State of Nebraska, Department of Health and Human Services
REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES

SOLICITATION NUMBER	RELEASE DATE
RFP 6396 Z1 REVISED	October 16, 2020
OPENING DATE AND TIME	**PROCUREMENT CONTACT**
November 24, 2020 2:00 p.m. Central Time	Holly Glasgow/Andy Budell

PLEASE READ CAREFULLY!

SCOPE OF SERVICE

The State of Nebraska (State), Department of Health and Human Services (DHHS), is issuing this Request for Proposal (RFP) Number 6396 Z1 for the purpose of selecting a qualified Contractor to provide pharmacy benefits manager services to the Ryan White Program. A more detailed description can be found in Section V. The resulting contract may not be an exclusive contract as the State reserves the right to contract for the same or similar services from other sources now or in the future.

The term of the contract will be five (5) years commencing upon execution of the contract by the State and the Contractor. The Contract includes the option to renew for two (2) additional one (1) year periods upon mutual agreement of the Parties. The State reserves the right to extend the period of this contract beyond the termination date when mutually agreeable to the Parties.

ALL INFORMATION PERTINENT TO THIS REQUEST FOR PROPOSAL CAN BE FOUND ON THE INTERNET AT: **https://das.nebraska.gov/materiel/bidopps.html.**

IMPORTANT NOTICE: Pursuant to Neb. Rev. Stat. § 84-602.04, State contracts in effect as of January 1, 2014, and contracts entered into thereafter, must be posted to a public website. The resulting contract, the solicitation, and the successful contractor's proposal or response will be posted to a public website managed by DAS, which can be found at http://statecontracts.nebraska.gov.

In addition and in furtherance of the State's public records Statute (Neb. Rev. Stat. § 84-712 et seq.), all proposals or responses received regarding this solicitation will be posted to the State Purchasing Bureau public website.

These postings will include the entire proposal or response. Contractor must request that proprietary information be excluded from the posting. The contractor must identify the proprietary information, mark the proprietary information according to state law, and submit the proprietary information in a separate container or envelope marked conspicuously using an indelible method with the words "PROPRIETARY INFORMATION" or if submitting the proposal or response electronically, as a separate electronic file that is named "PROPRIETARY INFORMATION". The contractor must submit a detailed written document showing that the release of the proprietary information would give a business advantage to named business competitor(s) and explain how the named business competitor(s) will gain an actual business advantage by disclosure of information. The mere assertion that information is proprietary or that a speculative business advantage might be gained is not sufficient. (See Attorney General Opinion No. 92068, April 27, 1992) THE SUPPLIER MAY NOT ASSERT THAT THE ENTIRE PROPOSAL IS PROPRIETARY. COST PROPOSALS WILL NOT BE CONSIDERED PROPRIETARY AND ARE A PUBLIC RECORD IN THE STATE OF NEBRASKA. The State will determine, in its sole discretion, if the disclosure of the information designated by the Bidder as proprietary would 1) give advantage to business competitors and 2) serve no public purpose. The Bidder will be notified of the State's decision. Absent a determination by the State that the information may be withheld pursuant to Neb. Rev. Stat. § 84-712.05, the State will consider all information a public record subject to disclosure.

If the agency determines it is required to release proprietary information, the contractor will be informed. It will be the contractor's responsibility to defend the contractor's asserted interest in non-disclosure.

To facilitate such public postings, with the exception of proprietary information, the State of Nebraska reserves a royalty-free, nonexclusive, and irrevocable right to copy, reproduce, publish, post to a website, or otherwise use any contract, proposal, or response to this solicitation for any purpose, and to authorize others to use the documents. Any individual or entity awarded a contract, or who submits a proposal or response to this solicitation, specifically waives any copyright or other protection the contract, proposal, or response to the solicitation may have; and, acknowledges that they have the ability and authority to enter into such waiver. This reservation and waiver is a prerequisite for submitting a proposal or response to this solicitation, and award of a contract. Failure to agree to the reservation and waiver will result in the proposal or response to the solicitation being found non-responsive and rejected.

Any entity awarded a contract or submitting a proposal or response to the solicitation agrees not to sue, file a claim, or make a demand of any kind, and will indemnify and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials from and against any and all claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses, sustained or asserted against the State, arising out of, resulting from, or attributable to the posting of the contract or the proposals and responses to the solicitation, awards, and other documents.

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GLOSSARY OF TERMS

Acceptance Test Procedure: Benchmarks and other performance criteria, developed by the State of Nebraska or other sources of testing standards, for measuring the effectiveness of products or services and the means used for testing such performance.

Addendum: Something to be added or deleted to an existing document; a supplement.

After Receipt of Order (ARO): After Receipt of Order

Agency: Any state agency, board, or commission other than the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska.

Agent/Representative: A person authorized to act on behalf of another.

Amend: To alter or change by adding, subtracting, or substituting.

Amendment: A written correction or alteration to a document.

Appropriation: Legislative authorization to expend public funds for a specific purpose. Money set apart for a specific use.

Automated Clearing House: Electronic network for financial transactions in the United States

Award: All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the solicitation.

Best and Final Offer: In a competitive proposal, the final offer submitted which contains the contractor's most favorable terms for price.

Bid Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the contractor will not withdraw the bid.

Bidder: A contractor who submits a proposal in response to a written solicitation.

Breach: Violation of a contractual obligation by failing to perform or repudiation of one's own promise.

Business: Any corporation, partnership, individual, sole proprietorship, joint-stock company, joint venture, or any other private legal entity.

Business Day: Any weekday, except State-recognized holidays.

Calendar Day: Every day shown on the calendar including Saturdays, Sundays, and State/Federal holidays.

Cancellation: To call off or revoke a purchase order without expectation of conducting or performing it at a later time.

Central Processing Unit (CPU): Any computer or computer system that is used by the State to store, process, or retrieve data or perform other functions using Operating Systems and applications software.

Change Order: Document that provides amendments to an executed purchase order or contract.

Collusion: An agreement or cooperation between two or more persons or entities to accomplish a fraudulent, deceitful, or unlawful purpose.

Competition: The effort or action of two or more commercial interests to obtain the same business from third parties.

Confidential Information: Unless otherwise defined below, "Confidential Information" shall also mean proprietary trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Nebraska Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive.

Contract: An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law; the writing that sets forth such an agreement.

Contract Administration: The administration of the contract which includes and is not limited to; contract signing, contract

amendments and any necessary legal actions.

Contract Award: Occurs upon execution of the State document titled “Service Contract Award” by the proper authority.

Contract Management: The management of day to day activities at the agency which includes and is not limited to ensuring deliverables are received, specifications are met, handling meetings and making payments to the Contractor.

Contract Period: The duration of the contract.

Contractor: An individual or entity lawfully conducting business in the State, or licensed to do so, who seeks to provide goods or services under the terms of a written solicitation.

Copyright: A property right in an original work of authorship fixed in any tangible medium of expression, giving the holder the exclusive right to reproduce, adapt and distribute the work.

Critical Program Error: Any Program Error, whether or not known to the State, which prohibits or significantly impairs use of the Licensed Software as set forth in the documentation and intended in the contract.

Customer Service: The process of ensuring customer satisfaction by providing assistance and advice on those products or services provided by the Contractor.

Default: The omission or failure to perform a contractual duty.

Deviation: Any proposed change(s) or alteration(s) to either the terms and conditions or deliverables within the scope of the written solicitation or contract.

Evaluation: The process of examining an offer after opening to determine the contractor’s responsibility, responsiveness to requirements, and to ascertain other characteristics of the offer that relate to determination of the successful award.

Evaluation Committee: Committee(s) appointed by the requesting agency that advises and assists the procuring office in the evaluation of proposals (offers made in response to written solicitations).

Extension: Continuance of a contract for a specified duration upon the agreement of the parties beyond the original Contract Period. Not to be confused with “Renewal Period”.

Free on Board (F.O.B.) Destination: The delivery charges are included in the quoted price and prepaid by the contractor. Contractor is responsible for all claims associated with damages during delivery of product.

Free on Board (F.O.B.) Point of Origin: The delivery charges are not included in the quoted price and are the responsibility of the agency. Agency is responsible for all claims associated with damages during delivery of product.

Foreign Corporation: A foreign corporation that was organized and chartered under the laws of another state, government, or country.

Installation Date: The date when the procedures described in “Installation by Contractor“, and “Installation by State”, as found in the solicitation, or contract, are completed.

Interested Party: A person, acting in their personal capacity, or an entity entering into a contract or other agreement creating a legal interest therein.

Invalid Proposal: A proposal that does not meet the requirements of the solicitation or cannot be evaluated against the other proposals.

Late Proposal: An offer received after the Opening Date and Time.

Licensed Software Documentation: The user manuals and any other materials in any form or medium customarily provided by the Contractor to the users of the Licensed Software which will provide the State with sufficient information to operate, diagnose, and maintain the Licensed Software properly, safely, and efficiently.

Mandatory/Must: Required, compulsory, or obligatory.

May: Discretionary, permitted; used to express possibility.

Module (see System): A collection of routines and data structures that perform a specific function of software.

Must: See Mandatory/Must and Shall/Will/Must.

National Institute for Governmental Purchasing (NIGP): National Institute of Governmental Purchasing – Source used for assignment of universal commodity codes to goods and services.

Open Market Purchase: Authorization may be given to an agency to purchase items above direct purchase authority due to the unique nature, price, quantity, location of the using agency, or time limitations by the AS Materiel Division, State Purchasing Bureau.

Opening Date and Time: Specified date and time for the public opening of received, labeled, and sealed formal proposals.

Operating System: The control program in a computer that provides the interface to the computer hardware and peripheral devices, and the usage and allocation of memory resources, processor resources, input/output resources, and security resources.

Outsourcing: The contracting out of a business process which an organization may have previously performed internally or has a new need for, to an independent organization from which the process is purchased back.

Payroll & Financial Center: Electronic procurement system of record.

Performance Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the Contractor fulfills any and all obligations under the contract.

Platform: A specific hardware and Operating System combination that is different from other hardware and Operating System combinations to the extent that a different version of the Licensed Software product is required to execute properly in the environment established by such hardware and Operating System combination.

Point of Contact: The person designated to receive communications and to communicate.

Pre-Proposal Conference: A meeting scheduled for the purpose of clarifying a written solicitation and related expectations.

Product: Something that is distributed commercially for use or consumption and that is usually (1) tangible personal property, (2) the result of fabrication or processing, and (3) an item that has passed through a chain of commercial distribution before ultimate use or consumption.

Program Error: Code in Licensed Software which produces unintended results or actions, or which produces results or actions other than those described in the specifications. A program error includes, without limitation, any Critical Program Error.

Program Set: The group of programs and products, including the Licensed Software specified in the solicitation, plus any additional programs and products licensed by the State under the contract for use by the State.

Project: The total scheme, program, or method worked out for the accomplishment of an objective, including all documentation, commodities, and services to be provided under the contract.

Proposal: An offer, bid, or quote submitted by a contractor/vendor in a response to a written solicitation

Proprietary Information: Proprietary information is defined as trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serves no public purpose (see Neb. Rev. Stat. § 84-712.05(3)). In accordance with Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific named competitor(s) advantaged by release of the information and the demonstrated advantage the named competitor(s) would gain by the release of information.

Protest/Grievance: A complaint about a governmental action or decision related to a solicitation or resultant contract, brought by a contractor who has timely submitted a proposal response in connection with the award in question, to AS Materiel Division or another designated agency with the intention of achieving a remedial result.

Public Proposal Opening: The process of opening correctly submitted offers at the time and place specified in the written solicitation and in the presence of anyone who wished to attend.

Recommended Hardware Configuration: The data processing hardware (including all terminals, auxiliary storage, communication, and other peripheral devices) to the extent utilized by the State as recommended by the Contractor.

Release Date: The date of public release of the written solicitation to seek offers.

Renewal Period: Optional contract periods subsequent to the original Contract Period for a specified duration with previously agreed to terms and conditions. Not to be confused with Extension.

Responsible Contractor: A contractor who has the capability in all respects to perform fully and lawfully all requirements with integrity and reliability to assure good faith performance.

Responsive Bidder: A bidder who has submitted a proposal which conforms to all requirements of the solicitation document.

Shall/Will/Must: An order/command; mandatory.

Should: Expected; suggested, but not necessarily mandatory.

Software License: Legal instrument with or without printed material that governs the use or redistribution of licensed software.

Specifications: The detailed statement, especially of the measurements, quality, materials, and functional characteristics, or other items to be provided under a contract.

Statutory: These clauses are controlled by state law and are not subject to negotiation.

Subcontractor: Individual or entity with whom the contractor enters a contract to perform a portion of the work awarded to the contractor.

System (see Module): Any collection or aggregation of two (2) or more Modules that is designed to function, or is represented by the Contractor as functioning or being capable of functioning, as an entity.

Termination: Occurs when either Party, pursuant to a power created by agreement or law, puts an end to the contract prior to the stated expiration date. All obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

Third Party: Any person or entity, including but not limited to fiduciaries, shareholders, owners, officers, managers, employees, legally disinterested persons, and sub-contractors or agents, and their employees. It shall not include any entity or person who is an interested Party to the contract or agreement.

Trade Secret: Information, including, but not limited to, a drawing, formula, pattern, compilation, program, device, method, technique, code, or process that (a) derives independent economic value, actual or potential, from not being known to, and not being ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (see Neb. Rev. Stat. §87-502(4)).

Trademark: A word, phrase, logo, or other graphic symbol used by a manufacturer or contractor to distinguish its product from those of others, registered with the U.S. Patent and Trademark Office.

Upgrade: Any change that improves or alters the basic function of a product or service.

Vendor Performance Report: A report completed by the using agency and submitted to State Purchasing Bureau documenting products or services delivered or performed which exceed or fail to meet the terms of the purchase order, contract, and/or solicitation specifications.

Vendor: Inclusive term for any Bidder or Contractor

Will: See Mandatory/Shall/Will/Must.

Work Day: See Business Day.

ACRONYM LIST

ARO – After Receipt of Order

ACH – Automated Clearing House

BAFO – Best and Final Offer

COI – Certificate of Insurance

CPU – Central Processing Unit

DAS – Department of Administrative Services

DHHS – Department of Health and Human Services

F.O.B. – Free on Board

PBM – Pharmacy Benefits Manager

RFP – Request for Proposal

SPB – State Purchasing Bureau

I. PROCUREMENT PROCEDURE

A. GENERAL INFORMATION

The solicitation is designed to solicit proposals from qualified Contractor who will be responsible for providing pharmacy benefit manager services for the Ryan White HIV/AIDS Program at a competitive and reasonable cost. Terms and Conditions, Project Description and Scope of Work, Proposal instructions, and Cost Proposal Requirements may be found in Sections II through VI.

Proposals shall conform to all instructions, conditions, and requirements included in the solicitation. Prospective contractors are expected to carefully examine all documents, schedules, and requirements in this solicitation, and respond to each requirement in the format prescribed. Proposals may be found non-responsive if they do not conform to the solicitation.

B. PROCURING OFFICE AND COMMUNICATION WITH STATE STAFF AND EVALUATORS

Procurement responsibilities related to this solicitation reside with State Purchasing Bureau. The point of contact (POC) for the procurement is as follows:

Name: Holly Glasgow/Andy Budell
RFP 6396 Z1
Agency: Department of Health and Human Services
Address: 301 Centennial Mall S.
Lincoln, NE 68508

Telephone: 402-471-6082

E-Mail: dhhs.rfpquestions@nebraska.gov

From the date the solicitation is issued until the Intent to Award is issued, communication from the Contractor is limited to the POC listed above. After the Intent to Award is issued, the Contractor may communicate with individuals the State has designated as responsible for negotiating the contract on behalf of the State. No member of the State Government, employee of the State, or member of the Evaluation Committee is empowered to make binding statements regarding this solicitation. The POC will issue any answers, clarifications or amendments regarding this solicitation in writing. Only the SPB or awarding agency can award a contract. Contractors shall not have any communication with, or attempt to communicate or influence any evaluator involved in this solicitation.

The following exceptions to these restrictions are permitted:

1. Contact made pursuant to pre-existing contracts or obligations;
2. Contact required by the schedule of events or an event scheduled later by the solicitation POC; and
3. Contact required for negotiation and execution of the final contract.

The State reserves the right to reject a contractor's proposal, withdraw an Intent to Award, or terminate a contract if the State determines there has been a violation of these procurement procedures.

C. SCHEDULE OF EVENTS

The State expects to adhere to the procurement schedule shown below, but all dates are approximate and subject to change.

ACTIVITY		DATE/TIME
1.	Release Solicitation	October 16, 2020
2.	Last day to submit written questions	October 23, 2020
3.	State responds to written questions through Solicitation "Addendum" and/or "Amendment" to be posted to the Internet at: https://das.nebraska.gov/materiel/bidopps.html	October 30, 2020
4.	2nd Round of Q&A – Last day to submit written questions	November 6, 2020
5.	State responds to written questions through Solicitation "Addendum" and/or "Amendment" to be posted to the Internet at: https://das.nebraska.gov/materiel/bidopps.html	November 13, 2020
6.	Proposal Opening Department of Health and Human Services 3rd Floor 301 Centennial Mall S. Lincoln, NE 68508 Location for mailed/hand delivered submissions: See Section I. H. Electronic submissions: https://nebraska.sharefile.com/r-rf9a4f869c69467d9	November 24, 2020 2:00 PM Central Time
7.	Review for conformance to solicitation requirements	November 25, 2020
8.	Evaluation period	November 26, 2020 – December 16, 2020
9.	"Oral Interviews/Presentations and/or Demonstrations" (if required)	TBD
10.	Post "Notification of Intent to Award" to Internet at: https://das.nebraska.gov/materiel/bidopps.html	December 18, 2020
11.	Contract finalization period	December 19 – January 21, 2021
12.	Contract award	January 22 , 2021
13.	Contractor start date	February 1, 2021

D. WRITTEN QUESTIONS AND ANSWERS

Questions regarding the meaning or interpretation of any solicitation provision must be submitted in writing to State Purchasing Bureau and clearly marked "RFP Number 6396 Z1; pharmacy benefit manager services for the Ryan White HIV/AIDS Program Questions". The POC is not obligated to respond to questions that are received late per the Schedule of Events.

Contractors should present, as questions, any assumptions upon which the Contractor's proposal is or might be developed. Proposals will be evaluated without consideration of any known or unknown assumptions of a contractor. The contract will not incorporate any known or unknown assumptions of a contractor.

It is preferred that questions be sent via e-mail to dhhs.rfpquestions@nebraska.gov, but may be delivered by hand or by U.S. Mail. It is recommended that Contractors submit questions using the following format.

Solicitation Section Reference	Solicitation Page Number	Question

Written answers will be posted at https://das.nebraska.gov/materiel/bidopps.html per the Schedule of Events.

E. SECRETARY OF STATE/TAX COMMISSIONER REGISTRATION REQUIREMENTS (Statutory)

All contractors must be authorized to transact business in the State of Nebraska and comply with all Nebraska Secretary of State Registration requirements. The contractor who is the recipient of an Intent to Award will be required to certify that it has complied and produce a true and exact copy of its current (within ninety (90) calendar days of the intent to award) Certificate or Letter of Good Standing, or in the case of a sole proprietorship, provide written documentation of sole proprietorship and complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html. This must be accomplished prior to execution of the contract.

F. ETHICS IN PUBLIC CONTRACTING

The State reserves the right to reject proposals, withdraw an intent to award or award, or terminate a contract if a contractor commits or has committed ethical violations, which include, but are not limited to:

1. Offering or giving, directly or indirectly, a bribe, fee, commission, compensation, gift, gratuity, or anything of value to any person or entity in an attempt to influence the bidding process;
2. Utilize the services of lobbyists, attorneys, political activists, or consultants to influence or subvert the bidding process;
3. Being considered for, presently being, or becoming debarred, suspended, ineligible, or excluded from contracting with any state or federal entity:
4. Submitting a proposal on behalf of another Party or entity; and
5. Collude with any person or entity to influence the bidding process, submit sham proposals, preclude bidding, fix pricing or costs, create an unfair advantage, subvert the proposal, or prejudice the State.

The Contractor shall include this clause in any subcontract entered into for the exclusive purpose of performing this contract.

Contractor shall have an affirmative duty to report any violations of this clause by the Contractor throughout the bidding process, and throughout the term of this contract for the successful Contractor and their subcontractors.

G. DEVIATIONS FROM THE REQUEST FOR PROPOSAL

The requirements contained in the solicitation (Sections II thru VI) become a part of the terms and conditions of the contract resulting from this solicitation. Any deviations from the solicitation in Sections II through VI must be clearly defined by the contractor in its proposal and, if accepted by the State, will become part of the contract. Any specifically defined deviations must not be in conflict with the basic nature of the solicitation, requirements, or applicable state or federal laws or statutes. "Deviation", for the purposes of this solicitation, means any proposed changes or alterations to either the contractual language or deliverables within the scope of this solicitation. The State discourages deviations and reserves the right to reject proposed deviations.

H. SUBMISSION OF PROPOSALS

The State is accepting either electronically submitted responses or hard copy, paper responses for this RFP.

For bidders submitting electronic responses:

1. Bidders submitting electronically can upload the response via ShareFile here:
   a. https://nebraska.sharefile.com/r-rf9a4f869c69467d9

b. ShareFile works with Firefox, Internet Explorer and Chrome. It does not work with Microsoft Edge.

2. The Cost Proposal and Proprietary information should be uploaded as separate and distinct files. If multiple proposals are submitted, the State will retain only the most recently submitted response. It is the bidder's responsibility to submit the proposal by the date and time indicated in the Schedule of Events. Electronic proposals must be received by SPB by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted

3. ELECTRONIC PROPOSAL FILE NAMES
The bidder should clearly identify the uploaded RFP proposal files. To assist in identification please use the following naming convention:

a. RFP 6396 Z1 ABC Company

b. If multiple files are submitted for one RFP proposal, add number of files to file names: RFP 6396 Z1 ABC Company File 1 of 2.

c. If multiple RFP proposals are submitted for the same RFP, add the proposal number to the file names: RFP 6396 Z1 ABC Company Proposal 1 File 1 of 2.

For bidders submitting paper/hard copy responses:

4. Bidders who are submitting a paper response should submit one proposal marked on the first page: "ORIGINAL". If multiple proposals are submitted, the State will retain one copy marked "ORIGINAL" and destroy the other copies. The Contractor is solely responsible for any variance between the copies submitted. Proposal responses should include the completed Form A, "Contractor Proposal Point of Contact". Proposals must reference the RFP number and be sent to the specified address. Please note that the address label should appear as specified in Section I B. on the face of each container or contractor's proposal response packet. If a recipient phone number is required for delivery purposes, 402-471-0727 should be used. The RFP number should be included in all correspondence. The State will not furnish packaging and sealing materials. It is the contractor's responsibility to ensure the solicitation is received in a sealed envelope or container and submitted by the date and time indicated in the Schedule of Events. Sealed proposals must be received in the State Purchasing Bureau by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted.

United States Postal Services (USPS) delivered proposal responses shall be mailed to:

ATTN: Holly Glasgow/Andy Budell RFP 6396 Z1
DHHS - Central Procurement Services
PO BOX 94926
Lincoln, NE 68509

Hand delivered proposal responses or responses delivered by Federal Express (FedEx), United Parcel Service (UPS), etc. shall be delivered to:

ATTN: Holly Glasgow/Andy Budell RFP 6396 Z1
DHHS - 3rd Floor Reception Desk
301 Centennial Mall South
Lincoln, NE 68509

5. The Cost Proposal and Proprietary Information should be presented in separate sections (loose-leaf binders are preferred) on standard 8 ½" x 11" paper, except that charts, diagrams and the like may be on fold-outs which, when folded, fit into the 8 ½" by 11" format. Pages may be consecutively numbered for the entire proposal, or may be numbered consecutively within sections. Figures and tables should be numbered consecutively within sections. Figures and tables should be numbered and referenced in the text by that number. They should be placed as close as possible to the referencing text.

Bidder must use the State's Cost Proposal Form.

The State will not furnish packaging or sealing materials. It is the bidder's responsibility to ensure the solicitation is received either electronically or in a sealed envelope or container and submitted by the date and time indicated in the Schedule of Events. Sealed proposals must be received in the State Purchasing Bureau by the date and time of the proposal opening per the Schedule of Events.

The Request for Proposal form must be manually signed in an indelible manner or by DocuSign and returned by the proposal opening date and time along with the contractor's Request for Proposal along with any other requirements

as stated in the Request for Proposal document in order for the contractor's Request for Proposal response to be evaluated.

It is the responsibility of the contractor to check the website for all information relevant to this Request for Proposal to include addenda and/or amendments issued prior to the opening date. Website address is as follows: https://das.nebraska.gov/materiel/bidopps.html.

Emphasis should be concentrated on conformance to the solicitation instructions, responsiveness to requirements, completeness, and clarity of content. If the contractor's proposal is presented in such a fashion that makes evaluation difficult or overly time consuming the State reserves the right to reject the proposal as non-conforming.

The State shall not incur any liability for any costs incurred by contractors in replying to this solicitation, in the demonstrations and/or oral presentations, or in any other activity related to bidding on this solicitation.

By signing the "Request for Proposal for Contractual Services" form, the contractor guarantees compliance with the provisions stated in this solicitation.

I. PROPOSAL PREPARATION COSTS

The State shall not incur any liability for any costs incurred by Contractors in replying to this solicitation, including any activity related to bidding on this solicitation.

J. FAILURE TO COMPLY WITH REQUEST FOR PROPOSAL

Violation of the terms and conditions contained in this solicitation or any resultant contract, at any time before or after the award, shall be grounds for action by the State which may include, but is not limited to, the following:

1. Rejection of a contractor's proposal;
2. Withdrawal of the Intent to Award;
3. Withdrawal of the Award;
4. Negative Vendor Performance Report(s)
5. Termination of the resulting contract;
6. Legal action; and
7. Suspension of the contractor from further bidding with the State for the period of time relative to the seriousness of the violation, such period to be within the sole discretion of the State.

K. PROPOSAL CORRECTIONS

A contractor may correct a mistake in a proposal prior to the time of opening by giving written notice to the State of intent to withdraw the proposal for modification or to withdraw the proposal completely. Changing a proposal after opening may be permitted if the change is made to correct a minor error that does not affect price, quantity, quality, delivery, or contractual conditions. In case of a mathematical error in extension of price, unit price shall govern.

L. LATE PROPOSALS

Proposals received after the time and date of the proposal opening will be considered late proposals. Late proposals will be returned unopened, if requested by the contractor and at contractor's expense. The State is not responsible for proposals that are late or lost regardless of cause or fault.

M. PROPOSAL OPENING

The opening of proposals will be public and the contractors will be announced. Proposals **WILL NOT** be available for viewing by those present at the proposal opening. Proposals will be posted to the State Purchasing Bureau website once an Intent to Award has been posted to the website. Information identified as proprietary by the submitting contractor, in accordance with the solicitation and state statute, will not be posted. If the state determines submitted information should not be withheld, in accordance with the Public Records Act, or if ordered to release any withheld information, said information may then be released. The submitting contractor will be notified of the release and it shall be the obligation of the submitting contractor to take further action, if it believes the information should not be released. (See RFP signature page for further details) Contractors may contact the State to schedule an appointment for viewing proposals after the Intent to Award has been posted to the website. Once proposals are opened, they become the property of the State of Nebraska and will not be returned.

N. REQUEST FOR PROPOSAL/PROPOSAL REQUIREMENTS

The proposals will first be examined to determine if all requirements listed below have been addressed and whether further evaluation is warranted. Proposals not meeting the requirements may be rejected as non-responsive. The requirements are:

1. Form A: Contractor Proposal Point of Contact
2. Form B: Original Request for Proposal for Contractual Services form signed using an indelible method;

3. Completed Corporate Overview;
4. Completed Sections II through IV;
5. Completed Attachment A: DHHS HIPAA Business Associate Agreement Provisions;
6. Completed Attachment B: Business Requirements Traceability Matrix; and,
7. Completed State Cost Proposal Template.

O. EVALUATION COMMITTEE

Proposals are evaluated by members of an Evaluation Committee(s). The Evaluation Committee(s) will consist of individuals selected at the discretion of the State. Names of the members of the Evaluation Committee(s) will not be published prior to the intent to award.

Any contact, attempted contact, or attempt to influence an evaluator that is involved with this solicitation may result in the rejection of this proposal and further administrative actions.

P. EVALUATION OF PROPOSALS

All proposals that are responsive to the solicitation will be evaluated. Each evaluation category will have a maximum point potential. The State will conduct a fair, impartial, and comprehensive evaluation of all proposals in accordance with the criteria set forth below. Areas that will be addressed and scored during the evaluation include:

1. Corporate Overview should include but is not limited to:
   a. the ability, capacity, and skill of the contractor to deliver and implement the system or project that meets the requirements of the solicitation;
   b. the character, integrity, reputation, judgment, experience, and efficiency of the contractor;
   c. whether the contractor can perform the contract within the specified time frame;
   d. the quality of vendor performance on prior contracts;
   e. such other information that may be secured and that has a bearing on the decision to award the contract;
2. Technical Approach; and,
3. Cost Proposal.

Neb. Rev. Stat. §81-161 allows the quality of performance of previous contracts to be considered when evaluating responses to competitively bid solicitations in determining the lowest responsible bidder. Information obtained from any Vendor Performance Report (See Terms & Conditions, Section H) may be used in evaluating responses to solicitations for goods and services to determine the best value for the State.

Neb. Rev. Stat. §73-107 allows for a preference for a resident disabled veteran or business located in a designated enterprise zone. When a state contract is to be awarded to the lowest responsible contractor, a resident disabled veteran or a business located in a designated enterprise zone under the Enterprise Zone Act shall be allowed a preference over any other resident or nonresident contractor, if all other factors are equal.

Resident disabled veterans means any person (a) who resides in the State of Nebraska, who served in the United States Armed Forces, including any reserve component or the National Guard, who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), and who possesses a disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense and (b)(i) who owns and controls a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in subdivision (a) of this subsection and (ii) the management and daily business operations of the business are controlled by one or more persons described in subdivision(a) of this subsection. Any contract entered into without compliance with this section shall be null and void.

Therefore, if a resident disabled veteran or business located in a designated enterprise zone submits a proposal in accordance with Neb. Rev. Stat. §73-107 and has so indicated on the solicitation cover page under "Contractor must complete the following" requesting priority/preference to be considered in the award of this contract, the following will need to be submitted by the contractor within ten (10) business days of request:

1. Documentation from the United States Armed Forces confirming service;
2. Documentation of discharge or otherwise separated characterization of honorable or general (under honorable conditions);
3. Disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense; and
4. Documentation which shows ownership and control of a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in subdivision

(a) of this subsection; and the management and daily business operations of the business are controlled by one or more persons described in subdivision (a) of this subsection.

Failure to submit the requested documentation within ten (10) business days of notice will disqualify the contractor from consideration of the preference.

Evaluation criteria weighting will be released with the solicitation.

Q. ORAL INTERVIEWS/PRESENTATIONS AND/OR DEMONSTRATIONS

The State may determine after the completion of the Technical and Cost Proposal evaluation that oral interviews/presentations and/or demonstrations are required. Every contractor may not be given an opportunity to interview/present and/or give demonstrations; the State reserves the right, in its discretion, to select only the top scoring contractors to present/give oral interviews. The scores from the oral interviews/presentations and/or demonstrations will be added to the scores from the Technical and Cost Proposals. The presentation process will allow the contractors to demonstrate their proposal offering, explaining and/or clarifying any unusual or significant elements related to their proposals. Contractors' key personnel, identified in their proposal, may be requested to participate in a structured interview to determine their understanding of the requirements of this proposal, their authority and reporting relationships within their firm, and their management style and philosophy. Only representatives of the State and the presenting contractor will be permitted to attend the oral interviews/presentations and/or demonstrations. A written copy or summary of the presentation, and demonstrative information (such as briefing charts, et cetera) may be offered by the contractor, but the State reserves the right to refuse or not consider the offered materials. Contractors shall not be allowed to alter or amend their proposals.

Once the oral interviews/presentations and/or demonstrations have been completed, the State reserves the right to make an award without any further discussion with the contractors regarding the proposals received.

Any cost incidental to the oral interviews/presentations and/or demonstrations shall be borne entirely by the contractor and will not be compensated by the State.

R. BEST AND FINAL OFFER

If best and final offers (BAFO) are requested by the State and submitted by the contractor, they will be evaluated (using the stated BAFO criteria), scored, and ranked by the Evaluation Committee. The State reserves the right to conduct more than one Best and Final Offer. The award will then be granted to the highest scoring contractor. However, a contractor should provide its best offer in its original proposal. Contractors should not expect that the State will request a best and final offer.

S. REFERENCE AND CREDIT CHECKS

The State reserves the right to conduct and consider reference and credit checks. The State reserves the right to use third parties to conduct reference and credit checks. By submitting a proposal in response to this solicitation, the contractor grants to the State the right to contact or arrange a visit in person with any or all of the contractor's clients. Reference and credit checks may be grounds to reject a proposal, withdraw an intent to award, or rescind the award of a contract.

T. AWARD

The State reserves the right to evaluate proposals and award contracts in a manner utilizing criteria selected at the State's discretion and in the State's best interest. After evaluation of the proposals, or at any point in the solicitation process, the State of Nebraska may take one or more of the following actions:

1. Amend the solicitation;
2. Extend the time of or establish a new proposal opening time;
3. Waive deviations or errors in the State's solicitation process and in contractor proposals that are not material, do not compromise the solicitation process or a contractor's proposal, and do not improve a contractor's competitive position;
4. Accept or reject a portion of or all of a proposal;
5. Accept or reject all proposals;
6. Withdraw the solicitation;
7. Elect to rebid the solicitation;
8. Award single lines or multiple lines to one or more contractors; or,
9. Award one or more all-inclusive contracts.

The solicitation does not commit the State to award a contract. Once intent to award decision has been determined, it will be posted to the Internet at:
https://das.nebraska.gov/materiel/bidopps.html

Any protests must be filed by a contractor within ten (10) business days after the intent to award decision is posted to the Internet. Grievance and protest procedure is available on the Internet at: http://dhhs.ne.gov/Pages/Grants-and-Contract-Opportunities.aspx

U. ALTERNATE/EQUIVALENT PROPOSALS

Contractor may offer proposals which are at variance from the express specifications of the solicitation. The State reserves the right to consider and accept such proposals if, in the judgment of the Materiel Administrator, the proposal will result in goods and/or services equivalent to or better than those which would be supplied in the original proposal specifications. Contractor must indicate on the solicitation the manufacturer's name, number and shall submit with their proposal, sketches, descriptive literature and/or complete specifications. Reference to literature submitted with a previous proposal will not satisfy this provision. Proposals which do not comply with these requirements are subject to rejection. In the absence of any stated deviation or exception, the proposal will be accepted as in strict compliance with all terms, conditions and specification, and the Contractor shall be held liable therefore.

V. LUMP SUM OR "ALL OR NONE" PROPOSALS

The State reserves the right to purchase item-by-item, by groups or as a total when the State may benefit by so doing. Contractors may submit a proposal on an "all or none" or "lump sum" basis, but should also submit a proposal on an item-by-item basis. The term "all or none" means a conditional proposal which requires the purchase of all items on which proposals are offered and Contractor declines to accept award on individual items; a "lump sum" proposal is one in which the Contractor offers a lower price than the sum of the individual proposals if all items are purchased, but agrees to deliver individual items at the prices quoted.

W. EMAIL SUBMISSIONS

SPB will not accept proposals by email, voice, or telephone proposals except for one-time purchases under $50,000.00.

X. REJECTION OF PROPOSALS

The State reserves the right to reject any or all proposals, wholly or in part, in the best interest of the State.

Y. RESIDENT BIDDER

Pursuant to Neb. Rev. Stat. §§ 73-101.01 through 73-101.02, a Resident Bidder shall be allowed a preference against a Non-resident Bidder from a state which gives or requires a preference to Bidders from that state. The preference shall be equal to the preference given or required by the state of the Nonresident Bidders. Where the lowest responsible bid from a resident Bidder is equal in all respects to one from a nonresident Bidder from a state which has no preference law, the resident Bidder shall be awarded the contract. The provision of this preference shall not apply to any contract for any project upon which federal funds would be withheld because of the provisions of this preference.

II. TERMS AND CONDITIONS

Contractors should complete Sections II through VI as part of their proposal. Contractor is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The contractor should also provide an explanation of why the contractor rejected the clause or rejected the clause and provided alternate language. By signing the solicitation, contractor is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and contractor fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this solicitation. The State of Nebraska reserves the right to reject proposals that attempt to substitute the contractor's commercial contracts and/or documents for this solicitation.

The contractors should submit with their proposal any license, user agreement, service level agreement, or similar documents that the contractor wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the contractor's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control;
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together;
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The contract resulting from this solicitation shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the solicitation;
3. Questions and Answers;
4. Contractor's proposal (Solicitation and properly submitted documents);
5. The executed Contract and Addendum One to Contract, if applicable; and,
6. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to solicitation and any Questions and Answers, 4) the original solicitation document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

B. NOTIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

Communications regarding the executed contract shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or five (5) calendar days following deposit in the mail.

Either party may change its address for notification purposes by giving notice of the change, and setting forth the new address and an effective date.

C. NOTICE (POC)

The State reserves the right to appoint a Buyer's Representative to manage [or assist the Buyer in managing] the contract on behalf of the State. The Buyer's Representative will be appointed in writing, and the appointment document will specify the extent of the Buyer's Representative authority and responsibilities. If a Buyer's Representative is appointed, the Contractor will be provided a copy of the appointment document, and is expected to cooperate accordingly with the Buyer's Representative. The Buyer's Representative has no authority to bind the State to a contract, amendment, addendum, or other change or addition to the contract.

D. GOVERNING LAW (Statutory)

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

E. BEGINNING OF WORK

The contractor shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

F. AMENDMENT

This Contract may be amended in writing, within scope, upon the agreement of both parties.

G. CHANGE ORDERS OR SUBSTITUTIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the solicitation. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

In the event any product is discontinued or replaced upon mutual consent during the contract period or prior to delivery, the State reserves the right to amend the contract or purchase order to include the alternate product at the same price.

*****Contractor will not substitute any item that has been awarded without prior written approval of SPB*****

H. VENDOR PERFORMANCE REPORT(S)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS CM			

The State may document any instance(s) of products or services delivered or performed which exceed or fail to meet the terms of the purchase order, contract, and/or solicitation specifications. The State Purchasing Bureau may contact the Vendor regarding any such report. Vendor performance report(s) will become a part of the permanent record of the Vendor.

I. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS CM			

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

J. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:

DS			

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby. OR In case of breach by the Contractor, the State may, without unreasonable delay, make a good faith effort to make a reasonable purchase or contract to purchased goods in substitution of those due from the contractor. The State may recover from the Contractor as damages the difference between the costs of covering the breach. Notwithstanding any clause to the contrary, the State may also recover the contract price together with any incidental or consequential damages defined in UCC Section 2-715, but less expenses saved in consequence of Contractor's breach.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

K. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

L. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

M. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

1. GENERAL

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY (Optional)

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this solicitation.

