI in order to perform a function or activity on behalf of a Covered Entity. Covered Entities and Business Associates must enter a written "Business Associate Agreement", containing specified written satisfactory assurances, consistent with the Privacy and Security Standards and HITECH and its implementing regulations, that the third party will safeguard PHI that it creates or accesses and will fulfill other material obligations. Most of our clients are Covered Entities, and we and our subcontractors function in many of our relationships as a Business Associate of those clients. Under the HIPAA Omnibus Rule, Business Associates may be held directly liable for violations of HIPAA. Therefore, we could face liability under our Business Associate Agreements and HIPAA and HITECH if we do not comply with our Business Associate obligations and applicable provisions of the Privacy and Security Standards and HITECH and its implementing regulations. The penalties for a violation of HIPAA or HITECH are significant and could have an adverse impact upon our business, financial condition and operating results, if such penalties ever were imposed.

Subject to the discussion set forth above, we believe that the principal effects of HIPAA are, first, to require that our systems be capable of being operated by us and our clients in a manner that is compliant with the Transaction, Security and Privacy Standards, second, to require us to enter into and comply with Business Associate Agreements with our Covered Entity clients, and third, to comply with HIPAA when it directly applies to us. For most Covered Entities, the deadlines for compliance with the Privacy Standards and the Transaction Standards occurred in 2003, and for the Security Standards in 2005, and for the HIPAA Omnibus Rule in 2013.

Additionally, Covered Entities that are providers are required to adopt a unique standard National Provider Identifier ("NPI"), for use in filing and processing healthcare claims and other transactions. Most Covered Entities were required to use NPIs in standard transactions by 2007. We have policies and procedures that we believe comply with federal and state confidentiality requirements for the handling of PHI that we receive and with our obligations under Business

Associate Agreements. In particular, we believe that our systems and products are operated by us and capable of being used by our clients in compliance with the Transaction, Security and Privacy Standards and are capable of being used by or for our clients in compliance with the NPI requirements. If, however, we or our subcontractors, do not follow those procedures and policies, or they are not sufficient to prevent the unauthorized disclosure of PHI, we could be subject to civil and/or criminal liability, fines and lawsuits, termination of our client contracts or our operations could be shut down. Moreover, because all HIPAA Standards and HITECH implementing regulations and guidance are subject to change or interpretation, we cannot predict the full future impact of HIPAA, HITECH or their implementing regulations on our business and operations. In the event that HIPAA, HITECH or their implementing regulations change or are interpreted in a way that requires any material change to the way in which we do business, our business, financial condition and operating results could be adversely affected. Additionally, certain state privacy laws are not preempted by HIPAA and HITECH and may impose independent obligations upon our clients or us. Additional legislation governing the acquisition, storage and transmission or other dissemination of health record information and other personal information, including social security numbers and other identifiers, continues to be proposed and come into force at the state level. There can be no assurance that changes to state or federal laws will not materially restrict the ability of providers to submit information from patient records using our products and services.

Electronic Prescribing. The use of our software by physicians to perform a variety of functions, including electronic prescribing, which refers to the electronic routing of prescriptions to pharmacies and the ensuing dispensation, is governed by state and federal law, including fraud and abuse laws. States have differing prescription format requirements, which we have programmed into our software. There is significant variation in the laws and regulations governing prescription activity, as federal law and the laws of many states permit the electronic transmission of certain controlled prescription orders, while the laws of several states neither specifically permit nor specifically prohibit the practice. Restrictions exist at the federal level on the use of electronic prescribing for controlled substances and certain other drugs, including a regulation enacted by the Drug Enforcement Association in mid-2010. However, some states (most notably New York) have passed complementary laws governing the use of electronic prescribing tools in the use of prescribing opioids and other controlled substances, and we expect this to continue to be addressed with regulations in other states in the near future. In addition, the HHS published its final "E-Prescribing and the Prescription Drug Program" regulations in 2005 (effective January 1, 2006), and final regulations governing the standards for electronic prescribing under Medicare Part D in 2008 (effective June 6, 2008) (the "ePrescribing Regulations"). These regulations are required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA") and consist of detailed standards and requirements, in addition to the HIPAA Standard discussed above, for prescription and other information transmitted electronically in connection with a drug benefit covered by the MMA's Prescription Drug Benefit. Further, in 2016, Congress passed the Comprehensive Addiction and Recovery Act, which contained components related to Prescription Drug Monitoring Programs and other elements that relate to use of our technologies.

Incentive programs to drive certain usage patterns of our solutions by eligible professionals began to increase in number starting in 2008 with the Medicare Improvements for Patients and Providers Act ("MIPPA"), which authorized payments to individual prescribers who were successful electronic prescribers, and the quality reporting incentive program that is now known as the Physician Quality Reporting System ("PQRS"). Both programs remained in effect for 2015, with both applying payment adjustments to non-participating providers. Beginning in 2009, HITECH's EHR Incentive Program (also known as Meaningful Use) became the most prominent incentive program, reducing the impact the MIPPA and PQRS programs had in spurring greater adoption of healthcare IT. In 2016, CMS issued preliminary regulations for the Quality Payment Program ("QPP"), which implements the Medicare Access and CHIP Reauthorization Act ("MACRA"); for ambulatory clinicians, this further replaces the impact of MIPPA. In general, regulations in this area impose certain requirements which can be burdensome and evolve regularly, meaning that any potential benefits may be reversed by a newly-promulgated regulation that adversely affects our business model. Aspects of our clinical products are affected by such regulation because of our need to include features or functions in our products to achieve certification, as well as the need of our clients to comply, as discussed above, and we expect this will continue for the foreseeable future.

We also are subject, as discussed above, to future legislation and regulations concerning the development and marketing of healthcare software systems or requirements related to product functionality. These could increase the cost and time necessary to market new services and could affect us in other respects not presently foreseeable.

Electronic Health Records. A number of important federal and state laws govern the use and content of EHRs, including fraud and abuse laws that may affect the donation of such technology. As a company that provides EHRs to a variety of providers of healthcare, our systems and services must be designed in a manner that facilitates our clients' compliance with these laws. We cannot predict the content or effect of possible changes to these laws or new federal and state laws that might govern these systems and services. Furthermore, several of our products are certified by an Office of the National Coordinator for Health Information Technology-approved certifying body as meeting the standards for functionality, interoperability and security under HITECH. Our failure to maintain this certification or otherwise meet industry standards could adversely impact our business.

Under HITECH, eligible healthcare professionals and hospitals have been able to qualify for an additional Medicare and Medicaid payment for the "Meaningful Use" of certified EHR technology that meets specified objectives under the EHR Incentive program. Many of our products have been certified as compliant EHRs or modules, in accordance with the applicable certification criteria set forth by the Secretary of HHS, including the 2015 EHR Certification Edition criteria (the "2015 Edition"). Such certification does not represent an endorsement of our products or modules by HHS or a guaranty of the receipt of incentive payments by our clients. If our clients do not receive or lose expected incentive payments, this could harm their willingness to purchase future products or upgrades, and therefore could have an adverse effect on our future revenues.

On October 6, 2015, CMS published its final rule on Stage 3 of the Meaningful Use Requirements for the Electronic Health Record Incentive Program. Stage 3 objectives are focused on improving the interoperability of HER systems in different practices and are intended to bring about advancements in care delivery by requiring more advanced HER functionality and standards for structuring data, increasing thresholds compared to Stage 1 and 2 measures, and requiring more coordinated care and patient engagement. New, complex regulatory requirements related to Stage 3 "Meaningful Use" certification and voluntary regulations were released within the 2015 Edition criteria. All providers will be required to meet the Stage 3 objectives in 2018 for the entire calendar year in order to attest to Meaningful Use, and our failure to cause our products to maintain the applicable certifications could put us at a disadvantage to our competitors' products. The rules associated with the third stage of Meaningful Use were adjusted for some but not all of our clients through the process of promulgating regulations associated with the MACRA, adding complexity as we now work to support the two different programs. Going forward, if the two separate programs with different requirements remain in place, it may lead to challenges with development and deployment to clients similar to what was experienced by the industry in 2014. We may incur additional costs in designing new upgrades and products and redesigning existing products to comply with these new requirements, which could also divert resources from our other research and development priorities.

The MACRA and resulting regulations are also anticipated to lead our clients to request advanced quality measurement and analytic functionality within our products in order to be able to participate in the new payment models that will be launched (Merit-based Incentive Payment System and Advanced Alternative Payment Models). Similar programs have also been created and are being expanded by commercial payers and non-governmental organizations, such as the National Committee for Quality Assurance, which oversee the Patient Centered Medical Home initiatives. The related product requirements are continually evolving and are not coordinated by these parties amongst themselves, which could cause us to expend additional resources to assist our clients.

Claims Transmission. Our system electronically transmits medical claims by physicians to patients' payers for approval and reimbursement. In addition, we offer revenue cycle management services that include the manual and electronic processing and submission of medical claims by physicians to patients' payers for approval and reimbursement. Federal law provides that it is both a civil and a criminal violation for any person to submit, or cause to be submitted, a claim to any payer, including, without limitation, Medicare, Medicaid and all private health plans and managed care plans, seeking payment for any services or products that overbills or bills for items that have not been provided to the patient. We have in place policies and procedures that we believe assure that all claims that are transmitted by our system and through our services are accurate and complete, provided that the information given to us by our clients is also accurate and complete. If, however, we or our subcontractors do not follow those procedures and policies, or they are not sufficient to prevent inaccurate claims from being submitted, we could be subject to liability.

As discussed above, the HIPAA Transaction and Security Standards also affect our claims transmission services, since those services must be structured and provided in a way that supports our clients' HIPAA compliance obligations. Furthermore, to the extent that there is some type of information security breach, it could have a material adverse effect on our business.

Medical Devices. Certain computer software products are regulated as medical devices under the Federal Food, Drug and Cosmetic Act. The 21st Century Cures Act passed in December 2016, clarified the definition of a medical device to exclude health information technology such as Electronic Health Records; however, the legislation did leave the opportunity for that designation to be revisited if determined to be necessary by changing industry and technological dynamics. Accordingly, the Food and Drug Administration (the "FDA") may become increasingly active in regulating computer software intended for use in healthcare settings. Depending on the product, we could be required to notify the FDA and demonstrate substantial equivalence to other products on the market before marketing such products or obtain FDA approval by demonstrating safety and effectiveness before marketing a product. Depending on the

intended use of a device, the FDA could require us to obtain extensive data from clinical studies to demonstrate safety or effectiveness or substantial equivalence. If the FDA requires this data, we could be required to obtain approval of an investigational device exemption before undertaking clinical trials. Clinical trials can take extended periods of time to complete. We cannot provide assurances that the FDA would approve or clear a device after the completion of such trials. In addition, these products would be subject to the Federal Food, Drug and Cosmetic Act's general controls. The FDA can impose extensive requirements governing pre- and post-market conditions such as approval, labeling and manufacturing, as well as governing product design controls and quality assurance processes. Failure to comply with FDA requirements can result in criminal and civil fines and penalties, product seizure, injunction and civil monetary policies—each of which could have an adverse effect on our business.

Health Reform. The activity related to the repeal, repair and/or replacement of the Patient Protection and Affordable Care Act ("PPACA"), including any changes resulting from continued judicial and congressional challenges to certain aspects of the law, and the 2015 repeal of the Sustainable Growth Rate and replacement with the MACRA may have an impact on our business. The Affordable Care Act, passed in 2010, contained various provisions which have impacted us and our clients, and any replacement or adjustment of that law may change requirements related to our products or how our clients use them, as well as reimbursement available to our clients. The QPP, which implements the MACRA, is oriented around the collection and analysis of quality measurement data from our clients and expansion of programs such as ACOs. These may have a positive impact by requiring the expanded use of EHRs and analytics tools to participate in certain federal programs, for example, while others, such as those mandating reductions in reimbursement for certain types of providers, may have a negative impact by reducing the resources available to purchase our products. Increases in fraud and abuse enforcement and penalties may also adversely affect participants in the healthcare sector, including us.

Increased government involvement in healthcare could materially and adversely impact our business.