3. PERSONNEL

The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

4. SELF-INSURANCE

The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

N. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS 			

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if ordered by the court, including attorney's fees and costs, if the other Party prevails.

O. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

P. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS OF THE STATE OR ANOTHER STATE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. §81-145, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

The Contractor may, but shall not be required to, allow other states, agencies or divisions of other states, or political subdivisions of other states to use this contract. The terms and conditions, including price, of this contract shall apply to any such contract, but may be amended upon mutual consent of the Parties. The State of Nebraska shall not be contractually or otherwise obligated or liable under any contract entered into pursuant to this clause. The State shall be notified if a contract is executed based upon this contract.

Q. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

R. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

S. OFFICE OF PUBLIC COUNSEL (Statutory)

If it provides, under the terms of this contract and on behalf of the State of Nebraska, health and human services to individuals; service delivery; service coordination; or case management, Contractor shall submit to the jurisdiction of the Office of Public Counsel, pursuant to Neb. Rev. Stat. §§ 81-8,240 et seq. This section shall survive the termination of this contract.

T. LONG-TERM CARE OMBUDSMAN (Statutory)

Contractor must comply with the Long-Term Care Ombudsman Act, per Neb. Rev. Stat. §§ 81-2237 et seq. This section shall survive the termination of this contract.

U. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.

2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.

3. The State may terminate the contract immediately for the following reasons:

a. if directed to do so by statute;
b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;

d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;

e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;

f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;

g. Contractor intentionally discloses confidential information;

h. Contractor has or announces it will discontinue support of the deliverable; and,

i. In the event funding is no longer available.

V. CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;

2. Transfer ownership and title to all completed or partially completed deliverables to the State;

3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;

4. Cooperate with any successor Contactor, person or entity in the assumption of any or all of the obligations of this contract;

5. Cooperate with any successor Contactor, person or entity with the transfer of information or data related to this contract;

6. Return or vacate any state owned real or personal property; and,

7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

III. CONTRACTOR DUTIES

A. INDEPENDENT CONTRACTOR / OBLIGATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law;
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees; and,
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the contractor's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor engaged to perform work on this contract.

B. EMPLOYEE WORK ELIGIBILITY STATUS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html

2. The completed United States Attestation Form should be submitted with the solicitation response.

3. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.

4. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or bidder for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for goods and services to be covered by any contract resulting from this solicitation.

D. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

E. DISCOUNTS

Prices quoted shall be inclusive of ALL trade discounts. Cash discount terms of less than thirty (30) days will not be considered as part of the proposal. Cash discount periods will be computed from the date of receipt of a properly

executed claim voucher or the date of completion of delivery of all items in a satisfactory condition, whichever is later.

F. PRICES

All prices, costs, and terms and conditions submitted in the proposal shall remain fixed and valid commencing on the opening date of the proposal until the contract terminates or expires.

The State reserves the right to deny any requested price increase. No price increases are to be billed to any State Agencies prior to written amendment of the contract by the parties.

The State will be given full proportionate benefit of any decreases for the term of the contract.

G. COST CLARIFICATION

The State reserves the right to review all aspects of cost for reasonableness and to request clarification of any proposal where the cost component shows significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

H. PERMITS, REGULATIONS, LAWS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

I. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

J. INSURANCE REQUIREMENTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not

commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within two (2) years of termination or expiration of the contract, the contractor shall obtain an extended discovery or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and two (2) years following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. WORKERS' COMPENSATION INSURANCE

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter**. The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory**. **The COI shall contain the mandatory COI liability waiver language found hereinafter.** The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

REQUIRED INSURANCE COVERAGE	
COMMERCIAL GENERAL LIABILITY	
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal/Advertising Injury	$1,000,000 per occurrence
Bodily Injury/Property Damage	$1,000,000 per occurrence
Medical Payments	$10,000 any one person
Damage to Rented Premises (Fire)	$300,000 each occurrence
Contractual	Included
XCU Liability (Explosion, Collapse, and Underground Damage)	Included
Independent Contractors	Included
Abuse & Molestation	Included
If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.	
WORKER'S COMPENSATION	
Employers Liability Limits	$500K/$500K/$500K
Statutory Limits- All States	Statutory - State of Nebraska
USL&H Endorsement	Statutory
Voluntary Compensation	Statutory
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	$1,000,000 combined single limit
Include All Owned, Hired & Non-Owned Automobile liability	Included
Motor Carrier Act Endorsement	Where Applicable
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	$5,000,000 per occurrence
PROFESSIONAL LIABILITY	
Professional liability (Medical Malpractice)	Limits consistent with Nebraska Medical Malpractice Cap
Qualification Under Nebraska Excess Fund	
All Other Professional Liability (Errors & Omissions)	$1,000,000 Per Claim / Aggregate
CYBER LIABILITY	
Breach of Privacy, Security Breach, Denial of Service, Remediation, Fines and Penalties	$10,000,000
MANDATORY COI SUBROGATION WAIVER LANGUAGE	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
MANDATORY COI LIABILITY WAIVER LANGUAGE	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

Department of Health and Human Services
Attn: ADAP Manager
301 Centennial Mall S
Lincoln, NE 68509

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. DEVIATIONS

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

K. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

L. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

By submitting a proposal, bidder certifies that no relationship exists between the bidder and any person or entity which either is, or gives the appearance of, a conflict of interest related to this Request for Proposal or project.

Bidder further certifies that bidder will not employ any individual known by bidder to have a conflict of interest nor shall bidder take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its contractual obligations hereunder or which creates an actual or appearance of conflict of interest.

If there is an actual or perceived conflict of interest, bidder shall provide with its proposal a full disclosure of the facts describing such actual or perceived conflict of interest and a proposed mitigation plan for consideration. The State will then consider such disclosure and proposed mitigation plan and either approve or reject as part of the overall bid evaluation.

M. STATE PROPERTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor shall be responsible for the proper care and custody of any State-owned property which is furnished for the Contractor's use during the performance of the contract. The Contractor shall reimburse the State for any loss or damage of such property; normal wear and tear is expected.

N. SITE RULES AND REGULATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor shall use its best efforts to ensure that its employees, agents, and Subcontractors comply with site rules and regulations while on State premises. If the Contractor must perform on-site work outside of the daily operational hours set forth by the State, it must make arrangements with the State to ensure access to the facility and the equipment has been arranged. No additional payment will be made by the State on the basis of lack of access, unless the State fails to provide access as agreed to in writing between the State and the Contractor.

O. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its goods or services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

P. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)

Contractor shall review the Nebraska Technology Access Standards, found at https://nitc.nebraska.gov/standards/2-201.pdf and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

Q. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue delivery of goods and services as specified under the specifications in the contract in the event of a disaster.

R. DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

S. WARRANTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Despite any clause to the contrary, the Contractor represents and warrants that its services hereunder shall be performed by competent personnel and shall be of professional quality consistent with generally accepted industry standards for the performance of such services and shall comply in all respects with the requirements of this Agreement. For any breach of this warranty, the Contractor shall, for a period of ninety (90) days from performance of the service, perform the services again, at no cost to Customer, or if Contractor is unable to perform the services as warranted, Contractor shall reimburse Customer the fees paid to Contractor for the unsatisfactory services. The rights and remedies of the parties under this warranty are in addition to any other rights and remedies of the parties provided by law or equity, including, without limitation actual damages, and, as applicable and awarded under the law, to a prevailing party, reasonable attorneys' fees and costs.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Neb. Rev. Stat. §§81-2403 states, "[n]o goods or services shall be deemed to be received by an agency until all such goods or services are completely delivered and finally accepted by the agency."

B. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. The Contractor may request a copy of the Nebraska Department of Revenue, Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption, Form 13 for their records. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor

C. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment.

Invoices shall be submitted monthly with the submission of the progress and performance reports by the 15th of each month. Invoices shall be submitted electronically. Email address will be provided upon contract execution.

The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

D. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

The State and/or its authorized representatives shall have the right to enter any premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

E. PAYMENT (Statutory)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2403). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any goods and services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

F. LATE PAYMENT (Statutory)

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS (Statutory)

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

H. RIGHT TO AUDIT (First Paragraph is Statutory)

The State shall have the right to audit the Contractor's performance of this contract upon a thirty (30) days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. (Neb. Rev. Stat. §84-304 et seq.) The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
DS			

The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one percent (0.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety (90) days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

V. PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder should provide the following information in response to this solicitation.

A. PROJECT OVERVIEW

Nebraska Department of Health and Human Services (DHHS) is requesting proposals from qualified bidders to provide pharmacy benefits manager services to the Ryan White Program.

Nebraska's AIDS Drug Assistance Program (ADAP) is located within the Ryan White Part B Program. It includes two components, the Medication Assistance Program, which provides HIV-related medications from an approved formulary directly to enrolled ADAP clients who do not have health insurance, and the Insurance Assistance Program, which provides health insurance coverage and/or covers health-insurance related expenses to ensure access to HIV-related pharmaceuticals from an approved formulary for enrolled ADAP clients. Both programs are available to eligible residents of Nebraska. There are two (2) client enrollment sites for Nebraska's ADAP. DHHS completes client enrollment, approves client eligibility, and manages the ADAP formularies for the Medication Assistance and Insurance Assistance Programs.

ADAP is a state and territory-administered program authorized under Part B of the Ryan White HIV/AIDS Treatment Extension Act of 2009 (Public Law 111-87) that provides FDA-approved medications to low-income people living with HIV who have limited or no health coverage from private insurance, Medicaid, or Medicare. ADAP funds may also be used to purchase health insurance for eligible clients and for services that enhance access to, adherence to, and monitoring of drug treatments.

Pharmacy-related services for ADAP include:

- Establishing statewide accessibility to HIV-related pharmaceuticals for clients enrolled in ADAP;
- Coordinating insurance benefits, including payment of health insurance premiums;
- Processing point-of-sale pharmaceutical purchases, including payment of health insurance plan deductible, co-insurance, and/or co-payment amounts;
- Adjudicating pharmaceutical-related claims;
- Coordinating with Medicare, Medicaid, and private insurance carriers;
- Collecting and reporting data on pharmaceutical and insurance-related claims; and
- Billing third-party payers when clients are found to be retro-eligible for other benefit programs.

Direct pharmacy services include:

- Distributing medications for ADAP to health providers, clinics, and individuals throughout the state.

The source of funding is derived from both state and federal funds. ADAP funds, in part, are authorized through the United States Department of Health and Human Services, Health Resources and Services Administration (HRSA). The enabling legislation is under Part B of Title XXVI of the Public Health Service (PHS) Act, as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (Public Law 111-87), which specifies many of the eligibility criteria, fundable services, and data requirements described in this Request for Proposal document.

B. PROJECT REQUIREMENTS

The Ryan White HIV/AIDS Program (RWHAP) legislation requires that each ADAP must cover at least one drug from each class of HIV antiretroviral medications on their ADAP formulary. RWHAP funds may only be used to purchase FDA-approved medications. Within these requirements, each ADAP decides which medications to include on its formulary and how those medications will be distributed.

DHHS requires that ADAP eligibility criteria must be consistently applied across the State, and that all formulary medications and ADAP-funded services must be equally and consistently available to all eligible enrolled people throughout the State.

1. Pharmacy Benefit Management

The Contractor must provide pharmacy benefit management for ADAP's Insurance Assistance Program. Services shall include statewide access to pharmaceuticals for ADAP clients with health insurance. This must include a mail-order option, but may also include a network of retail pharmacies throughout the state. Pharmaceuticals shall also be shipped to health care clinics, substance abuse treatment providers, and individuals throughout the State of Nebraska. Other services include point-of-sale claims adjudication; screening for other benefit homes or programs that a client may be enrolled in; client adherence counseling; utilization management; data collection, analytics, and reporting; and customer service, including access to real-time claims data for ADAP staff.

2. Insurance Benefit Management

The Contractor must provide insurance benefit management for ADAP's Insurance Assistance Program. Services shall include payment of ADAP-supported health insurance premiums, monitoring and reporting to ADAP, and assistance with adjudication of issues related to payment and eligibility for clinical or pharmaceutical services.

3. Direct Pharmacy Services

The Contractor must provide pharmacy services to include distribution of prescription medications for the treatment of HIV/AIDS. HIV-related medication prescriptions are filled for clients enrolled in ADAP's Medication Assistance Program (i.e., for clients without health insurance). Storage, handling, and shipment procedures must be in compliance with the Ryan White ADAP, the Office of Pharmacy Affairs, and with federal and state laws.

ADAP's Medication Assistance Program requires the Contractor to offer supportive pharmacy services, including adherence counseling, to enrolled clients. Other ADAP pharmacy services include providing technical support to ADAP staff, medical providers, and case managers on special projects related to improving patient adherence and pharmacy service delivery; and administering a back-billing program for ADAP clients found to be retro-eligible for other payers, such as Medicaid and commercial insurance.

The Contractor will order medications directly from a wholesaler designated by the Contractor. All ADAP medications must be purchased at non-340B prices and, where applicable, inventoried separately from medications purchased at 340B prices for other programs.

The approved formulary for ADAP is listed as Attachment C, medications may be added to or removed from the formularies by DHHS during the project period. This may be based upon action by the Food and Drug Administration (FDA), new or revised U.S. Public Health Services guidelines, and/or other factors.

C. BUSINESS REQUIREMENTS

The bidder shall be a pharmacy or health organization licensed to dispense pharmaceuticals in the State of Nebraska, or shall have the ability to establish a contract with such a pharmacy (or pharmacies). The Contactor or its contract pharmacy shall be an enrolled Medicaid provider no later than two months after contract execution. The Contractor shall be capable of billing public or commercial insurance plans when ADAP clients are found to have had coverage from another payer, or to be retro-eligible for other health insurance plans or payers.

Bidders must also:

1. Document financial responsibility sufficient to cover costs of ADAP client health insurance premium payments and cost-sharing prior to reimbursement from DHHS and to sustain any and all losses through the contract caused by failure to follow proper ADAP approval processes;
2. Maintain adequate records for complete financial and programmatic audits; and
3. Provide required reports in the specified timeframes.

D. SCOPE OF WORK

1. Transition Plan

The bidder shall develop a plan to transition DHHS' pharmacy services from the current single contract-pharmacy model to the bidder's proposed model within 60 days in such a way as to ensure seamless continuation of pharmacy services to DHHS clients. The Contractor will implement the plan after contract execution.

2. Pharmacy Benefits Management services – ADAP Insurance Assistance Program

a. Pharmacy Network

The Contractor shall establish statewide availability of prescription medications on the ADAP Insurance Assistance Program formulary for ADAP enrollees. The network shall include a mail-order option with overnight shipping capability for newly enrolled ADAP clients (or upon request of ADAP staff), and may include the following types of pharmacies:

i. Over-the-counter (chain store and independent pharmacies);

ii. Institutional (i.e., University based hospitals, county hospitals, Health Maintenance Organizations);

iii. Specialty (i.e., HIV targeted services).

For mail-order prescriptions, medications must be shipped within three (3) days of receipt of a prescription.

If a network of pharmacies is established by the Contractor, the Contractor shall enter into contractual agreements with the pharmacies. The contracts shall require the pharmacies to operate in compliance with service standards and ADAP guidelines, provide medication

adherence counseling to ADAP clients, maintain adequate inventory, and fill prescriptions promptly.

The Contractor will inform ADAP when there are changes in the pharmacy network with a monthly report, and shall notify ADAP within one (1) business day when there are problems or emergent situations.

The Contractor will communicate at least monthly with pharmacies in the network to inform them of program issues, such as formulary updates, changes in how ADAP interacts with insurance companies or other government payers, and other relevant issues. The Contractor shall submit to ADAP communications that go to the pharmacy network fourteen (14) calendar days prior to release. Communications that go to the pharmacy network shall be approved by ADAP staff.

b. Provision of Basic Treatment Adherence

The Contractor shall ensure that all ADAP clients receive basic treatment adherence counseling at each fill and refill.

c. Coordination of Benefits/Claims Processing

The Contractor shall:

- **i.** Provide for electronic claims processing that allows pharmacies to do online adjudication and split billing/cross-over claims, such that pharmacies and/or clients are not required to submit manual claims for secondary payers.
- **ii.** Coordinate primary, secondary, and tertiary payers of prescription claims and be able to transmit primary, secondary, and/or tertiary insurance information to a pharmacy in its network.
- **iii.** Exhaust all means of prescription claim payment with ADAP as the final payer so that ADAP remains the payer of last resort.
- **iv.** Coordinate coverage and benefits with other health insurance providers to ensure that applicable expenditures are credited toward meeting the client's out-of-pocket expenditure requirements of the health insurance plan.
- **v.** Coordinate coverage and benefits with Medicare Part D Prescription Drug Plans, when applicable, and ensure that ADAP expenditures are credited toward meeting clients' true out-of-pocket (TrOOP) expenditure requirements as specified by guidance from HRSA (see Section III.3.D of the ADAP Manual) and the Centers for Medicare and Medicaid Services (CMS). This includes participating in data sharing with CMS and maintaining an ADAP-specific unique Prescription Benefit International Number (RxBIN) and a unique Pharmacy Benefit Processor Control Number (PCN) to code for coverage that is supplemental to Medicare Part D.

d. Payment of Claims and Other Related Insurance Costs and Reimbursement

- **i.** Ensure health insurance co-payment, deductible, and co-insurance costs are paid at the time of prescription purchase for ADAP Insurance Assistance clients. The insurance costs shall be passed on to DHHS without markup or fees.
- **ii.** Provide payment to network pharmacies, if applicable, on a regular basis and in accordance with guidance and standards from the National Council for Prescription Drug Programs (NCPDP) (see link to NCPDP).
- **iii.** Avoid paying for ineligible charges, such as non-formulary medications, or paying claims for inactive or ineligible ADAP clients. Charges for ineligible services or medications shall not be passed on to DHHS.
- **iv.** Ensure that Nebraska ADAP reserves the exclusive right to all available 340B partial pay rebates from the transactions in which ADAP participates as a payer of insurance deductibles, co-payments, or coinsurance on behalf of ADAP enrollees (see link to information on partial-pay rebates), and ensure that all ADAP client cost-share payments are properly tracked and reported to ADAP.

e. Data and Reporting

The Contractor shall maintain a secure data system that is capable of receiving and managing confidential client eligibility information, processing claims; creating reports; and transferring data securely. The electronic claims data system must:

- **i.** Allow for confidential communications of claims, product cost, individual prescription history, and client demographics. The Contractor will work with DHHS to accomplish any necessary data transfers to the ADAP and HRSA.
- **ii.** Allow unlimited remote access to ADAP staff. Access to others shall be determined by DHHS and administered by the Contractor (i.e., training, user set up, password reset, technical support, etc.).

iii. Allow for notification to participating pharmacies regarding termination of ADAP members.

iv. Provide monthly drug utilization review reports, due fifteen (15) calendar days following the end of the month, to ADAP. The report shall include the total of each category for clients that are enrolled in services for the month and the clients that utilized the service for the month:

- **a)** full ADAP;
- **b)** Medication Co-Pays;
- **c)** Medication Co-insurance;
- **d)** Medication Deductibles;
- **e)** off market place, COBRA;
- **f)** employer insurance;
- **g)** self-insured;
- **h)** Medicare, and;
- **i)** Medicaid.

v. Provide an electronic billing invoice via flat CSV file to ADAP listing all clients for whom prescriptions were filled for the week and showing all costs associated with the Ryan White program. The report will show an itemized list of: Date of Service, Total Amount Billed, Client State ID, Doctor's Name, RX Number, Product Name, NDC Number, Quantity Filled, Amount Paid by insurance, ADAP payment category [full ADAP, ADAP copayment, ADAP co-insurance, ADAP deductible], Insurance Name and Type, Amount Due From ADAP, Client Drug Total, and other information as needed.

vi. Prepare and provide a quarterly report via flat CSV file to the ADAP listing each HIV medication on the formulary, amount billed, quantity, NDC, and how many clients served each month within the quarter, and other information required.

vii. Prepare and provide a quarterly report via flat CSV file to the ADAP showing all Gilead medications (NDC labeler 61958) provided to ADAP clients each month inclusive of all information required by the pharmaceutical manufacturer (see Attachment D).

viii. Prepare and provide a quarterly aggregate report via flat CSV file to the Ryan White Program Manager of all Gilead medications provided to Ryan White clients each month inclusive of all information required by the pharmaceutical manufacturer (report template to be provided by Nebraska ADAP).

ix. Allow for drug utilization monitoring and implementation of cost-containment measures, such as annual expenditure caps or prior authorizations on specific medications.

x. Comply with Confidentiality, IT Standards, and Security requirements https://nitc.nebraska.gov/standards/index.html

f. Back-billing and Eligibility Screening

The Contractor shall ensure that ADAP is the payer of last resort by screening for existing insurance coverage and eligibility.

i. Provide recoupment (e.g., back-billing) services when other coverage is found or client becomes retro-eligible with other payers, such as Medicaid, Medicare and commercial insurance companies.

ii. Provide a monthly report, due fifteen (15) calendar days after month end, notifying ADAP of other coverage that is identified.

g. Overpayment or Payment of Invalid Claim

In the event the contractor pays an Invalid Claim or makes an Overpayment, the contractor, at the State's discretion, will undertake one or more of the following actions unless the payment of the Invalid Claim or Overpayment is the result of inaccurate or untimely information provided by the State:

i. Contact the recipient of the improper payment and request a refund from the recipient. If the recipient fails to refund the amount of the improper payment, the contractor will offset the amount of the improper payment against future payments for Claims submitted by the same recipient.

ii. In the event of an overpayment as a result of the contractor's failure to require the dispensing pharmacy to collect the correct amount of co-pay(s) and/or deductible(s), the contractor will refund the amount of the overpayment to the State provided that the contractor is not precluded by the State from recovering past and/or present Members' non-payment or underpayment of copayments, and the State provides all available address and similar information with respect to past and present Members who benefited from the Member nonpayment or underpayment of the copayment; and/or reimburse the State.

h. Technical and Customer Support

- **i.** Provide technical and customer support to ADAP staff, network pharmacies, case managers, and clients, including responding to calls or inquiries from DHHS staff within one (1) state business day.
- **ii.** Advise and/or cooperate with the formulary advisory committee, a public planning body, and federal grant officials. This should be a quarterly call.
- **iii.** Communicate various types of claims, eligibility, and other information related to the claims services to and from ADAP staff, clients, network pharmacies, and other authorized third persons for purposes of pharmacy benefit administration.
- **iv.** Maintain a phone number that can be called toll free from any part of the state. ADAP-enrolled individuals may use this phone number to access pharmacy support services and to request prescription refills. Phone number shall be accessible 8:00 AM CST – 6:00 PM CST, Monday through Friday.
- **v.** Contact ADAP enrollees, healthcare providers, and case managers to identify and assist individuals who are not taking medications as prescribed by the physician (e.g., reducing dosage or discontinuing a medication without consultation with the physician); to assist the individual with adherence to complex regimens; and to determine when each prescription refill is needed so as to ensure that the individual does not accumulate excess medications. Patient contact and pharmacy support services shall be provided for all ADAP-enrolled individuals receiving medications regardless of the purchase method for the medications.

3. Insurance Benefit Management Services – ADAP Insurance Assistance Program

a. Payment of Insurance Premiums

The Contractor shall provide premium payment assistance for ADAP clients in the Insurance-Assistance Program who have ADAP-sponsored health insurance plans. In administering the program, the Contractor shall:

- **i.** Ensure payment of insurance premiums to health plans selected by ADAP for approved clients within five (5) business days once approval is received from the ADAP office, unless faster payment is requested from DHHS staff.
- **ii.** Pay up to six (6) months of premiums per client invoice, or as directed by the ADAP.
- **iii.** Ensure access to sufficient capital to pay premiums until such time that the Contractor can be reimbursed by DHHS.
- **iv.** Ensure payments are made only on behalf of approved and active clients.
- **v.** Administer cancellations of policies when authorized by ADAP, by the last day of the calendar month.
- **vi.** Work with ADAP staff to adjudicate issues related to premium payment, client eligibility for services, and claims.
- **vii.** DHHS will provide information on clients every six (6) months, or if there are any insurance changes.

b. Data Reporting

The Contractor shall maintain a secure client-level data and/or customer support system for ADAP staff. The system shall:

- **i.** Provide access to ADAP staff and ADAP enrollment staff during regular working hours.
- **ii.** Allow real-time determination of premium amounts paid, pending, or owed.
- **iii.** Provide monthly client-level reports of premium payments made.
- **iv.** Comply with Confidentiality, IT Standards, and Security requirements https://nitc.nebraska.gov/standards/index.html

4. Direct Pharmacy Services – ADAP Medication Assistance Program

a. Manage Inventory – The Contractor shall:

- **i.** Order ADAP-approved medications directly from a wholesale distributer designated by the Contractor. All HIV-related ADAP medications must be purchased at non-340B prices and inventoried separately from medications purchased at 340B prices for other programs.
- **ii.** Ensure and provide an attestation that all ADAP prescriptions are filled from non-340B priced and purchased inventory.
- **iii.** Maintain statewide availability of prescription medications listed on the ADAP formulary through adequate inventory supply.

iv. Develop and provide an informational sheet for every prescription dispensed that discusses side effects and drug interaction concerns. The information sheet must be provided each time the medication is dispensed.

b. Dispensing and Statewide Delivery

For ADAP, the Contractor shall:

i. For clients who are not covered by the insurance program (ADAP Medication Assistance), ship dispensed medications within three (3) days to the client's mailing address, to the office of the client's physician, or to a representative designated by the client, as requested by the client.

ii. Ship medications by U.S. Postal Service Priority Mail or by an expedited delivery service.

iii. Ensure that medications are not sent to an address outside the state, except with approval of DHHS.

iv. Dispense and deliver medications in one-month supplies with refills shipped one week before the current fill is set to run out. The client notified by the pharmacy when it is time to refill two weeks before the current fill is set to run out. Notifications issued by the pharmacy can be via either phone, email, or SMS. Dispensing of more than a one-month supply shall require the approval of DHHS.

v. Costs for shipping, mailing containers, and repackaging supplies for medications and other biologicals are the responsibility of the Contractor.

c. Provide Patient Contact and Pharmacy Support Services – the Contractor shall:

i. Maintain a phone number that can be called toll free from any part of the state. ADAP-enrolled individuals may use this phone number to access pharmacy support services and to request prescription refills.

ii. Contact ADAP enrollees, healthcare providers, and case managers to identify and assist individuals who are not taking medications as prescribed by the physician (e.g., reducing dosage or discontinuing a medication without consultation with the physician); to assist the individual with adherence to complex regimens; and to determine when each prescription refill is needed so as to ensure that the individual does not accumulate excess medications. Patient contact and pharmacy support services shall be provided for all ADAP-enrolled individuals receiving medications regardless of the purchase method for the medications.

d. Other Contractor requirements:

i. Develop a policy and procedure manual as it relates to handling of prescriptions supplies and non-340B medications.

ii. Develop a contingency plan for temporarily dispensing and delivering medications to DHHS clients in the event of a national or state emergency that precludes normal operations and procedures.

iii. Be responsible for all record keeping of prescriptions, as required by any applicable law.

iv. Follow all state and federal statutes and regulations related to the dispensing of non-340B medications.

v. Provide additional services, such as evaluation of patient satisfaction, implementation of patient messaging systems, development of expanded patient adherence programs, or implementation of quality improvement programs or cost-containment strategies, that fit within the context of this RFP, as needed and requested by DHHS.

5. Grievance Procedures

a. The Contractor will provide grievance procedures for clients and pharmacy providers to address grievances regarding the provisions of the services or related to a Contractor contract or administration issue. Grievance procedures for pharmacy providers will be as follows:

i. Disagreement or disputes related to specific prior authorization requests should be resolved with the Contractor's pharmacy technician whenever possible or the pharmacy provider should request assistance from the pharmacy technician supervisor.

ii. All other issues and disputes should be directed to one of the members of the Contractor's executive staff. Pharmacy providers should include any documentation with as much information as possible to support the grievance. Grievances will be reviewed objectively and fairly by the Contractor considering information provided by all sides. A response will be conveyed to the involved parties within 72 hours.

iii. If the grievance is not resolvable by the Contractor, the pharmacy provider will have the right to contact the DHHS Contract Manager.

iv. Written grievances that pharmacy providers forward to DHHS Contract Manager require supporting documentation. The Contractor will forward to DHHS Contract Manager

copies of the Contractor actions taken to resolve the grievance upon notification by DHHS Contract Manager.

b. Grievance procedures for clients are as follows:

i. Disagreement or disputes should be resolved with the Contractor staff person concerned whenever possible.

ii. If the disagreement or dispute is not resolvable at the staff level, the client may request a meeting with the immediate supervisor of the staff person.

iii. If the disagreement or dispute still is unresolved at the first level supervisor or with the pharmacy manager, the client should be instructed to contact the Contractor executive staff to document the grievance and/or forward it by fax or mail to the Contractor executive staff.

iv. The situation will be investigated considering information provided by all sides. The client must provide necessary documentation when applicable to support the grievance being reviewed. The facts and documentation will be reviewed objectively and fairly. All parties involved in the grievance will be interviewed and a resolution determined.

v. If the grievance is not resolvable by the Contractor, clients may then complete the Contractor grievance form and forward it to HD. The Contractor will maintain records of all documented pharmacy provider and client grievances. As part of the Contractor's Quality Assurance Plan, the Contractor will document all grievances and review them for the effectiveness of the process and appropriateness of the response. The Contractor will share its findings with HD.

E. REQUIRED REPORTING

DHHS requires periodic reporting of compliance with proposed action plan, provision of services, and incurred expenses by the Contractor. The required reports and related information will be submitted within the ADAP Program Manager. The reports and submission requirements are subject to change at the sole discretion of DHHS.

Anticipated reports include:
The Contractor shall submit progress/performance reports monthly or upon request during the term of this contract. The monthly reporting period shall be the first business day of the month to the last business day of the month. Reports shall be submitted no later than the fifteenth (15) business day of the subsequent month. Reports must be submitted in electronic media. Additionally, the Contractor agrees to meet with Department staff upon request. Oral presentations by the Contractor shall not routinely be required; however, such presentations may be required upon request.

1. Pharmacy Benefit Management Reports

The Contractor shall submit monthly reports with the following information:

a. ADAP Insurance Assistance Program summary report. The report shall include client-level and aggregate information on prescription refills and client cost-sharing. Fields and format to be determined during contract negotiation.

b. ADAP Adherence Summary. The report shall include a list of clients who were late or missed filling prescriptions. Fields and format to be determined during contract negotiation.

2. Insurance Benefit Management Reports

The Contractor shall submit a monthly report with the following information:
ADAP Premium Payment Report. The report shall include client-level and aggregate information on insurance premium payments made on behalf of ADAP Insurance Assistance clients. Fields and format to be determined during contract negotiation.

3. ADAP Medication Assistance Program Reports
The Contractor shall submit monthly reports with the following information:

a. ADAP Inventory Reconciliation Report. The bidder shall maintain adequate records to track inventory and shall submit a monthly report reconciling beginning inventory, ending inventory, additions to inventory, and dispenses for the inventory of DHHS-owned medications.

4. Claim Vouchers
The Contractor shall submit the State of Nebraska billing invoices on a monthly basis by the 15th of each month. Invoices may be submitted simultaneously with or after the corresponding monthly report but an invoice must not include charges for any service not yet reported.

VI. PROPOSAL INSTRUCTIONS

This section documents the requirements that should be met by contractors in preparing the Technical and Cost Proposal. Bidders should identify the subdivisions of "Project Description and Scope of Work" clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State's comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Cost Proposal are presented separately in the following subdivisions; format and order:

A. PROPOSAL SUBMISSION

1. CORPORATE OVERVIEW

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

c. CHANGE OF OWNERSHIP

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the contractor should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded bidder(s) will require notification to the State.

d. OFFICE LOCATION

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

e. RELATIONSHIPS WITH THE STATE

The bidder should describe any dealings with the State over the previous two (2) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the contractor should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

f. BIDDER'S EMPLOYEE RELATIONS TO STATE

If any Party named in the contractor's proposal response is or was an employee of the State within the past two (2) years, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the contractor, as of the due date for proposal submission, identify all such persons by name, position held with the contractor, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the contractor may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

g. CONTRACT PERFORMANCE

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past two (2) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the contractor's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the contractor or litigated and such litigation determined the contractor to be in default.

It is mandatory that the contractor submit full details of all termination for default experienced during the past two (2) years, including the other Party's name, address, and telephone number. The response to this section must present the contractor's position on the matter. The State will evaluate the facts and will score the contractor's proposal accordingly. If no such termination for default has been experienced by the contractor in the past two (2) years, so declare.

If at any time during the past two (2) years, the contractor has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this solicitation in size, scope, and complexity. The bidder must have at least 3 years of experience providing pharmacy-related services, including direct pharmacy services, ensuring statewide coverage of pharmacy services, providing adherence counseling, adjudicating pharmacy-related claims; paying health insurance premiums; working with 340B programs and drugs; making co-payments on behalf of clients; providing secure data systems; and working with state ADAP programs. The State will use no more than three (3) narrative project descriptions submitted by the contractor during its evaluation of the proposal.

The bidder should address the following:

iii. Provide narrative descriptions to highlight the similarities between the bidder's experience and this solicitation. These descriptions should include:

- **a)** The time period of the project;
- **b)** The scheduled and actual completion dates;
- **c)** The Contractor's responsibilities;
- **d)** For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
- **e)** Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a contractor performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

iv. Contractor and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.

v. If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Contractors above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.

vi. Bidders are required to provide information about key personnel specific to this project, which include staff position, staff name, their role and responsibilities for this project, as well as their experience and education related to providing these types of services.

i. SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this solicitation. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the contractor to work on the project. The State will consider the resumes as a key indicator of the contractor's understanding of the skill mixes required to carry out the requirements of the solicitation in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

j. SUBCONTRACTORS

If the contractor intends to Subcontract any part of its performance hereunder, the contractor should provide:

vii. name, address, and telephone number of the Subcontractor(s);
viii. specific tasks for each Subcontractor(s);
ix. percentage of performance hours intended for each Subcontract; and
x. total percentage of Subcontractor(s) performance hours.

2. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

a. Understanding of the project requirements;
b. Proposed development approach;
c. Technical considerations;
d. Detailed project work plan; and
e. Deliverables and due dates.

Form A
Contractor Proposal Point of Contact
Request for Proposal Number (####)Z1

Form A should be completed and submitted with each response to this solicitation. This is intended to provide the State with information on the contractor's name and address, and the specific person(s) who are responsible for preparation of the contractor's response.

Preparation of Response Contact Information	
Contractor Name:	NextGen Healthcare, dba HSI
Contractor Address:	1836 Lackland Hill Parkway St. Louis, MO 63146
Contact Person & Title:	Correen Macchi, Director - Care Services
E-mail Address:	cmacchi@nextgen.com
Telephone Number (Office):	314-872-1334
Telephone Number (Cellular):	314-503-0750
Fax Number:	888-301-0518

Each contractor should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the contractor's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Contractor Name:	NextGen Healthcare, dba HSI
Contractor Address:	1836 Lackland Hill Parkway St. Louis, MO 63146
Contact Person & Title:	Correen Macchi, Director - Care Services
E-mail Address:	cmacchi@nextgen.com
Telephone Number (Office):	314-872-1334
Telephone Number (Cellular):	314-503-0750
Fax Number:	888-301-0518

Form B: REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

CONTRACTOR MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the contractor guarantees compliance with the procedures stated in this Solicitation, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that contractor maintains a drug free work place.

Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

_____ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this Solicitation.

_____ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

_____ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD (NOT ELECTRONICALLY)

FIRM:	NextGen Healthcare, dba HSI
COMPLETE ADDRESS:	1836 Lackland Hill Pkwy, St. Louis, MO 63146
TELEPHONE NUMBER:	877-541-6822
FAX NUMBER:	314-567-1042
DATE:	11-13-2020
SIGNATURE:	DocuSigned by: Correen Macchi 3F6457035AFB40E...
TYPED NAME & TITLE OF SIGNER:	Correen Macchi Director, Care Services

Project Description and Scope of Work
1. Corporate Overview

Bidder Identification and Information

NextGen Healthcare, Inc., dba HSI (Healthcare Strategic Initiatives
Corporate Headquarters: 18111 Von Karman Ave., Suite 800, Irvine, CA 92612
Incorporated in the state of California, 1974
Also known as: Quality Systems Inc., NextGen Practice Solutions, NextGen RCM Services,

Financial Statements

Included as a separate document entitled "Project Description and Scope of Work – Corporate Overview – Financial Statements"

Change of Ownership

No change of ownership is anticipated

Office Location

The office responsible for performance pursuant to this contract is located at NextGen Healthcare, HSI Care Services, 1836 Lackland Hill Pkwy, St. Louis, MO 63146

Relationships with the State

This bidder is unaware of any contracts or current dealings with the state of Nebraska

Bidder's Employee Relations to State

This bidder is unaware of any party in this proposal being employed by the state of Nebraska within the past two years

Contract Performance

The bidder has had no contract terminated for default during the past two years

Summary of Bidder's Corporate Experience

The Healthcare Strategic Initiatives (HSI) Ryan White program, hereinafter HSI or HSI Care Services, is a comprehensive benefits administration program serving men, women and children throughout Missouri, Kansas and Oklahoma. The company was formed in September 1995 to service healthcare professionals in management, information systems, physician practice management and network development. Since its inception, HSI Care Services has grown to be a

leader in the provision of care and services to the HIV community. In 2020, HSI provided reimbursement and coordination of services to over 8,000 individuals living with HIV. Those services coordinated and administered by HSI Care Services include:

- reimbursement for primary care services, laboratory services, medications, mental health services, and dental services
- Insurance premium payments and insurance co-payment and cost sharing payments for care and medications related to the care and treatment of HIV disease
- Electronic claim acceptance and processing based upon program planned designs
- Processing and payments for Ryan White and HOPWA funded rent, utilities and emergency financial services
- Transportation card/voucher fulfillment
- Database administration including user training and technical assistance

Below is a brief company history and description:

In September 1992, American Home Therapies Management Services (AHTMS) began administering the Ryan White Health Insurance Continuation Program for the State of Missouri. Initially this program was completely funded by American Home Therapies, Inc. and the company's shareholders. Over an 18- month period beginning in September 1992, the company and shareholders committed and paid over $300,000 to health insurance companies to maintain commercial health insurance for over seventy-five HIV+ individuals. These funds were not reimbursed by Federal, State or local governments. AHTMS worked very closely with the Ryan White Case Managers in St. Louis, Kansas City and the non-metropolitan Outstate areas to preserve client's commercial insurance with private funding.

In September 1995, HSI (formerly AHTMS) was contracted to manage Ryan White Part A fee for service funds for the St. Louis Transitional Grant Area (TGA) for the period beginning September 1995. HSI was subsequently awarded the St. Louis TGA's third party management for 1996 through 2019. In March 2002, HSI was contracted to provide fiscal management for all Ryan White funds for the City of St. Louis and to develop and maintain a client level database capable of recording and generating system wide data reports for all funded programs in the St. Louis TGA.

In March 1996 and again in 1997, HSI was awarded the Benefit Administrator contract for Missouri's Outstate Part B and ADAP programs by the Missouri Department of Health and Senior Services (MODHSS). By 1998, HSI had been contracted to provide Part B, ADAP, and HOPWA to all regions of Missouri. HSI has consistently been awarded contracts by MODHSS to continue providing these same services.

MODHSS contact person:
Christine Smith, Chief, Bureau of HIV, STD, and Hepatitis,
930 Wildwood Drive, Jefferson City, MO 65102
573-751-6431
Christine.smith@health.mo.gov

Current budget = $60m annually

Beginning in 2006, HSI also began contracting with the Kansas Department of Health and Environment (KDHE) and the Kansas City Health Department (KCHD). The services provided through these contracts include database administration and third party administration for health insurance continuation, medical care, and cost sharing payments. HSI has consistently been awarded contracts by KDHE and KCHD to continue providing these same services.

KDHE contact person:
Debbie Guilbault, STI/HIV Prevention and Care Section Chief
1000 SW Jackson, Suite 210
Topeka, KS 66612
785-368-8218
Debra.guilbault@ks.gov

Current budget = $4m annually

KCHD contact person:
Samantha Hughes, HIV Service Manager
2400 Troost Avenue, Suite 1200
Kansas City, MO 64108
816-513-6268
Samantha.hughes@kcmo.org

Current budget = $270k annually

The Oklahoma State Department of Health (OSDH), the Part B and ADAP grantee, began contracting with HSI for Insurance Benefit Management (IBM) in 2014. This includes health insurance premium payments and medical co-pay assistance for Ryan White eligible patients. HSI has consistently been awarded contracts by OSDH to continue providing these same services.

OSDH contact person:
Debbie Purton, Administrative Program Manager, Care Delivery, Sexual Health and Harm Reduction Service
1000 NE 10th Street, Maildrop 0308
Oklahoma City, OK 73117
405-271-9444
debbiep@health.ok.gov

Current budget = $6.5m annually

During the term of these contracts, HSI has consistently demonstrated a willingness to facilitate activities, whenever possible, not explicitly stated as contract deliverables in order to ensure availability of services to clients and program stability**.** HSI is known as a trusted advisor to the Ryan White recipients contracting services to our organization.

Summary of Bidder's Proposed Personnel/Management Approach:

The bidder intends to assign a manager to this program as well as representatives who will specialize in the needs of the state of Nebraska. These representatives will be cross trained in insurance benefit management to process insurance premium payments as well as insurance wraparound assistance with primary care and medication secondary assistance as needed.

Key Personnel specifically involved in the implementation of this program include: Correen Macchi, LaBraunna Friend, Heather Wolf, Gary Long. Their combined experience totals over sixty years involvement with Ryan White programs. Resumes are provided.

Subcontractors:

HSI currently subcontracts with Perform Rx. Perform Rx has provided PBM services to HSI's clients since 2016. Perform Rx allows us to: manage a pharmacy network allowing clients to exercise their choice to receive medications at a neighborhood pharmacy or via mail delivery, adjudicate claims electronically 24/7 both for clients with insurance and uninsured clients, provide medication counseling and Ryan White client interaction through contracted pharmacies, monitor drug interactions, and reverse pharmacy claims. HSI Care Services works with Perform Rx to establish and monitor drug formulary design, reverse pharmacy claims when other payer sources are identified, and handle pharmacy calls concerning client eligibility and prior authorization, if required.

Perform Rx
200 Stevens Drive
Philadelphia, PA 19113
866-533-5492

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 March 31, 2020

or

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

Commission file number: 001-12537

NEXTGEN HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

California	**95-2888568**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
18111 Von Karman Avenue, Suite 800, Irvine, California	**92612**
(Address of principal executive offices)	*(Zip Code)*

(949) 255-2600

(Registrant's telephone number, including area code)

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

Title of each class	*Trading Symbol*	*Name of each exchange on which registered*
Common Stock, $0.01 Par Value	**NXGN**	**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 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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit). Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ 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 Act). Yes ☐ No ☑

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 30, 2019: $849,511,000 (based on the closing sales price of the Registrant's common stock as reported on the NASDAQ Global Select Market on that date of $15.67 per share)*

The Registrant has no non-voting common equity.

The number of outstanding shares of the Registrant's common stock as of May 26, 2020 was 66,105,068 shares.

* For purposes of this Annual Report on Form 10-K, in addition to those shareholders which fall within the definition of "affiliates" under Rule 405 of the Securities Act of 1933, as amended, holders of ten percent or more of the Registrant's common stock are deemed to be affiliates for purposes of this Report.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement related to the 2020 Annual Shareholders' Meeting to be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended March 31, 2020 are incorporated herein by reference in Part III of this Annual Report on Form 10-K where indicated.

NEXTGEN HEALTHCARE, INC.

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2020 ANNUAL REPORT ON FORM 10-K

CAUTIONARY STATEMENT

This Annual Report on Form 10-K (this "Report") and certain information incorporated herein by reference contain forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Report, other than statements that are purely historical, are forward-looking statements. Words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “should,” “would,” “could,” “may,” and similar expressions also identify forward-looking statements. These forward-looking statements include, without limitation, discussions of the impact of the COVID-19 pandemic and measures taken in response thereto, as well as our product development plans, business strategies, future operations, financial condition and prospects, developments in and the impacts of government regulation and legislation and market factors influencing our results. Our expectations, beliefs, objectives, intentions and strategies regarding our future results are not guarantees of future performance and are subject to risks and uncertainties, both foreseen and unforeseen, that could cause actual results to differ materially from results contemplated in our forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to continue to develop new products and increase systems sales in markets characterized by rapid technological evolution, consolidation, and competition from larger, better-capitalized competitors. Many other economic, competitive, governmental and technological factors could affect our ability to achieve our goals, and interested persons are urged to review the risks factors discussed in “Item 1A. Risk Factors” of this Report, as well as in our other public disclosures and filings with the Securities and Exchange Commission (“SEC”). Because of these risk factors, as well as other variables affecting our financial condition and results of operations, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. We assume no obligation to update any forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of the filing of this Report. Each of the terms “NextGen Healthcare,” “NextGen,” “we,” “us,” “our,” or the “Company” as used throughout this Report refers collectively to NextGen Healthcare, Inc. and its wholly-owned subsidiaries, unless otherwise indicated.

PART I

ITEM 1. BUSINESS

Company Overview

NextGen Healthcare is a leading provider of software and services that empower ambulatory healthcare practices to manage the risk and complexity of delivering care in the rapidly evolving U.S. healthcare system. Our combination of technological breadth, depth and domain expertise makes us a preferred solution provider and trusted advisor for our clients. In addition to highly configurable core clinical and financial capabilities, our portfolio includes tightly integrated solutions that deliver on ambulatory healthcare imperatives including: population health, care management, patient outreach, telemedicine and nationwide clinical information exchange.

We serve clients across all 50 states. Our approximately 100,000 providers deliver care in nearly every medical specialty in a wide variety of practice models including accountable care organizations (“ACOs”), independent physician associations (“IPAs”), managed service organizations (“MSOs”), Veterans Service Organizations (“VSOs”), and Dental Service Organizations (“DSOs”). Our clients include some of the largest and most progressive multi-specialty groups in the country. With the recent addition of behavioral health to our strong medical and oral health capabilities, we continue to extend our share not only in Federally Qualified Health Centers (“FQHCs”), but also in the emerging integrated care market.

NextGen Healthcare has historically enhanced our offering through both organic and inorganic activities. In October 2015, we divested our former Hospital Solutions division to focus exclusively on the ambulatory marketplace. In January 2016, we acquired HealthFusion Holdings, Inc. and its cloud-based electronic health record and practice management solution. In April 2017, we acquired Entrada, Inc. and its cloud-based, mobile platform for clinical documentation and collaboration. In August 2017, we acquired EagleDream Health, Inc. and its cloud-based population health analytics solution. In January 2018, we acquired Inforth Technologies for its specialty-focused clinical content. In October 2019, we acquired Topaz Information Systems, LLC for its behavioral health solutions. In December 2019, we acquired Medfusion, Inc. for its Patient Experience Platform (i.e., patient portal, self-scheduling, and patient pay) capabilities and OTTO Health, LLC for its integrated virtual care solutions, notably telemedicine. The integration of these acquired technologies has made NextGen Healthcare’s solutions among the most comprehensive and powerful in the market.

Our company was incorporated in California in 1974. Previously named Quality Systems, Inc., we changed our corporate name to NextGen Healthcare, Inc. in September 2018. Our principal offices are located at 18111 Von Karman Ave., Suite 800, Irvine, California, 92612, and our principal website is www.nextgen.com. We operate on a fiscal year ending on March 31.

Industry Background, Regulatory Environment, and Market Opportunity

Over the last decade, the ambulatory healthcare market has experienced significant regulatory change, which has driven the need for improved technology to enable practice transformation. Recognizing it was imperative to digitize the American health system to stem the escalating cost of healthcare and improve the quality of care being delivered, Congress enacted the Health Information Technology for Economic and Clinical Health Act in 2009 (“HITECH Act”). The legislation stimulated healthcare organizations to not only adopt electronic health records, but to use them to collect discrete data that could be used to drive quality care. This standardization supported early pay-for-reporting and pay-for-performance programs.

In 2010, the Affordable Care Act (“ACA”) established the roadmap for shifting American healthcare from volume (fee-for-service) to a value-based care (“VBC”) system that rewards improved outcomes at lower costs (fee-for-value). This was followed by the Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”), bipartisan legislation that further changed the way Medicare rewards clinicians for value vs. volume. Initially focused on government-funded care, the domain of the Centers for Medicare & Medicaid Services (“CMS”), these programs are now firmly established on the commercial insurance side of the industry as well.

VBC created the need for a new category of healthcare information technology (“HIT”) tools that could be used to identify and treat groups of patients, or cohorts, based on risk. Population Health Management (“PHM”) tools support these needs by identifying patient risk, engaging patients, coordinating care, and determining when interventions are needed to improve clinical and financial outcomes. According to estimates from Frost & Sullivan in May 2020, the United States PHM market is expected to reach $9.4 billion in total revenue by 2022, representing a compound annual growth rate (“CAGR”) of 28% from 2017.

Importantly, the introduction of VBC programs was only an element of the broader approach to reducing healthcare expenditure. It was also accompanied by significant reductions in Medicare spending with a projected reduction of $253 billion in payments by 2029, as reported by RevCycle Intelligence in October 2019. The drive to reduce costs initially led to consolidation in the healthcare system that was followed by a significant shift of care from the inpatient to lower cost outpatient setting. Ambulatory surgery centers (ASCs) have become an essential component of comprehensive, low cost distributed care. According to an October 2019 report from ResearchandMarkets, ASCs continue to perform more than half of all U.S. outpatient surgical procedures and are expected to see greater volumes as the number of outpatient procedures increases by an estimated 15% by 2028. From 2015 to 2022, the proportion of outpatient cases performed in ASCs is expected to increase across most service lines with the largest jump (10%) to occur in spine procedures. Among other factors, consumerism is set to play a major role in driving ASC volume increases, as procedures performed in ASCs cost an average of 58% less than the same procedure in a hospital outpatient department. The need to sustain revenue has made it extremely important for

practices to secure their patient market share, elevating patient loyalty to a significant determinant of provider success. In addition to being loyal, groups participating in value-based contracts realized that patients also needed to be engaged in their care and interested in improving their own health. The need to attract, retain and engage patients has made patient experience one of the most important aspects of evolving care delivery in the United States. Capturing patient market share and thriving in a market driven by VBC requires both an integrated platform and a full view of the patient population's clinical and cost data, neither of which could be accomplished without new technologies to collect and analyze multi-sourced patient data. Effectively implemented, these new technologies allow organizations to enhance financial viability while exercising the freedom to join, affiliate, integrate or interoperate in ways that maximize strategic control.

Although the HITECH Act led to the successful adoption of electronic health records, many in the healthcare industry were dissatisfied with the level of exchange of health information between different providers and across different software platforms. With the passing of the MACRA law in 2015, the U.S. Congress declared it a national objective to achieve widespread exchange of health information through interoperable certified EHR technology. Then, in December 2016, the 21st Century Cures Act ("Cures Act") was passed and signed into law. Among many other policies, the law includes numerous provisions intended to encourage nationwide interoperability.

In March 2020, the HHS Office of the National Coordinator for Health Information Technology ("ONC") released a final regulation which implements the key interoperability provisions included in the Cures Act. The rule calls on developers of certified EHRs to adopt standardized application programming interfaces ("APIs") and to meet a list of other new certification and maintenance of certification requirements in order to maintain approved federal government certification status.

The ONC rule also implements the information blocking provisions of the Cures Act, including identifying reasonable and necessary activities that do not constitute information blocking. Under the Cures Act, HHS has the regulatory authority to investigate and assess civil monetary penalties of up to $1,000,000 against certified health IT developers found to be in violation of "information blocking."

The new regulations will require significant compliance efforts for healthcare providers, information networks, exchanges, and HIT companies. However, CURES also creates opportunities for improving care delivery and outcomes through increased data exchange between providers, and easier patient access to their own health information. Key to unlocking these benefits is the introduction of new Fast Healthcare Interoperability Resources ("FHIR") standards. ONC's goal is for certified HIT companies to adopt FHIR-based API standards. Meanwhile, CMS is requiring hospitals to provide electronic admission, discharge and transfer notification to other healthcare facilities, providers and designated care team members.

Through the expansion of our NextGen® Share interoperability services platform and API partner marketplace, we will address the increased demand for moving and sharing patient data from the EHR easily, quickly and securely. Interoperability improves patient experience and care coordination, enhances patient safety, and reduces costs. We are also expanding resources such as educational webinars, blogs and videos on interoperability to help educate and support healthcare providers.

In recent years, there has been incremental investment to improve the delivery of behavioral healthcare. One of the central drivers of this investment has been the opioid epidemic which claims more than 70,000 lives a year in the United States. The integrated care model previously prevalent mainly in FQHCs, a model which calls for integration of behavioral health and primary care in single care settings, has also gained momentum. Both behavioral health and the integrated care workflows require broad, purpose built, tailored HIT capabilities, many of which are supported by the NextGen platform.

In late 2019, the emergence of a novel coronavirus, or COVID-19, was reported and in January 2020, the World Health Organization ("WHO"), declared it a Public Health Emergency of International Concern. In March 2020, the WHO escalated COVID-19 as a pandemic. According to Johns Hopkins University, as of May 29, 2020, more than 5.9 million cases of COVID-19 have been reported in over 188 countries with more than 364,000 deaths. In addition to the socioeconomic disruption caused by the pandemic, both treatment and suppression measures stressed the very fabric of the U.S. healthcare system in some geographies, exacerbating some of the existing challenges with capacity, balance and reimbursement. Among the measures to slow the spread of the disease and flatten the curve in line with healthcare system capacity was social/physical distancing. The need to access care while still social distancing was addressed early on with the limited use of virtual visits and was energized when the federal government reduced regulatory barriers and addressed payment parity between virtual and in-person visits. With these tailwinds, telemedicine quickly became regarded as a safer way for patients and providers to engage each other while also relieving economic pressure on the medical practice. We believe that the uptake of telemedicine will transcend COVID-19 and that virtual visits will become a permanent and important change in the way care is delivered. Keeping patients out of the transit system, out of the waiting room and away from other sick patients is simply good medicine.

We also believe that ambulatory practices will emerge from the pandemic with a clearer appreciation of the importance of business continuity and will turn to NextGen more often for managed services. Consequently, we expect to see increased subscription of our revenue cycle management services, managed hosting, and our emerging capabilities for managed clinical and administrative services.

Based on these trends, successful clients must undertake the following imperatives:

1. Manage patient experience and engagement
2. Align incentives and energize clinicians
3. Maximize and shape financial outcomes
4. Assume risk and drive commercial advantage
5. Optimize workflows with data exchange

Our Strategy

We empower the accelerating transformation of ambulatory care by delivering solutions that enable groups to be successful under all models of care, including emerging value-based care in which providers assume risk while minimizing risk. We primarily serve groups that focus on delivering care in ambulatory settings, and do so across diverse practice sizes, specialties, and business constructs. In addition to traditional medical specialties, we participate actively with groups that deliver oral (dental) and behavioral healthcare, and with those that combine these in the emerging model for integrated care.

Our configurability enables groups to drive commercial advantage with creative workflows for patient access, patient-provider interactions, clinical workflows and care coordination. At the same time, our automation helps drive variability and cost out of the back office by accommodating exacting regulatory, billing and reporting requirements. We embrace both the art and science of delivering healthcare in the transforming U.S. healthcare system.

We believe that the ability to interoperate in a complex, heterogeneous healthcare ecosystem is one of the keys to providing great care and healthy financial outcomes. Because we interoperate with the major stakeholders across the U.S. healthcare system and power many of the nation's Health Information Exchanges ("HIEs"), we help keep patient data more secure, promote continuity of care, lower the cost of care delivery and perhaps most importantly improve the patient experience.

We recognize that patient experience drives patient engagement and that engaged patients have better outcomes. Consequently, much of our activity over the last few years has been informed by the emergence of the patient as an active, involved consumer. Our solutions help our clients create a holistic, personalized care experience that drive loyalty and satisfaction.

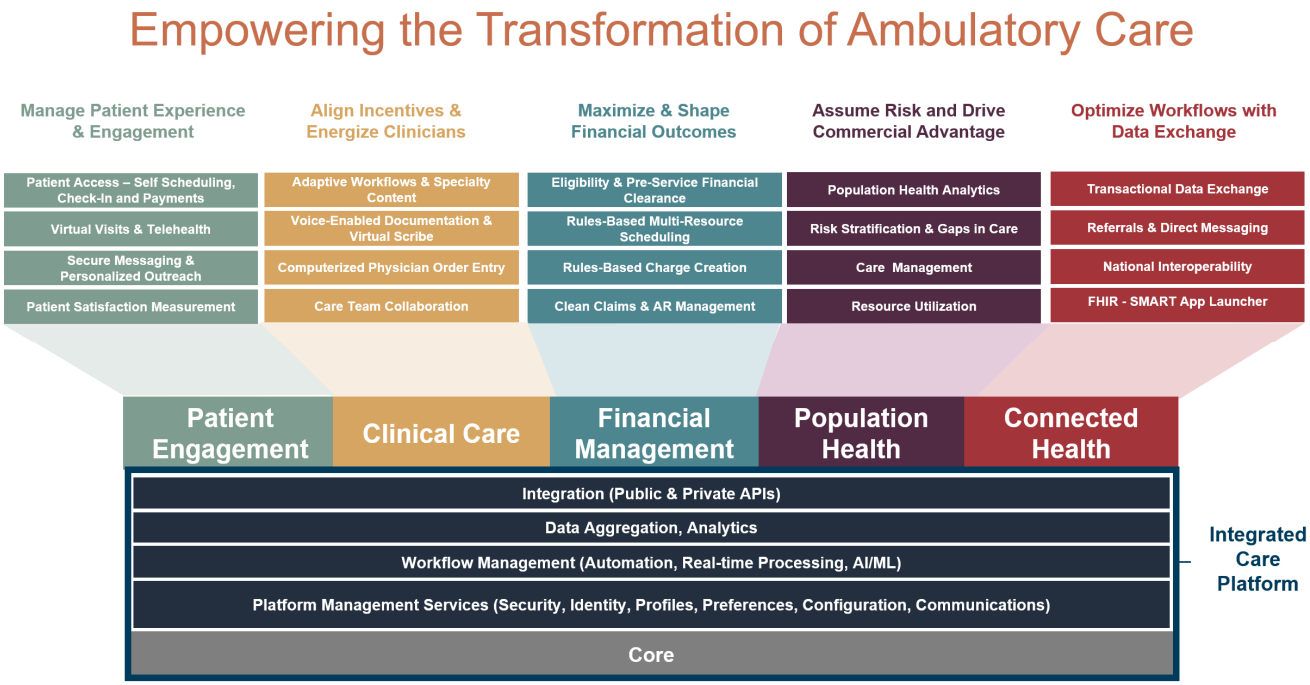
We surround our technical solutions with implementation and optimization services and provide business process outsourcing with managed hosting and revenue cycle management services. With some of our most sophisticated clients, we have been asked to share the breadth of our experience as they shape their strategies. We believe that this sort of engagement, acting as a virtual extension of our clients' leadership teams, is an important step along our journey to becoming a trusted advisor.

As one of the leading healthcare information technology players in the U.S. ambulatory marketplace, we plan to continue investing in our current capabilities as well as building and/or acquiring new capabilities as we guide our clients through the market's transformation. We expect to continue to empower the transformation of care through the following strategic priorities:

- Be a learning organization and transform ahead of the industry
- Be a trusted advisor for our customers and prospects
- Deliver breadth, depth and configurability to enable our clients to effectively execute their strategies
- Use automation to drive variability and cost from our clients' operations
- Drive real innovation in patient experience and patient-provider interactions
- Help our clients be recognized as interoperability leaders in their regions and areas of specialty
- Integrate new capabilities (whether organic or inorganic) more quickly and successfully than others.

Our Solutions

NextGen Healthcare's software and services-based solutions are aligned with our clients' strategic imperatives (refer to top row in the image below). The foundation for our integrated ambulatory care platform is a core of our industry-leading electronic health records ("EHR") and practice management ("PM") systems that support clinical and financial activities. These can be deployed on premise or in the cloud. Our primary cloud infrastructure provider is Amazon Web Services ("AWS"). We optimize the core with an automation and workflow layer that gives our clients control over how platform capabilities are implemented to drive their desired outcomes. The workflow layer includes mobile capabilities proven to reduce physician burden. Our cloud-based population health and analytics engine allows our clients to improve results in both fee-for-service and fee-for-value environments. In support of extensibility, we surround the core with open, web-based APIs to drive the secure exchange of health and patient data with connected health solutions. Finally, to ensure our clients get maximum value from our solutions, we have augmented our technology with key services aligned with their needs, helping to ensure they reach their organizational goals.



Patient Engagement Solutions boost loyalty and improve outcomes by engaging patients in their own care. Our Patient Experience Platform empowers patients to manage their own health through direct patient-provider messaging, online scheduling, automated reminders, easy payment options, and virtual visits. The ability of patients to handle their own scheduling and billing frees provider staff, restoring valuable time.

NextGen® Patient Portal – Drives patient engagement and satisfaction with easy, intuitive, 24/7 access to payments, scheduling, complete personal health information, and communication. It facilitates and simplifies comprehensive information exchange, offering anytime, anywhere access from PCs, tablets, and smart phones.

NextGen Self Scheduling™ A fully-integrated self-scheduling application that empowers patients to schedule the visit that works best for them with configurations that allow the practice to control virtually every facet of that interaction from visit-specific screening questions to provider-specific scheduling preferences.

NextGen® Patient Pay – Allows patients one integrated solution that delivers an integrated point of sale, credit card on file, automated payment collection, online and mobile compatible automated phone pay and kiosk payments.

NextGen Virtual Visits™ *(formerly known as* OTTO Health) - Delivers a tightly integrated, bi-directional telehealth experience that allows patients to have a virtual visit with their own provider's care team. The solution allows for screen-sharing, document passing, in-visit chat, one-touch access to interpretive services, and a "no-login" experience for patients.

Clinical Care Solutions improve the quality and efficiency of care delivery as well as the patient and provider experience. They significantly ease the administrative burden and enable the delivery of high quality, personalized care. Providers can automate patient intake, streamline clinical workflows, and leverage vendor-agnostic interoperability to achieve quality measures and qualify for incentives.

NextGen® Enterprise EHR – Our electronic health records solution stores and maintains clinical patient information and offers a workflow module, prescription management, automatic document and letter generation, patient education, referral tracking, interfaces to billing and lab systems, physician alerts and reminders, and reporting and data analysis tools.

NextGen® Mobile *(formerly known as Entrada®)* – Enables physicians and other caregivers to quickly and easily create relevant documentation within the EHR without sacrificing productivity. A true EHR mobile experience, the platform provides a fast, easy way for caregivers to view and share real-time clinical content and complete key tasks directly from their mobile device.

NextGen® Office *(formerly known as Meditouch®)* – A cloud-based EHR and PM solution for physicians and medical billing services designed to meet the specific needs of smaller practices. Received top score for Overall Satisfaction and Product Functionality in the 2019 KLAS Small Practice Ambulatory EMR/PM (10 or fewer physicians) Report.

Financial Management Solutions are comprised of software and key analytics that allow clients to drive healthy, predictable financial outcomes. More than just billing and collection services, financial management involves all functions that effectively capture revenue at the lowest cost, while providing an efficient experience for the patient. Financial management solutions help practices improve performance and correct operational inefficiencies, while enhancing the practice's financial outcomes throughout the revenue cycle.

NextGen® Enterprise PM – Our practice management offering is a seamlessly integrated, scalable, multi-module solution that includes a master patient index, enterprise-wide appointment scheduling with referral tracking, and clinical support. It was recognized as the #1 Practice Management Solution (11-75 Physicians) in 2019 and 2020 Best in KLAS Report.

NextGen® Electronic Healthcare Transactions – Automates the exchange of electronic data among providers, payers and patients. Included in this offering are insurance eligibility, authorizations, electronic claims, remittance, patient appointment reminders, and electronic statements.

Population Health Solutions enable our clients' practices to focus their clinical workforce on the patients with the greatest need. We do this by providing a single source of truth by aggregating disparate data, including vendor-agnostic clinical data with paid claims data. Sophisticated analytics are applied to this data to generate insights that enable practices to improve the quality of care, identify high risk patients who require enriched services, and coordinate the care of patients with chronic conditions. Cost and utilization analytics allow practices to successfully participate in risk-bearing contracts by providing timely insights into areas of over-utilization, under-utilization and mis-utilization of healthcare resources.

NextGen® Population Health Analytics *(formerly known as Eagle Dream Health)* – Delivers robust capabilities for core population health insights using integrated clinical and claims data to support both broad and deep analysis for populations of interest (attribute visualization, risk stratification, gaps in care, etc.).

NextGen® Population Health Performance Management – Supports proactive value-based contract management including network management (leakage/keepage), network design (geospatial view of network), clinical variation analysis, and a wide range of resource utilization metrics.

NextGen® Population Health Patient Care Management – Enables scalable management of care and payment reform initiatives driven by collaborative care and workflow automation. Stratifies risk and prioritizes resources. The platform provides a dynamic patient specific care plan builder as well as a longitudinal care management record, and dedicated care management future reminder and tasking tools. A unique feature of our offering includes analytics driven patient outreach facilitating care coordinators' ability to automate communications with patients based on quality initiatives and value-based contract commitments.

Connected Health Solutions enable better care by ensuring the patient and provider are making decisions based on the patient's full medical record. Interoperability is the ability of different information technology systems to communicate and exchange usable data. In healthcare, it enables caregivers to more effectively work together within and across organizational boundaries, and informed patients to be better equipped to collaborate on their own care. To provide the highest quality care at the lowest cost, organizations must capture and share information both within and across organizational boundaries outside their networks. In addition, interoperability must be frictionless and easy to implement or the opportunity to inform patient care will be missed. Our integrated, interoperable solutions and services enable providers to leverage their current technology for better outcomes and truly connected patient care.

NextGen® Connect Integration Engine – Enables patient data from disparate systems to be easily and securely shared, aggregated, and put to work, regardless of EHR, PM, or other HIT platform or location.

NextGen® Share – A broad and expanding suite of plug-and-play interoperability solutions which help NextGen® Enterprise EHR users safely and securely exchange clinical content with external providers and organizations. The platform includes support for secure direct messaging with more than 1.2 million providers and organizations, care quality integration to enable automated data exchange on behalf of nearly 240 million patients, and clinical data exchange interfaces with payers.

NextGen® Health Data Hub (HDH) – A fully redesigned data aggregation platform to meet the expanding market demand for robust data sharing, aggregation, and community access. HDH was built from the ground-up to provide comprehensive, continuous access to aggregated patient health data on a robust, reliable, platform that will enable system-wide connectivity, and support the growing enterprise data management needs for HIEs, hospitals and large ambulatory practices.

NextGen Healthcare provides real-world solutions to our clients to help them achieve their strategic objectives. Often, but not always, those software solutions are augmented with key services. Through these services we enable clients to perform better financially and focus on their primary mission of providing efficient and high-quality patient care. We believe COVID-19 will increase client appetite to outsource non-core services and that NextGen is well-positioned to be their partner in these areas.

Managed Services

NextGen® Managed Cloud Services – Our scalable, cloud hosting services reduce the burden of information technology expertise from our clients and speed implementations, simplify upgrades, cut technology costs significantly and provide 24/7 monitoring and support by a broad and constantly expanding team of technical experts

NextGen® Revenue Cycle Management Services *(formerly known as NextGen® Financial Suite)* – Includes billing and collections, electronic claims submission and denials management, electronic remittance and payment posting and accounts receivable follow-up. Our dedicated account management model helps make NextGen Healthcare a top-performing provider of RCMS as reported in the 2020 KLAS Ambulatory RCM Services Report.

Professional Services – Services include training, project management, functional and detailed specification preparation, configuration, testing, and installation services. Our consulting services, which include physician, professional, and technical consulting, assisting clients to optimize their staffing and software solutions, enhance financial and clinical outcomes, achieve regulatory requirements in the drive to value-based care, and meet the evolving requirements of healthcare reform.

Client Service and Support – Our technical services staff provides support for the dependable and timely resolution of technical inquiries from clients. Such inquiries are made via telephone, email and the internet. We offer several levels of support, with the most comprehensive service covering 24 hours a day, seven days a week.

Proprietary Rights

We rely on a combination of patents, copyrights, trademarks, service marks, trade secrets, and contractual restrictions to establish and protect proprietary rights in our products and services. To protect our proprietary rights, we enter into confidentiality agreements and invention assignment agreements with our employees with whom such controls are relevant. In addition, we include intellectual property protective provisions in our client contracts. However, because the software industry is characterized by rapid technological change, we believe such factors as the technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition, and reliable product maintenance are more important to establishing and maintaining a technology leadership position than the various legal protections of our technology.

We rely on software that we license from third parties for certain components of our products and services. These components enhance our products and services and help meet evolving client needs. The failure to license any necessary technology, or to maintain our existing licenses, could result in reduced functionality of or reduced demand for our products.

Although we believe our products and services, and other proprietary rights, do not infringe upon the proprietary rights of third parties, third parties may assert intellectual property infringement claims against us in the future. Any such claims may result in costly, time-consuming litigation and may require us to enter into royalty or cross-license arrangements.

Competition

The markets for healthcare information systems and services are intensely competitive and highly fragmented. Our traditional full-suite competitors in the healthcare information systems and services market include: Allscripts Healthcare Solutions, Inc., athenahealth, Inc., Cerner Corporation, eClinicalWorks, Epic Systems Corporation, and Greenway Health, LLC. Emerging smaller competitors also bring competition in specific sectors of the market. Additionally, we face competition from services-only competitors like business process outsourcers, hosting providers and transcription companies.

The EHR, PM, interoperability, and connectivity markets, in particular, are subject to rapid changes in technology. We expect that competition in these market segments could increase as new competitors enter the market. We believe our principal competitive advantages are our ambulatory-only focus, our comprehensive and fully-integrated solution, and our deep domain expertise, which enables our subject matter experts to serve as trusted advisors to our clients.

Privacy and Security

Our business operations involve hosting, storing, processing and transmitting confidential information including patient health information and payment card information. In addition to single-tenant environments, we operate unified, multi-tenant platforms that offer reliability, scalability, performance, security and privacy for our clients. Our infrastructure resides in several geographically diverse regions across the United States. We maintain a comprehensive security program designed to help safeguard the confidentiality, integrity and availability of our clients' data, which includes both organizational and technical control measures and the security and privacy of our service offerings. We also have systems in place to monitor the safety of patient information as well as procedures designed to take immediate action.

We have the industry's most well-known certifications for payment card and healthcare data. Including Payment Card Industry Data Security Standard (PCI-DSS) Level 1 Service Provider, Security Organization Control 2, or SOC 2 Type II, DirectTrust Health Information Service Provider (HISP), and HITRUST Common Security Framework (CSF). These certifications give our clients third-party assurance we are meeting or exceeding Health Insurance Portability and Accountability Act (HIPAA) guidelines. As a PCI-DSS Level 1 Service Provider, we are committed to upholding industry security standards to cardholder data. The Level 1 PCI compliance allows us to minimize clients' PCI scope.

While we have implemented physical, technical, and administrative safeguards designed to help protect our systems, in the event of a system interruption, security incident, or breach, these safeguards may not prevent future cybersecurity incidents or breaches. We have a comprehensive and documented Information Security Management Program designed to secure the data within our infrastructure and provide appropriate reporting disclosure, and response. In addition, all of our associates are required to complete annual cybersecurity training, HIPAA training, and PCI DSS training. These training modules are reviewed annually to ensure compliance with the latest regulatory guidelines, laws, and industry best practices.

Managing Cybersecurity Risks

Our business operations involve hosting, storing, processing and transmitting confidential information including patient health information. We have implemented physical, technical, and administrative safeguards designed to help protect our systems, in the event of a system interruption, security incident, or breach. However, these safeguards may not prevent future cybersecurity incidents or breaches. We have a comprehensive and documented Information Security Management Program designed to secure the data within our infrastructure and provide appropriate reporting disclosure, and response. In addition, all of our associates are required to complete annual cybersecurity training, HIPAA training, and PCI DSS training. These training modules are reviewed annually to ensure compliance with the latest regulatory guidelines, laws, and industry best practices.

Research and Development

The healthcare information systems and services industry is characterized by rapid technological change, requiring us to engage in continuing investments in our research and development to update, enhance and improve our systems. This includes expansion of our software and service offerings that support pay-for-performance initiatives around accountable care organizations, bringing greater ease of use and intuitiveness to our software products, enhancing our managed cloud and hosting services to lower our clients' total cost of ownership, expanding our interoperability and enterprise analytics capabilities, and furthering development and enhancements of our portfolio of specialty-focused templates within our electronic health records software.

Sales and Marketing

We sell and market our products primarily through a direct sales force and to a significantly lesser extent, through a reseller channel. NextGen Healthcare also provides solutions to networks of practices such as MSOs, IPAs, ACOs, ambulatory care centers ("ACCs"), and community health centers ("CHCs"). Our direct sales force is comprised of sales executives and account executives, who seek to understand the client strategy and identify the opportunities in their practice and build both a multistage roadmap to reach the desired end state. For large clients, we use both inside and outside sales where efforts are a mix of on-site as well as web based. For smaller clients, efforts are all inside sales via web and phone, all of whom deliver presentations to potential clients by demonstrating our systems and capabilities either on prospective client's premises or through video meeting and web-based presentations. System demonstrations for mobile workflow and analytics solutions are more web-based as these offerings tend to be targeted to larger practices. Both the direct and reseller channel salesforces concentrate on multi-product/solution sales opportunities. Our sales and marketing employees identify prospective clients through a variety of means, including: a healthcare data and analytics platform, search engine optimization and value exchange content on nextgen.com; digital advertising; direct mail and email campaigns; referrals from existing clients and industry consultants; contacts at professional society meetings and trade shows; webinars; public relations and social media campaigns; and telemarketing. Resources have shifted more heavily to digital marketing as we meet potential clients where they are and how they shop for services. Additionally, we focus on thought leadership and content marketing to highlight our industry knowledge, expertise and the successes of our diverse client base. On the larger end of the range, our sales cycle can vary significantly and typically ranges from six to 18 months from initial contact to contract execution. Smaller practices on NextGen Office tend to have significantly shorter sales cycles ranging in weeks. Historically, software licenses are normally delivered to a client almost immediately upon receipt of an order and we normally receive up-front licensing fees. Implementation and training services are normally rendered based on a mutually agreed upon timetable. Moving forward, we expect more of our transactions to move to subscriptions. Clients have the option to purchase hosting and maintenance services which, are invoiced on a monthly, quarterly or annual basis. Subscriptions are delivered electronically after the agreement is signed. They generally include implementation and are typically billed monthly after implementation or based on volume or throughput. We continue to concentrate our direct sales and marketing efforts on the ambulatory market from large multi-specialty organizations to small-single specialty practices in high-opportunity specialty segments.

We have numerous clients and do not believe that the loss of any single client would adversely affect us. No client accounted for 10% or more of our net revenue during each of the years ended March 31, 2020, 2019 and 2018. In addition, software license sales to resellers represented less than 10% of total revenue for each of the years ended March 31, 2020, 2019 and 2018. Substantially all of our clients are located in the United States.

Employees

As of March 31, 2020, we had approximately 2,754 full-time employees, of which 758 were based in Bangalore, India and substantially all other employees were based in the United States. We believe that our future success depends in part upon recruiting and retaining qualified sales, marketing and technical talent as well as other employees. None of our employees are covered by a collective bargaining agreement or are represented by a labor union.

Available Information

Our principal website is www.nextgen.com. We make our periodic and current reports, together with amendments to these reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, available on our website, free of charge, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. You may access such filings through our Investor Relations website at http://investor.nextgen.com. The SEC maintains an internet site at www.sec.gov that contains the reports, proxy statements and other information that we file electronically with the SEC. Our website and the information contained therein or connected thereto is not intended to be incorporated into this Report or any other report or information we file with the SEC. We also use the following social media channels as a means of disclosing information about the company, our platform, our planned financial and other announcements and attendance at upcoming investor and industry conferences:

- NextGen Healthcare Twitter Account (https://twitter.com/NextGen?s=20)
- NextGen Healthcare Company Blog (https://www.nextgen.com/blog)
- NextGen Healthcare Facebook Page (https://www.facebook.com/NextGenHealthcare)
- NextGen Healthcare LinkedIn Page (https://www.linkedin.com/company/nextgenhealthcareinc/)
- NextGen Healthcare Instagram Page (https://www.instagram.com/nextgenhealthcare/)
- NextGen Healthcare YouTube Page (https://www.youtube.com/user/nghisinc)

We encourage our investors and others to review the information we make public in these locations as such information could be deemed to be material information. Please note that this list may be updated from time to time.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, as well as the other cautionary statements and risks described elsewhere and the other information contained in this Report and in our other filings with the SEC, including subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We operate in a rapidly changing environment that involves a number of risks. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. If any of these known or unknown risks actually occur, our business, financial condition or results of operations could be materially and adversely affected, in which case the trading price of our common stock may decline and you may lose all or part of your investment.