United States healthcare system reform at both the federal and state level could increase government involvement in healthcare, reconfigure reimbursement rates and otherwise change the business environment of our clients and the other entities with which we have a business relationship. We cannot predict whether or when future healthcare reform initiatives at the federal or state level or other initiatives affecting our business will be proposed, enacted or implemented or what impact those initiatives may have on our business, financial condition or operating results. Our clients and the other entities with which we have a business relationship could react to these initiatives and the uncertainty surrounding these proposals by curtailing or deferring investments, including those for our products and services.

The government had signaled, under the previous presidential Administration, increased enforcement activity targeting healthcare fraud and abuse, which could adversely impact our business, either directly or indirectly. This decision could be reversed by the current Administration, but is likely to remain in effect. To the extent that our clients, most of whom are providers, may be affected by this increased enforcement environment, our business could correspondingly be affected. Additionally, government regulation could alter the clinical workflow of physicians, hospitals and other healthcare participants, thereby limiting the utility of our products and services to existing and potential clients and curtailing broad acceptance of our products and services. Further examples of government involvement could include requiring the standardization of technology relating to EHRs, providing clients with incentives to adopt EHR solutions or developing a low-cost government-sponsored EHR solution. Additionally, certain safe harbors to the federal anti-kickback statute and corresponding exceptions to the federal Ethics in Patient Referrals Act, known as the Stark Law, may continue to alter the competitive landscape. These safe harbors and exceptions are intended to accelerate the adoption of electronic prescription systems and EHR systems, and therefore provide new and attractive opportunities for us to work with hospitals and other donors who wish to provide our solutions to physicians. At the same time, such safe harbors and exceptions may result in increased competition from providers of acute EHR solutions, whose hospital clients may seek to donate their existing acute EHR solutions to physicians for use in ambulatory settings.

If the healthcare information technology market fails to continue to develop as quickly as expected, our business, financial condition and operating results could be materially and adversely affected.

The electronic healthcare information market is rapidly evolving. A number of market entrants have introduced or developed products and services that are competitive with one or more components of the solutions we offer. We expect that additional companies will continue to enter this market, especially in response to recent legislative actions. In new and rapidly evolving industries, there is significant uncertainty and risk as to the demand for, and market acceptance of, recently introduced products and services. Because the markets for our products and services are new

and evolving, we are not able to predict the size and growth rate of the markets with any certainty. If markets fail to develop, develop more slowly than expected or become saturated with competitors, our business, financial condition and operating results could be materially and adversely impacted.

We may not see the benefits of government programs initiated to accelerate the adoption and utilization of healthcare IT.

While government programs have been initiated to improve the efficiency and quality of the healthcare sector, including expenditures to stimulate business and accelerate the adoption and utilization of healthcare technology, we may not receive any more of those funds. For example, the passage of HITECH authorized approximately $30 billion in expenditures, including discretionary funding, to further the adoption of EHRs. However, with most of those funds expended and taking into consideration the currently conservative fiscal environment within the United States Congress, there can be no certainty that any additional planned financial incentives, if made, will be made in regard to our services, nor can there be any assurance that HITECH and/or the MACRA will not be repealed or amended in a manner that would be unfavorable to our business. We also cannot predict the speed at which physicians will adopt EHR systems in response to such government incentives, whether physicians will select our products and services, or whether physicians will implement an EHR system at all, whether in response to government funding or at all. If the expected outcomes with respect to government programs do not materialize, or if physicians do not respond to such programs as expected, then this could materially and adversely impact our revenue growth, financial condition and operating results.

Changes in interoperability and other regulatory standards applicable to our software could require us to incur substantial additional development costs.

Our clients and the industry leaders enacting regulatory requirements are concerned with, and often require, that our software solutions be interoperable with other third-party health IT suppliers. Market forces or governmental authorities have created and could continue to create software interoperability standards that could apply to our solutions, and if our applicable products or services are not consistent with those standards, we could be forced to incur substantial additional development costs. We will likely incur increased development costs in delivering solutions to upgrade our software and healthcare devices to be in compliance with these varying and evolving standards, and delays may result in connection therewith. If our applicable products or services are not consistent with these evolving standards, our market position and sales could be adversely affected and we may have to invest significantly in changes to our software solutions, which could materially and adversely impact our financial condition and operating results.

Risks Related to Our Company

The realignment of our sales, services and support organizations could adversely affect client relationships and affect our future growth.

We periodically make adjustments to our sales, services and support organizations in response to market opportunities, management changes, product introductions, and other internal and external considerations. These changes could result in a temporary lack of focus and reduced productivity. In addition, these adjustments could result in our clients experiencing a change in our employees with whom they interact. Any of these changes could adversely impact individual client relationships, client retention, and sales of products and services to existing clients. It is also possible that these changes could adversely affect our ability to sell our products and services to new clients. Any such events could materially and adversely impact our business, financial condition and operating results.

Our clients may not accept our products and services or may delay decisions whether to purchase our products and services.

Our business model depends on our ability to sell our products and services. Acceptance of our products and services may require our clients to adopt different behavior patterns and new methods of conducting business and exchanging

information. We cannot provide assurance that our clients will integrate our products and services into their workflow or that participants in the healthcare market will accept our products and services as a replacement for traditional methods of conducting healthcare transactions. Achieving market acceptance for our products and services will require substantial sales and marketing efforts and the expenditure of significant financial and other resources to create awareness and demand by participants in the healthcare industry. If we fail to achieve broad acceptance of our products and services by physicians, hospitals and other healthcare industry participants, or if we fail to position our services as a preferred method for information management and healthcare delivery, our business, financial condition and operating results could be materially and adversely impacted.

It is difficult to predict the sales cycle and implementation schedule for our products and services.

The duration of the sales cycle and implementation schedule for our products and services depends on a number of factors, including the nature and size of the potential client and the extent of the commitment being made by the potential client, all of which may be difficult to predict. Our sales and marketing efforts with respect to hospitals and large health organizations generally involve a lengthy sales cycle due to these organizations' complex decision-making processes. Additionally, in light of increased government involvement in healthcare and related changes in the operating environment for healthcare organizations, our current and potential clients may react by reducing or deferring investments, including their purchases of our solutions or services. If clients take longer

than we expect to decide whether to purchase our solutions, our selling expenses could increase and our revenues could decrease, which could materially and adversely impact our business, financial condition and operating results. If clients take longer than we expect to implement our solutions, our recognition of related revenue would be delayed, which could also materially and adversely impact our business, financial condition and operating results.

The implementation of large and complex contracts requires us to devote a sufficient amount of personnel, systems, equipment, technology and other resources as are necessary to ensure a timely and successful implementation. In addition, due to the amount of resources dedicated to implement large and complex contracts, our ability to successfully bid for and implement other new customer contracts may be adversely affected. If we fail to implement large and complex contracts successfully and in a timely manner, or if as a result of resource constraints, we fail to properly implement other new customer contracts, we may face significant challenges that will adversely affect our business, financial condition and operating results.

Our future success depends upon our ability to grow, and if we are unable to manage our growth effectively, we may incur unexpected expenses and be unable to meet our clients' requirements.

We will need to expand our operations if we successfully achieve market acceptance for our products and services. We cannot be certain that our systems, procedures, controls and existing space will be adequate to support expansion of our operations. Our future operating results will depend on the ability of our officers and employees to manage changing business conditions and to effectively maintain and improve our technical, administrative, financial control and reporting systems. We may not be able to expand and upgrade our systems and infrastructure to accommodate these increases. Difficulties in managing any future growth, including as a result of integrating any prior or future acquisition with our existing businesses, could cause us to incur unexpected expenses, render us unable to meet our clients' requirements, and consequently could materially and adversely impact our business, financial condition and operating results.

We are working to expand our operations in markets outside of the United States. There can be no assurance that these efforts will be successful. We have limited experience in marketing, selling, implementing and supporting our products and services abroad. Expansion of our global sales and operations may require us to divert the efforts of our technical and management personnel and could result in significant expense to us, which could materially and adversely impact our operating results.

We may be unable to successfully introduce new products or services or fail to keep pace with advances in technology.

The successful implementation of our business model depends on our ability to adapt to evolving technologies and increasingly aggressive industry standards and introduce new products and services accordingly. We cannot provide assurance that we will be able to introduce new products on schedule, or at all, or that such products will achieve market acceptance. Moreover, competitors may develop competitive products that could adversely affect our operating results. Any failure by us to introduce planned products or other new products or to introduce these products on schedule could have an adverse effect on our revenue growth and operating results.

If we cannot adapt to changing technologies, our products and services may become obsolete, and our business could suffer. Because the markets in which we operate are characterized by rapid technological change, we may be unable to anticipate changes in our current and potential clients' or users' requirements that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our existing products and services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective clients and users, license leading technologies, and respond to technological advances and emerging industry standards and practices, all on a timely and cost-effective basis. The development of our proprietary technology entails significant

technical and business risks. We may not be successful in using new technologies effectively or adapting our proprietary technology to evolving client or user requirements or emerging industry standards. Any of the foregoing could materially and adversely impact our business, financial condition and operating results.

Our business depends in part on our ability to establish and maintain additional strategic relationships.

To be successful, we must continue to maintain our existing strategic relationships and establish additional strategic relationships with leaders in a number of the markets in which we operate. This is critical to our success because we believe that these relationships contribute towards our ability to:

- extend the reach of our products and services to a larger number of physicians and hospitals and to other participants in the healthcare industry;
- develop and deploy new products and services;
- further enhance our brand; and
- generate additional revenue and cash flows.

Entering into strategic relationships is complicated because strategic partners may decide to compete with us in some or all of the markets in which we operate. In addition, we may not be able to maintain or establish relationships with key participants in the healthcare industry if we conduct business with their competitors.

We depend, in part, on our strategic partners' ability to generate increased acceptance and use of our products and services. If we lose any of these strategic relationships or fail to establish additional relationships, or if our strategic relationships fail to benefit us as expected, this could materially and adversely impact our business, financial condition and operating results.

We have acquired and expect to acquire new companies, investments or technologies, which are subject to significant risks.

We have recently made investments in, or acquisitions of, businesses, joint ventures, new services and technologies, and other intellectual property rights, including our recently announced acquisition of Practice Fusion, Inc., the Netsmart Transaction and our acquisition of the EIS Business and provider and patient engagement solutions business of NantHealth. We expect that we will continue to make such investments and acquisitions in the future.

Our investments and acquisitions involve numerous risks, including:

- the potential failure to achieve the expected benefits of the investment or acquisition, including the inability to generate sufficient revenue to offset acquisition or investment costs, or the inability to achieve expected synergies or cost savings;
- unanticipated expenses related to acquired businesses or technologies;
- the diversion of financial, managerial and other resources from existing operations;
- the risks of entering into new markets in which we have little or no experience or where competitors may have stronger positions;
- unanticipated regulatory and other compliance risks related to acquired companies or technologies;
- potential write-offs or amortization of acquired assets or investments;
- the potential loss of key employees, clients or partners of an acquired business;
- delays in client purchases due to uncertainty related to any acquisition;
- potential unknown liabilities associated with an investment or acquisition; and
- the tax effects of any such acquisitions.

In addition, prior to their acquisition by us, the EIS Business received requests for documents and information from the U.S. Attorney's Office pursuant to separate civil investigative demands (each, a "CID"). The CIDs relate to the certification of the respective business's software under the U.S. Office of the National Coordinator for Health Information Technology's electronic health record certification program and related business practices. If either CID leads to a claim or legal proceeding against us or our businesses that results in the imposition of damages, non-monetary relief, significant compliance, litigation or settlement costs, or any other losses, in each case for which we are not indemnified by the seller of the acquired business, or are otherwise unable to recover against the seller, such damages, relief, costs or losses could materially and adversely impact our business, financial condition and operating results.

Additionally, prior to their acquisition by us, Practice Fusion received a request for documents and information from the U.S. Attorney's Office for the District of Vermont pursuant to a civil investigative demand (CID). The CID relates to the certification of Practice Fusion's software under the U.S. Office of the National Coordinator for Health Information Technology's electronic health record certification program, and related business practices We understand that it is Practice Fusion's practice to respond to such matters in a cooperative, thorough and timely manner. If we complete our pending acquisition of Practice Fusion and the CID leads to a claim or legal proceeding against Practice Fusion that results in the imposition of damages, non-monetary relief, significant compliance, litigation or settlement

costs, or any other losses, such damages, relief, costs or losses could materially and adversely impact our business, financial condition and operating results.