Risks Related to Our Business

The extent to which the COVID-19 pandemic and measures taken in response thereto could adversely affect our financial condition, future bookings, and results of operations will depend on future developments, which are highly uncertain and are difficult to predict. The COVID-19 global pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services in the United States and worldwide. The impact of the outbreak has been rapidly evolving in the United States and other countries, including India where we have significant operations, and has led to the implementation of various responses, including government-imposed quarantines, travel restrictions, business and school closures, government-imposed postponements of non-life threatening medical procedures, and other public health safety measures. We have modified our business practices accordingly (for example, restricting employee travel, moving the vast majority of our employees to remote working, cancelling and postponing meetings, events, and conferences, and so forth). There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to perform critical functions could be harmed.

The magnitude and duration of the disruption and decline in business activity due to COVID-19 is uncertain. We may experience a negative financial impact due to a number of factors, including without limitation:

- A general decline in business activity including the impact of our clients' office closures;
- A disproportionate impact on the healthcare groups and other healthcare professionals with whom we contract;
- Financial pressures on our clients, which may in turn result in their deferment of purchase decisions, or a delay in collections or non-payment;
- Declines in new business bookings as our clients reduce or delay purchasing decisions;
- Extensions of the length of sales and implementation cycles;
- Disruptions to our supply chains and our third-party vendors, partners, and suppliers
- Difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deteriorations in credit and financing conditions which could affect our access to capital necessary to fund business operations and address maturing liabilities on a timely basis;
- The potential negative impact on the health or productivity of employees, especially if a significant number of them are impacted;
- Disruptions and expense due to employee terminations;
- A deterioration in our ability to ensure business continuity during a disruption;
- Social, economic, and labor instability in India where we have significant operations.

The extent to which the COVID-19 pandemic will impact our financial condition and results of operations will depend on future developments, which are highly uncertain and difficult to predict, including but not limited to the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, its impact on our strategic investments, and how quickly and to which extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may experience material adverse impacts to our business as a result of the global or U.S. economic impact and any recession that has occurred or may occur in the future. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have and, as a result, the ultimate impact of the pandemic on our operations and financial results is highly uncertain and subject to change.

Additionally, concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and capital markets which has and may continue to adversely impact our stock price and may adversely impact our ability to access capital markets.

The rapid development and fluidity of the pandemic situation precludes any prediction as to the ultimate adverse impact of COVID-19. This uncertainty has and may continue to affect our results of operations, financial condition and cash flows.

We face significant, evolving competition which, if we fail to properly address, could adversely affect our business, results of operations, financial condition and price of our stock. The markets for healthcare information systems are intensely competitive, and we face significant competition from a number of different sources. Several of our competitors have substantially greater name recognition and financial, technical, product development and marketing resources than we do. There has been significant merger and acquisition activity among a number of our competitors in recent years. Some of our larger competitors, who have greater scale than we do, have and may continue to become more active in our markets both through internal development and acquisitions. Transaction induced pressures, or other related factors may result in price erosion or other negative market dynamics that could adversely affect our business, results of operations, financial condition and price of our stock.

We compete in all of our markets with other major healthcare related companies, information management companies, systems integrators and other software developers. Competition in our markets occurs on the basis of several factors, including price, innovation, client service, product quality and reliability, scope of services, industry acceptance, and others. Competitive pressures and other factors, such as new product introductions by us or our competitors, may result in price or market share erosion that could adversely affect our business, results of operations and financial condition. Also, there can be no assurance that our applications will achieve broad market acceptance or will successfully compete with other available software products. If we fail to distinguish our offerings from other options available to healthcare providers, the demand for and market share of our offerings may decrease.

Saturation or consolidation in the healthcare industry could result in the loss of existing clients, a reduction in our potential client base and downward pressure on the prices for our products and services. As the healthcare information systems market evolves, saturation of this market with our products or our competitors' products could limit our revenues and opportunities for growth. There has also been increasing consolidation amongst healthcare industry participants in recent years, creating integrated healthcare delivery systems with greater market power. As provider networks and managed care organizations consolidate, the number of market participants decreases and competition to provide products and services like ours will become more intense. The importance of establishing relationships with key industry participants will become greater and our inability to make initial sales of our systems to, or maintain relationships with, newly formed groups and/or healthcare providers that are replacing or substantially modifying their healthcare information systems could adversely affect our business, results of operations and financial condition. These consolidated industry participants may also try to use their increased market power to negotiate price reductions for our products and services. If we were forced to reduce our prices, our business would become less profitable unless we were able to achieve corresponding reductions in our expenses.

Many of our competitors have greater resources than we do. In order to compete successfully, we must keep pace with our competitors in anticipating and responding to the rapid changes involving the industry in which we operate, or our business, results of operations and financial condition may be adversely affected. The software market generally is characterized by rapid technological change, changing client needs, frequent new product introductions and evolving industry standards. The introduction of products incorporating new technologies and the emergence of new industry standards could render our existing products obsolete and unmarketable. There can be no assurance that we will be successful in developing and marketing new products that respond to technological changes or evolving industry standards. New product development depends upon significant research and development expenditures which depend ultimately upon sales growth. Any material shortfall in revenue or research funding could impair our ability to respond to technological advances or opportunities in the marketplace and to remain competitive. If we are unable, for technological or other reasons, to develop and introduce new products in a timely manner in response to changing market conditions or client requirements, our business, results of operations and financial condition may be adversely affected.

In response to increasing market demand, we are currently developing new generations of targeted software products. There can be no assurance that we will successfully develop these new software products or that these products will operate successfully, or that any such development, even if successful, will be completed concurrently with or prior to introduction of competing products. Any such failure or delay could adversely affect our competitive position or could make our current products obsolete.

Uncertainty in global economic and political conditions may negatively impact our business, operating results or financial condition. Global economic and political uncertainty have caused in the past, and may cause in the future, unfavorable business conditions such as a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy and extreme volatility in credit, equity and fixed income markets. These macroeconomic conditions could negatively affect our business, operating results or financial condition in a number of ways. Instability can make it difficult for our clients, our vendors, and us to accurately forecast and plan future business activities and could cause constrained spending on our products and services, delays and a lengthening of our sales cycles and/or difficulty in collection of our accounts receivable. Current or potential clients may be unable to fund software purchases, which could cause them to delay, decrease or cancel purchases of our products and services or to not pay us or to delay paying us for previously purchased products and services. Our clients may cease business operations or conduct business on a greatly reduced basis. Bankruptcies or similar insolvency events affecting our clients may cause us to incur bad debt expense at levels higher than historically anticipated. Further, economic instability could limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing business conditions or new opportunities. Finally, our investment portfolio is generally subject to general credit, liquidity, counterparty, market and interest rate risks that may be exacerbated by these global financial conditions. If the banking system or the fixed income, credit or equity markets deteriorate or remain volatile, our investment portfolio may be impacted and the values and liquidity of our investments could be adversely affected as well.

Our relationships with strategic partners may fail to benefit us as expected. We face risk and/or the possibility of claims from activities related to strategic partners, which could be expensive and time-consuming, divert personnel and other resources from our business and result in adverse publicity that could harm our business. We rely on third parties to provide services for our business. For example, we use national clearinghouses in the processing of some insurance claims and we outsource some of our hardware services and the printing and delivery of patient statements for our clients. These third parties could raise their prices and/or be acquired by our competitors, which could potentially create short and long-term disruptions to our business, negatively impacting our revenue, profit and/or stock price. We also have relationships with certain third parties where these third parties serve as sales channels through which we generate a portion of our revenue. Due to these third-party relationships, we could be subject to claims as a result of the activities, products, or services of these third-party service providers even though we were not directly involved in the circumstances leading to those claims. Even if these claims do not result in liability to us, defending and investigating these claims could be expensive and time-consuming, divert personnel and other resources from our business and result in adverse publicity that could harm our business. In addition, our strategic partners may compete with us in some or all of the markets in which we operate.

We have acquired companies, and may engage in future acquisitions, which may be expensive, time consuming, subject to inherent risks and from which we may not realize anticipated benefits. Historically, we have acquired numerous businesses, technologies, and products. We may acquire additional businesses, technologies and products if we determine that these additional businesses, technologies and products are likely to serve our strategic goals. Acquisitions have inherent risks, which may have a material adverse effect on our business, financial condition, operating results or prospects, including, but not limited to the following:

- failure to achieve projected synergies and performance targets;
- potentially dilutive issuances of our securities, the incurrence of debt and contingent liabilities and amortization expenses related to intangible assets with indefinite useful lives, which could adversely affect our results of operations and financial condition;
- using cash as acquisition currency may adversely affect interest or investment income, which may in turn adversely affect our earnings and /or earnings per share;
- unanticipated expenses or difficulty in fully or effectively integrating or retaining the acquired technologies, software products, services, business practices, management teams or personnel, which would prevent us from realizing the intended benefits of the acquisition;
- failure to maintain uniform standard controls, policies and procedures across acquired businesses;
- difficulty in predicting and responding to issues related to product transition such as development, distribution and client support;
- the possible adverse effect of such acquisitions on existing relationships with third party partners and suppliers of technologies and services;
- the possibility that staff or clients of the acquired company might not accept new ownership and may transition to different technologies or attempt to renegotiate contract terms or relationships, including maintenance or support agreements;
- the assumption of known and unknown liabilities;
- the possibility of disputes over post-closing purchase price adjustments such as performance-based earnouts;

- the possibility that the due diligence process in any such acquisition may not completely identify material issues associated with product quality, product architecture, product development, intellectual property issues, regulatory risks, compliance risks, key personnel issues or legal and financial contingencies, including any deficiencies in internal controls and procedures and the costs associated with remedying such deficiencies;
- difficulty in entering geographic and/or business markets in which we have no or limited prior experience;
- difficulty in integrating acquired operations due to geographical distance and language and cultural differences;
- diversion of management's attention from other business concerns; and
- the possibility that acquired assets become impaired, or that acquired assets lead us to determine that existing assets become impaired, requiring us to take a charge to earnings which could be significant.

A failure to successfully integrate acquired businesses or technology could, for any of these reasons, have an adverse effect on our financial condition and results of operations.

Our failure to manage growth could harm our business, results of operations and financial condition. We have in the past experienced periods of growth which have placed, and may continue to place, a significant strain on our non-cash resources. We have also expanded our overall software development, marketing, sales, client management and training capacity, and may do so in the future. In the event we are unable to identify, hire, train and retain qualified individuals in such capacities within a reasonable timeframe, such failure could have an adverse effect on the operation of our business. In addition, our ability to manage future increases, if any, in the scope of our operations or personnel will depend on significant expansion of our research and development, marketing and sales, management and administrative and financial capabilities. The failure of our management to effectively manage expansion in our business could have an adverse effect on our business, results of operations and financial condition.

We may experience reduced revenues and/or be forced to reduce our prices. We may be subject to pricing pressures with respect to our future sales arising from various sources, including amount other things, government action affecting reimbursement levels. Our clients and the other entities with which we have business relationships are affected by changes in statutes, regulations, and limitations on government spending for Medicare, Medicaid, and other programs. Recent government actions and future legislative and administrative changes could limit government spending for Medicare and Medicaid programs, limit payments to healthcare 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 business. If we experience significant downward pricing pressure, our revenues may decline along with our ability to absorb overhead costs, which may leave our business less profitable.

Our operations are dependent upon attracting and retaining key personnel. If such personnel were to leave unexpectedly, we may not be able to execute our business plan. Our future performance depends in significant part upon the continued service of our key development and senior management personnel and successful recruitment of new talent. These personnel have specialized knowledge and skills with respect to our business and our industry. Because we have a relatively small number of employees when compared to other leading companies in our industry, our dependence on maintaining our relationships with key employees and successful recruiting is particularly significant.

The industry in which we operate is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel. There can be no assurance that our current employees will continue to work for us. Loss of services of key employees could have an adverse effect on our business, results of operations and financial condition. Furthermore, we may need to grant additional equity incentives to key employees and provide other forms of incentive compensation to attract and retain such key personnel. Equity incentives may be dilutive to our per share financial performance. Failure to provide such types of incentive compensation could jeopardize our recruitment and retention capabilities.

We may be subject to harassment or discrimination claims and legal proceedings, and our inability or failure to respond to and effectively manage publicity related to such claims could adversely impact our business. Our Code of Business Conduct and Ethics and other employment policies prohibit harassment and discrimination in the workplace, in sexual or in any other form. We have ongoing programs for workplace training and compliance, and we investigate and take disciplinary action with respect to alleged violations. However, actions by our employees could violate those policies. With the increased use of social media platforms, including blogs, chat platforms, social media websites, and other forms of Internet-based communications that allow individuals access to a broad audience, there has been an increase in the speed and accessibility of information dissemination. The dissemination of information via social media, including information about alleged harassment, discrimination or other claims, could harm our business, brand, reputation, financial condition, and results of operations, regardless of the information's accuracy.

Our recent strategy shift and the resulting business reorganization plan we are implementing may be disruptive both internally and externally, and we may not fully realize the anticipated benefits. We recently embarked on a new strategic plan geared toward realigning our business structure and strategy to rapidly emerging changes in the healthcare industry. As this process continues, we anticipate that it will result in continued evaluation of our organizational structure in order to achieve greater efficiency, as well as investments in new market solutions and changes to our culture that we hope will drive revenue growth and provide increased value to stakeholders and shareholders. There can be no assurance that our current or future strategic realignment efforts will be successful. Our ability to achieve the anticipated benefits of our strategy shift is subject to estimates and assumptions, which may vary based on numerous factors and uncertainties, some of which are beyond our

control. Reorganization programs entail a variety of known and unknown risks that may increase our costs or impair our ability to achieve operational efficiencies, such as distraction to management and employees, loss of workforce capabilities, loss of continuity, accounting charges for technology-related write-offs and workforce reduction costs, decreases in employee focus and morale, uncertainty and turbulence among our clients and vendors, higher than anticipated separation expenses, litigation, and the failure to meet financial and operational targets. If we are unable to effectively implement our strategic shift and realign our business to address the rapidly evolving market, we and our shareholders may not realize the anticipated financial, operational, and other benefits from these initiatives.

If we are unable to manage our growth in the new markets we may enter, our business and financial results could suffer. Our future financial results will depend in part on our ability to profitably manage our business in new markets that we may enter. We are engaging in the strategic identification of, and competition for, growth and expansion opportunities in new markets or offerings, including but not limited to the areas of interoperability, patient engagements, data analytics and population health. With several of our recent acquisitions, we have expanded into the market for cloud-based EHR products. It remains uncertain whether the market for cloud-based products will expand to the levels of demand and market acceptance we anticipate, and there can be no assurance that we will be able to successfully scale the acquired companies' products to meet our clients' expectations. In addition, as clients move from fee-for-service to fee-for-value reimbursement strategies in conjunction with the adoption of population health business models, we may not make appropriate and timely changes to our service offerings consistent with shifts in market demands and expectations. In order to successfully execute on our growth initiatives, we will need to, among other things, manage changing business conditions, anticipate and react to changes in the regulatory environment, and develop expertise in areas outside of our business's traditional core competencies. Difficulties in managing future growth in new markets could have a significant negative impact on our business, financial condition and results of operations.

We may not be successful in developing or launching our new software products and services, which could have a negative impact on our financial condition and results of operations. We invest significant resources in the research and development of new and enhanced software products and services. Over the last few years we have incurred, and will continue to incur, significant internal research and development expenses, a portion of which have been and may continue to be recorded as capitalized software costs. We cannot provide assurances that we will be successful in our efforts to plan, develop or sell new software products that meet client expectations, which could result in an impairment of the value of the related capitalized software costs, an adverse effect on our financial condition and operating results and a negative impact the future of our business. Additionally, we cannot be assured that we will continue to capitalize software development costs to the same extent as we have done to date, as the result of changes in development methodologies and other factors. To the extent that we capitalize a lower percentage of total software development costs, our earnings could be reduced.

We have substantial development and other operations in India, and we use offshore third-party partners located in India and other countries that subject us to regulatory, economic, social and political uncertainties in India and to laws applicable to U.S. companies operating overseas. We are subject to several risks associated with having a portion of our assets and operations located in India and by using third party service providers in India and other countries. Many U.S. companies have benefited from many policies of the Government of India and the Indian state governments in the states in which we operate, which are designed to promote foreign investment generally and the business process services industry in particular, including significant tax incentives, relaxation of regulatory restrictions, liberalized import and export duties and preferential rules on foreign investment and repatriation. There is no assurance that such policies will continue. Various factors, such as changes in the current Government of India, could trigger significant changes in India's economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular. In addition, our financial performance and the market price of our common stock may be adversely affected by general economic conditions and economic and fiscal policy in India, including changes in exchange rates and controls, interest rates and taxation policies, as well as social stability and political, economic or diplomatic developments affecting India in the future. In particular, India has experienced significant economic growth over the last several years, but faces major challenges in sustaining that growth in the years ahead. These challenges include the need for substantial infrastructure development and improving access to healthcare and education. Our ability to recruit, train and retain qualified employees, develop and operate our captive facility could be adversely affected if India does not successfully meet these challenges. In addition, U.S. governing authorities may pressure us to perform work domestically rather than using offshore resources. Furthermore, local laws and customs in India may differ from those in the U.S. For example, it may be a local custom for businesses to engage in practices that are prohibited by our internal policies and procedures or U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act ("FCPA"). The FCPA generally prohibits U.S. companies from giving or offering money, gifts, or anything of value to a foreign official to obtain or retain business and requires businesses to make and keep accurate books and records and a system of internal accounting controls. We cannot guarantee that our employees, contractors, and agents will comply with all of our FCPA compliance policies and procedures. If we or our employees, contractors, or agents fail to comply with the requirements of the FCPA or similar legislation, government authorities in the U.S. and elsewhere could seek to impose civil or criminal fines and penalties which could have a material adverse effect on our business, operating results, and financial condition.

We face the risks and uncertainties that are associated with litigation and investigations, which may adversely impact our marketing, distract management and have a negative impact upon our business, results of operations and financial condition. We face the risks associated with litigation and investigations concerning the operation of our business, including claims by clients regarding product and contract disputes, by other third parties asserting infringement of intellectual property rights, by current and former employees regarding certain employment matters, by certain shareholders, and by governmental and regulatory bodies for failures to comply with applicable laws. The uncertainty associated with substantial unresolved disputes may have an adverse effect on our business. In particular, such disputes could impair our relationships with existing clients and our ability to obtain new clients. Defending litigation and investigative matters may require substantial cost and may result in a diversion of management's time and attention away from business operations, which could have an adverse effect on our business, results of operations and financial condition.

Commencing in April 2017, we have received requests for documents and information from the United States Attorney's Office for the District of Vermont and other government agencies in connection with an investigation concerning the certification we obtained for our software under the United States Department of Health and Human Services' Electronic Health Record (EHR) Incentive Program. The requests for information relate to, among other things: (a) data used to determine objectives and measures under the Meaningful Use (“MU”) and the Physician Quality Reporting System (“PQRS”) programs, (b) EHR software code used in certifying our software and information, and (c) payments provided for the referral of EHR business. We continue to cooperate in this investigation. Requests and investigations of this nature may lead to future requests for information and ultimately the assertion of claims or the commencement of legal proceedings against us, as well as other material liabilities. In addition, our responses to these and any future requests require time and effort, which can result in additional cost to us. Given the highly-regulated nature of our industry, we may, from time to time, be subject to subpoenas, requests for information, or investigations from various government agencies. It is our practice to respond to such matters in a cooperative, thorough and timely manner.

There can be no assurance that such litigation and investigations will not result in liability in excess of our insurance coverage, that our insurance will cover such claims or that appropriate insurance will continue to be available to us in the future at commercially reasonable rates. In addition, any enforcement action by a government agency may result in fines, damage awards, regulatory consequences or other sanctions which could have a material adverse effect, individually or collectively, on the Company’s liquidity, financial condition or results of operations.

We 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, malware, 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.

Our business operations are subject to interruption by, among other, 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.

We have had to take charges due to asset impairments, and we could suffer further charges due to asset impairment that could reduce our income. We test our goodwill for impairment annually during our first fiscal quarter, and on interim dates should events or changes in circumstances indicate the carrying value of goodwill may not be recoverable in accordance with the relevant accounting guidance. In the past, we have recorded sizeable goodwill impairment charges, and we may need to do so in the future. Declines in business performance or other factors could cause the fair value of any of our operating segments to be revised downward, resulting in further impairment charges. If the financial outlook for any of our operating segments warrants additional impairments of goodwill, the resulting write-downs could materially affect our reported net earnings.

We face risks related to litigation advanced by a former director and shareholder of ours, and a shareholder derivative claim. On October 7, 2013, a complaint was filed against our Company and certain of our officers and directors in the Superior Court of the State of California for the County of Orange, captioned Ahmed D. Hussein v. Sheldon Razin, Steven Plochocki, Quality Systems, Inc. and Does 1-10, inclusive, No. 30-2013-00679600-CU-NP-CJC, by Ahmed Hussein, a former director and significant shareholder of our Company. We filed a demurrer to the complaint, which the Court granted on April 10, 2014. An amended complaint was filed on April 25, 2014. The amended complaint generally alleges fraud and deceit, constructive fraud, negligent misrepresentation and breach of fiduciary duty in connection with statements made to our shareholders regarding our financial condition and projected future performance. The amended complaint seeks actual damages, exemplary and punitive damages and costs. We filed a demurrer to the amended complaint. On July 29, 2014, the Court sustained the demurrer with respect to the breach of fiduciary duty claim and overruled the demurrer with respect to the fraud and deceit claims. On August 28, 2014, we filed an answer and also filed a cross-complaint against Hussein, alleging that he breached fiduciary duties owed to the Company, Mr. Razin and Mr. Plochocki. Mr. Razin and Mr. Plochocki have

dismissed their claims against Hussein, leaving the Company as the sole plaintiff in the cross-complaint. On June 26, 2015, we filed a motion for summary judgment with respect to Hussein's claims, which the Court granted on September 16, 2015, dismissing all of Hussein's claims against us. On September 23, 2015, Hussein filed an application for reconsideration of the Court's summary judgment order, which the Court denied. Hussein filed a renewed application for reconsideration of the Court's summary judgment order on August 3, 2017. The Court again denied Hussein's application. On October 28, 2015, May 9, 2016, and August 5, 2016, Hussein filed a motion for summary judgment, motion for summary adjudication, and motion for judgment on the pleadings, respectively, seeking to dismiss our cross-complaint. The Court denied each motion. Trial on our cross-complaint began June 12, 2017. On July 26, 2017, the Court issued a statement of decision granting Hussein's motion for judgment on our cross-complaint. Final judgment over Hussein's claims and our cross-claims was entered on January 9, 2018. Hussein noticed his appeal of the order granting summary judgment over his claims, and we noticed a cross-appeal on the court's statement of decision granting Hussein's motion for judgment on our cross-complaint. On October 8, 2019, the California State Court of Appeal for the Fourth Appellate District, Division Three, reversed the Superior Court's grant of summary judgment against Hussein's affirmative claims and affirmed the trial court's judgement after a bench trial against the Company on its breach of fiduciary duty claims against Hussein. We petitioned the California Court of Appeal to rehear the matter with respect to Hussein's affirmative claims. The Court modified its opinion but denied the Company's rehearing petition on November 7, 2019. We filed a petition for review with the Supreme Court of California on November 18, 2019, which was denied on January 15, 2020. As a result, the case returned to the trial court for resolution on February 4, 2020. A schedule for proceedings before the trial court has not yet been established.

On September 28, 2017, a complaint was filed against our Company and certain of our current and former officers and directors in the United States District Court for the Central District of California, captioned Kusumam Koshy, derivatively on behalf of Quality Systems Inc. vs. Craig Barbarosh, George H. Bristol, James C. Malone, Peter M. Neupert, Morris Panner, D. Russell Pflueger, Steven T. Plochocki, Sheldon Razin, Lance E. Rosenzweig, Paul A. Holt, and Quality Systems, Inc., No. 8:17-cv-01694, by Kusumam Koshy, a purported shareholder of ours. The complaint alleges breach of fiduciary duties and abuse of control, as well as unjust enrichment and insider selling by individual directors arising out of the allegations described above under the caption "Hussein Litigation", and a related, now-settled, federal securities class action, as well as the Company's adoption of revised indemnification agreements, and the resignation of certain officers of the Company. The complaint seeks restitution and disgorgement, court costs and attorneys' fees, and enhanced corporate governance reforms and internal control procedures. On January 12, 2018, Defendants filed a motion to dismiss the derivative complaint. On July 25, 2018, the Court dismissed the complaint with prejudice. On August 24, 2018, the plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. Briefing was completed in May 2019 and a hearing on the appeal was held on December 12, 2019. On December 19, 2019, the Ninth Circuit affirmed the District Court's dismissal in its entirety. The time within which the plaintiff could file a petition for writ of certiorari to the Supreme Court has expired so this matter is now concluded.

Although we believe the claims to be without merit, our operating results and share price may be negatively impacted due to the negative publicity, expenses incurred in connection with our defense, management distraction, and/or other factors related to this litigation. In addition, litigation of this nature may negatively impact our ability to attract and retain clients and strategic partners, as well as qualified board members and management personnel.

Our credit agreement contains restrictive and financial covenants that may limit our operational flexibility. If we fail to meet our obligations under the credit agreement, our operations may be interrupted and our business and financial results could be adversely affected. On March 29, 2018, we entered into a revolving credit agreement with various lenders, secured by substantially all of our and our material domestic subsidiaries' existing and future property. The credit agreement includes certain customary covenants that impose restrictions on our business and financing activities that could limit our operations or flexibility to take certain actions. The credit agreement also contains certain customary affirmative covenants requiring us to maintain specified levels of financial performance. Our ability to comply with these covenants may be affected by events that could be beyond our control. A breach of these covenants could result in an event of default under the credit agreement which, if not cured or waived, could result in the indebtedness becoming immediately due and payable, which in turn could result in material adverse consequences that negatively impact our business, the market price for our common stock, and our ability to obtain financing in the future. In addition, our credit agreement's covenants, consent requirements, and other provisions may limit our flexibility to pursue or fund strategic initiatives or acquisitions that might be in the long-term interests of our Company and shareholders.

We may not be successful in integrating and operating our recent acquisitions, and in implementing our post-acquisition business strategy with respect to the products acquired in these transactions. Our shift in product focus following the acquisitions may not yield the desired results. We have recently completed several acquisitions. As a result of these acquisitions, we have devoted and will continue to need to devote significant management attention and resources to integrating the acquired companies' businesses and product platforms into our business. We may experience problems associated with the acquired companies and their personnel, processes, product, technology, liabilities, commitments, and other matters. There is no assurance that we will be able to successfully integrate the acquired businesses or realize synergies and benefits from the transactions. Furthermore, the acquisitions have substantially altered our business strategy, increasing our focus on efforts to expand our client base and cloud-based solution capabilities in the ambulatory market. If we are unable to successfully integrate acquisitions and implement post-acquisition revisions to our business strategy and product focus, our business, financial condition, and results of operations may suffer.

Risks Related to Our Products and Services

If our principal products, new product developments or implementation, training and support services fail to meet the needs of our clients due to lack of client acceptance, errors, or other problems, we may fail to realize future growth, suffer reputational harm and face the risk of losing existing clients. We currently derive substantially all of our net revenue from sales of our healthcare information systems and related services. We believe that a primary factor in the market acceptance of our systems has been our ability to meet the needs of users of healthcare information systems. Our future financial performance will depend in large part on our ability to continue to meet the increasingly sophisticated needs of our clients through the timely development and successful introduction of new and enhanced versions of our systems and other complementary products, as well as our ability to provide high quality implementation, training and support services for our products. We have historically expended a significant percentage of our net revenue on product development and believe that significant continuing product development efforts will be required to retain our existing clients and sustain our growth. Continued investment in our sales staff and our client implementation, training and support staffs will also be required to retain and grow our client base.

There can be no assurance that we will be successful in our client satisfaction or product development efforts, that the market will continue to accept our existing products and services, or that new products or product enhancements will be developed and implemented in a timely manner, meet the requirements of healthcare providers, or achieve market acceptance. Also, it is possible that our technology may contain defects or errors, some of which may remain undetected for a period of time. If we detect 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 until after product deployment, we may need to provide enhancements to correct such errors. Remediating product defects and errors could consume our development and management resources. In addition, any failure or perceived failure to maintain high-quality and highly-responsive client support could harm our reputation. Quality or performance issues with our products and services may result in product-related liabilities, unexpected expenses 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 or security vulnerabilities. If new products or product enhancements are delayed or do not achieve market acceptance, or if our implementation, training and support services do not achieve a high degree of client satisfaction, our reputation, business, results of operations and financial condition could be adversely affected. At certain times in the past, we have also experienced delays in purchases of our products by clients anticipating our launch, or the launch of our competitors, of new products. There can be no assurance that material order deferrals in anticipation of new product introductions from us or other entities will not occur.

If the emerging technologies and platforms of Microsoft and others upon which we build our products do not gain or continue to maintain broad market acceptance, or if we fail to develop and introduce in a timely manner new products and services compatible with such emerging technologies, we may not be able to compete effectively and our ability to generate revenue will suffer. Our software products are built and depend upon several underlying and evolving relational database management system platforms such as those developed by Microsoft. To date, the standards and technologies upon which we have chosen to develop our products have proven to have gained industry acceptance. However, the market for our software products is subject to ongoing rapid technological developments, quickly evolving industry standards and rapid changes in client requirements, and there may be existing or future technologies and platforms that achieve industry standard status, which are not compatible with our products**.**

We are dependent on our license rights and other services from third parties, which may cause us to discontinue, delay or reduce product shipments. We depend upon licenses for some of the technology used in our products as well as other services from third party vendors. Most of these arrangements can be continued/renewed only by mutual consent and may be terminated for any number of reasons. We may not be able to continue using the products or services made available to us under these arrangements on commercially reasonable terms or at all. As a result, we may have to discontinue, delay or reduce product shipments or services provided until we can obtain equivalent technology or services. Most of our third-party licenses are non-exclusive. Our competitors may obtain the right to use any of the business elements covered by these arrangements and use these elements to compete directly with us. In addition, if our vendors choose to discontinue providing their technology or services in the future or are unsuccessful in their continued research and development efforts, we may not be able to modify or adapt our own products.

We may experience interruption at our data centers or client support facilities. We perform data center and/or hosting services for certain clients, including the storage of critical patient and administrative data at company-owned facilities and through third party hosting arrangements. In addition, we provide support services to our clients through various client support facilities. We have invested in reliability features such as multiple power feeds, multiple backup generators and redundant telecommunications lines, as well as technical (such as multiple overlapping security applications, access control and other countermeasures) and physical security safeguards and structured our operations to reduce the likelihood of disruptions. However, complete failure of all local public power and backup generators, impairment of all telecommunications lines, a concerted denial of service cyber-attack, a significant data breach, damage, injury or impairment (environmental, accidental, intentional or pandemic) to the buildings, the equipment inside the buildings housing our data centers, the personnel operating such facilities or the client data contained therein, or errors by the personnel trained to operate such facilities could cause a disruption in operations and negatively impact clients who depend on us for data center and system support services. Likewise, our use of a single cloud vendor could increase our exposure to interruptions if the vendor were to experience a catastrophic event impacting its service offering. Any interruption in operations at our data centers and/or client support facilities could damage our reputation, cause us to lose existing clients, hurt our ability to obtain new clients, result in significant revenue loss, create potential liabilities for our clients and us and increase insurance and other operating costs.

We face the possibility of having to adopt new pricing strategies, such as subscription pricing or bundling. In April 2009, we announced a new subscription-based software as a service delivery model which includes monthly subscription pricing. This model is designed for smaller practices to quickly access the NextGen Ambulatory EHR or NextGen PM products at a modest monthly per provider price. We currently derive a significant portion of our revenue from traditional software license, implementation and training fees, as well as the resale of computer hardware, in which our clients pay an initial license fee for the use of our products, in addition to a periodic maintenance fee. While the intent of the new subscription based delivery model is to further penetrate the smaller practice market, there can be no assurance that this delivery model will not become increasingly popular with both small and large clients. In addition, we have experienced increasing demand for bundling our software and systems with RCM service arrangements, which has required us to modify our standard upfront license fee pricing model and could impact software maintenance revenue streams prospectively. If the marketplace increasingly demands subscription or bundled pricing, we may be forced to further adjust our sales, marketing and pricing strategies accordingly, by offering a higher percentage of our products and services through these means. Shifting to a significantly greater degree of subscription or bundled pricing could adversely affect our financial condition, cash flows and quarterly and annual revenue and results of operations, as our revenue would initially decrease substantially.

We face the possibility of claims based upon our website content, which may cause us expense and management distraction. We could be subject to third party claims based on the nature and content of information supplied on our website by us or third parties, including content providers or users. We could also be subject to liability for content that may be accessible through our website or third-party websites linked from our website or through content and information that may be posted by users in chat rooms, bulletin boards or on websites created by professionals using our applications. Even if these claims do not result in liability to us, investigating and defending against these claims could be expensive and time consuming and could divert management's attention away from our operations.

If our security measures are breached or fail and unauthorized access is obtained to a client's data, our services may be perceived as not being secure, clients may curtail or stop using our services, and we may incur significant liabilities. Our services involve the storage, transmission and processing of clients' proprietary information and protected health information of patients. Because of the sensitivity of this information, security features of our software are very important. If our security measures are breached or fail as a result of third-party action, employee error, malfeasance, insufficiency, defective design, or otherwise, someone may be able to obtain unauthorized access to client or patient data. As a result, our reputation could be damaged, our business may suffer, and we could face damages for contract breach, penalties for violation of applicable laws or regulations and significant costs for remediation and remediation efforts to prevent future occurrences. We rely upon our clients as users of our system for key activities to promote security of the system and the data within it, such as administration of client-side access credentialing and control of client-side display of data. On occasion, our clients have failed to perform these activities. Failure of clients to perform these activities may result in claims against us that this reliance was misplaced, which could expose us to significant expense and harm to our reputation even though our policy is to enter into business associate agreements with our clients. Although we extensively train and monitor our employees, it is possible that our employees may, intentionally or unintentionally, breach security measures. Moreover, third parties with whom we do not have business associate agreements may breach the privacy and security of patient information, potentially causing us reputational damage and exposing us to liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose sales and clients. In addition, our clients may authorize or enable third parties to access their client data or the data of their patients on our systems. Because we do not control such access, we cannot ensure the complete propriety of that access or integrity or security of such data in our systems.

Failure by our clients to obtain proper permissions and waivers may result in claims against us or may limit or prevent our use of data, which could harm our business. We require our clients to provide necessary notices and to obtain necessary permissions and waivers for use and disclosure of the information that we receive, and we require contractual assurances from them that they have done so and will do so. If they do not obtain necessary permissions and waivers, then our use and disclosure of information that we receive from them or on their behalf may be limited or prohibited by state or federal privacy laws or other applicable laws. This could impair our functions, processes and databases that reflect, contain, or are based upon such data and may prevent use of such data. In addition, this could interfere with or prevent creation or use of rules and analyses or limit other data-driven activities that are beneficial to our business. Moreover, we may be subject to claims or liability for use or disclosure of information by reason of lack of valid notice, permission or waiver. These claims or liabilities could subject us to unexpected costs and adversely affect our operating results.

We face the possibility of damages resulting from internal and external security breaches. In the course of our business operations, we store, process, compile and transmit confidential information, including patient health information, in our processing centers and other facilities. A breach of security in any of these facilities could damage our reputation and result in damages being assessed against us. In addition, the other systems with which we may interface, such as the internet and related systems may be vulnerable to security breaches, viruses, programming errors, or similar disruptive problems. In addition, our clients and vendors with whom we have business associate agreements, or other parties with whom we do not have business associate agreements, may be responsible for breaching the security and compromising the privacy of patient information located on our systems. In addition, although we extensively train and monitor our employees, it is possible that our own employees may engage in conduct that compromises security or privacy. The effect of these security breaches and related issues could disrupt our ability to perform certain key business functions and could potentially reduce demand for our services. Accordingly, we have expended significant resources toward establishing and enhancing the security of our related infrastructures, although no assurance can be given that they will be entirely free from potential breach. Maintaining and enhancing our infrastructure security may require us to expend significant capital in the future.

The success of our strategy to offer our electronic data interchange (“EDI”) services and software as a service (“SaaS”) solutions depends on the confidence of our clients in our ability to securely transmit confidential information. Our EDI services and SaaS solutions rely on encryption, authentication and other security technology licensed from third parties to achieve secure transmission of confidential information. We may not be able to stop unauthorized attempts to gain access to or disrupt the transmission of communications by our clients. Anyone who is able to circumvent our security measures could misappropriate confidential user information or interrupt our, or our clients’, operations. In addition, our EDI and SaaS solutions may be vulnerable to viruses, malware, physical or electronic break-ins and similar disruptions.

High-profile security breaches at other companies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyber-attacks targeting information technology products and businesses. Although this is an industry-wide problem that affects other software and hardware companies, we may be targeted by computer hackers because we are a prominent healthcare information technology company and have high profile clients. These risks will increase as we continue to grow our cloud offerings, store and process increasingly large amounts of our clients’ confidential data, including personal health information, and host or manage parts of our clients’ businesses in cloud-based/multi-tenant information technology environments. We may use third party public cloud providers in connection with our cloud-based offerings or third-party providers to host our own data, in which case we may have to rely on the processes, controls and security such third parties have in place to protect the infrastructure.

The costs we would incur to address any security incidents would increase our expenses, and our efforts to resolve these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential clients that may impede our sales, development of solutions, provision of services, or other critical functions. If a cyberattack or other security incident were to allow unauthorized access to or modification of our clients’ or suppliers’ data, our own data, or our information technology systems, or if our products or services are perceived as having security vulnerabilities, we could suffer significant damage to our brand and reputation. This could lead to fewer clients using our products or services and make it more difficult for us to obtain new clients, resulting in reduced revenue and earnings. These types of security incidents could also lead to lawsuits, regulatory investigations and claims, and increased legal liability.

Our business depends on continued and unimpeded access to the internet by us and our clients, which is not within our control. We deliver internet-based services and, accordingly, depend on our ability and the ability of our clients to access the internet. This access is currently provided by third parties that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service provides -- all of whom are outside of our control. In the event of any difficulties, outages and delays by internet service providers, we may be impeded from providing services, resulting in a loss of potential or existing clients.

We may be subject to claims for system errors, warranties or product liability, which could have an adverse effect on our business, results of operations and financial condition. Our software solutions are intended for use in collecting, storing and displaying clinical and healthcare-related information used in the diagnosis and treatment of patients and in related healthcare settings such as admissions and billing. Therefore, users of our software solutions have a greater sensitivity to errors than the market for software products generally. Any failure by our products to provide accurate and timely information concerning patients, their medication, treatment and health status, generally, could result in claims against us which could materially and adversely impact our financial performance, industry reputation and ability to market new system sales. In addition, 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 assertions of malpractice, other personal injury liability, or other liability for wrongful delivery/handling of healthcare services or erroneous health information. We maintain insurance to protect against claims associated with the use of our products as well as liability limitation language in our end-user license agreements, but there can be no assurance that our insurance coverage or contractual language would adequately cover any claim asserted against us. A successful claim brought against us in excess of or outside of our insurance coverage could have an adverse effect on our business, results of operations and financial condition. Even unsuccessful claims could result in our expenditure of funds for litigation and management time and resources.