Furthermore, the success of our acquisitions will depend, in part, on our ability to integrate our existing businesses with those of the acquired businesses, including the integration of employees, products and technologies. These integrations are inherently complex, costly and time-consuming processes and involve numerous risks, including, but not limited to, unanticipated expenses and the diversion of financial, managerial, and other resources from both our existing operations and those of the acquired businesses. The integration of foreign acquisitions presents additional challenges associated with integrating operations across different cultures and languages, as well as currency and regulatory risks associated with specific countries.

If we fail to properly evaluate and execute acquisitions or investments, or if we fail to successfully integrate acquired businesses, we may not be able to achieve projected results or support the amount of consideration paid for such acquired businesses or investments, which could materially and adversely impact our business, financial condition and operating results.

Finally, if we finance acquisitions or investments by issuing equity or convertible or other debt securities or loans, our existing stockholders may be diluted, or we could face constraints related to the terms of and repayment obligations related to the incurrence of indebtedness. This could materially and adversely impact our stock price.

Our products or services could fail to perform properly due to errors or similar problems.

Complex technology, such as ours, often contains defects or errors, some of which may remain undetected for a period of time. It is possible that such errors may be found after the introduction of new products or services or enhancements to existing products or services. We continually introduce new solutions and enhancements to our solutions and, despite testing by us, it is possible that errors may occur in our software or offerings. If we detect any errors before we introduce a solution, we may have to delay deployment for an extended period of time while we address the problem. If we do not discover errors that affect our new or current solutions or enhancements until after they are deployed, we would need to provide enhancements to correct such errors. Errors in our products or services could result in:

- product-related liabilities, fraud and abuse or patient safety issues;
- unexpected expenses and liability and diversion of resources to remedy errors;
- harm to our reputation;
- lost sales;
- delays in commercial releases;
- delays in or loss of market acceptance of our solutions;
- license termination or renegotiations; and
- privacy and/or security vulnerabilities.

Furthermore, our clients may use our products or services together with products or services from other companies or those that they have developed internally. As a result, when problems occur, it may be difficult to identify the source of the problem. Even when our products or services do not cause these problems, the existence of these errors may cause us to incur significant costs, divert the attention of our technical personnel from our other solution development efforts, impact our reputation and cause significant issues with our client relationships.

We may be unable to protect, and we may incur significant costs in enforcing, our intellectual property rights.

Our patents, trademarks, trade secrets, copyrights, and other intellectual property rights are important assets to us. Various events outside of our control pose a threat to our intellectual property rights, as well as to our products, services, and technologies. For instance, any of our current or future intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Any of our pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of the claims we seek, if at all.

We have taken efforts to protect our proprietary rights, including a combination of license agreements, confidentiality policies and procedures, confidentiality provisions in employment agreements, confidentiality agreements with third parties, and technical security measures, as well as our reliance on copyright, patent, trademark, trade secret and unfair competition laws. These efforts may not be sufficient or effective. For example, the secrecy of our trade secrets or other confidential information could be compromised by our employees or by third parties, which could cause us to lose the competitive advantage resulting from those trade secrets or confidential information. Unauthorized third parties may try to copy or reverse engineer portions of our products or otherwise infringe upon, misappropriate or use our intellectual property. We may not be able to discover or determine the extent of any unauthorized use of our

proprietary rights. We may also conclude that, in some instances, the benefits of protecting our intellectual property rights may be outweighed by the expense.

In addition, our platforms incorporate “open source” software components that are licensed to us under various public domain licenses. Open source license terms are often ambiguous, and there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. Therefore, the potential impact of such terms on our business is somewhat unknown. Further, some enterprises may be reluctant or unwilling to use cloud-based services, because they have concerns regarding the risks associated with the security and reliability, among other things, of the technology delivery model associated with these services. If enterprises do not perceive the benefits of our services, then the market for these services may not expand as much or develop as quickly as we expect, either of which would adversely affect our business, financial condition, or operating results.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and effective intellectual property protection may not be available in every country in which our products and services are distributed.

Any impairment of our intellectual property rights, or our failure to protect our intellectual property rights adequately, could give our competitors’ access to our technology and could materially and adversely impact our business and operating results. Any increase in the unauthorized use of our intellectual property could also divert the efforts of our technical and management personnel and result in significant additional expense to us, which could materially and adversely impact our operating results. Finally, we may be required to spend significant resources to monitor and protect our intellectual property rights, including with respect to legal proceedings, which could result in substantial costs and diversion of resources and could materially and adversely impact our business, financial condition and operating results.

We could be impacted by unfavorable results of legal proceedings and claims, such as being found to have infringed on a third party’s intellectual property rights.

We are subject to various legal proceedings and claims that have not yet been fully resolved, including the CIDs related to Practice Fusion and the EIS Business and those discussed under Note 17, “Contingencies,” to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Form 10-K, and additional claims may arise in the future. For example, companies in our industry, including many of our competitors, have been subject to litigation based on allegations of patent infringement or other violations of intellectual property rights. In particular, patent holding companies often engage in litigation seeking to monetize patents that they have purchased or otherwise obtained. As the number of competitors, patents and patent holding companies in our industry increases, the functionality of our products and services expands, and we enter into new geographies and markets, the number of intellectual property rights-related actions against us has increased and is likely to continue to increase. We are vigorously defending against these actions in a number of jurisdictions.

If we are found to infringe one or more patents or other intellectual property rights, regardless of whether we can develop non-infringing technology, we may be required to pay substantial damages or royalties to a third party, and we may be subject to a temporary or permanent injunction prohibiting us from marketing or selling certain products or services. Furthermore, certain of our agreements require us to indemnify our clients and third-party service providers for third party intellectual property infringement claims, which would increase the costs to us of an adverse ruling on such claims, and could adversely impact our relationships with our clients and third party service providers. In certain cases, we may consider the desirability of entering into licensing agreements, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These license agreements may also significantly increase our operating expenses.

Regardless of the merit of particular claims, legal proceedings may be expensive, time-consuming, disruptive to our operations and distracting to our management. If one or more legal matters were resolved against us in a reporting

period for amounts in excess of management's expectations, our consolidated financial statements for that reporting period could be materially and adversely impacted. Such an outcome could result in significant compensatory, punitive or other monetary damages; disgorgement of revenue or profits; remedial corporate measures; or other injunctive or equitable relief against us, any of which could materially and adversely impact our business, financial condition and operating results.

We maintain insurance coverage that may apply in the event we are involved in a legal proceeding or claim. This coverage may not continue to be available on acceptable terms, may not be available in sufficient amounts to cover one or more claims against us, and may include larger self-insured retentions or exclusions for certain products or services. In addition, the insurer might disclaim coverage as to any future claim. This could increase the magnitude of the impact of one or more legal proceedings or claims being resolved against us.

Our exposure to risks associated with various claims, including the use of intellectual property, may be increased as a result of acquisitions of other companies. For example, we may have a lower level of visibility into the development process with respect to intellectual property, or the care taken to safeguard against infringement risks, with respect to the acquired company or its technology. In addition, third parties may make infringement or related claims after we have acquired companies that had not been asserted prior to the acquisition.

Our success depends on the continued service and availability of key personnel.

Much of our future performance depends on the continued availability and service of our key personnel, including our Chief Executive Officer and our President, the other members of our senior management team, and our other highly qualified personnel, as well as being able to hire additional highly qualified personnel who have a deep understanding of our industry. Competition in our industry for such personnel, especially with respect to sales and technical personnel, is intense. We are required to expend significant resources on identifying, hiring, developing, motivating and retaining such personnel throughout our organization. Many of the companies with whom we compete for such personnel have greater resources than us, and may be able to offer more attractive terms of employment. Our investment in training and developing our employees makes them more attractive to our clients and competitors, who may then seek to recruit them. Furthermore, our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees. Our failure to attract new highly qualified personnel, or our failure to retain and motivate our existing key personnel, could materially and adversely impact our business, financial condition and operating results.

Our independent content and service providers may fail to perform adequately or comply with laws, regulations or contractual covenants.

We depend on independent content and service providers for communications and information services and for some of the benefits we provide through our software applications and services, including the maintenance of managed care pharmacy guidelines, drug interaction reviews, the routing of transaction data to third-party payers, and the hosting of our applications. Our ability to rely on these services could be impaired as a result of the failure of such providers to comply with applicable laws, regulations and contractual covenants, or as a result of events affecting such providers, such as power loss, telecommunication failures, software or hardware errors, computer viruses and similar disruptive problems, fire, flood and natural disasters. Any such failure or event could adversely affect our relationships with our clients and damage our reputation. This could materially and adversely impact our business, financial condition and operating results.

We may have no means of replacing content or services on a timely basis or at all if they are inadequate or in the event of a service interruption or failure. We also rely on independent content providers for the majority of the clinical, educational and other healthcare information that we provide. In addition, we depend on our content providers to deliver high quality content from reliable sources and to continually upgrade their content in response to demand and evolving healthcare industry trends. If these parties fail to develop and maintain high quality, attractive content, the value of our brand and our business, financial condition and operating results could be materially and adversely impacted.

We may be liable for use of content we provide.

We provide content for use by healthcare providers in treating patients. Third-party content suppliers provide certain of this content. If this content is incorrect or incomplete, adverse consequences, including death, may occur and give rise to product liability and other claims against us. In addition, certain of our solutions provide applications that relate to patient clinical information, and a court or government agency may take the position that our delivery of health information directly, including through licensed practitioners, or delivery of information by a third party site that a

consumer accesses through our websites, exposes us to personal injury liability, or other liability for wrongful delivery or handling of healthcare services or erroneous health information. While we maintain insurance coverage in an amount that we believe is sufficient for our business, we cannot provide assurance that this coverage will prove to be adequate or will continue to be available on acceptable terms, if at all. A claim that is brought against us that is uninsured or under-insured could materially and adversely impact our business, financial condition and operating results. Even unsuccessful claims could result in substantial costs and diversion of management and other resources.

If our security is breached, we could be subject to liability, and clients could be deterred from using our products and services.

Our business relies on the secure electronic transmission, storage and hosting of sensitive information, including PHI, financial information and other sensitive information relating to our clients, company and workforce. As a result, we face risk of a deliberate or unintentional incident involving unauthorized access to our computer systems or data that could result in the misappropriation or loss of assets or the disclosure of sensitive information, the corruption of data, or other disruption of our business operations. Recently, we were subject to a ransomware attack that impacted two of our data centers, resulting in outages that left certain of our solutions offline for our clients. Any future denial-of-service, ransomware or other Internet-based attacks may range from mere vandalism of our electronic systems to systematic theft of sensitive information and intellectual property. We believe that companies in our industry may continue to be targeted by such events with increasing frequency due to the increasing value of healthcare-related data.

We have devoted and continue to devote significant resources to protecting and maintaining the confidentiality of this information, including designing and implementing security and privacy programs and controls, training our workforce and implementing new technology. We have no guarantee that these programs and controls will be adequate to prevent all possible security threats. Any compromise of our electronic systems, including the unauthorized access, use or disclosure of sensitive information or a significant disruption of our computing assets and networks, could adversely affect our reputation or our ability to fulfill contractual obligations, could require us to devote significant financial and other resources to mitigate such problems, and could increase our future cyber security costs, including through organizational changes, deploying additional personnel and protection technologies, further training of employees, and engaging third party experts and consultants. Moreover, unauthorized access, use or disclosure of such sensitive information could result in civil or criminal liability or regulatory action, including potential fines and penalties. In addition, any real or perceived compromise of our security or disclosure of sensitive information may deter clients from using or purchasing our products and services in the future, which could materially and adversely impact our financial condition and operating results.

We use third-party contractors to store, transmit or host sensitive information for our clients. While we have contractual or other mechanism in place with these third-party contractors that require them to have appropriate security programs and controls in place and, frequently, to indemnify us for security-related breaches, any compromise or failure of these contractors' privacy and security practices could adversely affect our reputation, require us to devote financial and other resources to mitigate these breaches, or subject us to litigation from our clients.