Certain healthcare professionals who use our SaaS products will directly enter health information about their patients including information that constitutes a record under applicable law that we may store on our computer systems. Numerous federal and state laws and regulations, the common law and contractual obligations, govern collection, dissemination, use and confidentiality of patient-identifiable health information, including:

- state and federal privacy and confidentiality laws;
- our contracts with clients and partners;
- state laws regulating healthcare professionals;
- Medicaid laws;
- the HIPAA and related rules proposed by CMS; and
- CMS standards for internet transmission of health data.

HIPAA establishes elements including, but not limited to, federal privacy and security standards for the use and protection of Protected Health Information. Any failure by us or by our personnel or partners to comply with applicable requirements may result in a material liability to us.

Although we have systems and policies in place for safeguarding Protected Health Information from unauthorized disclosure, these systems and policies may not preclude claims against us for alleged violations of applicable requirements. Also, third-party sites and/or links that consumers may access through our web sites may not maintain adequate systems to safeguard this information or may circumvent systems and policies we have put in place. In addition, future laws or changes in current laws may necessitate costly adaptations to our policies, procedures, or systems.

There can be no assurance that we will not be subject to product liability claims, that such claims will not result in liability in excess of our insurance coverage, that our insurance will cover such claims or that appropriate insurance will continue to be available to us in the future at commercially reasonable rates. Such product liability claims could adversely affect our business, results of operations and financial condition.

We are subject to the effect of payer and provider conduct which we cannot control and accordingly, there is no assurance that revenue for our services will continue at historic levels. We offer certain electronic claims submission products and services as part of our product line. While we have implemented certain product features designed to maximize the accuracy and completeness of claims submissions, these features may not be sufficient to prevent inaccurate claims data from being submitted to payers. Should inaccurate claims data be submitted to payers, we may be subject to liability claims.

Electronic data transmission services are offered by certain payers to healthcare providers that establish a direct link between the provider and payer. This process reduces revenue to third party EDI service providers such as us. As a result of this, and other market factors, we are unable to ensure that we will continue to generate revenue at or in excess of prior levels for such services.

A significant increase in the utilization of direct links between healthcare providers and payers could adversely affect our transaction volume and financial results. In addition, we cannot provide assurance that we will be able to maintain our existing links to payers or develop new connections on terms that are economically satisfactory to us, if at all.

Proprietary rights are material to our success, and the misappropriation of these rights could adversely affect our business and our financial condition. We are heavily dependent on the maintenance and protection of our intellectual property and we rely largely on technical security measures, license agreements, confidentiality procedures and employee nondisclosure agreements to protect our intellectual property. The majority of our software is not patented and existing copyright laws offer only limited practical protection.

There can be no assurance that the legal protections and precautions we take will be adequate to prevent misappropriation of our technology or that competitors will not independently develop technologies equivalent or superior to ours. Further, the laws of some foreign countries do not protect our proprietary rights to as great an extent as do the laws of the United States and are often not enforced as vigorously as those in the United States.

We do not believe that our operations or products infringe on the intellectual property rights of others. However, there can be no assurance that others will not assert infringement or trade secret claims against us with respect to our current or future products or that any such assertion will not require us to enter into a license agreement or royalty arrangement or other financial arrangement with the party asserting the claim. Responding to and defending any such claims may distract the attention of our management and adversely affect our business, results of operations and financial condition. In addition, claims may be brought against third parties from which we purchase software, and such claims could adversely affect our ability to access third party software for our systems.

If we are deemed to infringe on the proprietary rights of third parties, we could incur unanticipated expense and be prevented from providing our products and services. We have been, and may be in the future, subject to intellectual property infringement claims as the number of our competitors grows and our applications' functionality is viewed as similar or overlapping with competitive products. We do not believe that we have infringed or are infringing on any proprietary rights of third parties. However, claims are occasionally asserted against us, and we cannot assure you that infringement claims will not be asserted against us in the future. Also, we cannot assure you that any such claims will be unsuccessful. We could incur substantial costs and diversion of management resources defending any infringement claims - even if we are ultimately successful in the defense of such matters. Furthermore, a party making a claim against us could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief that could effectively block our ability to provide products or services. In addition, we cannot assure you that licenses for any intellectual property of third parties that might be required for our products or services will be available on commercially reasonable terms, or at all.

We face risks related to the periodic maintenance and upgrades that need to be made to our products. As we continue to develop and improve upon our technology and offerings, we need to periodically upgrade and maintain the products deployed to our clients. This process can require a significant amount of our internal time and resources and can be complicated and time consuming for our clients. Certain upgrades may also pose the risk of system delays or failure. If our periodic upgrades and maintenance cause disruptions to our clients, we may lose revenue-generating transactions, our clients may elect to use other solutions and we may also be the subject of negative publicity that may adversely affect our business and reputation.

Risks Related to Regulation

There is significant uncertainty in the healthcare industry in which we operate, and the current governmental laws and regulations as well as any future modifications to the regulatory environment, may adversely impact our business, financial condition and results of operations. The healthcare industry is subject to changing political, economic and regulatory influences that may affect the procurement processes and operation of healthcare facilities. During the past several years, the healthcare industry has been subject to an increase in governmental regulation of, among other things, reimbursement rates and certain capital expenditures.

For example, the Health Insurance Portability and Accountability Act of 1996, as modified by HITECH provisions of the ARRA (collectively, “HIPAA”), continues to have a direct impact on the health care industry by requiring national provider identifiers and standardized transactions/code sets, operating rules and necessary security and privacy measures in order to ensure the appropriate level of privacy of protected health information. These regulatory factors affect the purchasing practices and operation of health care organizations.

The Patient Protection and Affordable Care Act (“PPACA”), which was amended by the Health Care and Education Reconciliation Act of 2010, became law in 2010. This comprehensive health care reform legislation included provisions to control health care costs, improve health care quality, and expand access to affordable health insurance. The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”), which became law in 2015, repealed the sustainable growth rate (“SGR”) formula and created two new value-based payment systems for Medicare physicians. Together with ongoing statutory and budgetary policy developments at a federal level, these health care reform laws include changes in Medicare and Medicaid payment policies and other health care delivery administrative reforms that could potentially negatively impact our business and the business of our clients. Because not all the administrative rules implementing health care reform under these laws have been finalized, and because of ongoing federal fiscal budgetary pressures yet to be resolved for federal health programs, the full impact of the health care reform legislation and of further statutory actions to reform healthcare payment on our business is unknown, but there can be no assurances that health care reform legislation will not adversely impact either our operational results or the manner in which we operate our business. Health care industry participants may respond by reducing their investments or postponing investment decisions, including investments in our solutions and services.

In March 2020, the U.S. Congress passed several laws in response to the coronavirus pandemic. Included in these laws are multiple provisions that are likely to have a significant impact on healthcare providers. Because regulations implementing these provisions have yet to be released and health care providers are subject to future legislative changes, the industry is likely to be subject to additional coronavirus-related legislative and regulatory changes in 2020.

Healthcare providers may react to these proposals, and the uncertainty surrounding such proposals, by curtailing or deferring investments, including those for our systems and related services. Cost-containment measures instituted by healthcare providers as a result of regulatory reform or otherwise could result in a reduction in the allocation of capital funds. Such a reduction could have an adverse effect on our ability to sell our systems and related services. On the other hand, changes in the regulatory environment have increased and may continue to increase the needs of healthcare organizations for cost-effective data management and thereby enhance the overall market for healthcare management information systems. We cannot predict what effect, if any, such proposals or healthcare reforms might have on our business, financial condition and results of operations.

As existing regulations mature and become better defined, we anticipate that these regulations will continue to directly affect certain of our products and services, but we cannot fully predict the effect at this time. We have taken steps to modify our products, services and internal practices as necessary to facilitate our compliance with the regulations, but there can be no assurance that we will be able to do so in a timely or complete manner. Achieving compliance with these regulations could be costly and distract management's attention and divert other company resources, and any noncompliance by us could result in civil and criminal penalties.

Developments of additional federal and state regulations and policies have the potential to positively or negatively affect our business.

Other specific risks include, but are not limited to, risks relating to:

Privacy and Security of Patient Information. As part of the operation of our business, we 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. 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. These standards and requirements impose additional obligations and burdens on us, limiting the use and disclosure of individually-identifiable health information, and require us to enter into business associate agreements with our clients and vendors. Failure by us to enter into adequate business associate agreements with any client or vendor would place us in violation of applicable standards and requirements and could expose us to liability. Our business associates may interpret HIPAA requirements differently than we do, and we may not be able to adequately address the risks created by such interpretations. These new rules, and any future changes to privacy and security 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.

Interoperability Standards. Our clients are concerned with and often require that our software solutions and health care devices be interoperable with other third-party health care information technology suppliers. With the passing of the MACRA in 2015, the U.S. Congress declared it a national objective to achieve widespread exchange of health information through interoperable certified EHR technology nationwide by December 31, 2018. The 21st Century Cures Act, which was passed and signed into law in December 2016, includes numerous provisions intended to encourage this nationwide interoperability.

In February 2019, HHS's Office of the National Coordinator for Health Information Technology ("ONC") released a proposed rule titled, "21st Century Cures Act: Interoperability, Information Blocking, and the ONC Health IT Certification Program." Following an extended public comment period, in March 2020 ONC released the final rule which implements the key interoperability provisions included in the Cures Act. Specifically, it calls on developers of certified EHRs and health IT products to adopt standardized application programming interfaces ("APIs"), which will help allow individuals to securely and easily access structured and unstructured EHI formats using smartphones and other mobile devices. This provision and others included in the rule create a lengthy list of new certification and maintenance of certification requirements that developers of EHRs and other health IT products have to meet in order to maintain approved federal government certification status. Meeting and maintaining this certification status will require additional development costs.

The ONC rule also implements the information blocking provisions of the 21st Century Cures Act, including identifying reasonable and necessary activities that do not constitute information blocking. Under the 21st Century Cures Act, the U.S. Department of Health and Human Services ("HHS") has the regulatory authority to investigate and assess civil monetary penalties of up to $1,000,000 against certified health IT developers found to be in violation of "information blocking". This new oversight and authority to investigate claims of information blocking creates significant risks for us and our clients and could potentially create substantial new compliance costs.

Other regulatory provisions included in the ONC Cures Act final rule could create compliance costs and/or regulatory risks for the company. Because these regulations are subject to future changes and/or significant enforcement discretion by federal agencies, the ultimate impact of these regulation is unknown.

FDA Regulation of Software as a Medical Device. The U.S. Food and Drug Administration ("FDA") has the statutory authority to regulate medical software if it falls within the definition of a "device" under the Federal Food, Drug, and Cosmetic Act ("FFDCA"). However, the FDA has exercised enforcement discretion for software said to be "low risk." The December 2016 21st Century Cures Act clarified the FDA's regulation of medical software by amending the definition of "device" in the FFDCA to exclude certain software functions, including electronic health record software functionality and administrative software functionality. In December 2017, the FDA issued draft guidance documents to clarify how it intends to interpret and enforce these provisions of the Cures Act. In 2017, the FDA also issued a Digital Health Innovation Action Plan and launched a voluntary "Software Precertification (Pre-Cert) Pilot Program" for software developers. Then in September 2019 the FDA issued several different digital health-focused final and draft guidance documents. Although we believe that our products are currently not subject to FDA regulation, we continue to follow the FDA's guidance in this area, which is subject to change and in some critical areas only currently exists in draft form. As a result, our software may potentially be subject to regulation by the FDA as a medical device. Such regulation could require the registration of the applicable manufacturing facility and software and hardware products, application of detailed record-keeping and manufacturing standards, application of the medical device excise tax, and FDA approval or clearance prior to marketing. An approval or clearance requirement could create delays in marketing, and the FDA could require supplemental filings or object to certain of these applications, the result of which could adversely affect our business, financial condition and results of operations.

Health Reform. The health reform laws discussed above and that may be enacted in the future contain and may contain various provisions which may impact us and our clients. Some of these provisions may have a positive impact, by expanding the use of electronic health records and other health information technology solutions in certain federal programs, for example, while others, such as reductions in reimbursement for certain types of providers, may have a negative impact due to fewer available resources. Increases in fraud and abuse penalties may also adversely affect participants in the health care sector, including us.

We may not see the benefits from government funding programs initiated to accelerate the adoption and utilization of health information technology. While government programs have been implemented 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 see the anticipated benefits of such programs. Under the ARRA, the PPACA, and the MACRA, significant government financial resources are being invested in healthcare, including financial incentives to healthcare providers who can demonstrate meaningful use of certified EHR technology since 2011. While we expect the ARRA, the PPACA, and the MACRA to continue to create sales opportunities over the next several years, we are unsure of the immediate or long-term impact of these government actions.

HITECH established the Medicare and Medicaid EHR Incentive Programs to provide incentive payments for eligible professionals, hospitals, and critical access hospitals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology. HITECH, and subsequently MACRA, also authorized CMS to apply payment adjustments, or penalties, to Medicare eligible professionals and eligible hospitals that are not meaningful users under the Medicare EHR Incentive Program.

Although we believe that our service offerings will meet the requirements of HITECH and MACRA to allow our clients to qualify for financial incentives and avoid financial penalties for implementing and using our services, there can be no guaranty that our clients will achieve meaningful use (or its equivalent under MACRA's Merit Based Incentive Payment System, Promoting Interoperability) or actually receive such planned financial incentives for our services. We also cannot predict the speed at which healthcare providers will adopt electronic health record systems in response to these government incentives, whether healthcare providers will select our products and services or whether healthcare providers will implement an electronic health record system at all. In addition, the financial incentives associated with the meaningful use program are tied to provider participation in Medicare and Medicaid, and we cannot predict whether providers will continue to participate in these programs. Any delay in the purchase and implementation of electronic health records systems by healthcare providers in response to government programs, or the failure of healthcare providers to purchase an electronic health record system, could have an adverse effect on our business, financial condition and results of operations. It is also possible that additional regulations or government programs related to electronic health records, amendment or repeal of current healthcare laws and regulations or the delay in regulatory implementation could require us to undertake additional efforts to meet meaningful use standards, materially impact our ability to compete in the evolving healthcare IT market, materially impact healthcare providers' decisions to implement electronic health records systems or have other impacts that would be unfavorable to our business. The costs of achieving and maintaining certified electronic health record technology ("CEHRT") are also significant and because the definition of CEHRT and its use requirements for clients are subject to regulatory changes, these programs and future regulatory changes to them could adversely impact our business.

Several of our solutions also support Accountable Care Organizations ("ACOs"). In 2020, Medicare's largest ACO program, the Shared Savings Program, consisted of 517 ACOs serving 11.2 million assigned beneficiaries across the country. In December 2018, the Centers for Medicare & Medicaid Services ("CMS") issued a final rule that dramatically redesigns and sets a new direction for Shared Savings Program, renaming it "Pathways to Success." Because it is unknown how ACOs will react to CMS's Pathways to Success program redesign and several of the redesigned program's policies will not be fully implemented for ACOs until 2021, we cannot predict the impact the regulatory change will have on our clients and our business.

We may be subject to false or fraudulent claim laws. There are numerous federal and state laws that forbid submission of false information or the failure to disclose information in connection with submission and payment of physician claims for reimbursement. In some cases, these laws also forbid abuse of existing systems for such submission and payment. Any failure of our revenue cycle management services to comply with these laws and regulations could result in substantial liability including, but not limited to, criminal liability, could adversely affect demand for our services and could force us to expend significant capital, research and development and other resources to address the failure. Errors by us or our systems with respect to entry, formatting, preparation or transmission of claim information may be determined or alleged to be in violation of these laws and regulations. Determination by a court or regulatory agency that our services violate these laws could subject us to civil or criminal penalties, invalidate all or portions of some of our client contracts, require us to change or terminate some portions of our business, require us to refund portions of our services fees, cause us to be disqualified from serving clients doing business with government payers and have an adverse effect on our business.

In most cases where we are permitted to do so, we calculate charges for our revenue cycle management services based on a percentage of the collections that our clients receive as a result of our services. To the extent that violations or liability for violations of these laws and regulations require intent, it may be alleged that this percentage calculation provides us or our employees with incentive to commit or overlook fraud or abuse in connection with submission and payment of reimbursement claims. The U.S. Centers for Medicare and Medicaid Services has stated that it is concerned that percentage-based billing services may encourage billing companies to commit or to overlook fraudulent or abusive practices.

A portion of our business involves billing of Medicare claims on behalf of its clients. In an effort to combat fraudulent Medicare claims, the federal government offers rewards for reporting of Medicare fraud which could encourage others to subject us to a charge of fraudulent claims, including charges that are ultimately proven to be without merit.

Additionally, under the False Claims Act (“FCA”), the federal government allows private individuals to file a complaint or otherwise report actions alleging the defrauding of the federal government by an entity. These suits, known as qui tam actions or “whistleblower” suits may be brought by, with only a few exceptions, any private citizen who believes that he has material information of a false claim that has not been previously disclosed. If the federal government intervenes, the individual that filed the initial complaint may share in any settlement or judgment. If the federal government does not intervene in the action, the whistleblower plaintiff may pursue its allegation independently. Some states have adopted similar state whistleblower and false claims provisions. Qui tam actions under the FCA and similar state laws may lead to significant fines, penalties, settlements or other sanctions, including exclusion from Medicare or other federal or state healthcare programs.

If our products fail to comply with evolving government and industry standards and regulations, we may have difficulty selling our products. We may be subject to additional federal and state statutes and regulations in connection with offering services and products via the internet. On an increasingly frequent basis, federal and state legislators are proposing laws and regulations that apply to internet commerce and communications. Areas being affected by these regulations include user privacy, pricing, content, taxation, copyright protection, distribution, and quality of products and services. To the extent that our products and services are subject to these laws and regulations, the sale of our products and services could be harmed.

We are subject to changes in and interpretations of financial accounting matters that govern the measurement of our performance, one or more of which could adversely affect our business, financial condition, cash flows, revenue, results of operations, and debt covenant compliance. Based on our reading and interpretations of relevant guidance, principles or concepts issued by, among other authorities, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board and the Commission, we believe our current business arrangements, transactions, and related estimates and disclosures have been properly reported. However, there continue to be issued interpretations and guidance for applying the relevant standards to a wide range of sales and licensing contract terms and business arrangements that are prevalent in the software industry. Future interpretations or changes by the regulators of existing accounting standards or changes in our business practices could result in changes in our revenue recognition and/or other accounting policies and practices that could adversely affect our business, financial condition, cash flows, revenue and results of operations. In addition, changes in accounting rules could alter the application of certain terms in our credit agreement, thereby impacting our ability to comply with our debt covenants.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business, and our per share price may be adversely affected. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”) and the rules and regulations promulgated by the SEC to implement Section 404, we are required to include in our Form 10-K a report by our management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting. The assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management.

As part of the evaluation undertaken by management and our independent registered public accountants pursuant to Section 404, our internal control over financial reporting was effective as of our most recent fiscal year end. However, if we fail to maintain an effective system of disclosure controls or internal controls over financial reporting, we may discover material weaknesses that we would then be required to disclose. Any material weaknesses identified in our internal controls could have an adverse effect on our business. We may not be able to accurately or timely report on our financial results, and we might be subject to investigation by regulatory authorities. This could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which may have an adverse effect on our stock price.

No evaluation process can provide complete assurance that our internal controls will detect and correct all failures within our company to disclose material information otherwise required to be reported. The effectiveness of our controls and procedures could also be limited by simple errors or faulty judgments. In addition, if we continue to expand, through either organic growth or through acquisitions (or both), the challenges involved in implementing appropriate controls will increase and may require that we evolve some or all of our internal control processes.

It is also possible that the overall scope of Section 404 may be revised in the future, thereby causing ourselves to review, revise or reevaluate our internal control processes which may result in the expenditure of additional human and financial resources.

Risks Related to Ownership of Our Common Stock

The unpredictability of our quarterly operating results may cause the price of our common stock to fluctuate or decline. Our revenue may fluctuate in the future from quarter to quarter and period to period, as a result of a number of factors including, without limitation:

- the size and timing of orders from clients;
- the specific mix of software, hardware and services in client orders;
- the length of sales cycles and installation processes;
- the ability of our clients to obtain financing for the purchase of our products;
- changes in pricing policies or price reductions by us or our competitors;
- the timing of new product announcements and product introductions by us or our competitors;
- changes in revenue recognition or other accounting guidelines employed by us and/or established by the Financial Accounting Standards Board ("FASB") or other rule-making bodies;
- changes in government healthcare policies and regulations, such as the shift from fee-for-service reimbursement to value-based reimbursement;
- accounting policies concerning the timing of the recognition of revenue;
- the availability and cost of system components;
- the financial stability of clients;
- market acceptance of new products, applications and product enhancements;
- our ability to develop, introduce and market new products, applications and product enhancements;
- our success in expanding our sales and marketing programs;
- deferrals of client orders in anticipation of new products, applications, product enhancements, or public/private sector initiatives;
- execution of or changes to our strategy;
- personnel changes; and
- general market/economic factors.

Our software products are generally shipped as orders are received and accordingly, we have historically operated with a minimal backlog of license fees. As a result, a portion of our revenue in any quarter is dependent on orders booked and shipped in that quarter and is not predictable with any degree of certainty. Furthermore, our systems can be relatively large and expensive, and individual systems sales can represent a significant portion of our revenue and profits for a quarter such that the loss or deferral of even one such sale can adversely affect our quarterly revenue and profitability. Clients often defer systems purchases until our quarter end, so quarterly revenue from system sales generally cannot be predicted and frequently are not known until after the quarter has concluded. Our sales are dependent upon clients' initial decisions to replace or substantially modify their existing information systems, and subsequently, their decision concerning which products and services to purchase. These are major decisions for healthcare providers and, accordingly, the sales cycle for our systems can vary significantly and typically ranges from six to twenty-four months from initial contact to contract execution/shipment. Because a significant percentage of our expenses are relatively fixed, a variation in the timing of systems sales, implementations and installations can cause significant variations in operating results from quarter to quarter. As a result, we believe that interim period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Further, our historical operating results are not necessarily indicative of future performance for any particular period. We currently recognize revenue in accordance with the applicable accounting guidance as defined by the FASB. There can be no assurance that application and subsequent interpretations of these pronouncements will not further modify our revenue recognition policies, or that such modifications would not adversely affect our operating results reported in any particular quarter or year. Due to all of the foregoing factors, it is possible that our operating results may

be below the expectations of public market analysts and investors. In such event, the price of our common stock would likely be adversely affected.

Our common stock price has been volatile, which could result in substantial losses for investors purchasing shares of our common stock and in litigation against us. Volatility may be caused by a number of factors including but not limited to:

- actual or anticipated quarterly variations in operating results;
- rumors about our performance, software solutions, or merger and acquisition activity;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- governmental regulatory action;
- health care reform measures;
- client relationship developments;
- purchases or sales of company stock;
- activities by one or more of our major shareholders concerning our policies and operations;
- changes occurring in the markets in general;
- macroeconomic conditions, both nationally and internationally; and
- other factors, many of which are beyond our control.

Furthermore, the stock market in general, and the market for software, healthcare and high technology companies in particular, has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of actual operating performance.

Moreover, in the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources.

One of our current directors is a significant shareholder, which makes it possible for him to have significant influence over the outcome of all matters submitted to our shareholders for approval and which influence may be alleged to conflict with our interests and the interests of our other shareholders. One of our directors is a significant shareholder who beneficially owns approximately 15% of the outstanding shares of our common stock at March 31, 2020. California law and our Bylaws permit our shareholders to cumulate their votes, the effect of which is to provide shareholders with sufficiently large concentrations of our shares the opportunity to assure themselves one or more seats on our Board of Directors. The amounts required to assure a seat on our Board of Directors can vary based upon the number of shares outstanding, the number of shares voting, the number of directors to be elected, the number of "broker non-votes," and the number of shares held by the shareholder exercising the cumulative voting rights. In the event that cumulative voting is invoked, it is possible that any significant shareholders will each have sufficient votes to assure themselves of one or more seats on our Board of Directors. With or without cumulative voting, any significant shareholders will have substantial influence over the outcome of all matters submitted to our shareholders for approval, including the election of our directors and other corporate actions. This influence may be alleged to conflict with our interests and the interests of our other shareholders. For example, in fiscal year 2013, the former director launched a proxy contest to elect a different slate of directors than what our Company proposed to shareholders. We spent approximately $1.3 million to defend against the proxy contest and elect the Company's slate of directors. In addition, such influence by a significant shareholder could have the effect of discouraging others from attempting to acquire our Company or create actual or perceived governance instabilities that could adversely affect the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Irvine, California. We believe that our existing facilities are in good condition and adequate for our current business requirements. Should we continue to grow, we may be required to lease or acquire additional space. We believe that suitable additional space is available, if needed, at commercially reasonable market rates and terms.

As of March 31, 2020, we leased an aggregate of approximately 591,700 square feet of space with lease agreements expiring at various dates, of which approximately 462,500 square feet of space are utilized for continuing operations and 129,200 square feet of space are being subleased or have been vacated as part of our reorganization efforts, as described further in Note 16, "Restructuring Plan" of our notes to consolidated financial statements included elsewhere in this Report:

	Square Feet	Notes
Primary Operating Locations		
Bangalore, India	137,700	(2)
Horsham, Pennsylvania	80,400	(2)
Irvine, California	71,800	(1) (2)
St. Louis, Missouri	42,300	
Hunt Valley, Maryland	34,000	
Atlanta, Georgia	27,000	(2)
San Diego, California	24,800	(2)
Cary, North Carolina	24,200	
Fairport, New York	15,300	
Traverse City, Michigan	5,000	
Total Primary Operating Locations	462,500	
Vacated or Subleased Locations, or Portions Thereof		
Horsham, Pennsylvania	29,600	
North Canton, Ohio	22,100	
San Diego, California	15,200	
Solana Beach, California	12,000	
Phoenix, Arizona	11,400	
Irvine, California	11,300	
Brentwood, Tennessee	10,500	
St. Louis, Missouri	8,600	
Atlanta, Georgia	8,500	
Total Vacated or Subleased Locations	129,200	
Total Leased Properties	591,700	

(1) Location of our corporate office
(2) Primary locations of our research and development functions

ITEM 3. LEGAL PROCEEDINGS

We have experienced legal claims by clients regarding product and contract disputes, by other third parties asserting that we have infringed their intellectual property rights, by current and former employees regarding certain employment matters and by certain shareholders. We believe that these claims are without merit and intend to defend against them vigorously; however, we could incur substantial costs and diversion of management resources defending any such claim, even if we are ultimately successful in the defense of such matter. Litigation is inherently uncertain and always difficult to predict.

Additionally, we are subject to the regulation and oversight of various federal and state governmental agencies that enforce fraud and abuse programs related to the submission of fraudulent claims for reimbursement from governmental payers. We have received, and from time to time may receive, inquiries or subpoenas from federal and state agencies. Under the False Claims Act ("FCA"), private parties have the right to bring qui tam, or "whistleblower," suits against entities that submit, or cause to be submitted, fraudulent claims for reimbursement. Qui tam or whistleblower actions initiated under the FCA may be pending but placed under seal by the court to comply with the FCA's requirements for filing such suits. As a result, they could lead to proceedings without our knowledge. We refer you to the discussion of regulatory and litigation risks within "Item 1A. Risk Factors" and to Note 15, "Commitments, Guarantees and Contingencies" of our notes to consolidated financial statements included elsewhere in this Report for a discussion of current legal proceedings.

ITEM 4. MINE AND SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price and Holders

Our common stock is traded under the symbol "NXGN" on the NASDAQ Global Select Market.

At May 26, 2020, there were approximately 663 holders of record of our common stock.

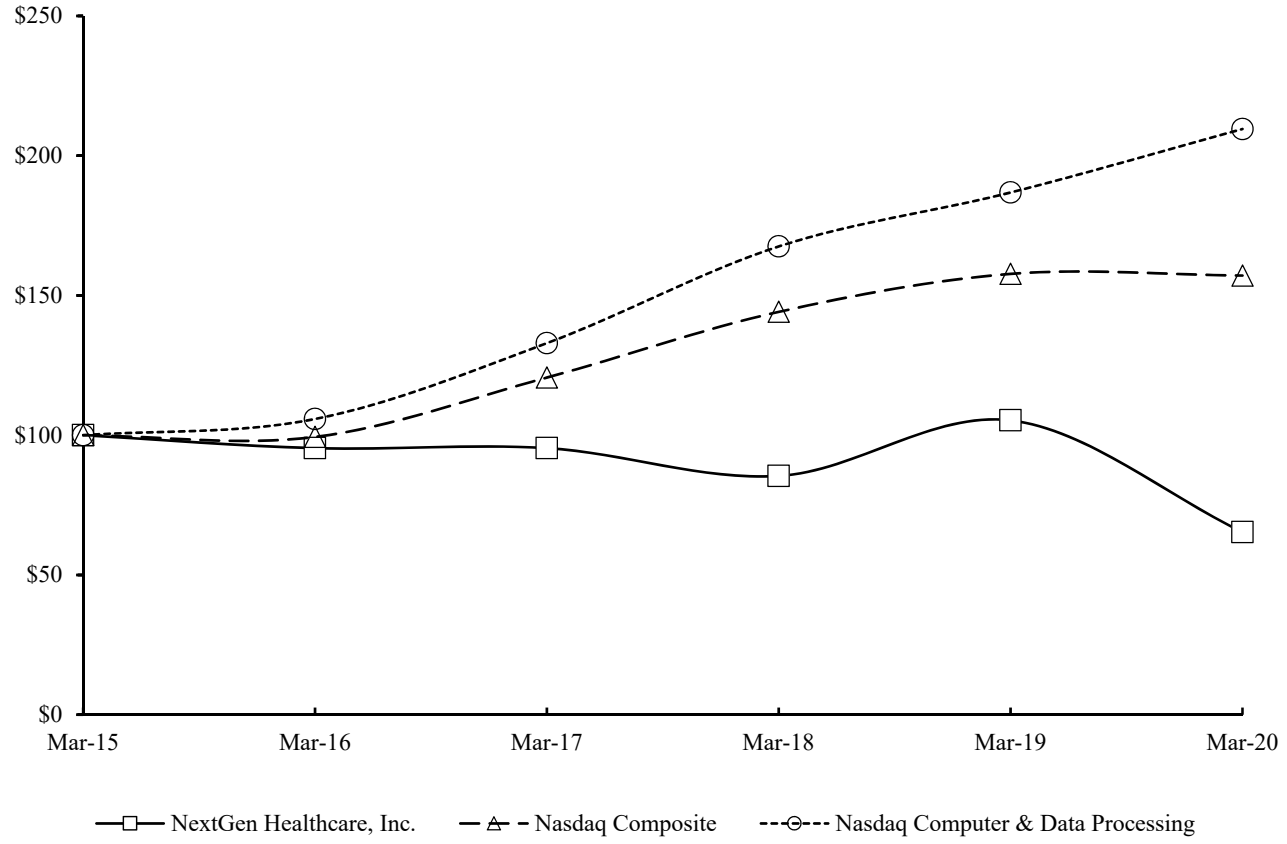
Securities Authorized for Issuance Under Equity Compensation Plans

The information included under Item 12 of this Report, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," is incorporated herein by reference.

Performance Graph

The following graph compares the cumulative total returns of our common stock, the NASDAQ Composite Index and the NASDAQ Computer & Data Processing Services Stock Index over the five-year period ended March 31, 2020 assuming $100 was invested on March 31, 2015 with all dividends, if any, reinvested. The returns shown are based on historical results and are not intended to be indicative of future stock prices or future performance. This performance graph shall not be deemed to be "soliciting material" or "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended or the Exchange Act.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among NextGen Healthcare, Inc., The NASDAQ Composite Index
And The NASDAQ Computer & Data Processing Index



* $100 invested on March 31, 2015 in stock or index, including reinvestment of dividends. Fiscal year ended March 31.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data, with respect to our consolidated statements of net income and comprehensive income data for each of the five years in the period ended March 31, 2020 and the consolidated balance sheets data as of the end of each such fiscal year, are not necessarily indicative of results of future operations and should be read in conjunction with our consolidated financial statements and the related notes thereto and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Report.

Consolidated Financial Data
(In thousands, except per share data)

	Fiscal Year Ended March 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Statements of comprehensive income data:					
Revenue	$ 540,239	$ 529,173	$ 531,019	$ 509,624	$ 492,477
Cost of revenue	267,439	246,697	241,535	223,134	225,615
Gross profit	272,800	282,476	289,484	286,490	266,862
Selling, general and administrative	165,174	164,879	193,226	163,623	156,234
Research and development costs, net	83,295	80,994	81,259	78,341	65,661
Amortization of acquired intangible assets	4,143	4,344	7,810	10,435	5,367
Impairment of assets	12,571	—	3,757	—	32,238
Restructuring costs	2,505	640	611	7,078	—
Income from operations	5,112	31,619	2,821	27,013	7,362
Interest income	256	216	55	14	428
Interest expense	(1,955)	(2,814)	(3,323)	(3,156)	(1,304)
Other income (expense), net	846	267	37	(262)	(166)
Income (loss) before provision for income taxes	4,259	29,288	(410)	23,609	6,320
Provision for (benefit of) income taxes	(3,239)	4,794	(2,830)	5,368	663
Net income	$ 7,498	$ 24,494	$ 2,420	$ 18,241	$ 5,657
Basic net income per share	$ 0.11	$ 0.38	$ 0.04	$ 0.30	$ 0.09
Diluted net income per share	$ 0.11	$ 0.38	$ 0.04	$ 0.29	$ 0.09
Basic weighted average shares outstanding	65,474	64,417	63,435	61,818	60,635
Diluted weighted average shares outstanding	65,612	64,600	63,440	62,010	61,233
Dividends declared per common share	$ —	$ —	$ —	$ —	$ 0.53

	March 31, 2020	**March 31, 2019**	**March 31, 2018**	**March 31, 2017**	**March 31, 2016**
Balance sheet data:					
Cash, cash equivalents, and marketable securities	$ 138,012	$ 33,079	$ 28,845	$ 37,673	$ 36,473
Working capital	116,797	31,619	7,070	18,108	45,931
Total assets	720,116	532,895	515,755	473,221	530,790
Long-term line of credit	129,000	11,000	37,000	15,000	105,000
Total liabilities	319,622	156,949	192,345	168,178	261,413
Total shareholders' equity	400,494	375,946	323,410	305,043	269,377

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained herein, the matters discussed in this management's discussion and analysis of financial condition and results of operations ("MD&A"), including discussions of our product development plans, business strategies and market factors influencing our results, may include forward-looking statements that involve certain risks and uncertainties. Actual results may differ from those anticipated by us as a result of various factors, both foreseen and unforeseen, including, but not limited to, the impact of the COVID-19 pandemic and measures taken in response thereto, as well as our ability to continue to develop new products and increase systems sales in markets characterized by rapid technological evolution, consolidation and competition from larger, better-capitalized competitors. Many other economic, competitive, governmental and technological factors could affect our ability to achieve our goals and interested persons are urged to review any risks that may be described in Item 1A., "Risk Factors" as set forth herein, as well as in our other public disclosures and filings with the Securities and Exchange Commission ("SEC").

This MD&A is provided as a supplement to the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K ("Report") in order to enhance your understanding of our results of operations and financial condition and should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and related notes thereto included elsewhere in this Report. Historical results of operations, percentage margin fluctuations and any trends that may be inferred from the discussion below are not necessarily indicative of the operating results for any future period. For information regarding the year ended March 31, 2018, including a year-to-year comparison of our financial condition and results of operations for the years ended March 31, 2019 and March 31, 2018, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended March 31, 2019, filed with the SEC on May 29, 2019.

Company Overview

NextGen Healthcare is a leading provider of software and services that empower ambulatory healthcare practices to manage the risk and complexity of delivering care in the rapidly evolving U.S. healthcare system. Our combination of technological breadth, depth and domain expertise makes us a preferred solution provider and trusted advisor for our clients. In addition to highly configurable core clinical and financial capabilities, our portfolio includes tightly integrated solutions that deliver on ambulatory healthcare imperatives including: population health, care management, patient outreach, telemedicine and nationwide clinical information exchange.

We serve clients across all 50 states. Our approximately 100,000 providers deliver care in nearly every medical specialty in a wide variety of practice models including accountable care organizations ("ACOs"), independent physician associations ("IPAs"), managed service organizations ("MSOs"), Veterans Service Organizations ("VSOs"), and Dental Service Organizations ("DSOs"). Our clients include some of the largest and most progressive multi-specialty groups in the country. With the recent addition of behavioral health to our strong medical and oral health capabilities, we continue to extend our share not only in Federally Qualified Health Centers ("FQHCs"), but also in the emerging integrated care market.

NextGen Healthcare has historically enhanced our offering through both organic and inorganic activities. In October 2015, we divested our former Hospital Solutions division to focus exclusively on the ambulatory marketplace. In January 2016, we acquired HealthFusion Holdings, Inc. and its cloud-based electronic health record and practice management solution. In April 2017, we acquired Entrada, Inc. and its cloud-based, mobile platform for clinical documentation and collaboration. In August 2017, we acquired EagleDream Health, Inc. and its cloud-based population health analytics solution. In January 2018, we acquired Inforth Technologies for its specialty-focused clinical content. In October 2019, we acquired Topaz Information Systems, LLC for its behavioral health solutions. In December 2019, we acquired Medfusion, Inc. for its Patient Experience Platform (i.e., patient portal, self-scheduling, and patient pay) capabilities and OTTO Health, LLC for its integrated virtual care solutions, notably telemedicine. The integration of these acquired technologies has made NextGen Healthcare's solutions among the most comprehensive and powerful in the market.

Our company was incorporated in California in 1974. Previously named Quality Systems, Inc., we changed our corporate name to NextGen Healthcare, Inc. in September 2018. Our principal offices are located at 18111 Von Karman Ave., Suite 800, Irvine, California, 92612, and our principal website is www.nextgen.com. We operate on a fiscal year ending on March 31.

Industry Background, Regulatory Environment, and Market Opportunity

We believe that the trends and events described below have contributed to our consolidated results of operations and may continue to impact our future results.

Over the last decade, the ambulatory healthcare market has experienced significant regulatory change, which has driven the need for improved technology to enable practice transformation. Recognizing it was imperative to digitize the American health system to stem the escalating cost of healthcare and improve the quality of care being delivered, Congress enacted the Health Information Technology for Economic and Clinical Health Act in 2009 ("HITECH Act"). The legislation stimulated healthcare organizations to not only adopt electronic health records, but to use them to collect discrete data that could be used to drive quality care. This standardization supported early pay-for-reporting and pay-for-performance programs.