Companies, including Allscripts, and governmental agencies have experienced high profile incidents involving data security breaches by entities that transmit and store sensitive information. We are subject to a class action lawsuit related to our recent ransomware attack, and lawsuits resulting from these and other similar security breaches have sought very significant monetary damages. While we maintain insurance coverage that, subject to policy terms and conditions and subject to a significant self-insured retention, is designed to address certain aspects of security-related risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in our business, and we cannot provide assurance that this coverage will prove to be adequate or will continue to be available on acceptable terms.

We may be forced to reduce our prices.

We may be subject to pricing pressures with respect to our future sales arising from various sources, including practices of managed care organizations, group purchasing arrangements made through government programs such as the Regional Extension Centers, and government action affecting reimbursement levels related to physicians, hospitals, home health professionals or any combination thereof under Medicare, Medicaid and other government

health programs. Our clients and the other entities with which we have a business relationship are affected by changes in statutes, regulations and limitations in governmental spending for Medicare, Medicaid and other programs. Recent government actions and future legislative and administrative changes could limit government spending for the Medicare and Medicaid programs, limit payments to hospitals and other providers, increase emphasis on competition, impose price controls, initiate new and expanded value-based reimbursement programs and create other programs that potentially could have an adverse effect on our clients and the other entities with which we have a business relationship. If our pricing experiences significant downward pressure, our business will be less profitable and our financial condition and operating results could be materially and adversely affected.

Our failure to license and integrate third-party technologies could harm our business.

We depend upon licenses for some of the technology used in our solutions from third-party vendors, and intend to continue licensing technologies from third parties. These technologies may not continue to be available to us on commercially reasonable terms or at all. Most of these licenses can be renewed only by mutual consent and may be terminated if we breach the terms of the license and fail to cure the breach within a specified period of time. Our inability to obtain, maintain or comply with any of these licenses could delay development until equivalent technology can be identified, licensed and integrated, which would harm our business, financial condition and operating results.

Most of our third-party licenses are non-exclusive and our competitors may obtain the right to use any of the technology covered by these licenses and use the technology to compete directly with us. Our use of third-party technologies exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our solutions, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs. In addition, if our vendors choose to discontinue support of the licensed technology in the future or are unsuccessful in their continued research and development efforts, we may not be able to modify or adapt our own solutions.

We could fail to maintain and expand our business with our existing clients or effectively transition our clients to newer products.

Our business model depends on our success with maintaining our existing clients and selling new and incremental products and services to our existing clients. In addition, our success with certain clients requires our achieving interoperability between our new products and our legacy products to provide a single solution that connects healthcare providers across care settings. Certain of our clinical solutions clients initially purchase one or a limited number of our products and services. These clients may choose not to expand their use of, or purchase, additional modules. Also, as we deploy new applications and features for our existing solutions or introduce new solutions and services, our current clients could choose not to purchase these new offerings. If we fail to generate additional business from our current clients, our revenue could grow at a slower rate or even decrease.

In addition, the transition of our existing clients to current versions of our products presents certain risks, including the risk of data loss or corruption or delays in completion. If such events occur, our client relationships and reputation could be damaged. Any of the foregoing could materially and adversely impact our business, financial condition and operating results.

Our business is subject to the risks of global operations.

We operate in several countries outside of the United States, including significant operations in Canada, India, Israel, the UK and Australia, and we are further expanding our global sales efforts. This subjects our business to risks and challenges associated with operating globally, which include:

- changes in local political, economic, social and labor conditions;
- natural disasters, acts of war, terrorism, pandemics or security breaches;
- different employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language and cultural differences;
- restrictions on foreign ownership and investments, and stringent foreign exchange controls that may prevent us from repatriating, or make it cost-prohibitive for us to repatriate, cash earned in countries outside of the United States;
- import and export requirements, tariffs, trade disputes and barriers;
- longer payment cycles in some countries, increased credit risk and higher levels of payment fraud;
- uncertainty regarding liability for our products and services, including uncertainty as a result of local laws and lack of legal precedent;
- different or lesser protection of our intellectual property;
- different legal and regulatory requirements that may apply to our products and/or how we operate; and
- localization of our products and services, including translation into foreign languages and associated expenses.

All of the foregoing risks could prevent or restrict us from offering products or services to a particular market, could increase our operating costs, and could otherwise materially and adversely impact our business, financial condition and operating results.

26

In addition, our compliance with complex foreign and United States laws and regulations that apply to our global operations increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, but are not limited to, internal control and disclosure rules, data privacy requirements, anti-corruption laws (such as the United States Foreign Corrupt Practices Act) and other local laws prohibiting corrupt payments to government officials, and antitrust and competition regulations. Violations of these laws and regulations could result in, among other things, fines and penalties, criminal sanctions, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also affect our global expansion efforts, our business and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, agents or distributors, or third parties with whom we do business, will not violate our policies. Furthermore, potential changes in data privacy and protection requirements may increase our future legal and regulatory compliance burden.

Finally, since we conduct business in currencies other than the United States dollar, but report our financial results in United States dollars, we face exposure to fluctuations in currency exchange rates. Significant fluctuations in exchange rates between the United States dollar and foreign currencies may make our products and services more expensive for our global clients, or otherwise materially and adversely impact our operating results. We may occasionally hedge our global currency exposure; however, hedging programs are inherently risky and could expose us to additional risks.

We could be subject to changes in our tax rates, the adoption of new United States or international tax legislation or exposure to additional tax liabilities.

We are subject to taxation in the United States and numerous foreign jurisdictions. Current economic and political conditions make tax rates in any jurisdiction, including those in the United States, subject to significant change. Recently in the United States, tax reform has passed; the level of difficulty with interpretation could be an additional risk in the foreseeable future, particularly with the new highly technical international provisions. Our future effective tax rates could also be affected by changes in the mix of our earnings in countries with differing statutory tax rates, changes in the valuation of our deferred tax assets and liabilities, or changes in tax laws or their interpretation, including changes in tax laws affecting our products and services and the healthcare industry more generally. We are also subject to the examination of our tax returns and other documentation by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations or that our assessments of the likelihood of an adverse outcome will be correct. If our effective tax rates were to increase, particularly in the United States, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, then this could materially and adversely impact our financial condition and operating results.

Our business and reputation may be impacted by IT system failures or other disruptions.

We may be subject to IT systems failures and network disruptions. These may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to or the delivery of certain of our products or services, compromise our data or our clients' data or result in delayed or cancelled orders, as well as potentially expose us to third party claims. System failures and disruptions could also impede our transactions processing services and financial reporting.

War, terrorism, geopolitical uncertainties, public health issues and other business disruptions have caused and could cause damage to the global economy, and thus have a material and adverse impact on our business, financial condition

and operating results. Our business operations are subject to interruption by natural disasters, fire, power shortages, terrorist attacks and other hostile acts, labor disputes, public health issues and other issues beyond our control. Such events could decrease our demand for our products or services or make it difficult or impossible for us to develop and deliver our products or services to our clients. A significant portion of our research and development activities, our corporate headquarters, our IT systems and certain of our other critical business operations are concentrated in a few geographic areas. In the event of a business disruption in one or more of those areas, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations, which could materially and adversely impact our business, financial condition and operating results.

Our failure to maintain proper and effective internal controls over financial reporting could impair our ability to produce accurate and timely financial statements.

We maintain internal financial and accounting controls and procedures that are designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Ensuring that we have adequate internal financial and accounting controls and procedures in place, such that we can provide accurate financial statements on a timely basis, is a costly and time-consuming process that requires significant management attention. Additionally, if our independent registered public accounting firm, which is subject to oversight by the Public Company Accounting Oversight Board, is not satisfied with our internal controls over financial reporting, or if the firm interprets the relevant rules, regulations or requirements related to the maintenance of internal controls over financial reporting differently than we do, then it may issue an adverse opinion.

As we continue to expand our business, the challenges involved in implementing adequate internal controls over financial reporting will increase.

Any failure to maintain adequate controls, any inability to produce accurate financial statements on a timely basis, or any adverse opinion issued by our independent registered public accounting firm related to our internal controls over financial reporting, could increase our operating costs and materially and adversely impact our operating results. In addition, investors' perceptions that our internal controls over financial reporting are inadequate, or that we are unable to produce accurate financial statements on a timely basis, may harm our stock price and make it more difficult for us to effectively market and sell our services to clients, which could materially and adversely impact our business, financial condition, and operating results. This could also subject us to sanctions or investigations by Nasdaq, the SEC or other applicable regulatory authorities, which could require the commitment of additional financial and management resources.

We could suffer losses due to asset impairment charges.

We are required under GAAP to test our goodwill and indefinite-lived intangible assets for impairment on an annual basis, as well as on an interim basis if indicators for potential impairment, such as a decline in our stock price, exist. Indicators that are considered include, but are not limited to, significant changes in performance relative to expected operating results, negative economic trends, or a significant decline in our stock price. In addition, we periodically review our finite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets may not be recoverable include slower growth rates or the divestiture of a business or asset below its carrying value. We may be required to record a charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. This could materially and adversely impact on our operating results.

There are inherent uncertainties in management's estimates, judgments and assumptions used in assessing recoverability of goodwill and intangible assets. Any changes in key assumptions, including failure to meet business plans, a further deterioration in the market or other unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

We are consolidating the financial results of Netsmart in our consolidated financial statements based on certain factors that require consolidation accounting treatment. If those factors change in the future, it may require us to account for Netsmart differently.

Our financial statements are prepared on the basis that Netsmart meets the requirements for consolidation accounting treatment. As a result, we have reflected 100% of the financial results of Netsmart in our consolidated financial statements following the consummation of the transaction.

Future changes in the capital or voting structure of Netsmart or our contractual arrangements with Netsmart could change our conclusions regarding whether Netsmart meets the requirements for consolidation accounting treatment. If this is the case, the presentation of the information in our financial statements would change, which could be perceived negatively by investors, and could have an adverse effect on the market price of our common stock.

We rely on Netsmart to timely deliver important financial information to us. In the event that the financial information is inaccurate, incomplete, or not timely, we would not be able to meet our financial reporting obligations as required by the SEC.

We require Netsmart to provide financial information in order to prepare our consolidated financial statements. In the event that the financial information is inaccurate, incomplete, or not timely, we would not be able to meet our financial reporting obligations as required by the SEC.

Netsmart is highly leveraged and we have entered into contractual arrangements with Netsmart that subject us to certain legal and financial terms that could adversely affect us.

In connection with the formation of Netsmart, Netsmart incurred $562 million of indebtedness. While Netsmart's debt is non-recourse to us and our wholly-owned subsidiaries, Netsmart's level of indebtedness could have important consequences to Netsmart's business, including making it difficult for Netsmart to satisfy its obligations, increase its vulnerability to general adverse economic and industry conditions, require it to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, and otherwise place it at a competitive disadvantage compared to its competitors who have less indebtedness, all of which could negatively affect our investment in Netsmart.

Netsmart may also be able to incur substantial additional indebtedness in the future. If new indebtedness is added to its current indebtedness levels, the related risks that we face could intensify.

Netsmart's credit facility contain, and any future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on it, including restrictions on its ability to take actions that may be in its, and our, best interests. Additionally, Netsmart's credit facility requires it to satisfy and maintain specified financial ratios. Netsmart's ability to meet those financial ratios can be affected by events beyond its, and our, control, and Netsmart may not be able to continue to meet those ratios. A breach of any of these covenants could result in an event of default under Netsmart's credit facility, which could negatively affect our investment in Netsmart.

Netsmart is governed by a Board of Managers (the "Netsmart Board"), of which members appointed by Allscripts hold three votes, members appointed by GI Netsmart Holdings LLC ("GI") hold three votes and one member, who is the Chief Executive Officer of Netsmart, holds one vote. Any action to be taken by the Netsmart Board must be taken by members holding a majority of votes. The Netsmart Board manages the business and affairs of Netsmart, subject to the Allscripts members' right to approve Netsmart's annual operating budget, and provided that certain significant actions to be taken by Netsmart require the consent of both Allscripts and GI, so long as they each maintain a minimum threshold ownership in Netsmart. As a result, with respect to some matters we could be outvoted by the other members of the Netsmart Board. If the Netsmart Board or GI make decisions that affect Netsmart which we disagree with and which we cannot block or override, the future success of Netsmart may be impaired and any amount that we have invested in it may be at risk.