In 2010, the Affordable Care Act ("ACA") established the roadmap for shifting American healthcare from volume (fee-for-service) to a value-based care ("VBC") system that rewards improved outcomes at lower costs (fee-for-value). This was followed by the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), bipartisan legislation that further changed the way Medicare rewards clinicians for value vs. volume. Initially focused on government-funded care, the domain of the Centers for Medicare & Medicaid Services ("CMS"), these programs are now firmly established on the commercial insurance side of the industry as well.

VBC created the need for a new category of healthcare information technology ("HIT") tools that could be used to identify and treat groups of patients, or cohorts, based on risk. Population Health Management ("PHM") tools support these needs by identifying patient risk, engaging patients, coordinating care, and determining when interventions are needed to improve clinical and financial outcomes. According to estimates from Frost & Sullivan in May 2020, the United States PHM market is expected to reach $9.4 billion in total revenue by 2022, representing a compound annual growth rate ("CAGR") of 28% from 2017.

Importantly, the introduction of VBC programs was only an element of the broader approach to reducing healthcare expenditure. It was also accompanied by significant reductions in Medicare spending with a projected reduction of $253 billion in payments by 2029, as reported by RevCycle Intelligence in October 2019. The drive to reduce costs initially led to consolidation in the healthcare system that was followed by a significant shift of care from the inpatient to lower cost outpatient setting. Ambulatory surgery centers (ASCs) have become an essential component of comprehensive, low cost distributed care. According to an October 2019 report from ResearchandMarkets, ASCs continue to perform more than half of all U.S. outpatient surgical procedures and are expected to see greater volumes as the number of outpatient procedures increases by an estimated 15% by 2028. From 2015 to 2022, the proportion of outpatient cases performed in ASCs is expected to increase across most service lines with the largest jump (10%) to occur in spine procedures. Among other factors, consumerism is set to play a major role in driving ASC volume increases, as procedures performed in ASCs cost an average of 58% less than the same procedure in a hospital outpatient department. The need to sustain revenue has made it extremely important for practices to secure their patient market share, elevating patient loyalty to a significant determinant of provider success. In addition to being loyal, groups participating in value-based contracts realized that patients also needed to be engaged in their care and interested in improving their own health. The need to attract, retain and engage patients has made patient experience one of the most important aspects of evolving care delivery in the United States. Capturing patient market share and thriving in a market driven by VBC requires both an integrated platform and a full view of the patient population's clinical and cost data, neither of which could be accomplished without new technologies to collect and analyze multi-sourced patient data. Effectively implemented, these new technologies allow organizations to enhance financial viability while exercising the freedom to join, affiliate, integrate or interoperate in ways that maximize strategic control.

Although the HITECH Act led to the successful adoption of electronic health records, many in the healthcare industry were dissatisfied with the level of exchange of health information between different providers and across different software platforms. With the passing of the MACRA law in 2015, the U.S. Congress declared it a national objective to achieve widespread exchange of health information through interoperable certified EHR technology. Then, in December 2016, the 21st Century Cures Act ("Cures Act") was passed and signed into law. Among many other policies, the law includes numerous provisions intended to encourage nationwide interoperability.

In March 2020, the HHS Office of the National Coordinator for Health Information Technology ("ONC") released a final regulation which implements the key interoperability provisions included in the Cures Act. The rule calls on developers of certified EHRs to adopt standardized application programming interfaces ("APIs") and to meet a list of other new certification and maintenance of certification requirements in order to maintain approved federal government certification status.

The ONC rule also implements the information blocking provisions of the Cures Act, including identifying reasonable and necessary activities that do not constitute information blocking. Under the Cures Act, HHS has the regulatory authority to investigate and assess civil monetary penalties of up to $1,000,000 against certified health IT developers found to be in violation of "information blocking."

The new regulations will require significant compliance efforts for healthcare providers, information networks, exchanges, and HIT companies. However, CURES also creates opportunities for improving care delivery and outcomes through increased data exchange between providers, and easier patient access to their own health information. Key to unlocking these benefits is the introduction of new Fast Healthcare Interoperability Resources ("FHIR") standards. ONC's goal is for certified HIT companies to adopt FHIR-based API standards. Meanwhile, CMS is requiring hospitals to provide electronic admission, discharge and transfer notification to other healthcare facilities, providers and designated care team members.

Through the expansion of our NextGen® Share interoperability services platform and API partner marketplace, we will address the increased demand for moving and sharing patient data from the EHR easily, quickly and securely. Interoperability improves patient experience and care coordination, enhances patient safety, and reduces costs. We are also expanding resources such as educational webinars, blogs and videos on interoperability to help educate and support healthcare providers.

In recent years, there has been incremental investment to improve the delivery of behavioral healthcare. One of the central drivers of this investment has been the opioid epidemic which claims more than 70,000 lives a year in the United States. The integrated care model previously prevalent mainly in FQHCs, a model which calls for integration of behavioral health and primary care in single care settings, has also gained momentum. Both behavioral health and the integrated care workflows require broad, purpose built, tailored HIT capabilities, many of which are supported by the NextGen platform.

Based on these trends, successful clients must undertake the following imperatives:

1. Manage patient experience and engagement
2. Align incentives and energize clinicians
3. Maximize and shape financial outcomes
4. Assume risk and drive commercial advantage
5. Optimize workflows with data exchange

Our Strategy

We empower the accelerating transformation of ambulatory care by delivering solutions that enable groups to be successful under all models of care, including emerging value-based care in which providers assume risk while minimizing risk. We primarily serve groups that focus on delivering care in ambulatory settings, and do so across diverse practice sizes, specialties, and business constructs. In addition to traditional medical specialties, we participate actively with groups that deliver oral (dental) and behavioral healthcare, and with those that combine these in the emerging model for integrated care.

Our configurability enables groups to drive commercial advantage with creative workflows for patient access, patient-provider interactions, clinical workflows and care coordination. At the same time, our automation helps drive variability and cost out of the back office by accommodating exacting regulatory, billing and reporting requirements. We embrace both the art and science of delivering healthcare in the transforming U.S. healthcare system.

We believe that the ability to interoperate in a complex, heterogeneous healthcare ecosystem is one of the keys to providing great care and healthy financial outcomes. Because we interoperate with the major stakeholders across the U.S. healthcare system and power many of the nation's Health Information Exchanges ("HIEs"), we help keep patient data more secure, promote continuity of care, lower the cost of care delivery and perhaps most importantly improve the patient experience.

We recognize that patient experience drives patient engagement and that engaged patients have better outcomes. Consequently, much of our activity over the last few years has been informed by the emergence of the patient as an active, involved consumer. Our solutions help our clients create a holistic, personalized care experience that drive loyalty and satisfaction.

We surround our technical solutions with implementation and optimization services and provide business process outsourcing with managed hosting and revenue cycle management services. With some of our most sophisticated clients, we have been asked to share the breadth of our experience as they shape their strategies. We believe that this sort of engagement, acting as a virtual extension of our clients' leadership teams, is an important step along our journey to becoming a trusted advisor.

As one of the leading healthcare information technology players in the U.S. ambulatory marketplace, we plan to continue investing in our current capabilities as well as building and/or acquiring new capabilities as we guide our clients through the market's transformation. We expect to continue to empower the transformation of care through the following strategic priorities:

- Be a learning organization and transform ahead of the industry
- Be a trusted advisor for our customers and prospects
- Deliver breadth, depth and configurability to enable our clients to effectively execute their strategies
- Use automation to drive variability and cost from our clients' operations
- Drive real innovation in patient experience and patient-provider interactions
- Help our clients be recognized as interoperability leaders in their regions and areas of specialty
- Integrate new capabilities (whether organic or inorganic) more quickly and successfully than others.

COVID-19 Update

In late 2019, the emergence of a novel coronavirus, or COVID-19, was reported and in January 2020, the World Health Organization ("WHO"), declared it a Public Health Emergency of International Concern. In March 2020, the WHO escalated COVID-19 as a pandemic. We proactively responded to the pandemic by creating an executive task force to monitor the COVID-19 situation daily and immediately restricted non-essential travel and migrated to a fully remote workforce while maintaining complete operational effectiveness. Shortly thereafter, and in line with guidance provided by government agencies and international organizations, we restricted all travel, mandated a work-from-home policy across our global workforce, and moved all in-person client-facing events to virtual ones.

According to Johns Hopkins University, as of May 29, 2020, more than 5.9 million cases of COVID-19 have been reported in over 188 countries with more than 364,000 deaths. In addition to the socioeconomic disruption caused by the pandemic, both treatment and suppression measures stressed the very fabric of the U.S. healthcare system in some geographies, exacerbating some of the existing challenges with capacity, balance and reimbursement. Among the measures to slow the spread of the disease and flatten the curve in line with healthcare system capacity was social/physical distancing. The need to access care while still social distancing was addressed early on with the limited use of virtual visits and was energized when the federal government reduced regulatory barriers and addressed payment parity between virtual and in-person visits. With these tailwinds, telemedicine quickly became regarded as a safer way for patients and providers to engage each other while also relieving economic pressure on the medical practice. We believe that the uptake of telemedicine will transcend COVID-19 and that virtual visits will become a permanent and important change in the way care is delivered. Keeping patients out of the transit system, out of the waiting room and away from other sick patients is simply good medicine.

We also believe that ambulatory practices will emerge from the pandemic with a clearer appreciation of the importance of business continuity and will turn to NextGen more often for managed services. Consequently, we expect to see increased subscription of our revenue cycle management services, managed hosting, and our emerging capabilities for managed clinical and administrative services.

Since the mid-March 2020 timing of government orders to shelter in place and restrict non-essential medical services, the COVID-19 pandemic has caused declines in patient volume. This has negatively impacted our revenue in the fourth quarter of 2020, most notably for purchases of software and hardware. The impact of the disruption will continue to heavily impact the first half of fiscal 2021 primarily in managed services and EDI, which are volume driven, and purchases of software and hardware due to client management being focused on business continuity. Assuming the impact of the pandemic and related restrictive measures begin to subside late in the fiscal first half, we expect that patient volume and thus revenue will likely return to more normal levels throughout late fiscal 2021. Based on our overall financial health and the opportunity in front of us, we have made some important decisions on how to approach the first two quarters of fiscal 2021, which include executing cost reductions with a primary goal of mitigating COVID-19 based impacts to earnings. Most of these cost reductions are temporary as we believe that preserving our employee base, organizational momentum, and robust capabilities for the near future will be a win for the Company and our shareholders. The net effect of the aforementioned actions will result in earnings being down markedly and negative free cash flow (calculated as net cash provided by operating activities, less net of cash used for the additions of capitalized software costs and equipment and improvements) in the first half of the fiscal year. We believe we will be well positioned to weather the initial storm and increase earnings, revenue, and opportunity as volume begins to return in the second half of the year.

The broader implications of the global emergence of COVID-19 on our business, operating results, and overall financial performance remain uncertain and it depends on certain developments, including the duration and spread of the outbreak, impact on our clients and our sales cycles, impact on our partners or employees, and impact on the economic environment and financial markets, all of which are uncertain and cannot be predicted. We are conducting business as usual with certain modifications to employee travel, employee work locations, and marketing events, among other modifications. We have observed other companies taking precautionary and preemptive actions to address COVID-19, and the effects it has had and is expected to have on business and the economy. We expect that our customers and potential customers will take actions to reduce operating expenses and moderate cash flows, including by delaying sales and requesting extended billing and payment terms. We will continue to actively monitor the situation and may take further actions that we determine are in the best interests of our employees, customers, partners, suppliers, and shareholders.

Results of Operations

The following table sets forth the percentage of revenue represented by each item in our consolidated statements of net income and comprehensive income for the years ended March 31, 2020 and 2019 (certain percentages below may not sum due to rounding):

	Fiscal Year Ended March 31,	
	2020	2019
Revenues:		
Recurring	90.6%	89.6%
Software, hardware, and other non-recurring	9.4	10.4
Total revenues	100.0	100.0
Cost of revenue:		
Recurring	38.0	36.2
Software, hardware, and other non-recurring	5.0	5.0
Amortization of capitalized software costs and acquired intangible assets	6.6	5.4
Total cost of revenue	49.5	46.6
Gross profit	50.5	53.4
Operating expenses:		
Selling, general and administrative	30.6	31.2
Research and development costs, net	15.4	15.3
Amortization of acquired intangible assets	0.8	0.8
Impairment of assets	2.3	0.0
Restructuring costs	0.5	0.1
Total operating expenses	49.5	47.4
Income from operations	0.9	6.0
Interest income	0.0	0.0
Interest expense	(0.4)	(0.5)
Other income, net	0.2	0.1
Income before provision for (benefit of) income taxes	0.8	5.5
Provision for (benefit of) income taxes	(0.6)	0.9
Net income	1.4%	4.6%

Revenues

The following table presents our consolidated revenues for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31,	
	2020	2019
Recurring revenues:		
Subscription services	$ 127,602	$ 117,502
Support and maintenance	158,619	160,798
Managed services	104,549	98,203
Electronic data interchange and data services	98,543	97,418
Total recurring revenues	489,313	473,921
Software, hardware, and other non-recurring revenues:		
Software license and hardware	27,270	35,122
Other non-recurring services	23,656	20,130
Total software, hardware and other non-recurring revenues	50,926	55,252
Total revenues	$ 540,239	$ 529,173
Recurring revenues as a percentage of total revenues	90.6%	89.6%

We generate revenue from sales of licensing rights and subscriptions to our software solutions, hardware and third-party software products, support and maintenance, managed services, electronic data interchange (“EDI”) and data services, and other non-recurring services, including implementation, training, and consulting services performed for clients who use our products.

Consolidated revenue for the year ended March 31, 2020 increased $11.1 million compared to the prior year due to a $15.4 million increase in recurring revenues, partially offset by a $4.3 million decrease in software, hardware and other non-recurring revenues. The increase in recurring revenues was primarily due to $10.1 million higher subscription services driven by incremental revenue related to our acquisitions of Topaz and Medfusion and growth in subscriptions associated with our population health and analytics, core NextGen, and NextGen Office cloud-based solutions, $6.3 million higher managed services revenue related to recent growth in RCM and managed cloud services bookings and incremental patient pay services related to the Medfusion acquisition, and $1.1 million higher EDI and data services associated with growth in EDI transaction volume from the addition of new clients and further penetration of our existing client base, for which growth in revenue was partially muted by incremental revenues recognized in the prior year from the sales of certain clinical data. The increase in recurring revenues was partially offset by $2.2 million lower support and maintenance revenue from client attrition. The decrease in software, hardware, and other non-recurring revenues was primarily due to a $7.9 million decline in software license and hardware revenue from lower software bookings, including the impact from COVID-19 in our fiscal fourth quarter, partially offset by a $3.5 million increase in professional services.

Bookings reflect the estimated annual value of our executed contracts, which we believe may provide a broad indicator of the general direction and progress of the business. Total bookings on a comparable basis, adjusted to include the effect of pre-acquisition bookings, were $130.9 million for the year ended March 31, 2020 compared to $135.6 million in the prior year, primarily reflecting a decline in software bookings, partially offset by higher bookings of subscriptions and EDI services. Total bookings for the year ended March 31, 2018 were $120.5 million. In May 2020, we also announced a move to reduce our perpetual license revenue in favor of recurring subscription revenue.

Cost of Revenue and Gross Profit

The following table presents our consolidated cost of revenue and gross profit for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31,	
	2020	2019
Cost of revenue:		
Recurring	$ 205,057	$ 191,496
Software, hardware, and other non-recurring	26,904	26,711
Amortization of capitalized software costs and acquired intangible assets	35,478	28,490
Total cost of revenue	$ 267,439	$ 246,697
Gross profit	$ 272,800	$ 282,476
Gross margin %	50.5%	53.4%

Cost of revenue consists primarily of compensation expense, including share-based compensation, for personnel that deliver our products and services. Cost of revenue also includes amortization of capitalized software costs and acquired technology, third party consultant and outsourcing costs, costs associated with our EDI business partners and clearinghouses, hosting service costs, third party software costs and royalties, and other costs directly associated with delivering our products and services. Refer to Note 8, "Intangible Assets" and Note 9, "Capitalized Software Costs" of our notes to consolidated financial statements included elsewhere in this Report for additional information on current period amortization of capitalized software costs and acquired technology and an estimate of future expected amortization. As noted above, we announced in May 2020 a move to reduce our perpetual license revenue in favor of recurring subscription revenue, which will impact our gross margin percentages as we will book less high-margin perpetual licenses than we have historically, but ultimately it will produce high-margin recurring revenue. When combined with incremental amortization of capitalized software costs and acquired intangible assets, it will further reduce our expected gross margin percentage.

Share-based compensation expense included in cost of revenue was $2.1 million and $1.3 million for the years ended March 31, 2020 and 2019, respectively.

Gross profit for the year ended March 31, 2020 decreased $9.7 million compared to the prior year and gross margin percentage decreased to 50.5% for the year ended March 31, 2020 compared to 53.4% in the prior year period. The declines in gross profit and gross margin were primarily attributable to a decline in higher margin software license revenue as noted above, combined with $7.0 million higher amortization of previously capitalized software development costs and higher amortization of software technology intangible assets associated with the recent acquisitions of Medfusion, OTTO, Topaz, Inforth, EagleDream, and Entrada, partially offset by higher recurring revenues.

Selling, General and Administrative Expense

The following table presents our consolidated selling, general and administrative expense for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31, 2020	2019
Selling, general and administrative	$ 165,174	$ 164,879
Selling, general and administrative, as a percentage of revenue	30.6%	31.2%

Selling, general and administrative expense consist of compensation expense, including share-based compensation, for management and administrative personnel, selling and marketing expense, facilities costs, depreciation, professional service fees, including legal and accounting services, legal settlements, acquisition and transaction-related costs, and other general corporate and administrative expenses.

Share-based compensation expense included in selling, general and administrative expenses was $13.8 million and $11.9 million for the years ended March 31, 2020 and 2019, respectively. The increase in share-based compensation expense for the year ended March 31, 2020 compared to the prior years is due to increased utilization of share-based awards to incentivize our executives and employees. Refer to Note 14, "Share-Based Awards" of our notes to consolidated financial statements included elsewhere in this Report for additional information on equity award grants.

Selling, general and administrative expenses increased $0.3 million for the year ended March 31, 2020 compared to the prior year primarily due to lower bad debt and depreciation expense, lower payroll costs associated with our restructuring plans, and lower spend related to conferences, travel, marketing, and communications, offset by the impact of a $5.7 million net benefit recorded in the prior year from insurance recoveries related to the settlement of the Federal Securities Class Action complaint and higher share-based compensation expenses noted above.

Research and Development Costs, net

The following table presents our consolidated net research and development costs, capitalized software costs, and gross expenditures prior to capitalization, for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31, 2020	2019
Gross expenditures	$ 102,727	$ 101,565
Capitalized software costs	(19,432)	(20,571)
Research and development costs, net	$ 83,295	$ 80,994
Research and development costs, as a percentage of revenue	15.4%	15.3%
Capitalized software costs as a percentage of gross expenditures	18.9%	20.3%

Gross research and development expenditures, including costs expensed and costs capitalized, consist of compensation expense, including share-based compensation for research and development personnel, certain third-party consultant fees, software maintenance costs, and other costs related to new product development and enhancement to our existing products.

The healthcare information systems and services industry is characterized by rapid technological change, requiring us to engage in continuing investments in our research and development to update, enhance and improve our systems. This includes expansion of our software and service offerings that support pay-for-performance initiatives around accountable care organizations, bringing greater ease of use and intuitiveness to our software products, enhancing our managed cloud and hosting services to lower our clients' total cost of ownership, expanding our interoperability and enterprise analytics capabilities, and furthering development and enhancements of our portfolio of specialty-focused templates within our electronic health records software.

The capitalization of software development costs results in a reduction to our reported net research and development costs. Our software capitalization rate, or capitalized software costs as a percentage of gross expenditures, has varied historically and may continue to vary based on the nature and status of specific projects and initiatives in progress. Although changes in software capitalization rates have no impact on our overall cash flows, it results in fluctuations in the amount of software development costs being expensed up front and the amount of net research and development costs reported in our consolidated statement of net income and comprehensive income.

Share-based compensation expense included in research and development costs was $3.9 million and $2.9 million for the years ended March 31, 2020 and 2019, respectively.

Net research and development costs for the year ended March 31, 2020 increased $2.3 million compared to the prior year due to a $1.2 million increase in our gross expenditures and $1.1 million lower capitalization of software costs. The increase in gross expenditures is primarily the result of incremental costs incurred for the development of the next versions of our software solutions and enhancements to our existing solutions, including increased hosting fees, higher utilization of our Bangalore

development center resources, and increased share-based compensation expense, partially offset by lower consulting and outside services costs and lower US-based payroll costs due to reductions in our headcount.

Our software capitalization rate fluctuates due to differences in the nature and status of our projects and initiatives during a given year, which affects the amount of development costs that may be capitalized and ultimately also affects the future amortization of our previously capitalized software development costs.

Amortization of Acquired Intangible Assets

The following table presents our amortization of acquired intangible assets for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31,	
	2020	2019
Amortization of acquired intangible assets	$ 4,143	$ 4,344

Amortization of acquired intangible assets included in operating expense consist of the amortization related to our customer relationships and trade names intangible assets acquired as part of our business combinations. Refer to Note 8, "Intangible Assets" of our notes to consolidated financial statements included elsewhere in this Report for an estimate of future expected amortization.

Amortization of acquired intangible assets for the year ended March 31, 2020 decreased $0.2 million, compared to the prior year period due to certain acquired intangible assets becoming fully amortized, partially offset by additional amortization of the customer relationships and trade names intangible assets acquired from Medfusion.

Impairment of Assets

During the year ended March 31, 2020, we recorded impairments of $9.4 million to our operating right-of-use assets and certain related fixed assets associated with the vacated locations, or portions thereof, in North Canton, San Diego, Horsham, St. Louis, Irvine, Atlanta, Brentwood, and Phoenix, in connection with our restructuring plans, based on projected sublease rental income and estimated sublease commencement dates. We are actively marketing each of these vacated locations for sublease. The impairment analysis was performed at the asset group level and the impairment charge was estimated by comparing the fair value of each asset group based on the expected cash flows to its respective book value. We determined the discount rate for each asset group based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the impairment date. Significant judgment was required to estimate the fair value of each asset group and actual results could vary from the estimates, resulting in potential future adjustments to amounts previously recorded.

During the year ended March 31, 2020, we also recorded $3.2 million of impairments related to the write down of previously capitalized software development costs for certain technology that will no longer be utilized in any future software solutions.

Restructuring Costs

In June 2019, we implemented a business restructuring plan as part of our continued efforts to preserve and grow the value of the Company through client-focused innovations while reducing our cost structure. As part of the restructuring, we reduced our total workforce by approximately 4% primarily within the research and development function and intend to expand on our research and development resources in India. We recorded $2.5 million of restructuring costs in the year ended March 31, 2020 within operating expenses in our consolidated statements of comprehensive income. The restructuring costs consisted primarily of payroll-related costs, such as severance, outplacement costs, and continuing healthcare coverage, associated with the involuntary separation of employees pursuant to a one-time benefit arrangement.

During the year ended March 31, 2019, we recorded $0.6 million of restructuring costs related to adjustments to the estimated fair value of remaining lease obligations for vacated properties associated with our prior restructuring plan. The restructuring costs were comprised of facilities-related costs associated with accruals for the remaining lease obligations at certain locations, including Solana Beach, Costa Mesa, and a portion of Horsham with contractual lease terms ending between January 2018 and September 2023. We estimated the remaining lease obligations at fair value as of the cease-use date for each location based on the future contractual lease obligations, reduced by projected sublease rentals that could be reasonably obtained for the locations after a period of marketing, and adjusted for the effect deferred rents that have been recognized under the lease. The effect of discounting future cash flows using a credit-adjusted risk free rate was not significant. Sublease income and commencement dates were estimated based on data available from rental activity in the local markets. As of March 31, 2019, the remaining lease obligation, net of estimated projected sublease rentals, was $1.8 million.

Refer to Note 5, "Leases," of our notes to consolidated financial statements included elsewhere in this Report for estimated timing of payments related to remaining lease obligations.

Interest Expense

The following table presents our interest expense for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31,	
	2020	2019
Interest income	$ 256	$ 216
Interest expense	(1,955)	(2,814)
Other income, net	846	267

Interest expense relates to our revolving credit agreement and the related amortization of deferred debt issuance costs. Refer to Note 10, “Line of Credit” of our notes to consolidated financial statements included elsewhere in this Report for additional information.

Interest expense for the year ended March 31, 2020 decreased $0.9 million compared to the prior year. The changes in interest expense is primarily caused by fluctuations in outstanding balances under our revolving credit agreement and the related amortization of debt issuance costs. As of March 31, 2020, we had $129.0 million in outstanding loans under the revolving credit agreement.

Other income for the year ended March 31, 2020 increased $0.6 million compared to the prior year, which was primarily associated with fluctuations in the India foreign exchange rates.

Provision for (Benefit of) Income Taxes

The following table presents our provision for (benefit of) income taxes for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31,	
	2020	2019
Provision for (benefit of) income taxes	$ (3,239)	$ 4,794
Effective tax rate	-76.1%	16.4%

The change in the effective tax rate for the year ended March 31, 2020 compared to the prior year period was driven primarily by a decrease in pretax income for the current year. The effective tax rate for the year ended March 31, 2020 also benefitted from a release of uncertain tax position reserves on prior year tax settlements, certain return to provision adjustments, and state income taxes, which was partially offset by nondeductible expenses for the year ended March 31, 2020.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), signed into law on March 27, 2020, has resulted in significant changes to the U.S. federal corporate tax law. Additionally, several state and foreign jurisdictions have enacted additional legislation and or comply with federal changes. As the enactment dates of this law was prior to the end of our reporting period, we have considered the applicable tax law changes in our current and deferred income tax expense as of March 31, 2020. We will continue analyzing the applications of the CARES Act and include the material impact to future income tax provisions, if applicable.

Net Income

The following table presents our net income (in thousands) and net income per share and for the years ended March 31, 2020 and 2019:

	Fiscal Year Ended March 31,	
	2020	2019
Net income	$ 7,498	$ 24,494
Net income per share:		
Basic	$ 0.11	$ 0.38
Diluted	$ 0.11	$ 0.38

As a result of the foregoing changes in revenue and expense, net income for the fiscal year ended March 31, 2020 decreased $17.0 million compared to the prior year period.

Liquidity and Capital Resources

The following table presents selected financial statistics and information for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31, 2020	2019
Cash and cash equivalents	$ 138,012	$ 33,079
Unused portion of revolving credit agreement [1]	171,000	289,000
Total liquidity	$ 309,012	$ 322,079
Net income	$ 7,498	$ 24,494
Net cash provided by operating activities	$ 85,601	$ 50,475

[1] As of March 31, 2020, we had outstanding borrowings of $129.0 million under our $300.0 million revolving credit agreement.

Our outstanding borrowings under our revolving credit agreement was $129.0 million as of March 31, 2020 compared to $11.0 million as of March 31, 2019.

Our principal sources of liquidity are our cash generated from operations, driven mostly by our net income and working capital management, our cash and cash equivalents, and our revolving credit agreement.

We believe that our cash and cash equivalents on hand at March 31, 2020, together with our cash flows from operating activities and liquidity provided by our revolving credit agreement, will be sufficient to meet our working capital and capital expenditure requirements for the next twelve months. Due to the ongoing uncertainties of the impact of the COVID-19 pandemic on the industry in which we operate, we proactively implemented certain precautionary measures, including cost containment and strengthening our cash position by increasing the outstanding borrowings under our revolving credit agreement during the year ended March 31, 2020 and borrowing an additional $50.0 million in April 2020. The impact of COVID-19 is rapidly evolving and widespread, and therefore, it is not possible to fully identify, measure, and predict the various impacts that COVID-19 may have on our financial condition, results of operations, cash flows, and liquidity requirements. We will continue to assess the potential effects of the COVID-19 pandemic on our business and actively manage our response accordingly.

Cash and Cash Equivalents

As of March 31, 2020, our cash and cash equivalents balance of $138.0 million compares to $33.1 million as of March 31, 2019.

We may continue to use a portion of our funds as well as available financing from our revolving credit agreement for future acquisitions or other similar business activities, although the specific timing and amount of funds to be used is not currently determinable. We intend to expend some of our available funds for the development of products complementary to our existing product line as well as new versions of certain of our products. These developments are intended to take advantage of more powerful technologies and to increase the integration of our products.

Our investment policy is determined by our Board of Directors. Excess cash, if any, may be invested in very liquid short term assets including tax exempt and taxable money market funds, certificates of deposit and short term municipal bonds with average maturities of 365 days or less at the time of purchase. Our Board of Directors continues to review alternate uses for our cash including an expansion of our investment policy and other items. Any or all of these programs could significantly impact our investment income in future periods.

Cash Flows from Operating Activities

The following table summarizes our consolidated statements of cash flows for the years ended March 31, 2020 and 2019 (in thousands):

	Fiscal Year Ended March 31, 2020	2019
Net income	$ 7,498	$ 24,494
Non-cash expenses	85,902	66,662
Cash from net income, as adjusted	$ 93,400	$ 91,156
Change in contract assets and liabilities, net	1,325	(4,943)
Change in accounts receivable	4,937	(6,178)
Change in other assets and liabilities	(14,061)	(29,560)
Net cash provided by operating activities	$ 85,601	$ 50,475

For the year ended March 31, 2020, cash provided by operating activities increased $35.1 million compared to the prior year, consisting of $15.5 million increase from net changes in other assets and liabilities, $17.4 million increase from net changes in accounts receivable and contract balances, and $2.2 million increase from higher net income, as adjusted for non-cash expenses. Cash from operating activities benefited from changes in other assets and liabilities due to payments in the prior year related to the $19.0 million settlement of the Federal Securities Class Action complaint, which was partially offset by the impact of operating lease liabilities from the adoption of ASC 842 (refer to Note 5, "Leases" of our notes to consolidated financial statements included elsewhere in this Report for additional information) and net decreases in cash from changes in income taxes receivable and payable. Net changes to accounts receivable and contract balances resulted in a benefit to cash from operating activities as we continue to focus our efforts on collections and resolution of aged balances. Non-cash expenses increased primarily due to higher amortization of operating lease assets, higher amortization of previously capitalized software costs, impairment charges related to our vacated lease locations and capitalized software costs, as described above, higher share-based compensation expenses, and changes in deferred taxes, while net income for the year ended March 31, 2020 decreased $17.0 million compared to the prior year, as described above.

Cash Flows from Investing Activities

Net cash used in investing activities for the years ended March 31, 2020 and 2019 was $96.1 million and $25.5 million, respectively. The $70.6 million net increase in cash used in investing activities compared to the prior year is primarily due to cash payments for our acquisitions of Topaz, Medfusion and OTTO, net of cash acquired, of $71.7 million and $2.5 million higher additions to equipment and improvements, offset by $2.5 million of proceeds from over-funded corporate-owned life insurance policies and $1.1 million lower capitalization of software development costs.

Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended March 31, 2020 was $116.3 million compared to net cash used in financing activities of $21.6 million in the prior year. The increase in cash from financing activities is due to $118.0 million of net borrowings against our revolving credit facility, comprised of $137.0 million of additional borrowings and $19.0 million of principal repayments and $2.4 million of net proceeds from the issuance of shares under employee plans, partially offset by $4.1 million of payments for taxes related to net share settlement of equity awards. In comparison, during the prior year, net payments on our revolving credit facility were $26.0 million, consisting of $52.0 million of principal repayments and $26.0 million of additional borrowings and $3.2 million of payments for taxes related to net share settlement of equity awards, partially offset by $7.5 million of net proceeds from the issuance of shares under employee plans.

Contractual Obligations

As of March 31, 2020, we had minimum purchase commitments of $17.3 million related to payments due under certain non-cancelable agreements to purchase goods and services.

The following table summarizes our other significant contractual obligations at March 31, 2020 and the effect that such obligations are expected to have on our liquidity and cash in future periods (in thousands):

		For the year ended March 31,					
Contractual Obligations	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 and beyond**
Operating lease obligations	$ 43,017	$ 9,408	$ 9,186	$ 9,248	$ 7,955	$ 5,948	$ 1,272
Remaining lease obligations for vacated properties [(1)]	11,898	3,182	2,935	2,255	1,677	1,337	512
Line of credit obligations (Note 10)	129,000	—	—	129,000	—	—	—
Total	$183,915	$ 12,590	$ 12,121	$140,503	$ 9,632	$ 7,285	$ 1,784

[(1)] Remaining lease obligations for vacated properties relates to remaining lease obligations at certain locations, including Brentwood, Solana Beach, North Canton, Phoenix and portions of Atlanta, Irvine, Horsham, San Diego and St. Louis, that we have vacated and are actively marketing the locations for sublease as part of our reorganization efforts. Refer to Note 16, "Restructuring Plan" of our notes to consolidated financial statements included elsewhere in this Report for additional information. Total obligations have not been reduced by projected sublease rentals or by minimum sublease rentals of $0.9 million due in future periods under non-cancelable subleases.

The deferred compensation liability as of March 31, 2020 was $5.3 million, which is not included in the table above as the timing of future benefit payments to employees is not determinable.

The uncertain tax position liability as of March 31, 2020 was $4.2 million, which is not included in the table above as the timing of expected payments is not determinable.

New Accounting Pronouncements

Refer to Note 2, “Summary of Significant Accounting Policies” of our notes to consolidated financial statements included elsewhere in this Report for a discussion of new accounting standards.

Critical Accounting Policies and Estimates

The discussion and analysis of our consolidated financial statements and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors we believe to be reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. On a regular basis, we review the accounting policies and update our assumptions, estimates, and judgments, as needed, to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. Actual results could differ materially from our estimates under different assumptions or conditions. To the extent that there are material differences between our estimates and actual results, our financial condition or results of operations will be affected.

Our significant accounting policies, as described in Note 2, “Summary of Significant Accounting Policies” of our notes to consolidated financial statements included elsewhere in this Report, should be read in conjunction with management’s discussion and analysis of financial condition and results of operations. We believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results because application of such policies require significant judgment regarding the effects of matters that are inherently uncertain and that affect our consolidated financial statements.

Revenue Recognition

Application of the revenue recognition guidance requires a significant amount of judgments and estimates, which may impact the amount and timing of revenue recognition and related disclosures. Refer to Note 3, "Revenue from Contracts with Customers" of our notes to consolidated financial statements included elsewhere in this Report for additional information regarding our revenue recognition policies, significant judgements, and estimates.

Software Development Costs

Software development costs, consisting primarily of employee salaries and benefits and certain third party costs, incurred in the development of new software solutions and enhancements to existing software solutions for external sale are expensed as incurred, and reported as net research and development costs in the consolidated statements of net income and comprehensive income, until technological feasibility has been established. After technological feasibility is established, any additional software development costs are capitalized. Amortization of capitalized software is recorded on straight-line basis over the estimated economic life of the related product, which is typically three years. The total of capitalized software costs incurred in the development of products for external sale are reported as capitalized software costs within our consolidated balance sheets.

We also incur costs related to the development of software applications for our internal-use and for the development of software-as-a-service ("SaaS") based solutions sold to our clients. The development costs of our SaaS-based solutions are considered internal-use for accounting purposes. Our internal-use capitalized development costs are stated at cost and amortized on a straight-line basis over the estimated useful lives of the assets, which is typically three years. Application development stage costs generally include costs associated with internal-use software configuration, coding, installation and testing. Costs related to the preliminary project stage and post-implementation activities are expensed as incurred. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized, whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred. Capitalized software costs for the development of SaaS-based solutions are reported as capitalized software costs within our consolidated balance sheets and capitalized software costs for the development of our internal-use software applications are reported as equipment and improvements within our consolidated balance sheets.

We periodically reassess the estimated economic life and the recoverability of our capitalized software costs. If we determine that capitalized amounts are not recoverable based on the expected net cash flows to be generated from sales of the applicable software solutions, the amount by which the unamortized capitalized costs exceed the net realizable value is written off as a charge to earnings. The net realizable value is the estimated as the expected 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. In addition to the assessment of net realizable value, we review and adjust the remaining estimated lives of our capitalized software costs, if necessary. We also perform a periodic review of our software solutions and dispose of fully amortized capitalized software costs after such products are determined to be no longer used by our clients.

Although we currently believe that our approach to estimates and judgments as described herein is reasonable, actual results could differ and we may be exposed to increases or decreases in revenue that could be material.

Business Combinations

During the year ended March 31, 2020, we completed the acquisitions of Topaz, Medfusion, and OTTO, and during the year ended March 31, 2018, we completed the acquisitions of Entrada, EagleDream and Inforth. We accounted for the acquisitions as purchase business combinations using the acquisition method of accounting.

In accordance with the acquisition method of accounting for business combinations, we allocated the purchase price of acquired businesses to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. Our purchase price allocation methodology contains uncertainties because it requires us to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities, including, but not limited to, intangible assets, goodwill, and contingent consideration liabilities. We estimate the fair value of assets and liabilities based upon the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses depending on the nature of the assets being sold. We estimate the fair value of the contingent consideration liabilities, as needed, based on our projection of expected results and the estimated probability of achievement. The process to develop the estimate of fair values in many cases requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount rates. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including assumptions regarding industry economic factors and business strategies. We finalize the purchase price allocation as soon as practicable within the measurement period, but not later than one year following the acquisition date. Any adjustments to fair value subsequent to the measurement period are reflected in the consolidated statements of net income and comprehensive income.

Goodwill

Goodwill acquired in a business combination is measured as the excess of the purchase price, or consideration transferred, over the net acquisition date fair values of the assets acquired and the liabilities assumed. Goodwill is not amortized as it has been determined to have an indefinite useful life.

As part of our annual goodwill impairment test, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values. If the carrying amount of the reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

We test goodwill for impairment annually during our first fiscal quarter, referred to as the annual test date. Based on our qualitative assessment for the current fiscal year, we have determined that there was no impairment to our goodwill as of June 30, 2019. We will also test for impairment between annual test dates if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

During the years ended March 31, 2020 and March 31, 2019, we did not identify any events or circumstances that would require an interim goodwill impairment test. We currently also do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to test for impairment losses on goodwill. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to future impairment charges that could be material.

Intangible Assets

Intangible assets consist of trade names, customer relationships, and software technology, all of which are associated with our acquisitions.

The intangible assets are recorded at fair value and are reported net of accumulated amortization. We currently amortize the intangible assets over periods ranging from 5 to 10 years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed. We assess the recoverability of intangible assets at least annually or whenever adverse events or changes in circumstances indicate that impairment may have occurred. If the future undiscounted cash flows expected to result from the use of the related assets are less than the carrying value of such assets, impairment is deemed to have occurred and a loss is recognized to reduce the carrying value of the intangible assets to fair value, which is determined by discounting estimated future cash flows. In addition to the impairment assessment, we routinely review the remaining estimated lives of our intangible assets and record adjustments, if deemed necessary.

Although currently we believe that our approach to estimates and judgments as described herein is reasonable, actual results could differ and we may be exposed to decreases in the fair value of our intangible assets, resulting in impairment charges that could be material. We test intangible assets for impairment if we believe indicators of impairment exist.

Share-Based Compensation

We record share-based compensation related to share-based awards granted under our employee stock options and incentive plans. See Note 14, “Share-Based Awards,” of our notes to consolidated financial statements included elsewhere in this Report for a complete discussion of our stock-based compensation plans.

Share-based compensation expense associated with stock options granted under our equity incentive plans is based on the number of options that ultimately vest and adjusted, if needed, as forfeitures occur. We estimate the fair value of stock options on the date of grant using the Black Scholes option-pricing model based on required inputs, including expected term, volatility, risk-free rate, and expected dividend yield. Expected term is estimated based upon the historical exercise behavior and represents the period of time that options granted are expected to be outstanding and therefore the proportion of awards that is expected to vest. Volatility is estimated by using the weighted-average historical volatility of our common stock, which approximates expected volatility. The risk-free rate is the implied yield available on the U.S. Treasury zero-coupon issues with remaining terms equal to the expected term. The expected dividend yield is the average dividend rate during a period equal to the expected term of the option. The fair value vest is recognized ratably as expense over the requisite service period in our consolidated statements of net income and comprehensive income.

Share-based compensation expense associated with restricted stock awards is estimated using the market price of the common stock on the date of grant. Share-based compensation expense associated with restricted performance stock awards and units are based on the grant date fair value measured at the underlying closing share price on the date of grant using a Monte Carlo-based valuation model.

We currently do not believe there is a reasonable likelihood there will be a material change in the future estimates or assumptions we use to determine share-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in share-based compensation expense that could be material.

Reserves on Accounts Receivable

We maintain reserves for potential sales returns and uncollectible accounts receivable. Accounts receivable are reported net of uncollectible accounts receivable our consolidated balance sheets.

Our standard contracts generally do not contain provisions for clients to return products or services. However, we historically have accepted sales returns under limited circumstances. We estimate expected sales returns and other forms of variable consideration considering our customary business practice and contract-specific facts and circumstances, and we consider such estimated potential returns as variable consideration when allocating the transaction price to the extent it is probable that there will not be a significant reversal of cumulative revenue recognized.

Allowances for doubtful accounts and other uncollectible accounts receivable related to estimated losses resulting from our clients’ inability to make required payments are established based on our assessment of the collectability of client accounts, including review of our historical experience of bad debt expense and the aging of our accounts receivable balances, net of specifically reserved accounts and amounts billed prior to revenue recognition. Specific reserves are based on our estimate of the probability of collection for certain accounts. We regularly review the adequacy of these allowances by considering internal factors such as historical experience, credit quality and age of the client receivable balances as well as external factors such as economic conditions that may affect a client’s ability to pay and review of major third-party credit-rating agencies, as needed. Accounts are written off as uncollectible only after we have expended extensive collection efforts. If a major client’s creditworthiness or financial condition were to deteriorate, if actual defaults are higher than our historical experience, or if other circumstances arise, our estimates of the recoverability of amounts due to us could be overstated, and additional allowances could be required, which could have an adverse impact on our operating results.

Although we currently believe that our approach to estimates and judgments as described herein is reasonable, actual results could differ and we may be exposed to increases or decreases in required reserves that could be material.

Leases

We adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and its subsequent amendments (together “ASC 842”) during the quarter ended June 30, 2019 using the transition approach provided for under ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which allowed us to apply the new lease standard as of April 1, 2019, rather than the beginning of the earliest period presented. ASC 842 supersedes ASC 840 and requires the recognition of leased arrangements on the balance sheet as right-of-use assets and liabilities pertaining to the rights and obligations created by the leased assets. Refer to Note 5, "Leases" of our notes to consolidated financial statements included elsewhere in this Report for additional information regarding our adoption of ASC 842.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2020 and March 31, 2019, we were subject to minimal market risk on our cash and cash equivalents as we maintained our balances in very liquid funds with maturities of 90 days or less at the time of purchase.

As of March 31, 2020 and March 31, 2019, we had $129.0 million and $11.0 million, respectively, in outstanding borrowings under our revolving credit agreement. The revolving borrowings under our revolving credit agreement bear interest at our option of either, (a) for base rate loans, a base rate based on the highest of (i) 0%, (ii) the rate of interest publicly announced by the administrative agent as its prime rate in effect at its principal office in New York City, (iii) the overnight bank funding rate (not to be less than zero) as determined by the Federal Reserve Bank of New York plus 0.50% or (iv) the LIBOR-based rate for one, two, three or six months Eurodollar deposits plus 1%, and (b) for Eurodollar loans, the LIBOR-based rate for one, two, three or six months (as selected by us) Eurodollar deposits plus 1.00%, plus, in each case, an applicable margin based on our total leverage ratio from time to time, ranging from 0.50% to 1.50% for base rate loans, and from 1.50% to 2.50% for Eurodollar loans. Accordingly, we are exposed to interest rate risk, primarily changes in LIBOR, due to our loans under the revolving credit agreement. A one hundred basis point (1.00%) change in the interest rate on our outstanding loans as of March 31, 2020 would result in a corresponding change in our annual interest expense of approximately $1.3 million. Refer to Note 10, “Line of Credit” of our notes to consolidated financial statements included elsewhere in this Report for additional information.

As of March 31, 2020 and March 31, 2019, we had international operations that exposed us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. However, the impact of foreign currency fluctuations has not been material to our financial position or operating results.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See our consolidated financial statements identified in the Index to Financial Statements appearing under “Item 15. Exhibits and Financial Statement Schedules” of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Security Exchange Act of 1934, as amended, the "Exchange Act") as of March 31, 2020, the end of the period covered by this Report (the “Evaluation Date”). They have concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis. The Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. They have also concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act are accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

During the year ended March 31, 2020, we completed the acquisitions of Topaz Information Systems, LLC ("Topaz") in October 2019, Medfusion, Inc. (“Medfusion”) in December 2019, and OTTO Health, LLC (“OTTO”) in December 2019, each of which are now wholly-owned subsidiaries of the Company. In conducting our evaluation of the effectiveness of our internal controls over financial reporting as of March 31, 2020, we have elected to exclude Topaz, Medfusion, and OTTO from our evaluation for fiscal year 2020, based upon Securities and Exchange Commission staff guidance. As of and for the year ended March 31, 2020, the assets and revenues of the acquired companies in aggregate that are not included in our evaluation represented less than 1% of consolidated assets and less than 2% of consolidated revenues.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision and with the participation of our management, including our principal executive officer, principal financial officer and principal accounting officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting is supported by written policies and procedures, that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2020. In making our assessment of internal control over financial reporting, management used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of March 31, 2020.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report contained in Item 15(a)(1) of Part IV of this Report, "Exhibits and Financial Statement Schedules."

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2020, there were no changes in our "internal control over financial reporting" (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated herein by reference from our definitive proxy statement for our 2020 Annual Shareholders' Meeting to be filed with the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference from our definitive proxy statement for our 2020 Annual Shareholders' Meeting to be filed with the Securities and Exchange Commission.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated herein by reference from our definitive proxy statement for our 2020 Annual Shareholders' Meeting to be filed with the Securities and Exchange Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference from our definitive proxy statement for our 2020 Annual Shareholders' Meeting to be filed with the Securities and Exchange Commission.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference from our definitive proxy statement for our 2020 Annual Shareholders' Meeting to be filed with the Securities and Exchange Commission.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Annual Report on Form 10-K:

ITEM 16. FORM 10-K SUMMARY

None.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Exhibit	Filing Date
3.1	Restated Articles of Incorporation of Quality Systems, Inc. filed with the Secretary of State of California on September 8, 1989 (Registration No. 333-00161)		S-1	3.1	11-Jan-96
3.2	Certificate of Amendment to Articles of Incorporation of Quality Systems, Inc. filed with the Secretary of State of California effective March 4, 2005		10-K	3.1.1	14-Jun-05
3.3	Certificate of Amendment to Articles of Incorporation of Quality Systems, Inc. filed with the Secretary of State of California effective October 6, 2005		8-K	3.01	11-Oct-05
3.4	Certificate of Amendment to Articles of Incorporation of Quality Systems, Inc. filed with the Secretary of State of California effective March 3, 2006		8-K	3.1	6-Mar-06
3.5	Certificate of Amendment to Articles of Incorporation of Quality Systems, Inc. filed with the Secretary of State of California effective October 6, 2011		8-K	3.1	6-Oct-11
3.6	Restated Articles of Incorporation of NextGen Healthcare, Inc., filed with the Secretary of State of California effective September 6, 2018		8-K	3.1	10-Sep-18
3.7	Amended and Restated Bylaws of Quality Systems, Inc., effective October 30, 2008		8-K	3.1	31-Oct-08
3.8	Amended and Restated Bylaws of NextGen Healthcare, Inc., effective September 6, 2018		8-K	3.2	10-Sep-18
10.1	Agreement and Plan of Merger, dated September 6, 2018, to change the name of Quality Systems, Inc. to NextGen Healthcare, Inc.		8-K	2.1	10-Sep-18
10.2	Agreement and Plan of Merger, dated October 30, 2015, by and among Quality Systems, Inc., Ivory Merger Sub, Inc., HealthFusion Holdings, Inc. and Seth Flam, Sol Lizerbram, and Jonathan Flam, as the Securityholder Representative Committee.		8-K	2.1	30-Oct-15
10.3	Agreement and Plan of Merger, dated April 11, 2017, by and among Quality Systems, Inc., Engage Merger Sub, Inc., Entrada, Inc. and FCA Venture Partners V, LP, as the Company Stockholders' Representative		8-K	2.1	12-Apr-17
10.4	Agreement and Plan of Merger, dated July 31, 2017, by and among Quality Systems, Inc., Peacock Merger Sub, Inc., EagleDream Health, Inc. and Algimantas K. Chesonis		8-K	2.1	1-Aug-17
10.5	Agreement and Plan of Merger, dated November 12, 2019, by and among NextGen Healthcare, Inc., Renegade Merger Sub, Inc., MedFusion, Inc., and Project Renegade LLC, as the Equityholders Representative		8-K	2.1	18-Nov-19
10.6	Credit Agreement, dated as of January 4, 2016, among Quality Systems, Inc., JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, and Bank of the West, KeyBank National Association and Wells Fargo Bank, National Association, as co-documentation agents		10-Q	10.1	29-Jan-16

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.7	Amended and Restated Credit Agreement, dated as of March 29, 2018, among Quality Systems, Inc., JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, and Bank of the West, KeyBank National Association and Wells Fargo Bank, National Association, as co-documentation agents		8-K	10.1	4-Apr-18
10.8*	Second Amended and Restated 2005 Stock Option and Incentive Plan		DEF14A	Appendix I	1-Jul-11
10.9*	Form of Incentive Stock Option Agreement for 2005 Stock Incentive Plan		8-K	10.3	5-Jun-07
10.10*	Form of Nonqualified Stock Option Agreement for 2005 Stock Incentive Plan		8-K	10.2	5-Jun-07
10.11*	Form of Outside Director's Restricted Stock Unit Agreement under Second Amended and Restated 2005 Stock Option and Incentive Plan		8-K	10.1	15-Aug-11
10.12*	Form of Executive Officer Restricted Stock Agreement under Second Amended and Restated 2005 Stock Option and Incentive Plan		8-K	10.2	28-May-13
10.13*	Form of Performance-Based Restricted Stock Unit Agreement under Second Amended and Restated 2005 Stock Option and Incentive Plan		10-K	10.17	29-May-14
10.14*	Form of Outside Directors Amended and Restated Restricted Stock Agreement under 2010 Outside Director Compensation Program		8-K	10.2	2-Feb-10
10.15*	Quality Systems, Inc. 2015 Equity Incentive Plan		8-K	10.1	14-Aug-15
10.16*	Quality Systems, Inc. Amended 2015 Equity Incentive Plan		8-K	10.1	23-Aug-17
10.17*	NextGen Healthcare, Inc. 2015 Equity Incentive Plan, as amended		8-K	10.2	16-Aug-19
10.18*	Form of Stock Option Grant Notice, Option Agreement and Notice of Exercise for 2015 Equity Incentive Plan		8-K	10.4	14-Aug-15
10.19*	Form of Employee Restricted Stock Award Grant Notice and Restricted Stock Award Agreement for 2015 Equity Incentive Plan		8-K	10.2	14-Aug-15
10.20*	Form of Outside Director Restricted Stock Award Grant Notice and Restricted Stock Award Agreement for 2015 Equity Incentive Plan		8-K	10.3	14-Aug-15
10.21*	Form of Employee Restricted Stock Award Grant Notice and Restricted Stock Award Agreement for 2015 Equity Incentive Plan, as amended		8-K	10.3	16-Aug-19
10.22*	Form of Outside Director Restricted Stock Award Grant Notice and Restricted Stock Award Agreement for 2015 Equity Incentive Plan, as amended		8-K	10.4	16-Aug-19
10.23*	Form of Stock Option Grant Notice, Option Agreement and Notice of Exercise for 2015 Equtiy Incentive Plan, as amended.		8-K	10.5	16-Aug-19

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.24*	Form of Performance Stock Award Grant Notice and Performance/Restricted Stock Award Agreement for 2015 Equity Incentive Plan, entered into with the Company's named executive officers effective December 29, 2016.		8-K	10.2	3-Jan-17
10.25*	Form of Restricted Stock Award Grant Notice and Performance/Restricted Stock Award Agreement for 2015 Equity Incentive Plan, entered into with the Company's named executive officers effective December 29, 2016.		8-K	10.3	3-Jan-17
10.26*	Quality Systems, Inc. 2014 Employee Share Purchase Plan		DEF14A	Annex A	27-Jun-14
10.27*	Executive Employment Agreement, dated June 3, 2015, between Quality Systems, Inc. and John R. Frantz		8-K	10.1	4-Jun-15
10.28	Executive Employment Agreement Addendum, dated as of January 22, 2019, between NextGen Healthcare, Inc. and John R. Frantz		8-K	10.1	23-Jan-19
10.29*	Employment Offer Letter, dated January 27, 2016, between David Metcalfe and Quality Systems, Inc.		8-K	10.1	28-Jan-16
10.30*	Employment Offer Letter, dated February 16, 2016, between James R. Arnold and Quality Systems, Inc.		8-K	10.1	18-Feb-16
10.31*	Employment Offer Letter, dated February 16, 2016, between Jeffrey D. Linton and Quality Systems, Inc.		8-K	10.1	1-Dec-17
10.32*	Separation Agreement, dated as of January 21, 2019, between NextGen Healthcare, Inc. and Scott Bostick		8-K	10.2	23-Jan-19
10.33*	NextGen Healthcare, Inc, FY2020 Director Compensation Plan		8-K	10.1	16-Aug-19
10.34*	Form of Indemnification Agreement (Directors and Officers)		8-K	10.1	28-Jan-13
10.35*	2009 Quality Systems, Inc. Amended and Restated Deferred Compensation Plan.		10-K	10.8	30-May-13
10.36*	Agreement by and among Quality Systems, Inc., the Clinton Group, Inc. and certain of its affiliates, dated as of July 17, 2013		8-K	10.1	17-Jul-13
21	List of subsidiaries.	X			
23.1	Consent of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP.	X			
31.1	Certification of Principal Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Principal Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS**	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH**	Inline XBRL Taxonomy Extension Schema Document				

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Exhibit	Filing Date
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	The cover page from the Company's Annual Report on Form 10-K for the year ended March 31, 2020, has been formatted in Inline XBRL.				

* *This exhibit is a management contract or a compensatory plan or arrangement.*

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of section 11 or 12 of the Securities and Exchange Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ John R. Frantz
John R. Frantz
Chief Executive Officer (Principal Executive Officer)

By: /s/ James R. Arnold, Jr.
James R. Arnold, Jr.
Chief Financial Officer (Principal Financial Officer)

By: /s/ David Ahmadzai
David Ahmadzai
Chief Accounting Officer (Principal Accounting Officer)

Date: June 1, 2020

KNOW ALL PERSONS BY THESE PRESENTS, that each of the persons whose signature appears below hereby constitutes and appoints John R. Frantz, James R. Arnold, Jr., and David Ahmadzai, each of them acting individually, as his attorney-in-fact, each with the full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming our signatures as they may be signed by our said attorney-in-fact and any and all amendments to this Annual Report on Form 10-K.

Pursuant to the requirement of the Securities Exchange Act of 1934, this Report has been signed by the following persons on our behalf in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jeffrey H. Margolis Jeffrey H. Margolis	Chairman of the Board and Director	June 1, 2020
/s/ Craig A. Barbarosh Craig A. Barbarosh	Vice Chairman of the Board and Director	June 1, 2020
/s/ John R. Frantz John R. Frantz	Chief Executive Officer (Principal Executive Officer) and Director	June 1, 2020
/s/ James R. Arnold, Jr. James R. Arnold, Jr.	Chief Financial Officer (Principal Financial Officer)	June 1, 2020
/s/ David Ahmadzai David Ahmadzai	Chief Accounting Officer (Principal Accounting Officer)	June 1, 2020
/s/ George H. Bristol George H. Bristol	Director	June 1, 2020
/s/ Julie D. Klapstein Julie D. Klapstein	Director	June 1, 2020
/s/ James C. Malone James C. Malone	Director	June 1, 2020
/s/ Morris Panner Morris Panner	Director	June 1, 2020
/s/ Sheldon Razin Sheldon Razin	Chairman Emeritus and Director	June 1, 2020
/s/ Lance E. Rosenzweig Lance E. Rosenzweig	Director	June 1, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of NextGen Healthcare, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of NextGen Healthcare, Inc. and its subsidiaries (the "Company") as of March 31, 2020 and 2019, and the related consolidated statements of net income and comprehensive income, of shareholders' equity, and of cash flows for each of the three years in the period ended March 31, 2020, including the related notes and financial statement schedule listed in the index appearing under item 15 (a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2020 and the manner in which it accounts for revenue from contracts with customers in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Topaz, Medfusion and OTTO from its assessment of internal control over financial reporting as of March 31, 2020 because they were acquired by the Company in purchase business combinations during the year ended March 31, 2020. We have also excluded Topaz, Medfusion and OTTO from our audit of internal control over financial

reporting. Topaz, Medfusion and OTTO are wholly-owned subsidiaries whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting collectively represent less than 1% and less than 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended March 31, 2020.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition - Customer Contracts with Multiple Performance Obligations

As described in Note 3 to the consolidated financial statements, the Company recorded total revenues of $540 million for the year ended March 31, 2020. The Company's contracts with customers may include multiple performance obligations that consist of various combinations of software solutions and related services, which are generally capable of being distinct and accounted for as separate performance obligations. The total transaction price is allocated to each performance obligation within a contract based on estimated standalone selling prices. Standalone selling prices are generally determined based on the prices charged to customers, except for certain software licenses that are based on the residual approach because their standalone selling prices are highly variable and certain maintenance customers that are based on substantive renewal rates.

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically customer contracts with multiple performance obligations, is a critical audit matter are there was significant judgment by management in identifying distinct performance obligations for each contract and in determining the amount to be allocated to each performance obligation. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to whether management appropriately (i) identified all performance obligations and (ii) allocated the transaction price to each performance obligation within the contract.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls related to management's identification of performance obligations, determination of the estimated standalone selling price, and allocation of transaction price. These procedures also included, among others, reviewing contracts with customers for a sample of contracts and i) testing management's identification of distinct performance obligations in its contracts with customers, ii)

testing management's estimate of standalone selling prices and (iii) testing management's allocation of transaction price to the performance obligations.

Acquisition of Medfusion, Inc.

As described in Notes 2 and 6 to the consolidated financial statements, in December 2019, the Company completed its acquisition of Medfusion, Inc. for net consideration of $43 million, which resulted in $21 million of intangible assets being recorded. Management allocated the purchase price of the acquired business to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date using multiple valuation approaches depending on the type and nature of the tangible or intangible asset acquired or liability assumed, including but not limited to the income approach, the excess earnings method and the relief from royalty method approach. The purchase price allocation methodology contains uncertainties as it requires management to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities, including, but not limited to, intangible assets and goodwill. As disclosed by management, the process for estimating fair values in many cases requires the use of significant estimates, assumptions, and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount rates.

The principal considerations for our determination that performing procedures relating to the acquisition of Medfusion, Inc. is a critical audit matter are there was significant judgment by management when developing the estimated fair value of acquired intangible assets. This in turn led to significant auditor judgment and subjectivity in performing procedures relating to the valuation of acquired intangible assets and significant audit effort was necessary in evaluating the significant assumptions relating to the estimate, including the timing and amounts of future cash flows. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls (i) relating to the acquisition accounting, including controls over management's valuation of the intangible assets and (ii) over development of the assumptions related to the valuation of the intangible assets, including the timing and estimates of future cash flows. These procedures also included, among others, reading the purchase agreement, testing management's process for estimating the fair value of intangible assets and testing management's cash flow projections used to develop the estimate of the fair value of the intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods and the reasonableness of significant assumptions, including the timing and estimates of future cash flows. Evaluating the reasonableness of the timing and estimates of future cash flows involved considering the past performance of the acquired business, as well as economic and industry forecasts. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the valuation methods used and the reasonableness of certain significant assumptions.

/s/ PricewaterhouseCoopers LLP
Irvine, California
June 1, 2020

We have served as the Company's auditor since 2009.

NEXTGEN HEALTHCARE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2020	March 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 138,012	$ 33,079
Restricted cash and cash equivalents	2,307	1,443
Accounts receivable, net	80,006	87,459
Contract assets	12,529	13,242
Income taxes receivable	856	3,682
Prepaid expenses and other current assets	26,305	20,946
Total current assets	260,015	159,851
Equipment and improvements, net	19,836	21,404
Capitalized software costs, net	37,004	37,855
Operating lease assets	31,004	—
Deferred income taxes, net	10,620	6,194
Contract assets, net of current	3,007	3,747
Intangibles, net	57,809	52,595
Goodwill	267,165	218,771
Other assets	33,656	32,478
Total assets	$ 720,116	$ 532,895
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,521	$ 5,432
Contract liabilities	56,786	56,009
Accrued compensation and related benefits	23,792	25,663
Income taxes payable	148	64
Operating lease liabilities	10,619	—
Other current liabilities	41,352	41,064
Total current liabilities	143,218	128,232
Deferred compensation	5,300	5,905
Line of credit	129,000	11,000
Operating lease liabilities, net of current	38,823	—
Other noncurrent liabilities	3,281	11,812
Total liabilities	319,622	156,949
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Common stock		
$0.01 par value; authorized 100,000 shares; issued and outstanding 66,134 and 64,838 shares at March 31, 2020 and March 31, 2019, respectively	661	648
Additional paid-in capital	282,857	264,908
Accumulated other comprehensive loss	(2,143)	(1,231)
Retained earnings	119,119	111,621
Total shareholders' equity	400,494	375,946
Total liabilities and shareholders' equity	$ 720,116	$ 532,895

The accompanying notes are an integral part of these consolidated financial statements.

NEXTGEN HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)

	Fiscal Year Ended March 31,		
	2020	2019	2018
Revenues:			
Recurring	$ 489,313	$ 473,921	$ 476,214
Software, hardware, and other non-recurring	50,926	55,252	54,805
Total revenues	540,239	529,173	531,019
Cost of revenue:			
Recurring	205,057	191,496	194,360
Software, hardware, and other non-recurring	26,904	26,711	25,085
Amortization of capitalized software costs and acquired intangible assets	35,478	28,490	22,090
Total cost of revenue	267,439	246,697	241,535
Gross profit	272,800	282,476	289,484
Operating expenses:			
Selling, general and administrative	165,174	164,879	193,226
Research and development costs, net	83,295	80,994	81,259
Amortization of acquired intangible assets	4,143	4,344	7,810
Impairment of assets	12,571	—	3,757
Restructuring costs	2,505	640	611
Total operating expenses	267,688	250,857	286,663
Income from operations	5,112	31,619	2,821
Interest income	256	216	55
Interest expense	(1,955)	(2,814)	(3,323)
Other income, net	846	267	37
Income before provision for (benefit of) income taxes	4,259	29,288	(410)
Provision for (benefit of) income taxes	(3,239)	4,794	(2,830)
Net income	$ 7,498	$ 24,494	$ 2,420
Other comprehensive income:			
Foreign currency translation, net of tax	(912)	(831)	(42)
Comprehensive income	$ 6,586	$ 23,663	$ 2,378
Net income per share:			
Basic	$ 0.11	$ 0.38	$ 0.04
Diluted	$ 0.11	$ 0.38	$ 0.04
Weighted-average shares outstanding:			
Basic	65,474	64,417	63,435
Diluted	65,612	64,600	63,440

The accompanying notes are an integral part of these consolidated financial statements.

NEXTGEN HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, March 31, 2017	62,455	625	228,549	76,227	(358)	305,043
Common stock issued under stock plans, net of shares withheld for taxes	1,540	15	3,818	—	—	3,833
Stock-based compensation	—	—	12,196	—	—	12,196
Cumulative effect adjustment related to the adoption of ASU 2016-09			(101)	61	—	(40)
Components of other comprehensive income:						
Translation adjustments	—	—	—	—	(42)	(42)
Net income	—	—	—	2,420	—	2,420
Balance, March 31, 2018	63,995	640	244,462	78,708	(400)	323,410
Common stock issued under stock plans, net of shares withheld for taxes	843	8	4,344	—	—	4,352
Stock-based compensation	—	—	16,102	—	—	16,102
Cumulative effect adjustment related to the adoption of ASC 606	—	—	—	8,419	—	8,419
Components of other comprehensive income:						
Translation adjustments	—	—	—	—	(831)	(831)
Net income	—	—	—	24,494	—	24,494
Balance, March 31, 2019	64,838	648	264,908	111,621	(1,231)	375,946
Common stock issued under stock plans, net of shares withheld for taxes	1,296	13	(1,745)	—	—	(1,732)
Stock-based compensation	—	—	19,694	—	—	19,694
Components of other comprehensive income:						
Translation adjustments	—	—	—	—	(912)	(912)
Net income	—	—	—	7,498	—	7,498
Balance, March 31, 2020	66,134	$ 661	$ 282,857	$ 119,119	$ (2,143)	$ 400,494

The accompanying notes are an integral part of these consolidated financial statements.

NEXTGEN HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended March 31,		
	2020	**2019**	**2018**
Cash flows from operating activities:			
Net income	$ 7,498	$ 24,494	$ 2,420
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of capitalized software costs	17,085	11,338	6,518
Amortization of debt issuance costs	710	710	1,610
Amortization of other intangibles	22,536	21,496	23,380
Change in fair value of contingent consideration	(950)	1,000	—
Deferred income taxes	(5,379)	245	312
Depreciation	8,172	10,298	10,498
Excess tax deficiency (benefit) from share-based compensation	(53)	(365)	328
Impairment of assets	12,571	—	3,757
Loss on disposal of equipment and improvements	41	194	169
Non-cash operating lease costs	8,108	—	—
Provision for bad debts	3,367	5,644	5,913
Share-based compensation	19,694	16,102	12,297
Changes in assets and liabilities, net of amounts acquired:			
Accounts receivable	4,937	(6,178)	(5,409)
Contract assets	1,458	(812)	—
Accounts payable	3,330	1,070	(1,232)
Contract liabilities	(133)	(4,131)	847
Accrued compensation and related benefits	(2,419)	(2,992)	2,228
Income taxes	2,454	4,049	(8,530)
Deferred compensation	(605)	(181)	(543)
Operating lease liabilities	(9,684)	—	—
Other assets and liabilities	(7,137)	(31,506)	19,480
Net cash provided by operating activities	85,601	50,475	74,043
Cash flows from investing activities:			
Additions to capitalized software costs	(19,432)	(20,571)	(18,865)
Additions to equipment and improvements	(7,449)	(4,952)	(9,801)
Payments for acquisitions, net of cash acquired	(71,691)	—	(62,867)
Proceeds from over-funded corporate-owned life insurance policies	2,500	—	—
Net cash used in investing activities	(96,072)	(25,523)	(91,533)
Cash flows from financing activities:			
Proceeds from line of credit	137,000	26,000	50,000
Repayments on line of credit	(19,000)	(52,000)	(28,000)
Payment of debt issuance costs	—	—	(1,105)
Payment of contingent consideration related to acquisitions	—	—	(18,817)
Proceeds from issuance of shares under employee plans	2,409	7,533	4,889
Payments for taxes related to net share settlement of equity awards	(4,141)	(3,181)	(848)
Net cash provided by (used in) financing activities	116,268	(21,648)	6,119
Net increase (decrease) in cash, cash equivalents, and restricted cash	105,797	3,304	(11,371)
Cash, cash equivalents, and restricted cash at beginning of period	34,522	31,218	42,589
Cash, cash equivalents, and restricted cash at end of period	$ 140,319	$ 34,522	$ 31,218
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$ 2,599	$ 1,570	$ 6,379
Cash refunds from income taxes	2,728	675	1,874
Cash paid for interest	1,266	1,819	1,953
Cash paid for amounts included in the measurement of operating lease liabilities	11,527	—	—
Operating lease assets obtained in exchange for operating lease liabilities	8,494	—	—
Non-cash additions to capitalized software	—	2,304	—
Accrued purchases of equipment and improvements	173	149	72

The accompanying notes are an integral part of these consolidated statements.

NEXTGEN HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES INDEX

NEXTGEN HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except shares and per share data)

1. Organization of Business

Description of Business

NextGen Healthcare is a leading provider of ambulatory-focused healthcare software and services solutions. In pursuit of our mission to empower the transformation of ambulatory care, we provide innovative technology-based solutions that help our clients succeed while they are managing more complexity and assuming greater financial risk.

Our clients span the ambulatory care market from small single specialty practices to larger multi-specialty organizations. We have fully integrated our solutions so that our clients are able to provide their patients with comprehensive services utilizing a single platform. Our highly interoperable platform allows ambulatory practices to thrive especially in complex, heterogeneous healthcare communities where frictionless clinical data exchange is required to coordinate and optimize patient care.

NextGen Healthcare has historically enhanced our solutions through both organic and inorganic activities. In October 2015, we divested our former Hospital Solutions division to focus exclusively on the ambulatory marketplace. In January 2016, we acquired HealthFusion Holdings, Inc. and its cloud-based electronic health record and practice management solution. In April 2017, we acquired Entrada, Inc. and its cloud-based, mobile platform for clinical documentation and collaboration. In August 2017, we acquired EagleDream Health, Inc. and its cloud-based population health analytics solution. In January 2018, we acquired Inforth Technologies for its specialty-focused clinical content. In October 2019, we acquired Topaz Information Systems, LLC ("Topaz") for its behavioral health solutions. In December 2019, we acquired Medfusion, Inc. (“Medfusion”) for its patient experience platform capabilities and, also in December 2019, we acquired OTTO Health, LLC (“OTTO”) for its integrated virtual care solutions. The integration of these acquired technologies have made NextGen Healthcare’s solutions among the most comprehensive and powerful in the market.

The Company was incorporated in California in 1974. Previously named Quality Systems, Inc., the Company changed its corporate name to NextGen Healthcare, Inc. in September 2018. Our principal offices are located at 18111 Von Karman Ave., Suite 800, Irvine, California, 92612, and our principal website is www.nextgen.com. We operate on a fiscal year ending on March 31.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of NextGen Healthcare, Inc. and its wholly-owned subsidiaries (collectively, the “Company”). Each of the terms “NextGen Healthcare,” “NextGen,” “we,” “us,” or “our” as used herein refers collectively to the Company, unless otherwise stated. All intercompany accounts and transactions have been eliminated.

Business Segments. We operated as one segment for the years ended March 31, 2020 and 2019. The measures evaluated by our chief operating decision maker ("CODM"), consisting of our Chief Executive Officer, to assess company performance and make decisions about the allocation of resources include consolidated revenue and consolidated operating results.

Basis of Presentation. Certain prior period amounts have been reclassified to conform to current year presentation. References to amounts in the consolidated financial statement sections are in thousands, except shares and per share data, unless otherwise specified.

Use of Estimates. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which requires us to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Actual results could differ materially from these estimates. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and recording revenue and expenses during the period.

The extent to which COVID-19 impacts our business and financial results will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the impact on our employees; the extent to which it will impact worldwide macroeconomic conditions, including interest rates, employment rates, and health insurance coverage; the speed of the anticipated recovery; and governmental and business reactions to the pandemic. We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 at March 31, 2020 and through the date of this Annual Report on Form 10-K. The accounting matters assessed included, but were not limited to, our allowances for doubtful accounts and the carrying value of goodwill and other long-lived assets. While there was not a material impact to our consolidated financial statements at and for the year ended March 31, 2020, our future assessment of the magnitude and duration of COVID-19, as well as other factors could result in material impacts to our consolidated financial statements in future reporting periods.

Revenue Recognition. We adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (“ASC 606”) and all related amendments as of April 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. ASC 606 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition* (“ASC 605”), and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Refer to Note 3, "Revenue from Contracts with Customers" for additional information regarding our revenue recognition policies under ASC 606.

Cash and Cash Equivalents. Cash and cash equivalents consist primarily of cash and money market funds with original maturities of less than 90 days. At March 31, 2020 and March 31, 2019, we had cash and cash equivalents of $138,012 and $33,079, respectively. We also had cash deposits held at United States banks and financial institutions at March 31, 2020 of which $137,319 was in excess of the Federal Deposit Insurance Corporation insurance limit of $250 per owner. Our cash deposits are exposed to credit loss for amounts in excess of insured limits in the event of nonperformance by the institutions; however, we do not anticipate nonperformance by these institutions.

Money market funds in which we hold a portion of our excess cash are invested in very high grade commercial and governmental instruments, and therefore bear low market risk.

Restricted Cash and Cash Equivalents. Restricted cash and cash equivalents consist of cash that is being held by the Company acting as an agent for the disbursement of certain state social and care services programs. We record an offsetting liability when we initially receive such cash from the programs. We relieve both restricted cash and cash equivalents and the related liability when amounts are disbursed. We earn an administrative fee based on a percentage of the funds disbursed on behalf of the government social and care service programs.

Reserves on Accounts Receivable. We maintain reserves for estimated potential sales returns and uncollectible accounts receivable. Accounts receivable are reported net of uncollectible accounts receivable on our consolidated balance sheets.

Our standard contracts generally do not contain provisions for clients to return products or services. However, we historically have accepted sales returns under limited circumstances. We estimate expected sales returns and other forms of variable consideration considering our customary business practice and contract-specific facts and circumstances, and we consider such estimated potential returns as variable consideration when allocating the transaction price to the extent it is probable that there will not be a significant reversal of cumulative revenue recognized.

Allowances for doubtful accounts and other uncollectible accounts receivable related to estimated losses resulting from our clients’ inability to make required payments are established based on our assessment of the collectability of client accounts, including review of our historical experience of bad debt expense and the aging of our accounts receivable balances, net of specifically reserved accounts and amounts billed prior to revenue recognition. Specific reserves are based on our estimate of the probability of collection for certain accounts. We regularly review the adequacy of these allowances by considering internal factors such as historical experience, credit quality and age of the client receivable balances as well as external factors such as economic conditions that may affect a client’s ability to pay and review of major third-party credit-rating agencies, as needed. Accounts are written off as uncollectible only after we have expended extensive collection efforts.

Equipment and Improvements. Equipment and improvements are stated at cost less accumulated depreciation and amortization. Repair and maintenance costs that do not improve service potential or extend economic life are expensed as incurred. Depreciation and amortization of equipment and improvements are recorded over the estimated useful lives of the assets, or the related lease terms if shorter, by the straight-line method. Useful lives generally have the following ranges:

- Computer equipment - 3 to 5 years
- Furniture and fixtures - 3 to 7 years
- Leasehold improvements - lesser of lease term or estimated useful life of asset

Depreciation expense related to our equipment and improvements was $8,172, $10,298, and $10,498 for the years ended March 31, 2020, 2019, and 2018, respectively.

Capitalized Software Costs. Software development costs, consisting primarily of employee salaries and benefits and certain third party costs, incurred in the development of new software solutions and enhancements to existing software solutions for external sale are expensed as incurred, and reported as net research and development costs in the consolidated statements of net income and comprehensive income, until technological feasibility has been established. After technological feasibility is established, any additional software development costs are capitalized. Amortization of capitalized software is recorded on a straight-line basis over the estimated economic life of the related product, which is typically three years. The total of capitalized software costs incurred in the development of products for external sale are reported as capitalized software costs within our consolidated balance sheets.

We also incur costs related to the development of software applications for our internal-use and for the development of software-as-a-service ("SaaS") based solutions sold to our clients. The development costs of our SaaS-based solutions are considered internal-use for accounting purposes. Our internal-use capitalized development costs are stated at cost and amortized on a straight-line basis over the estimated useful lives of the assets, which is typically three years. Application development stage costs generally include costs associated with internal-use software configuration, coding, installation and testing. Costs related to the preliminary project stage and post-implementation activities are expensed as incurred. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized, whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred. Capitalized software costs for the development of SaaS-based solutions are reported as capitalized software costs within our consolidated balance sheets and capitalized software costs for the development of our internal-use software applications are reported as equipment and improvements within our consolidated balance sheets.

We periodically reassess the estimated economic life and the recoverability of our capitalized software costs. If we determine that capitalized amounts are not recoverable based on the expected net cash flows to be generated from sales of the applicable software solutions, the amount by which the unamortized capitalized costs exceed the net realizable value is written off as a charge to earnings. The net realizable value is estimated as the expected 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. In addition to the assessment of net realizable value, we review and adjust the remaining estimated lives of our capitalized software costs, if necessary. We also perform a periodic review of our software solutions and dispose of fully amortized capitalized software costs after such products are determined to be no longer used by our clients.

Business Combinations. In accordance with the accounting for business combinations, we allocate the purchase price of the acquired business to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The fair values of acquired assets and liabilities assumed represent our best estimate of fair value. The estimated fair value of the acquired tangible and intangible assets and liabilities assumed were determined using multiple valuation approaches depending on the type and nature of tangible or intangible asset acquired or liabilities assumed, including but not limited to the income approach, the excess earnings method and the relief from royalty method approach. The purchase price allocation methodology contains uncertainties as it requires us to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities, including, but not limited to, intangible assets, goodwill, deferred revenue, and contingent consideration liabilities. We estimate the fair value of the contingent consideration liabilities, as needed, based on our projection of expected results and the estimated probability of achievement. The process to develop the estimate of fair values in many cases requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount rates. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including assumptions regarding industry economic factors and business strategies. We expect to finalize the purchase price allocation as soon as practicable within the measurement period, but not later than one year following the acquisition date. Any adjustments to fair value subsequent to the measurement period are reflected in the consolidated statements of net income and comprehensive income.

Goodwill. Goodwill acquired in a business combination is measured as the excess of the purchase price, or consideration transferred, over the net acquisition date fair values of the assets acquired and the liabilities assumed. Goodwill is not amortized as it has been determined to have an indefinite useful life.

As part of our annual goodwill impairment test, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values. If the carrying amount of the reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss.