GI's investment in Netsmart is in the form of Class A Preferred Units of Netsmart, which entitle GI, in certain liquidation events (including a sale of Netsmart), to the greater of (i) an 11% preferred return (compounded annually) and (ii) the as-converted value of Class A Common Units of Netsmart. Our investment in Netsmart is in the form of Class A Common Units of Netsmart. Additionally, GI has the right to cause Netsmart to redeem its equity upon the earlier of the fifth anniversary of the formation of Netsmart or a change in control of Allscripts.

Our investment in Netsmart is also subject to certain restrictions on our ability to transfer our interests in Netsmart and, under certain circumstances, we may be forced to sell our interests in Netsmart. During the first two years of Netsmart, neither we nor GI are permitted to transfer their equity to a third party without the other party's consent. In order for a party to cause a sale of Netsmart (i.e., a party's "drag-along right") under Netsmart's operating agreement, prior to the fifth anniversary of the formation of Netsmart, both Allscripts and GI must agree and act together and, after the fifth anniversary, only GI would be entitled to initiate the drag-along right.

29

Risks Related to Our Common Stock

Our Board of Directors is authorized to issue preferred stock, and our certificate of incorporation, bylaws and debt instruments contain anti-takeover provisions.

Our Board of Directors (our "Board") has the authority to issue up to 1,000,000 shares of preferred stock and to determine the preferences, rights and privileges of those shares without any further vote or action by our stockholders. In the event that we issue shares of preferred stock in the future that has preference over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding-up, or if we issue shares of preferred stock that is convertible into our common stock at greater than a one-to-one ratio, the voting and other rights of the holders of our common stock or our stock price could be materially and adversely impacted. The ability of our Board to issue shares of preferred stock without any action on the part of our stockholders could discourage, delay or prevent a change in control of our company or changes in our management that certain of our stockholders may deem advantageous, which could lower our stock price.

Our certificate of incorporation and bylaws also contain provisions that could discourage, delay, or prevent a change in control of our company or changes in our management that certain of our stockholders may deem advantageous, which could lower our stock price. These provisions, among other things, prohibit our stockholders from acting by written consent or calling a special meeting of stockholders, and provide that our Board is expressly authorized to make, alter or repeal our bylaws. Additionally:

- the indenture (the "Indenture") governing our 1.25% Cash Convertible Senior Notes (the "1.25% Notes") may prohibit us from engaging in a change of control of our company unless, among other things, the surviving entity assumes our obligations under the 1.25% Notes;
- if a change of control of our company occurs, the Indenture may permit holders of the 1.25% Notes to require us to repurchase all or a portion of the 1.25% Notes, and may also require us to pay a cash make-whole premium by increasing the conversion rate for a note holder who elects to convert; and
- immediately prior to a change of control of our company, the 2015 Credit Agreement (as defined under Note 6, "Debt," to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K) may require us to repay all indebtedness outstanding thereunder.

These provisions in our certificate of incorporation, bylaws, and debt instruments could discourage, delay or prevent a change of control of our company or changes in our management that certain of our stockholders may deem advantageous, and therefore could limit our stock price.

Finally, our certificate of incorporation includes an election to be governed by Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in any business combination with an interested stockholder for a period of three years from the date the person became an interested stockholder, unless certain conditions are met. This provision could discourage, delay or prevent a change of control of our company by making it more difficult for stockholders or potential acquirers to effect such a change of control without negotiation, and may apply even if some of our stockholders consider the acquisition beneficial to them. This provision could also adversely affect our stock price.

Our stock price is subject to volatility.

The market for our common stock has experienced and may experience significant price and volume fluctuations in response to a number of factors, many of which are beyond our control. Additionally, the stock market in general, and the market prices for companies in our industry in particular, have experienced extreme volatility that has often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations may materially and adversely impact our stock price, regardless of our actual operating performance.

Furthermore, volatility in our stock price could force us to increase our cash compensation to employees or grant larger stock awards than we have historically, which could materially and adversely impact our financial condition and operating results.

Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are the subject of such litigation, it could result in substantial costs to us and divert our management's attention and resources, which could materially and adversely impact our financial condition and operating results.

Our quarterly operating results may vary.

Our quarterly operating results have varied in the past, and we expect that our quarterly operating results will continue to vary in future periods depending on a number of factors, some of which we have no control over, including clients' budgetary constraints and internal acceptance procedures, the sales, service and implementation cycles for our software products, potential downturns in the healthcare market and in economic conditions generally, and other factors described in this "Risk Factors" section.

We base our expense levels in part on our expectations concerning future revenue, and these expense levels are relatively fixed in the short-term. If we have lower revenue than expected, we may not be able to reduce our spending in the short-term in response. Any shortfall in revenue could materially and adversely impact our operating results. In addition, our product sales cycle for larger sales is lengthy and unpredictable, making it difficult to estimate our future bookings for any given period. If we do not achieve projected booking targets for a given period, securities analysts may change their recommendations on our stock price. For these and other reasons, we may not meet the earnings estimates of securities analysts or investors, and our stock price could be materially and adversely impacted.

Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

Our level of indebtedness could have important consequences. For example, it could make it more difficult for us to satisfy our obligations, increase our vulnerability to general adverse economic and industry conditions, require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, and otherwise place us at a competitive disadvantage compared to our competitors who have less indebtedness. We may also be able to incur substantial additional indebtedness in the future. If new indebtedness is added to our current indebtedness levels, the related risks that we face could intensify.

The 2015 Credit Agreement and the Indenture each contain, and any future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to take actions that may be in our best interests. Additionally, the 2015 Credit Agreement requires us to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and we may not be able to continue to meet those ratios. A breach of any of these covenants could result in an event of default under the 2015 Credit Agreement or the Indenture.

Upon the occurrence of an event of default, our lenders could terminate all commitments to extend further credit, and some or all of our outstanding indebtedness may become immediately due and payable. We may not have or be able to obtain sufficient funds to make these accelerated payments. Additionally, we have pledged substantially all of our tangible and intangible property as collateral under the 2015 Credit Agreement, and the lenders under the 2015 Credit Agreement could proceed against such collateral if we were unable to timely repay these amounts.

The accounting for the 1.25% Notes will result in our having to recognize interest expense significantly greater than the stated interest rate of the notes and may result in volatility to our Consolidated Statements of Operations.

We are obligated to settle any conversions of the 1.25% Notes entirely in cash. In accordance with GAAP, the conversion option that is part of the 1.25% Notes is accounted for as a derivative pursuant to accounting standards relating to derivative instruments and hedging activities. In general, this resulted in an initial valuation of the conversion option separate from the debt component of the 1.25% Notes, resulting in an original issue discount. The original issue discount will be accreted to interest expense over the term of the 1.25% Notes, which will result in an effective interest rate reported in our financial statements significantly in excess of the stated coupon rate of the 1.25% Notes. This accounting treatment will reduce our earnings and could adversely affect the price at which our common stock trades.

For each financial statement period after the issuance of the 1.25% Notes, a hedge gain (or loss) will be reported in our financial statements to the extent the valuation of the conversion option changes from the previous period. The 1.25% Call Option (as defined under Note 6, “Debt,” to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Form 10-K) is also accounted for as a derivative instrument, substantially offsetting the gain (or loss) associated with changes to the valuation of the conversion option. This may result in increased volatility to our operating results.

The convertible note hedge and warrant transactions we entered into in connection with the issuance of our 1.25% Notes may not provide the benefits we anticipate, and may have a dilutive effect on our common stock.

Concurrently with the issuance of the 1.25% Notes, we entered into the 1.25% Call Option with, and issued the 1.25% Warrants (as defined under Note 6, "Debt," to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K) to certain of the initial purchasers of the 1.25% Notes. We entered into the 1.25% Call Option transaction with the expectation that it would offset potential cash payments in excess of the principal amount of the 1.25% Notes upon conversion of the 1.25% Notes. The hedge counterparties are financial institutions or affiliates of financial institutions, and we are subject to the risk that these hedge counterparties may default under the 1.25% Call Option transactions. Our exposure to the credit risk of the hedge counterparties is not secured by any collateral. If one or more of the hedge counterparties to the 1.25% Call Option transactions becomes subject to any insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in our stock price and in the volatility of our stock price. In addition, upon a default by one of the hedge counterparties, we may suffer adverse tax consequences and dilution with respect to our common stock. We can provide no assurances as to the financial stability or viability of any of the hedge counterparties.

Separately, we also issued the 1.25% Warrants to the hedge counterparties. The 1.25% Warrants could separately have a dilutive effect to the extent that our stock price, as measured under the terms of the transaction, exceeds the strike price of the 1.25% Warrants.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Chicago, Illinois. As of December 31, 2017, we leased [1.3 million] square feet of building space worldwide. Our facilities are primarily located in the United States, although we also maintain facilities in Canada, India, Israel, Singapore and the United Kingdom. Our facilities house various sales, services, support, development, and data processing functions, as well as certain ancillary functions and other back-office functions related to our current operations. We believe that our existing facilities are adequate to meet our current business requirements. If we require additional space, we believe that we will be able to obtain such space on acceptable, commercially reasonable terms.

Item 3. Legal Proceedings

We hereby incorporate by reference Note 17, "Contingencies," to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Item 4A. Executive Officers

The following sets forth certain information regarding our executive officers as of February 21, 2018, based on information furnished by each of them:

Name	Age	Position
Paul Black	59	Chief Executive Officer
Brian Farley	48	Executive Vice President, General Counsel and Chief Administrative Officer
Lisa Khorey	51	Executive Vice President, Chief Client Delivery Officer
Dennis Olis	55	Chief Financial Officer
Richard Poulton	52	President

Paul Black has served as our Chief Executive Officer since December 2012 and is also a member of our Board of Directors (our "Board"). Mr. Black also served as our President from December 2012 to September 2015. Prior to joining, Mr. Black served as Operating Executive of Genstar Capital, LLC, a private equity firm, and Senior Advisor at New Mountain Finance Corporation, an investment management company. From 1994 to 2007, Mr. Black served in various executive positions (including Chief Operating Officer from 2005 to 2007) at Cerner Corporation, a healthcare IT company. Mr. Black has also served as a director of Truman Medical Centers since 2001.

Brian Farley has served as our Executive Vice President, General Counsel and Chief Administrative Officer since August 2017 and prior to that served as our Senior Vice President, General Counsel and Corporate Secretary since May 2013. From 2005 to 2013, Mr. Farley served in various positions at Motorola Mobility LLC, a provider of mobile communication devices and video and data delivery solutions. His most recent role at Motorola Mobility LLC was Corporate Vice President and General Counsel of Motorola's Home business.

Lisa Khorey has served as our Executive Vice President, Chief Client Delivery Officer since November 2016. Prior to joining Allscripts, Ms. Khorey was the executive director of Ernst & Young's National Provider Practice, specializing in analytics. Previously, Ms. Khorey held a variety of technical and executive leadership roles at University of Pittsburgh Medical Center.

Dennis Olis has served as our Chief Financial Officer since January 2018 and prior to that served as our interim Chief Financial Officer since May 2017. From November 2016 to May 2017, Mr. Olis served as Senior Vice President, Strategic Initiatives and, from November 2012 to November 2016, Mr. Olis served as Senior Vice President, Operations. Prior to joining, Mr. Olis was employed by Motorola, Inc. and Motorola Mobility LLC, a provider of mobile communication devices and video and data delivery solutions, for over 28 years. His most recent role at Motorola was Corporate Vice President, Mobile Device Operations. From 2007 until 2009, he was Corporate Vice President of Finance, Research & Development, Portfolio Management, and Planning at Motorola.

Richard Poulton has served as our President since October 2015. From October 2012 to March 2016, Mr. Poulton served as our Chief Financial Officer. From October 2012 to September 2015, Mr. Poulton also served as our Executive Vice President. From 2006 to 2012, Mr. Poulton served in various positions at AAR Corp., a provider of products and services to commercial aviation and the government and defense industries. His most recent role at AAR Corp. was Chief Financial Officer and Treasurer. Mr. Poulton also spent more than ten years at UAL Corporation in a variety of financial and business development roles, including Senior Vice President of Business Development as well as President and Chief Financial Officer of its client-focused Loyalty Services subsidiary.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol "MDRX." The following table sets forth, for the periods indicated, the high and low intra-day sales prices per share of our common stock as reported on Nasdaq.

	High	Low	Last
Fiscal Year 2017 Quarter Ended			
December 31, 2017	$15.20	$12.46	$14.55
September 30, 2017	$14.45	$11.65	$14.23
June 30, 2017	$13.08	$11.25	$12.76
March 31, 2017	$12.91	$10.24	$12.68
Fiscal Year 2016 Quarter Ended			
December 31, 2016	$13.51	$9.80	$10.21
September 30, 2016	$15.17	$12.40	$13.17
June 30, 2016	$14.06	$11.67	$12.70
March 31, 2016	$14.96	$11.47	$13.21

Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

On November 17, 2016, we announced that our Board approved a new stock purchase program under which we may repurchase up to $200 million of our common stock through December 31, 2019. During 2017, we purchased 1.0 million shares of our common stock under the new program for a total of $12.1 million. No shares were repurchased during the fourth quarter of 2017. Any share repurchase transactions may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means, subject to our working capital needs, cash requirements for investments, debt repayment obligations, economic and market conditions at the time, including the price of our common stock, and other factors that we consider relevant. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

Dividend Policy

We have not declared or paid cash dividends on our shares of common stock for the last two years and currently do not intend to declare or pay cash dividends on our shares of common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board and will depend upon our results of operations, financial condition, current and anticipated cash needs, contractual restrictions, restrictions imposed by applicable law and other factors that our Board deems relevant. The covenants in the Senior Secured Credit Facility (as defined below) include a restriction on our ability to declare dividends and other payments in respect of our capital stock. See Note 6, "Debt," to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K for further information regarding our Senior Secured Credit Facility.

Stockholders

According to the records of our transfer agent, as of February 21, 2018, there were 379 registered stockholders of record of our common stock, including banks, brokers and other nominees who hold shares of our common stock on behalf of an indeterminate number of beneficial owners.

Performance Graph

The following graph compares the cumulative 5-Year total return to stockholders on our common stock relative to the cumulative total returns of the Nasdaq Composite index and the Nasdaq Health Services index for the period commencing on December 31, 2012 through December 31, 2017, and assuming an initial investment of $100. Data for the Nasdaq Composite index and the Nasdaq Health Services index assumes reinvestment of dividends. The following will not be deemed incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filings. Note that historic stock price performance is not necessarily indicative of future stock price performance.

	2012	2013	2014	2015	2016	2017
Allscripts Healthcare Solutions, Inc.	100.00	164.12	135.56	163.27	108.39	154.46
Nasdaq Composite	100.00	141.63	162.09	173.33	187.19	242.29
Nasdaq Health Services	100.00	139.64	173.97	187.09	155.05	177.93

Item 6. Selected Financial Data

The selected consolidated financial data shown below should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 8, "Financial Statements and Supplementary Data" in this Form 10-K to fully understand factors that may affect the comparability of the information presented below. The consolidated statements of operations data for the years ended December 31, 2017, 2016 and 2015 and the balance sheet data as of December 31, 2017 and 2016 are derived from our audited consolidated financial statements included elsewhere in this Form 10-K. The consolidated statements of operations data for the years ended December 31, 2014 and 2013 and the balance sheet data as of December 31, 2015, 2014 and 2013 are derived from audited consolidated financial statements that are not included in this Form 10-K. The historical results are not necessarily indicative of results to be expected for any future period.

	Year Ended December 31,				
(In thousands, except per share amounts)	2017[1]	2016[2]	2015[3]	2014	2013[4]
Consolidated Statements of Operations Data:					
Revenue	$1,806,342	$1,549,899	$1,386,393	$1,377,873	$1,373,061
Cost of revenue	1,024,181	878,860	805,828	831,889	838,605
Gross profit	782,161	671,039	580,565	545,984	534,456
Selling, general and administrative expenses	486,271	392,865	339,175	358,681	419,599
Research and development	220,219	187,906	184,791	192,821	199,751
Asset impairment charges	0	4,650	1,544	2,390	11,454
Amortization of intangible and acquisition-related assets	33,754	25,847	23,172	31,280	31,253
Income (loss) from operations	41,917	59,771	31,883	(39,188)	(127,601)
Interest expense	(87,479)	(68,141)	(31,396)	(29,297)	(28,055)
Other income (expense), net	413	1,087	2,183	766	7,310
Impairment of and losses on long-term investments	(165,290)	0	0	0	0
Equity in net income (loss) of unconsolidated investments	821	(7,501)	(2,100)	(398)	0
(Loss) income from continuing operations before income taxes	(209,618)	(14,784)	570	(68,117)	(148,346)
Income tax benefit (provision)	50,767	17,814	(2,626)	1,664	44,320
(Loss) income from continuing operations, net of tax	(158,851)	3,030	(2,056)	(66,453)	(104,026)
Income from discontinued operations, net of tax	4,676	0	0	0	0
Net (loss) income	(154,175)	3,030	(2,056)	(66,453)	(104,026)
Less: Net loss (income) attributable to non-controlling interest	1,566	(146)	(170)	0	0
Less: Accretion of redemption preference on redeemable convertible non-controlling interest - Netsmart	(43,850)	(28,536)	0	0	0
Net loss attributable to Allscripts Healthcare	$(196,459)	$(25,652)	$(2,226)	$(66,453)	$(104,026)

Solutions, Inc. stockholders					
Net (loss) income attributable to Allscripts Healthcare Solutions, Inc. stockholders per share:					
Basic:					
Continuing operations	$(1.12)	$(0.14)	$(0.01)	$(0.37)	$(0.59)
Discontinued operations	$0.03	$0.00	$0.00	$0.00	$0.00
Net (loss) income attributable to Allscripts Healthcare Solutions, Inc. stockholders per share	$(1.09)	$(0.14)	$(0.01)	$(0.37)	$(0.59)
Diluted:					
Continuing operations	$(1.12)	$(0.14)	$(0.01)	$(0.37)	$(0.59)
Discontinued operations	$0.03	$0.00	$0.00	$0.00	$0.00
Net (loss) income attributable to Allscripts Healthcare Solutions, Inc. stockholders per share	$(1.09)	$(0.14)	$(0.01)	$(0.37)	$(0.59)

(1) Results of operations for the year ended December 31, 2017 include the results of operations of: (i) Enterprise Information Solutions ("EIS") subsequent to the date of acquisition, which was October 2, 2017; (ii) NantHealth's provider and patient engagement solutions business for the period subsequent to the date of acquisition, which was August 25, 2017; (iii) DeVero, Inc. for the period subsequent to the date of acquisition, which was July 17, 2017; and (iv) a third party for the period subsequent to the date of acquisition, which was March 31, 2017.

(2) Results of operations for the year ended December 31, 2016 include the results of operations of: (i) a third party for the period subsequent to the date of acquisition, which was December 2, 2016; (ii) HealthMEDX for the period subsequent to the date of acquisition, which was October 27, 2016; (iii) a third party for the period subsequent to the date of acquisition, which was October 14, 2016; (iv) a third party for the period subsequent to the date of acquisition of a controlling interest, which was September 8, 2016; and (v) Netsmart for the period subsequent to the date of the acquisition, which was April 19, 2016.

(3) Results of operations for the year ended December 31, 2015 include the results of operations of a third party for the period subsequent to the date of acquisition of a majority interest, which was April 17, 2015.

(4) Results of operations for the year ended December 31, 2013 include the results of operations of dbMotion and Jardogs for the period subsequent to the date of the acquisitions, which was, in each case, March 4, 2013.

(In thousands)	As of December 31, 2017	2016	2015	2014[1]	2013[1]
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$162,498	$96,610	$116,873	$54,478	$64,283
Working capital (deficit)	(22,433)	(62,744)	25,389	(34,183)	(32,688)
Goodwill and intangible assets, net	2,831,825	2,665,455	1,570,247	1,604,108	1,645,556
Total assets	4,230,150	3,832,159	2,681,948	2,464,330	2,548,151
Long-term debt	1,531,918	1,294,771	612,405	539,193	533,603
Redeemable convertible non-controlling interest - Netsmart	431,535	387,685	0	0	0
Total stockholders' equity	1,160,072	1,273,201	1,419,073	1,284,220	1,318,145

(1) The balance sheet data as of December 31, 2014 and 2013 has been restated and reflects the retrospective adoption of ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs and ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K under the heading "Financial Statements and Supplementary Data" and the other financial information that appears elsewhere in this Form 10-K. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview

Our Business and Regulatory Environment

We deliver information technology ("IT") solutions and services to help healthcare organizations achieve optimal clinical, financial and operational results. We sell our solutions to physicians, hospitals, governments, health systems, health plans, life-sciences companies, retail clinics, retail pharmacies, pharmacy benefit managers, insurance companies, employer wellness clinics, and post-acute organizations, such as home health and hospice agencies. We help our clients improve the quality and efficiency of health care with solutions that include electronic health records ("EHRs"), connectivity, private cloud hosting, outsourcing, analytics, patient engagement, clinical decision support and population health management.

Our solutions empower healthcare professionals with the data, insights and connectivity to other caregivers they need to succeed in an industry that is rapidly changing from fee-for-service models to fee-for-value advanced payment

models. We believe we offer some of the most comprehensive solutions in our industry today. Healthcare organizations can effectively manage patients and patient populations across all care settings using a combination of our physician, hospital, health system, post-acute care and population health management products and services. We believe these solutions will help transform health care as the industry seeks new ways to manage risk, improve quality and reduce costs.

Globally, healthcare providers face an aging population and the challenge of caring for an increasing number of patients with chronic diseases. At the same time, practitioners worldwide are also under increasing pressure to demonstrate the delivery of high quality care at lower costs. Population health management, analytics, connectivity based on open Application Programming Interfaces (“APIs”), and patient engagement are strategic imperatives that can help address these challenges. In the United States, for example, such initiatives will be critical tools for success under the framework of the new Quality Payment Program (“QPP”), launched by the Centers for Medicare & Medicaid Services (“CMS”) in response to the passage of the Medicare Access and CHIP Reauthorization Act (“MACRA”). As healthcare providers and payers migrate from volume-based to value-based care delivery, interoperable solutions that are connected to the consumer marketplace are the key to market leadership in the new healthcare reality.

We believe our solutions are delivering value to our clients by providing them with powerful connectivity, patient engagement tools and care coordination tools, enabling United States users to successfully participate in alternate payment models that reward high value care delivery. Population health management is commonly viewed as one of the critical next frontiers in healthcare delivery, and we expect this rapidly emerging area to be a key driver of our future growth, both domestically and globally.

Recent advances in molecular science and computer technology are creating opportunities for the delivery of personalized medicine solutions. We believe these solutions will transform the coordination and delivery of health care, ultimately improving patient outcomes.

Specific to the United States, the healthcare IT industry in which we operate is in the midst of a period of rapid evolution, primarily due to new laws and regulations, as well as changes in industry standards. Various incentives that exist today (including the EHR Incentive Program (a.k.a. Meaningful Use) and alternative payment models that reward high value care delivery) are rapidly moving health care toward a time where EHRs are as common as practice management systems in all provider offices. As a result, we believe that legislation, such as the aforementioned MACRA, as well as other government-driven initiatives, possibly at the state level, will continue to affect healthcare IT adoption and expansion, including products and solutions like ours. We also believe that we are well-positioned in the market to take advantage of the ongoing opportunity presented by these changes.

Given that we expect CMS will release further future regulations related to EHRs, even as we comply with previously published rules associated with the QPP, as well as Stage 3 of the Meaningful Use program for those organizations not eligible for the QPP, our industry is preparing for additional areas in which we must execute compliance. Similarly, our ability to achieve applicable product certifications, any changing frequency of the Office of the National Coordinator for Health Information Technology ("ONC") certification program, and the length, if any, of additional related development and other efforts required to meet regulatory standards could materially impact our capacity to maximize the market opportunity. All of our market-facing EHR solutions, as well as the Allscripts EDTM, dbMotion and FollowMyHealth® products, have successfully completed the testing process and are certified as 2015 Edition-compliant by an ONC-Authorized Certification Body, in accordance with the applicable provider or hospital certification criteria adopted by the United States Secretary of Health and Human Services.

Conversations around the Medicare Sustainable Growth Rate reimbursement model concluded in the United States Congress in 2015 when the MACRA was passed, which further encouraged the adoption of health IT necessary to satisfy new requirements more closely associating the report of quality measurements to Medicare payments. With the finalization of the rule for the QPP in 2017, providers accepting payment from Medicare will have an opportunity to select one of two payment models: the Merit-based Incentive Payment System ("MIPS") or an Advanced Alternative Payment Model ("APM"). Both of these programs will require increased reporting on quality measures; additionally, the MIPS consolidates several preexisting incentive programs, including Meaningful Use and Physician Quality Reporting System, under one umbrella, as required by statute. The implementation of this new law could drive additional interest in our products among providers who were not eligible for or chose not to participate in the Health Information Technology for Economic and Clinical Health Act ("HITECH") incentive program but now see a new reason to adopt EHRs and other health information technologies or by those needing to purchase more robust systems to help comply with more complex MACRA requirements. Regulations are expected to be released in the fourth quarter of each year clarifying requirements related to reporting and quality measures, which will enable physician populations and healthcare organizations to make strategic decisions about the purchase of analytic software or other solutions important to comply with the new law and associated regulations.

HITECH resulted in additional related new orders for our EHR products, and we believe that the MACRA could drive purchases of not only EHRs but additional technologies necessary in advanced payment models. Large physician groups will continue to purchase and enhance their use of EHR technology, though the number of very large practices with over 100 physicians that have not yet acquired such technology is quickly decreasing. Such practices may choose to replace older EHR technology in the future as regulatory requirements (such as those related to QPP-related programs for Advanced APMs) and business realities dictate the need for updates and upgrades, as well as additional features and functionality. Additionally, we believe that a number of companies who certified their EHR products for Stage 1 or Stage 2 of Meaningful Use have and will continue to demonstrate that they have not been able to comply with the requirements for the 2015 Edition, which continues to present additional opportunities in the replacement market, particularly in the smaller physician space. As incentive payments wind down and shifts in policies related to payment adjustments from the current presidential Administration in the United States is revealed, the role of commercial payers and their continued expansion of alternative payment models, as well as the anticipated growth in Medicaid payment models, are expected to provide additional incentives for purchase and expansion.

We also continue to see activity in local community-based buying, whereby individual hospitals, health systems and integrated delivery networks subsidize the purchase of EHR licenses or related services for local, affiliated physicians and physicians across their employed physician base in order to leverage buying power and help those practices take advantage of payment reform opportunities. This activity has also resulted in a pull-through effect where smaller practices affiliated with a community hospital are motivated to participate in the incentive program, while the subsidizing health system expands connectivity within the local provider community. We believe that the 2013 extension of exceptions to the Stark Law and Anti-Kickback statutes, which allowed hospitals and other organizations to subsidize the purchase of EHRs, will continue to contribute to the growth of this market dynamic. We also believe that new orders driven by the MACRA legislation and related to EHR and community-based activity will continue to come in as physicians in those small- and medium-sized practices who have not yet participated seek to avoid payment adjustments stemming from the QPP. The associated challenge we face is to successfully position, sell, implement and support our products to hospitals, health systems or integrated delivery networks that subsidize their affiliated physicians. We believe the community programs we have in place will help us penetrate these markets.

We believe we have taken and continue to take the proper steps to maximize the opportunity presented by the QPP and other new payment programs. However, given the effects the laws are having on our clients, there can be no assurance that they will result in significant new orders for us in the near term, and if they do, that we will have the capacity to meet the additional market demand in a timely fashion.

Additionally, other public laws to reform the United States healthcare system contain various provisions which may impact us and our clients. Continued decisions by the current presidential Administration and Congress to alter the implementation of the Patient Protection and Affordable Care Act (as amended, the "PPACA") creates uncertainty for us and for our clients for the near term. Some laws currently in place may have a positive impact by requiring the expanded use of EHRs, quality measurement and analytics tools to participate in certain federal, state or private sector programs. Others, such as the repeal of or adjustments made to the PPACA by the current presidential Administration and Congress, laws or regulations mandating reductions in reimbursement for certain types of providers, decreasing insurance coverage of patients, decisions not to continue policies from the previous Administration, or increasing regulatory oversight of our products or our business practices, may have a negative impact by reducing the resources available to purchase our products. Increases in fraud and abuse enforcement and payment adjustments for non-participation in certain programs or overpayment of certain incentive payments may also adversely affect participants in the healthcare sector, including us. Generally, Congressional oversight of EHRs and health information technology has increased in recent years, including a specific focus on perceived interoperability failures in the industry, and any contributing factors to such failures, which could impact our clients and our business. While passage of the 21st Century Cures Act in December 2016, addressed concerns about interoperability, and Congressional focus on repealing or adjusting the PPACA continues, the government's fraud and abuse enforcement activity is not likely to decrease significantly, as evidenced by the fact that several EHR vendors have received CIDs related to their business practices.

Starting October 1, 2015, all entities covered by HIPAA were required to have upgraded to the tenth revision of the International Statistical Classification of Diseases and Related Health Problems promulgated by the World Health Organization, also known as ICD-10, for use in reporting medical diagnoses and inpatient procedures. These changes in coding standards presented a significant opportunity for our clients in the United States to get to the most advanced versions of our products, but also posed a challenge due to the scale of the changes for the industry, particularly among smaller independent physician practices. New payment and delivery system reform programs, including those related to the Medicare program, are also increasingly being rolled out at the state level through Medicaid administrators, as well as through the private sector, presenting additional opportunities for us to provide software and services to our clients who participate.

Summary of Results

During 2017, we continued to make incremental progress on our key strategic, financial and operational imperatives aimed at driving higher client satisfaction, improving our competitive position by expanding the depth and breadth of our products and, ultimately, positioning the company for sustainable long-term growth both domestically and globally. In that regard, we had success across the below key areas that we expect will continue to drive our future growth. These included, among others:

- U.S. Core Solutions and Services: During 2017, we were able to successfully grow and expand our relationships with many of our acute clients as they sought to consolidate IT providers, reduce total cost of ownership and acquire additional value-based solutions. We also saw continued demand, albeit to a smaller degree, in the independent ambulatory market for replacement EHR systems. Finally, we expanded our client base for revenue cycle management services.
- Value-based Care: During 2017, as the healthcare industry continues its transition toward value-based care model, we continued to expand our client base for our population health management portfolio CareInMotion™ platform, which enables such transition for our clients by delivering real-time actionable information at the point of care. We also experienced growth in our payer and life-sciences business.
- Global Presence: During 2017, we expanded our presence internationally and signed a number of new clients, primarily in the United Kingdom and Asia Pacific region. We believe that this success is partly due to our continued investment in our solutions, our improving financial performance and competitive position.

- Post-Acute Care: During 2017, we saw continued strength in demand for Netsmart's technology and services from behavioral-health, social services and long-term and home health care community providers.

Total revenue for the year ended December 31, 2017 was $1.8 billion, an increase of 16% compared with the prior year. For the year ended December 31, 2017, software delivery, support and maintenance revenue and client services revenue totaled $1.2 billion, for an increase of 16%, and $632 million, for an increase of 17%, respectively, as compared with the prior year.

Gross profit increased during the year ended December 31, 2017 compared with the prior year, primarily due to improved profitability from our recurring subscription-based software sales and recurring client services, particularly private-cloud hosting, as we continue to expand our customer base for these services. Gross margin remained unchanged at 43.3% compared with prior year primarily due to higher amortization of software development and acquisition-related assets, which more than offset improvement in the underlying gross margin.

Our contract backlog as of December 31, 2017 was at a record high of $4.6 billion, an increase of 15% compared with backlog as of December 31, 2016. The increase in backlog is partly due to backlog from the EIS Business (defined below) starting in the fourth quarter of 2017. Our bookings, which reflect the value of executed contracts for software, hardware, other client services, private-cloud hosting, outsourcing and subscription-based services, totaled $1.3 billion for both the years ended December 31, 2017 and 2016, respectively. The composition of our bookings for the years ended December 31, 2017 and 2016, was also unchanged with 48% of client services-related bookings and 52% of software delivery-related bookings.

On August 25, 2017, the Company completed the acquisition of certain assets relating to NantHealth's provider/patient engagement solutions business. The consideration for the transaction was the 15,000,000 shares of common stock of NantHealth that had been owned by the Company. In connection with this transaction, during 2017 we recognized non-cash impairment loss totaling $162.9 million related to decline in the value of NantHealth common stock.

On October 2, 2017, Allscripts Healthcare, LLC, a wholly-owned subsidiary of the Company ("Healthcare LLC"), completed the acquisition of McKesson Corporation's ("McKesson's") Enterprise Information Solutions (EIS) Business division (the "EIS Business"), which provides certain software solutions and services to hospitals and health systems, by acquiring all of the outstanding equity interests of two indirect, wholly-owned subsidiaries of McKesson for an aggregate purchase price of $185 million, subject to adjustments for net working capital and net debt. The purchase price was funded through incremental borrowings under our debt facilities.

Revenues and Expenses

Revenues are derived primarily from sales of our proprietary software (either as a perpetual license sale or under a subscription delivery model), support and maintenance services, and managed services, such as outsourcing, private cloud hosting and revenue cycle management.

Cost of revenue consists primarily of salaries, bonuses and benefits for our billable professionals, third-party software costs, third-party transaction processing and consultant costs, amortization of acquired proprietary technology and capitalized software development costs, depreciation and other direct engagement costs.

Selling, general and administrative expenses consist primarily of salaries, bonuses and benefits for management and administrative personnel, sales commissions and marketing expenses, facilities costs, depreciation and amortization and other general operating expenses.

Research and development expenses consist primarily of salaries, bonuses and benefits for our development personnel, third party contractor costs and other costs directly or indirectly related to development of new products and upgrading and enhancing existing products.

Asset impairment charges consist primarily of non-cash charges related to our decision to discontinue several software development projects, the recognition of an other-than-temporary impairment of one of our cost method investments and the write-off of certain deferred costs that were determined to be unrealizable.

Amortization of intangible and acquisition-related assets consists of amortization of customer relationships, trade names and other intangibles acquired through business combinations accounted under the purchase method of accounting.

Interest expense consists primarily of interest on the 1.25% Notes, outstanding debt under our Senior Secured Credit Facility and the Netsmart Revolving Facility (as defined below), and the amortization of debt discounts and debt issuance costs.

Other income, net consists primarily of realized gains on from the sale of investments, miscellaneous receipts and interest earned on cash and marketable securities.

Impairment of and losses on long-term investments primarily consists of other-than-temporary and realized losses associated with our available for sale marketable securities.

Equity in net income (loss) of unconsolidated investments represents our share of the equity earnings (losses) of our investments in third parties accounted for under the equity method, including the amortization of cost basis adjustments.

Income from discontinued operations includes the results of operations of two solutions acquired with the EIS Business which are to be sunset after the first quarter of 2018.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. The accounting policies and estimates discussed in this section are those that we consider to be particularly critical to an understanding of our consolidated financial statements because their application involves significant judgment regarding the effect of inherently uncertain matters on our financial results. Actual results could differ materially from these estimates under different assumptions or conditions.

Revenue Recognition

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by us. Software delivery revenue consists of all of our proprietary software sales (either as a perpetual license sale or under a subscription delivery model), transaction-related revenue and the resale of hardware. Support and maintenance revenue consists of revenue from post contract client support and maintenance services. Client services revenue consists of revenue from managed services solutions, such as private cloud hosting, outsourcing and revenue cycle management, as well as other client services or project-based revenue from implementation, training and consulting services. For some clients, we remotely host the software applications licensed from us using our own or third-party servers, which saves these clients the cost of procuring and maintaining hardware and related facilities. For other clients, we offer an outsourced solution in which we assume partial to total responsibility for a healthcare organization’s IT operations using our employees.

Revenue from software licensing arrangements where the service element is not considered essential to the functionality of the other elements of the arrangement is recognized upon delivery of the software or as services are performed, provided persuasive evidence of an arrangement exists, fees are considered fixed or determinable, and collection of the receivable is probable. The revenue recognized for each separate element of a multiple-element software contract is based upon vendor-specific objective evidence of fair value (“VSOE”), which is based upon the price the client is required to pay when the element is sold separately or renewed. For arrangements in which VSOE only exists for the undelivered elements, the delivered elements (generally software licenses) are accounted for using the residual method.

Revenue from software licensing arrangements, where the service element is considered essential to the functionality of the other elements of the arrangement, is accounted for on an input basis under the percentage of completion accounting method using actual hours worked as a percentage of total expected hours required by the arrangement, provided that persuasive evidence of an arrangement exists, fees are considered fixed or determinable, and collection of the receivable is probable. Maintenance and support associated with these agreements is recognized over the term of the support agreement based on VSOE of the maintenance revenue, which is based on contractual renewal rates. For presentation in the statement of operations, consideration from agreements accounted for under the percentage of completion accounting method is allocated between software delivery and client services revenue based on VSOE of our hourly services rate multiplied by the amount of hours performed with the residual amount allocated to the software license fee.

Fees related to software-as-a-service (“SaaS”) arrangements are recognized as revenue ratably over the contract terms beginning on the date our solutions are made available to clients. These arrangements include client services fees related to the implementation and set-up of our solutions and are typically billed upfront and recorded as deferred revenue until our solutions are made available to the client. The implementation and set-up fees are recognized as revenue ratably over the estimated client relationship period. The estimated length of a client relationship period is based on our experience with client contract renewals and consideration of the period over which such clients use our SaaS solutions.

Software private cloud hosting services are provided to clients that have purchased a perpetual license to our software solutions and contracted with us to host the software. These arrangements provide the client with a contractual right to take possession of the software at any time during the private cloud hosting period without significant penalty and it is feasible for the client to either use the software on its own equipment or to contract with an unrelated third party to host the software. Private cloud hosting services are not deemed to be essential to the functionality of the software or other elements of the arrangement; accordingly, for these arrangements, we recognize software license fees as software delivery revenue upon delivery, assuming all other revenue recognition criteria have been met, and separately recognize fees for the private cloud hosting services as client services revenue over the term of the private cloud hosting arrangement.

We also enter into multiple-element arrangements that may include a combination of various software-related and non-software-related products and services. Management applies judgment to ensure appropriate accounting for multiple deliverables, including the allocation of arrangement consideration among multiple units of accounting, the determination of whether undelivered elements are essential to the functionality of delivered elements, and the timing of revenue recognition, among others. In such arrangements, we first allocate the total arrangement consideration based on a selling price hierarchy at the inception of the arrangement. The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third-party evidence of fair value if VSOE is not available, or estimated selling price if neither VSOE nor third-party evidence of fair value is available (discussion as to how we determine VSOE, third-party evidence of fair value and estimated selling price is provided below). Upon allocation of the arrangement consideration to the software elements as a whole and individual non-software elements, we then further allocate consideration within the software group to the respective elements following higher-level, industry-specific guidance and our policies described above. After the arrangement consideration has been allocated to the various elements, we account for each respective element in the arrangement as described above.

To determine the selling price in multiple-element arrangements, we establish VSOE using the price charged for a deliverable when sold separately and contractual renewal rates for maintenance fees. For non-software multiple element arrangements, third-party evidence of fair value is established by evaluating similar and interchangeable competitor products or services in standalone arrangements with similarly situated clients. If we are unable to determine the selling price because VSOE or third-party evidence of fair value does not exist, we determine an estimated selling price by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, competition, client demand, internal costs and overall economic trends. The determination of an estimated selling price is made through consultation with and approval by our management, taking into consideration our go-to-market strategy. As our, or our competitors', pricing and go-to-market strategies evolve, we may modify our pricing practices in the future. These events could result in changes to our determination of VSOE, third-party evidence of fair value and estimated selling price. Selling prices are analyzed on an annual basis or more frequently if we experience significant changes in our selling prices.

For those arrangements where the deliverables do not qualify as separate units of accounting, revenue recognition is evaluated for the combined deliverables as a single unit of accounting and the recognition pattern of the final deliverable will dictate the revenue recognition pattern for the single, combined unit of accounting. Changes in circumstances and client data may result in a requirement to either separate or combine deliverables, such that a delivered item could now meet the separation criteria and qualify as a separate unit of accounting which may lead to an upward or downward adjustment to the amount of revenue recognized under the arrangement on a prospective basis.

We assess whether fees are considered fixed or determinable at the time of sale and recognize revenues if all other revenue recognition requirements are met. Our payment arrangements with clients typically include milestone-based software license fee payments and payments based on delivery for services and hardware.

While most of our arrangements include short-term payment terms, we periodically provide extended payment terms to clients from the date of contract signing. We do not recognize revenue under extended payment term arrangements until such payments become due. In certain circumstances, where all other revenue recognition criteria have been met, we occasionally offer discounts to clients with extended payment terms to accelerate the timing of when payments are made. Changes to extended payment term arrangements have not had a material impact on our consolidated results of operations.

Maintenance fees are recognized ratably over the period of the contract based on VSOE, which is based on contractual renewal rates. Revenue from electronic data interchange services is recognized as services are provided and is determined based on the volume of transactions processed or estimated selling price.

We provide outsourcing services to our clients under arrangements that typically range from three to ten years in duration. Under these arrangements we assume full, partial or transitional responsibilities for a healthcare organization's IT operations using our employees. Our outsourcing services include facilities management, network outsourcing and transition management. Revenue from these arrangements is recognized subsequent to the transition period as services are performed.

Revenue is recognized net of any taxes collected from clients and subsequently remitted to governmental authorities. We record as revenue any amounts billed to clients for shipping and handling costs and record as cost of revenue the actual shipping costs incurred.

We record reimbursements for out-of-pocket expenses incurred as client services revenue in our consolidated statement of operations.

Allowance for Doubtful Accounts Receivable

We rely on estimates to determine our bad debt expense and the adequacy of our allowance for doubtful accounts. These estimates are based on our historical experience and management's assessment of a variety of factors related to the general financial condition of our clients, the industry in which we operate and general economic conditions. If the financial condition of our clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances and related bad debt expense may be required.

Business Combinations

Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired, including intangible assets, and the liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair values of the assets acquired and the liabilities assumed, with a corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or the liabilities assumed, whichever comes first, any subsequent adjustments are reflected in our consolidated statement of operations.

Goodwill and Intangible Assets

Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or between annual tests when an impairment indicator exists. If an optional qualitative goodwill impairment assessment is not performed, we are required to determine the fair value of each reporting unit. If a reporting unit's fair value is lower than its carrying value, we must determine the amount of implied goodwill that would be established if the reporting unit was hypothetically acquired on the impairment test date. If the carrying amount of a reporting unit's goodwill exceeds the amount of implied goodwill, an impairment loss equal to the excess would be recorded. The recoverability of indefinite-lived intangible assets is assessed by comparison of the carrying value of the asset to its estimated fair value. If we determine that the carrying value of the asset exceeds its estimated fair value, an impairment loss equal to the excess would be recorded.

The determination of the fair value of our reporting units is based on a combination of a market approach, that considers benchmark company market multiples, and an income approach, that utilizes discounted cash flows for each reporting unit and other Level 3 inputs. Under the income approach, we determine fair value based on the present value of the most recent cash flow projections for each reporting unit as of the date of the analysis, and calculate a terminal value utilizing a terminal growth rate. The significant assumptions under this approach include, among others: income projections, which are dependent on sales to new and existing clients, new product introductions, client behavior, competitor pricing, operating expenses, the discount rate and the terminal growth rate. The cash flows used to determine fair value are dependent on a number of significant management assumptions such as our expectations of future performance and the expected economic environment, which are partly based on our historical experience. Our estimates are subject to change given the inherent uncertainty in predicting future results. Additionally, the discount rate and the terminal growth rate are based on our judgment of the rates that would be utilized by a hypothetical market participant. As part of the goodwill impairment testing, we also consider our market capitalization in assessing the reasonableness of the fair values estimated for our reporting units.

All of our goodwill is assigned to reporting units where it is tested for impairment. The reporting units evaluated for goodwill impairment were determined to be the same as our operating segments. We performed the annual impairment tests of our reporting units as of October 1, 2017. During the year ended December 31, 2017, the annual

impairment testing date of the Netsmart reporting unit was changed to October 1, 2017 to coincide with Allscripts annual testing date. The prior annual impairment testing date for the Netsmart unit was December 31, 2016. We believe this change in testing date does not represent a material change to our method of applying an accounting principle. All of the annual impairment tests consisted of quantitative analyses. The fair value of each of our reporting units substantially exceeded its carrying value and no indicators of impairment were identified as a result of the annual impairment test. If future anticipated cash flows from our reporting units are significantly lower or materialize at a later time than projected, our goodwill could be impaired, which could result in significant charges to earnings.

Accounting guidance also requires that definite-lived intangible assets be amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We estimate the useful lives of our intangible assets and ratably amortize the value over the estimated useful lives of those assets. If the estimates of the useful lives should change, we will amortize the remaining book value over the remaining useful lives or, if an asset is deemed to be impaired, a write-down of the value of the asset may be required at such time.

Software Development Costs

We capitalize purchased software upon acquisition if it is accounted for as internal-use or if it meets the future alternative use criteria. We capitalize incurred labor costs for software development from the time technological feasibility of the software is established, or when the preliminary project phase is completed in the case of internal use software, until the software is available for general release. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. We estimate the useful life of our capitalized software and amortize its value over that estimated life. If the actual useful life is shorter than our estimated useful life, we will amortize the remaining book value over the remaining useful life or the asset may be deemed to be impaired and, accordingly, a write-down of the value of the asset may be recorded as a charge to earnings.

The carrying value of capitalized software is dependent on the ability to recover its value through future revenue from the sale of the software. At each balance sheet date, the unamortized capitalized costs of a software product are compared with the net realizable value of that product. The net realizable value is the estimated future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and client support required to satisfy our responsibility at the time of sale. The amount by which the unamortized capitalized costs of a software product exceed the net realizable value of that asset is written off. If we determine in the future that the value of the capitalized software could not be recovered, a write-down of the value of the capitalized software to its recoverable value may be recorded as a charge to earnings.

Income Taxes

We account for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of our assets and liabilities and for net operating loss and tax credit carryforwards. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity’s financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. The deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, we believe it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including recent cumulative earnings experience, expectations of future taxable income, the ability to carryback losses and other relevant factors.

In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes may be required. If we ultimately determine that payment of these amounts is unnecessary, then we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained if challenged by the taxing authorities. To the extent, we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our liabilities, our effective tax rate in a given period may be materially affected. An unfavorable tax settlement would require cash payments and may result in an increase in our effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution. We report interest and penalties related to uncertain income tax positions in

the income tax (provision) benefit line of our consolidated statements of operations.

We file income tax returns in the United States federal jurisdiction, numerous states in the United States and multiple countries outside of the United States.

Fair Value Measurements

Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market participant assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair values of assets and liabilities required to be measured at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value in one of the following three categories:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Our Level 1 financial instruments included our investment in NantHealth common stock. Refer to Note 10, “Accumulated Other Comprehensive Loss,” for further information regarding our available for sale marketable securities.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Our Level 2 derivative financial instruments include foreign currency forward contracts valued based upon observable values of spot and forward foreign currency exchange rates. Refer to Note 11, “Derivative Financial Instruments,” for further information regarding these derivative financial instruments.

Level 3: Unobservable inputs that are significant to the fair value of the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Our Level 3 financial instruments include derivative financial instruments comprising the 1.25% Call Option asset and the 1.25% embedded cash conversion option liability that are not actively traded. These derivative instruments were designed with the intent that changes in their fair values would substantially offset, with limited net impact to our earnings. Therefore, we believe the sensitivity of changes in the unobservable inputs to the option pricing model for these instruments is substantially mitigated. Refer to Note 11, “Derivative Financial Instruments,” for further information regarding these derivative financial instruments. The sensitivity of changes in the unobservable inputs to the valuation pricing model used to value these instruments is not material to our consolidated results of operations.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, refer to Note 1, “Basis of Presentation and Significant Accounting Policies” to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Form 10-K.

Overview of Consolidated Results

(In thousands)	Year Ended December 31,			2017 % Change from 2016	2016 % Change from 2015
	2017	2016	2015		
Revenue:					
Software delivery, support and maintenance	$1,174,722	$1,012,352	$918,430	16.0 %	10.2 %
Client services	631,620	537,547	467,963	17.5 %	14.9 %
Total revenue	1,806,342	1,549,899	1,386,393	16.5 %	11.8 %
Cost of revenue:					
Software delivery, support and maintenance					