We test goodwill for impairment annually during our first fiscal quarter, referred to as the annual test date. We will also test for impairment between annual test dates if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

Intangible Assets. Intangible assets consist of trade names, customer relationships, and software technology, all of which are associated with our acquisitions.

The intangible assets are recorded at fair value and are reported net of accumulated amortization. We currently amortize the intangible assets over periods ranging from 5 to 10 years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed. We assess the recoverability of intangible assets at least annually or whenever adverse events or changes in circumstances indicate that impairment may have occurred. If the future undiscounted cash flows expected to result from the use of the related assets are less than the carrying value of such assets, impairment is deemed to have occurred and a loss is recognized to reduce the carrying value of the intangible assets to fair value, which is determined by discounting estimated future cash flows. In addition to the impairment assessment, we routinely review the remaining estimated lives of our intangible assets and record adjustments, if deemed necessary.

Long-Lived Assets. We assess our long-lived assets for potential impairment periodically or whenever adverse events or changes in circumstances indicate that impairment may have occurred. If necessary, recoverability of the assets is evaluated based on the future undiscounted cash flows expected to result from the use of the related assets compared to the carrying value of such assets. If impairment is deemed to have occurred, a loss is recognized to reduce the carrying value of the long-lived assets to fair value, which is determined by discounting the estimated future cash flows. In addition to the impairment assessment, we routinely review the remaining estimated lives of our long-lived assets and record adjustments, if deemed necessary.

Income Taxes. Income taxes are provided based on current taxable income and the future tax consequences of temporary differences between the basis of assets and liabilities for financial and tax reporting. The deferred income tax assets and liabilities represent the future state and federal tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred income taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes. At each reporting period, we assess the realizable value of deferred tax assets based on, among other things, estimates of future taxable income and adjust the related valuation allowance as necessary. We make a number of assumptions and estimates in determining the appropriate amount of expense to record for income taxes. The assumptions and estimates consider the taxing jurisdiction in which we operate as well as current tax regulations. Accruals are established for estimates of tax effects for certain transactions and future projected profitability based on our interpretation of existing facts and circumstances.

Advertising Costs. Advertising costs are expensed as incurred. We do not have any direct-response advertising. Advertising costs, which include trade shows and conventions, were approximately $6,044, $8,226, and $9,073 for the years ended March 31, 2020, 2019, and 2018, respectively, and were included in selling, general and administrative expenses in the accompanying consolidated statements of net income and comprehensive income.

Earnings per Share. We provide a dual presentation of “basic” and “diluted” earnings per share (“EPS”). Shares below are in thousands.

	Fiscal Year Ended March 31,		
	2020	2019	2018
Earnings per share — Basic:			
Net income	$ 7,498	$ 24,494	$ 2,420
Weighted-average shares outstanding — Basic	65,474	64,417	63,435
Net income per common share — Basic	$ 0.11	$ 0.38	$ 0.04
Earnings per share — Diluted:			
Net income	$ 7,498	$ 24,494	$ 2,420
Weighted-average shares outstanding	65,474	64,417	63,435
Effect of potentially dilutive securities	138	183	5
Weighted-average shares outstanding — Diluted	65,612	64,600	63,440
Net income per common share — Diluted	$ 0.11	$ 0.38	$ 0.04

The computation of diluted net income per share does not include 1,807, 1,963 and 2,984 options for the years ended March 31, 2020, 2019, and 2018, respectively, because their inclusion would have an anti-dilutive effect on net income per share.

Share-Based Compensation. The following table shows total share-based compensation expense included in the consolidated statements of net income and comprehensive income for the fiscal year ended March 31, 2020, 2019, and 2018:

	Fiscal Year Ended March 31,		
	2020	2019	2018
Costs and expenses:			
Cost of revenue	$ 2,051	$ 1,252	$ 938
Research and development costs	3,875	2,919	2,038
Selling, general and administrative	13,768	11,931	9,220
Total share-based compensation	19,694	16,102	12,196
Estimated income tax benefit	(4,726)	(3,859)	(4,125)
Decrease in net income	$ 14,968	$ 12,243	$ 8,071

Recently Adopted Accounting Pronouncements. Recently adopted accounting pronouncements are discussed below or in the notes, where applicable.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which was intended to improve financial reporting about leasing transactions. The new guidance requires lessees to recognize on their balance sheets the assets and liabilities for the rights and obligations created by leases and to disclose key information about the leasing arrangements. We have implemented the necessary changes to our policies, processes, and internal controls over financial reporting to meet the requirements under the new guidance related to identifying and measuring right-of-use assets and lease liabilities, including related disclosures.

We adopted ASU 2016-02 and its subsequent amendments (together “ASC 842”) using the cumulative-effect adjustment transition method, which is the additional transition method described within ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, issued by the FASB in July 2018, which allowed us to apply the new lease standard as of April 1, 2019, rather than the beginning of the earliest period presented. We elected the package of practical expedients that permitted us to not reassess: (1) whether any expired contracts are or contain leases; (2) the lease classification for any existing or expired leases, and (3) the initial direct costs for our existing leases.

Upon adoption of ASC 842, we recognized operating lease right-of-use assets of $38,784, operating lease liabilities of $8,873, and long-term operating lease liabilities of $42,114 on our consolidated balance sheet as of April 1, 2019, and corresponding reductions to other current liabilities of $2,342 and other noncurrent liabilities of $9,861 associated with previously recognized deferred rent and remaining lease obligations. There was no cumulative-effect adjustment required to retained earnings. The adoption of ASC 842 did not have a significant effect on our consolidated results of operations or cash flows. Comparative information in this Annual Report on Form 10-K has not been adjusted and continues to be reported under the previous lease accounting rules. Refer to Note 5 for additional details.

Recent Accounting Standards Not Yet Adopted. Recent accounting pronouncements requiring implementation in current or future periods are discussed below or in the notes, where applicable.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. ASU 2019-12 is effective for us in the first quarter of fiscal 2022. We are currently in the process of evaluating the potential impact of adoption of this updated authoritative guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (“ASU 2018-15”). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. ASU 2018-15 is effective for us in the first quarter of fiscal 2021, and we currently do not expect the adoption of this new standard to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). ASU 2018-13 modifies certain disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. ASU 2018-13 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. ASU 2018-13 is effective for us in the first quarter of fiscal 2021, and we currently do not expect the adoption of this new standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). ASU 2017-04 removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of Step two of the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 is effective prospectively for annual and interim periods beginning after December 15, 2019, and early adoption is permitted on goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 is effective for us in the first quarter of fiscal 2021, and we currently do not expect the adoption of this new standard to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 provides new guidance regarding the measurement and recognition of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. ASU 2016-13 is effective for us in the first quarter of fiscal

2021, and we currently do not expect the adoption of this new standard to have a material impact on our consolidated financial statements.

We do not believe that any other recently issued, but not yet effective accounting standards, if adopted, would have a material impact on our consolidated financial statements.

3. Revenue from Contracts with Customers

Adoption of ASC 606

We adopted ASC 606 and all related amendments as of April 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. Results for reporting periods beginning after April 1, 2018 are presented under ASC 606, while prior period comparative information has not been adjusted and continues to be reported under the accounting standards in effect for those prior periods.

The adjustments to reflect the cumulative effect of the changes to the balances of our previously reported consolidated balance sheet as of March 31, 2018 for the adoption of ASC 606 are summarized as follows:

	As Reported March 31, 2018	ASC 606 Transition Adjustments	Adjusted April 1, 2018
ASSETS			
Accounts receivable, net	$ 84,962	$ 2,380	$ 87,342
Contract assets	—	13,446	13,446
Prepaid expenses and other current assets	17,360	(223)	17,137
Deferred income taxes, net	9,219	(2,884)	6,335
Contract assets, net of current	—	2,731	2,731
Other assets	18,795	6,679	25,474
LIABILITIES			
Contract liabilities	54,079	4,174	58,253
Accrued compensation and related benefits	27,910	745	28,655
Other current liabilities	48,317	9,964	58,281
Contract liabilities, net of current	1,173	(1,173)	—
SHAREHOLDERS' EQUITY			
Retained earnings	78,708	8,419	87,127

We recorded a net increase to retained earnings of $8,419 as of April 1, 2018 due to the cumulative impact of adopting ASC 606, with the impact primarily related to (i) revenue cycle management (“RCM”) and related services revenue whereby revenue recognition may be accelerated under ASC 606 for software, subscriptions, support and maintenance, and professional services included with RCM arrangements as the timing of revenue recognition is based upon the transfer of value of the promised goods or services to our clients, which may occur prior to the time that client collections occur, (ii) the amortization of capitalized direct sales commissions costs over a longer period of time under ASC 606, and (iii) the income tax impact of the cumulative transition adjustment. Further, we recorded reclassifications to present certain unbilled amounts as contract assets and sales returns reserves and certain customer liabilities as other current liabilities, which were both previously recorded within accounts receivables on our consolidated balance sheets.

We applied the practical expedient permitting the recognition of revenue in the amount to which the entity has a right to invoice based on the actual usage by the customers for our electronic data interchange ("EDI") services and other transaction-based services. We have reflected the aggregate effect of all contract modifications occurring prior to the ASC 606 adoption date when (i) identifying the satisfied and unsatisfied performance obligations, (ii) determining the transaction price, and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

The adoption of ASC 606 had no transition impact on cash provided by or used in operating, financing or investing activities reported in our consolidated statement of cash flows.

The impact of the adoption of ASC 606 on our consolidated balance sheet and consolidated statements of net income and comprehensive income for the year ended March 31, 2019, assuming that the previous revenue recognition guidance in ASC 605 had been in effect, is summarized as follows:

	March 31, 2019		
	As reported under ASC 606	Adjustments due to adoption of ASC 606	As disclosed under ASC 605
ASSETS			
Accounts receivable, net	$ 87,459	$ 1,220	$ 88,679
Contract assets	13,242	(13,242)	—
Income taxes receivable	3,682	409	4,091
Prepaid expenses and other current assets	20,946	692	21,638
Deferred income taxes, net	6,194	4,457	10,651
Contract assets, net of current	3,747	(3,747)	—
Other assets	32,478	(12,611)	19,867
LIABILITIES			
Contract liabilities	56,009	(1,348)	54,661
Accrued compensation and related benefits	25,663	712	26,375
Other current liabilities	41,064	(7,838)	33,226
Contract liabilities, net of current	—	888	888
SHAREHOLDERS' EQUITY			
Retained earnings	111,621	(15,236)	96,385

	Fiscal Year Ended March 31, 2019		
	As reported under ASC 606	Adjustments due to adoption of ASC 606	As disclosed under ASC 605
Revenues:			
Recurring	$ 473,921	$ (430)	$ 473,491
Software, hardware, and other non-recurring	55,252	(1,448)	53,804
Total revenue	529,173	(1,878)	527,295
Total cost of revenue	246,697	159	246,856
Gross profit	282,476	(2,037)	280,439
Operating expenses:			
Selling, general and administrative	164,879	6,762	171,641
Research and development costs, net	80,994	—	80,994
Amortization of acquired intangibles	4,344	—	4,344
Restructuring costs	640	—	640
Total operating expenses	250,857	6,762	257,619
Income from operations	31,619	(8,799)	22,820
Interest and other income, net	(2,331)	—	(2,331)
Income before provision for income taxes	29,288	(8,799)	20,489
Provision for income taxes	4,794	(1,982)	2,812
Net income	$ 24,494	$ (6,817)	$ 17,677

As of March 31, 2019, the reported balances include the cumulative effect adjustments of adopting ASC 606.

Revenue Recognition and Performance Obligations

We generate revenue from sales of licensing rights and subscriptions to our software solutions, hardware and third-party software products, support and maintenance, managed services, EDI, and other non-recurring services, including implementation, training, and consulting services. Our contracts with customers may include multiple performance obligations that consist of various combinations of our software solutions and related services, which are generally capable of being distinct and accounted for as separate performance obligations.

The total transaction price is allocated to each performance obligation within a contract based on estimated standalone selling prices. We generally determine standalone selling prices based on the prices charged to customers, except for certain software licenses that are based on the residual approach because their standalone selling prices are highly variable and certain maintenance customers that are based on substantive renewal rates. In instances where standalone selling price is not sufficiently observable, such as RCM services and software licenses included in our RCM arrangements, we estimate standalone selling price utilizing an expected cost plus a margin approach. When standalone selling prices are not observable, significant judgment is required in estimating the standalone selling price for each performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration that we expect to be entitled to in exchange for those goods or services.

We exclude sales tax from the measurement of the transaction price and record revenue net of taxes collected from customers and subsequently remitted to governmental authorities.

The following table presents our revenues disaggregated by our major revenue categories and by occurrence:

	Fiscal Year Ended March 31,		
	2020	2019	2018
Recurring revenues:			
Subscription services	$ 127,602	$ 117,502	$ 106,325
Support and maintenance	158,619	160,798	163,805
Managed services	104,549	98,203	113,311
Electronic data interchange and data services	98,543	97,418	92,773
Total recurring revenues	489,313	473,921	476,214
Software, hardware, and other non-recurring revenues:			
Software license and hardware	27,270	35,122	34,017
Other non-recurring services	23,656	20,130	20,788
Total software, hardware and other non-recurring revenues	50,926	55,252	54,805
Total revenues	$ 540,239	$ 529,173	$ 531,019

Recurring revenues consists of subscription services, support and maintenance, managed services, and EDI and data services. Software, hardware, and other non-recurring revenues consists of revenue from sales of software license and hardware and certain non-recurring services, such as implementation, training, and consulting performed for clients who use our products.

We generally recognize revenue for our most significant performance obligations as follows:

Subscription services. Performance obligations involving subscription services, which include annual libraries, are satisfied over time as the customer simultaneously receives and consumes the benefits of the services throughout the contract period. Our subscription services primarily include our software-as-a-service (“SaaS”) based offerings, such as our electronic health records and practice management, mobile, patient portal, and population health management solutions. Our SaaS-based offerings may include multiple goods and services, such as providing access to our technology-based solutions together with our managed cloud hosting services. These offerings are concurrently delivered with the same pattern of transfer to our customers and are accounted for as a single performance obligation because the technology-based solutions and other goods and services included within our overall SaaS-based offerings are each individually not capable of being distinct as the customer receives benefits based on the combined offering. Our annual libraries primarily consist of providing stand-ready access to certain content, knowledgebase, databases, and SaaS-based educational tools, which are frequently updated to meet the most current standards and requirements, to be utilized in conjunction with our core solutions. We recognize revenue related to these subscription services, including annual libraries, ratably over the respective noncancelable contract term.

Support and maintenance. Performance obligations involving support and maintenance are satisfied over time as the customer simultaneously receives and consumes the benefits of the maintenance services provided. Our support and maintenance services may consist of separate performance obligations, such as unspecified upgrades or enhancements and technical support, which are considered stand-ready in nature and can be offered at various points during the service period. Since the efforts associated with the combined support and maintenance services are rendered concurrently and provided evenly throughout the service period, we consider the series of support and maintenance services to be a single performance obligation. Therefore, we recognize revenue related to these services ratably over the respective noncancelable contract term.

Managed services. Managed services consist primarily of RCM and related services, but also includes our hosting services, which we refer to as managed cloud services, transcription services, patient pay services, and certain other recurring services. Performance obligations associated with RCM services are satisfied over time as the customer simultaneously receives and consumes the benefits of the services executed throughout the contract period. The majority of service fees under our RCM arrangements are variable consideration contingent upon collections by our clients. We estimate the variable consideration which we expect to be entitled to over the noncancelable contract term associated with our RCM service arrangements. The estimate of variable consideration included in the transaction price typically involves estimating the amounts we will ultimately collect on behalf of our clients and the relative fee we charge that is generally calculated as a percentage of those collections. Inputs to these estimates include, but are not limited to, historical service fees and collections amounts, timing of historical collections relative to the timing of when claims are submitted by our clients to their respective payers, macroeconomic trends, and anticipated changes in the number of providers. Significant judgement is required when estimating the total transaction price based on the variable consideration. We may apply certain constraints when appropriate whereby we include in the transaction price estimated variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Such estimates are assessed at the contract level. RCM and related services may not be rendered evenly over the contract period as the timing of services are based on customer collections, which may vary throughout the service period. We recognize revenue for RCM based on the amount of collections received throughout the contract term as it most closely depicts our efforts to transfer our service obligations to the customer. Our managed cloud services represent a single performance obligation to provide cloud hosting services to our customers and related revenue is recognized ratably over the respective noncancelable contract term. Performance obligations related to the transcription services, patient pay services, and other recurring services are satisfied as the corresponding services are provided and revenue is recognized as such services are rendered.

Electronic data interchange and data services. Performance obligations related to EDI and other transaction processing services are satisfied at the point in time the services are rendered. The transfer of control occurs when the transaction processing services are delivered and the customer receives the benefits from the services provided.

Software license and hardware. Software license and hardware are considered point-in-time performance obligations as control is transferred to customers upon the delivery of the software license and hardware. Our software licenses are considered functional licenses, and revenue recognition generally occurs on the date of contract execution as the customer is provided with immediate access to the license. We generally determine the amount of consideration allocated to the software license performance obligation using the residual approach, except for certain RCM arrangements where the amount allocated to the software license performance obligation is determined based on estimated relative standalone selling prices. For hardware, we recognize revenue upon transfer of such hardware or devices to the customer.

Other non-recurring services. Performance obligations related to other non-recurring services, including implementation, training, and consulting services, are generally satisfied as the corresponding services are provided. Once the services have been provided to the customer, the transfer of control has occurred. Therefore, we recognize revenue as such services are rendered.

Transaction Price Allocated to Remaining Performance Obligations

As of March 31, 2020, the aggregate amount of transaction price related to remaining unsatisfied or partially unsatisfied performance obligations over the respective noncancelable contract term was approximately $483,200 of which we expect to recognize approximately 9% as services are rendered or goods are delivered, 50% over the next 12 months, and the remainder thereafter.

As of March 31, 2019, the aggregate amount of transaction price related to remaining unsatisfied or partially unsatisfied performance obligations over the respective noncancelable contract term was approximately $451,100, of which we expect to recognize approximately 10% as services are rendered or goods are delivered, 45% over the next 12 months, and the remainder thereafter.

Contract Balances

Contract balances result from the timing differences between our revenue recognition, invoicing, and cash collections. Such contract balances include accounts receivables, contract assets and liabilities, and other customer deposits and liabilities balances. Accounts receivables include invoiced amounts where the right to receive payment is unconditional and only subject to the passage of time. Contract assets include amounts where revenue recognized exceeds the amount invoiced to the customer and the right to payment is not solely subject to the passage of time. Contract assets are generally associated with our sales of software licenses, but may also be associated with other performance obligations such as subscription services, support and maintenance, annual libraries, and professional services, where control has been transferred to our customers but the associated payments are based on future customer collections (in the case of our RCM service arrangements) or based on future milestone payment due dates. In such instances, the revenue recognized may exceed the amount invoiced to the customer and such balances are included in contract assets since our right to receive payment is not unconditional, but rather is conditional upon customer collections or the continued functionality of the software and our ongoing support and maintenance obligations. Contract liabilities consist mainly of fees invoiced or paid by our clients for which the associated services have not been performed and revenues have not been recognized. Contract assets and contract liabilities are

reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current or long-term on our consolidated balance sheets based on the timing of when we expect to complete the related performance obligations and invoice the customer. Contract liabilities are classified as current on our consolidated balance sheets since the revenue recognition associated with the related customer payments and invoicing is expected to occur within the next twelve months. During the years ended March 31, 2020 and 2019, we recognized $70,779 and $65,847, respectively, of revenues that were included in the contract liability balance at the beginning of the corresponding periods.

Our contracts with customers do not include any major financing components.

Costs to Obtain or Fulfill a Contract

We capitalize all incremental costs of obtaining a contract with a customer to the extent that such costs are directly related to a contract and expected to be recoverable. Our sales commissions and related sales incentives are considered incremental costs requiring capitalization. Capitalized contract costs are amortized to expense utilizing a method that is consistent with the transfer of the related goods or services to the customer. The amortization period ranges from less than one year up to five years, based on the period over which the related goods and services are transferred, including consideration of the expected customer renewals and the related useful lives of the products.

Capitalized commissions costs were $24,590 as of March 31, 2020, of which $7,053 is classified as current and included as prepaid expenses and other current assets and $17,537 is classified as long-term and included within other assets on our consolidated balance sheets, based on the expected timing of expense recognition. Capitalized commissions costs were $19,597 as of March 31, 2019, of which $4,816 was classified as current and $14,781 was classified as long-term.

During the years ended March 31, 2020 and 2019, we recognized $8,006 and $6,292, respectively, of commissions expense. During the year ended March 31, 2018, we recognized $11,166 of commissions expense under ASC 605. Commissions expense primarily relate to the amortization of capitalized commissions costs, which is included as a selling, general and administrative expense in the consolidated statement of comprehensive income.

4. Fair Value Measurements

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at March 31, 2020 and March 31, 2019:

	Balance At March 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents [1]	$ 138,012	$ 138,012	$ —	$ —
Restricted cash and cash equivalents	2,307	2,307	—	—
	$ 140,319	$ 140,319	$ —	$ —
LIABILITIES				
Contingent consideration related to acquisitions	$ 1,900	$ —	$ —	$ 1,900
	$ 1,900	$ —	$ —	$ 1,900

	Balance At March 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents [1]	$ 33,079	$ 33,079	$ —	$ —
Restricted cash and cash equivalents	1,443	1,443	—	—
	$ 34,522	$ 34,522	$ —	$ —
LIABILITIES				
Contingent consideration related to acquisitions	$ 1,000	$ —	$ —	$ 1,000
	$ 1,000	$ —	$ —	$ 1,000

[1] Cash equivalents consist primarily of money market funds.

The following table presents activity in our financial assets and liabilities measured at fair value using significant unobservable inputs (Level 3), as of and for the year ended March 31, 2020:

	Total Liabilities
Balance at March 31, 2018	$ —
Fair value adjustments	1,000
Balance at March 31, 2019	$ 1,000
Acquisition (Note 6)	1,850
Fair value adjustments	(950)
Balance at March 31, 2020	$ 1,900

As of March 31, 2020, the contingent consideration liability balance was $1,900, which was related to the acquisition of Topaz Information Systems, LLC. As of March 31, 2019, the contingent consideration liability balance was $1,000, which was related to the acquisition of Inforth Technologies.

During the year ended March 31, 2020, we recorded a net benefit of $950 from fair value adjustments, of which a $1,000 benefit was related to the contingent consideration liability from the acquisition of Inforth Technologies and was based on actual earnout achievement through the end of the measurement period, resulting in zero expected earnout payments, and $50 was related to the accretion of the present value discount of the contingent consideration liability from the acquisition of Topaz Information Systems, LLC. Refer to Note 6 for additional details.

The categorization of the framework used to measure fair value of the contingent consideration liabilities were considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used. We had assessed the fair value of the contingent consideration liability on a recurring basis and any adjustments to fair value subsequent to the measurement period were reflected in the consolidated statements of net income and comprehensive income. Key assumptions included probability-adjusted achievement estimates of applicable bookings targets that were not observable in the market. The fair value adjustments to contingent consideration liabilities are included as a component of selling, general and administrative expense in the consolidated statements of net income and comprehensive income.

We believe that the fair value of other financial assets and liabilities, including accounts receivable, accounts payable, and line of credit, approximate their respective carrying values due to their nominal credit risk.

Non-Recurring Fair Value Measurements

We have certain assets, including goodwill and other intangible assets, which are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. The categorization of the framework used to measure fair value of the assets is considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used.

5. Leases

We have operating lease agreements for our offices in the United States and India with lease periods expiring between 2020 and 2026. ASC 842 requires the recognition of leasing arrangements on the balance sheet as right-of-use assets and liabilities pertaining to the rights and obligations created by the leased assets. We determine whether an arrangement is a lease at inception and classify it as finance or operating. All of our existing material leases are classified as operating leases. Our leases do not contain any residual value guarantees.

Right-of-use lease assets and corresponding lease liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since the interest rate implicit in our lease arrangements is not readily determinable, we determine an incremental borrowing rate for each lease based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the lease commencement date to determine the present value of future lease payments. Our lease terms may include options to extend or terminate the lease. Currently, it is not reasonably certain that we will exercise those options and therefore, we utilize the initial, noncancelable, lease term to calculate the lease assets and corresponding liabilities for all our leases. We have certain insignificant short-term leases with an initial term of twelve months or less that are not recorded in our consolidated balance sheets. Operating right-of-use lease assets are classified as operating lease assets on our consolidated balance sheets.

Our lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. We have applied the practical expedient to combine fixed payments for non-lease components with our lease payments for all of our leases and account for them together as a single lease component, which increases the amount of our lease assets and corresponding liabilities. Payments under our lease arrangements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease assets and liabilities.

Operating lease costs are recognized on a straight-line basis over the lease term and included as a selling, general and administrative expense in the consolidated statements of net income and comprehensive income. Total operating lease costs were $10,309, $8,174, and $7,551 for the years ended March 31, 2020, 2019, and 2018, respectively.

Components of operating lease costs are summarized as follows:

		Fiscal Year Ended March 31, 2020
Operating lease costs	$	9,558
Short-term lease costs		102
Variable lease costs		827
Less: Sublease income		(178)
Total operating lease costs	$	10,309

Supplemental cash flow information related to operating leases is summarized as follows:

		Fiscal Year Ended March 31, 2020
Cash paid for amounts included in the measurement of operating lease liabilities	$	11,527
Operating lease assets obtained in exchange for operating lease liabilities		8,494

As of March 31, 2020, our operating leases had a weighted average remaining lease term of 4.3 years and a weighted average discount rate of 4.2%. Future minimum aggregate lease payments under operating leases as of March 31, 2020 are summarized as follows:

For the year ended March 31,		
2021	$	12,590
2022		12,121
2023		11,504
2024		9,632
2025		7,285
Thereafter		1,785
Total future lease payments		54,917
Less interest		(5,475)
Total lease liabilities	$	49,442

Future minimum lease payments (including interest) under non-cancelable operating leases as of March 31, 2019 are summarized as follows:

For the year ended March 31,		
2020	$	10,511
2021		10,701
2022		10,161
2023		9,660
2024		7,730
Thereafter		8,097
Total obligations and commitments	$	56,860

During the year ended March 31, 2020, we recorded impairments of $9,373 to our operating right-of-use assets and certain related fixed assets associated with the vacated locations, or portions thereof, in North Canton, San Diego, Horsham, St. Louis, Irvine, Atlanta, Brentwood, and Phoenix, based on projected sublease rental income and estimated sublease commencement dates. Refer to Note 16 for additional information.

6. Business Combinations

Acquisitions During the Year Ended March 31, 2020

On October 4, 2019, we completed the acquisition of Topaz Information Systems, LLC ("Topaz") pursuant to the Membership Interest Purchase Agreement, dated October 4, 2019. Topaz is based in Phoenix, AZ and provides healthcare solutions to behavioral health and social services organizations that utilize the NextGen platform. Its extensive clinical content and domain expertise has been instrumental in our ability to compete and win. By combining our companies, we will be positioned to provide the platform and domain expertise to deliver integrated and collaborative care in a re-energized behavioral health market. The preliminary purchase price of Topaz is summarized in the table below. The acquisition of Topaz was funded by cash flows from operations.

On December 6, 2019, we completed the acquisition of Medfusion, Inc. (“Medfusion”) pursuant to the Agreement and Plan of Merger, dated November 12, 2019. Headquartered in Cary, North Carolina, Medfusion provides software application services which enable healthcare providers to better serve its patients through enhanced communication. Services are delivered through a standard web browser and typically include features such as appointment scheduling, patient preregistration, prescription renewal, ask a clinician, website development, patient payment, and online bill payment. Medfusion is a portal and patient pay player with a focus on ambulatory services. The preliminary purchase price of Medfusion is summarized in the table below. The acquisition of Medfusion was funded by a combination of borrowings against our revolving credit agreement (see Note 10) and cash flows from operations.

On December 17, 2019, we completed the acquisition of OTTO Health, LLC (“OTTO”), pursuant to the Agreement and Plan of Merger, dated December 11, 2019. Based in Boulder, Colorado, OTTO is a telehealth platform that seamlessly integrates into EHR systems allowing providers to have video visits with their patients as part of their normal workflows. OTTO partners closely with EHR providers to create a streamlined user experience, while maintaining the EHR/PM system as the single source of truth. The preliminary purchase price of OTTO is summarized in the table below. The acquisition of OTTO was funded by a combination of borrowings against our revolving credit agreement (see Note 10) and cash flows from operations.

We accounted for the acquisitions as business combinations using the acquisition method of accounting. The purchase price allocation of the Topaz, Medfusion, and OTTO acquisitions are deemed to be preliminary. The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The preliminary fair values of acquired assets and liabilities assumed represent management’s estimate of fair value and are subject to change if additional information, such as changes to deferred taxes and/or working capital, becomes available. We expect to finalize the purchase price allocation as soon as practicable within the measurement period, but not later than one year following the acquisition date.

Goodwill represents the excess of the purchase price over the net identifiable assets acquired and liabilities assumed. Goodwill primarily represents, among other factors, the value of synergies expected to be realized and the assemblage of all assets that enable us to create new client relationships, neither of which qualify as separate amortizable intangible assets. Goodwill arising from the acquisitions of OTTO and Topaz are considered deductible for tax purposes, and goodwill arising from the acquisition of Medfusion is not deductible for tax purposes.

The total preliminary purchase price for the acquisitions of Topaz, Medfusion, and OTTO are summarized as follows:

	Topaz Preliminary Purchase Price	Medfusion Preliminary Purchase Price	OTTO Preliminary Purchase Price
Initial preliminary purchase price	$ 8,000	$ 43,000	$ 22,000
Settlement of pre-existing net liabilities	1,671	24	19
Fair value of contingent consideration	1,850	—	—
Preliminary working capital adjustment	(344)	(247)	(59)
Total preliminary purchase price	$ 11,177	$ 42,777	$ 21,960
Preliminary fair value of the net tangible assets acquired and liabilities assumed:			
Acquired cash and cash equivalents	$ 353	$ 204	$ 102
Accounts receivable	1,528	986	51
Prepaid expense and other assets	139	387	79
Equipment and improvements	194	434	—
Operating lease assets	534	—	—
Accounts payable	(224)	(1,360)	(2)
Accrued compensation and related benefits	(155)	(270)	(123)
Contract liabilities	(370)	(529)	(11)
Deferred income tax liability	—	(953)	—
Operating lease liabilities	(240)	—	—
Operating lease liabilities, net of current	(360)	—	—
Other liabilities	(102)	(496)	(26)
Total preliminary net tangible assets acquired and liabilities assumed	1,297	(1,597)	70
Preliminary fair value of identifiable intangible assets acquired:			
Goodwill	5,380	23,524	19,490
Software technology	4,500	13,800	2,400
Customer relationships	—	6,800	—
Trade names	—	250	—
Total preliminary identifiable intangible assets acquired	9,880	44,374	21,890
Total preliminary purchase price	$ 11,177	$ 42,777	$ 21,960

Under the provisions of the Topaz acquisition, we may pay up to an additional $2,000 of cash contingent consideration in the form of an earnout, subject to Topaz achieving certain operational targets through April 2021. The initial fair value of contingent consideration of $1,850 reflects an estimated earnout payment of $2,000 on a present value basis and was estimated based on the weighted probability of achieving the operational targets utilizing assumptions and inputs from Topaz management. As of March 31, 2020, the fair value of the contingent consideration was $1,900 (see Note 4). Additionally, the preliminary purchase price of Topaz includes $1,671 for the settlement of pre-existing liabilities related to pre-acquisition amounts due for products and services previously purchased from us and recognized by Topaz as accounts payable. As a result of the acquisition, these accounts payable balances were effectively settled and accounted for as additional purchase consideration.

The software technology intangible assets acquired from Topaz will be amortized over 6 years.

In connection with the Medfusion acquisition, the acquired software technology intangible assets will be amortized over 6 years, acquired customer relationships intangible assets will be amortized over 10 years, and acquired trade names intangible assets will be amortized over 5 years. The weighted average amortization period for the acquired Medfusion intangible assets is 7.3 years.

The software technology intangible assets acquired from OTTO will be amortized over 7 years.

The revenues, earnings, and pro forma effects of the Topaz, Medfusion, and OTTO acquisitions are not, and would not have been, material to our results of operations, individually and in aggregate, and the disclosure of such information is impracticable as we have already integrated certain aspects of each acquisition within our overall operations and expect for each acquisition to be fully integrated within a short timeframe.

Acquisitions During the Year Ended March 31, 2018

On January 31, 2018, we completed the acquisition of Inforth Technologies, LLC ("Inforth") pursuant to the Membership Interest Purchase Agreement, dated January 31, 2018. Headquartered in Traverse City, MI, Inforth was one of our premier clinical content and technical services partners specializing in comprehensive solutions for physician practices. The purchase price of Inforth totaled $4,337 and was funded by cash flows from operations. The acquisition of Inforth also included contingent consideration up to an additional $4,000 of cash in the form of an earnout, as amended and subject to Inforth achieving certain applicable bookings targets through March 31, 2020. The initial estimated fair value of the contingent consideration was zero based on a Monte Carlo-based valuation model that considered, among other assumptions and inputs, our estimate of projected Inforth applicable bookings. As of March 31, 2020, the fair value of the contingent consideration was zero, reflecting no expected earnout payments (see Note 4).

On August 16, 2017, we completed the acquisition of EagleDream Health, Inc. ("EagleDream") pursuant to the Agreement and Plan of Merger, dated July 31, 2017. Headquartered in Rochester, NY, EagleDream provides cloud-based analytics that drives meaningful insight across clinical, financial and administrative data to optimize practice performance. The purchase price of EagleDream totaled $25,609, which included certain working capital and other customary adjustments, and was partially funded by a draw against our revolving credit agreement (see Note 10).

On April 14, 2017, we completed our acquisition of Entrada, Inc. ("Entrada") pursuant to the terms of the Agreement and Plan of Merger, dated April 11, 2017. Based in Nashville, TN, Entrada is a leading provider of cloud-based solutions that are reshaping the way care is delivered by leveraging the power of mobile whenever and wherever care happens. Entrada’s best-in-class mobile application integrates with multiple clinical platforms and all major electronic health record systems. Entrada enables organizations to maximize their existing technology investments while simultaneously enhancing physician and staff productivity. The acquisition of Entrada and its cloud-based, mobile application is part of our commitment to deliver systematic solutions that meet its clients' transforming work requirements to become increasingly nimble and mobile. The purchase price of Entrada totaled $33,958, which included certain working capital and other customary adjustments and was primarily funded by a draw against our revolving credit agreement (see Note 10).

We accounted for the acquisitions noted above as business combinations using the acquisition method of accounting. The purchase price allocations of the Inforth, EagleDream, and Entrada acquisitions are considered final.

The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates. Goodwill represents the excess of the purchase price over the net identifiable assets acquired and liabilities assumed. Goodwill primarily represents, among other factors, the value of synergies expected to be realized and the assemblage of all assets that enable us to create new client relationships, neither of which qualify as separate amortizable intangible assets. Goodwill arising from the acquisition of Inforth is considered deductible for tax purposes, and goodwill arising from the acquisitions of EagleDream and Entrada are not deductible for tax purposes.

The final purchase price for the acquisitions of Inforth, EagleDream, and Entrada are summarized as follows:

	Inforth	EagleDream	Entrada
Initial purchase price	$ 4,000	$ 26,000	$ 34,000
Settlement of pre-existing net liabilities	337	—	—
Working capital adjustment and other adjustments	—	(391)	(42)
Total purchase price	$ 4,337	$ 25,609	$ 33,958
Fair value of the net tangible assets acquired and liabilities assumed:			
Acquired cash and cash equivalents	$ 25	$ 573	$ 102
Accounts receivable	6	217	1,836
Prepaid expense and other assets	—	20	145
Equipment and improvements	—	—	163
Capitalized software costs	—	—	364
Deferred income tax asset	—	—	117
Accounts payable	—	(115)	(639)
Accrued compensation and related benefits	(49)	(691)	(120)
Contract liabilities	—	(394)	(234)
Deferred income tax liability	—	(1,707)	—
Other liabilities	(22)	(122)	(444)
Total net tangible assets acquired and liabilities assumed	(40)	(2,219)	1,290
Fair value of identifiable intangible assets acquired:			
Goodwill	1,177	14,428	17,268
Software technology	3,200	12,800	10,500
Customer relationships	—	600	3,300
Trade names	—	—	1,600
Total identifiable intangible assets acquired	4,377	27,828	32,668
Total purchase price	$ 4,337	$ 25,609	$ 33,958

The software technology intangible assets acquired from Inforth will amortized over 5 years. The customer relationships and software technology intangible assets acquired from EagleDream will be amortized over 8 years and 5 years, respectively. The weighted average amortization period for the acquired EagleDream intangible assets is 5.1 years. The customer relationships, trade names, and software technology intangible assets acquired from Entrada will being amortized over 10 years, 5 years, and 5 years, respectively. The weighted average amortization period for the acquired Entrada intangible assets is 6.1 years.

The revenues, earnings, and pro forma effects of the Inforth, EagleDream, and Entrada acquisitions would not have been material to our results of operations, individually and in aggregate, and are therefore not presented.

7. Goodwill

We test goodwill for impairment annually during our first fiscal quarter, referred to as the annual test date. Based on our qualitative assessment for the current fiscal year, we have determined that there was no impairment to our goodwill as of June 30, 2019. We will also test for impairment between annual test dates if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

During the years ended March 31, 2020 and March 31, 2019, we did not identify any events or circumstances that would require an interim goodwill impairment test.

We do not amortize goodwill as it has been determined to have an indefinite useful life. The carrying amount of goodwill as of March 31, 2020 was $267,165. The carrying amount of goodwill as of March 31, 2019 was $218,771.

8. Intangible Assets

Our definite-lived intangible assets, other than capitalized software development costs, are summarized as follows:

	March 31, 2020			
	Customer Relationships	Trade Names	Software Technology	Total
Gross carrying amount	$ 39,200	$ 250	$ 113,700	$ 153,150
Accumulated amortization	(21,951)	(17)	(73,373)	(95,341)
Net intangible assets	$ 17,249	$ 233	$ 40,327	$ 57,809

	March 31, 2019		
	Customer Relationships	Software Technology	Total
Gross carrying amount	$ 54,450	$ 94,310	$ 148,760
Accumulated amortization	(39,875)	(56,290)	(96,165)
Net intangible assets	$ 14,575	$ 38,020	$ 52,595

Amortization expense related to customer relationships and trade names recorded as operating expenses in the consolidated statements of net income and comprehensive income was $4,143, $4,344, and $$7,810 for the years ended March 31, 2020, 2019 and 2018, respectively. Amortization expense related to software technology recorded as cost of revenue was $18,393, $17,152, and $15,570 for the years ended March 31, 2020, 2019, and 2018, respectively.

The following table summarizes the remaining estimated amortization of definite-lived intangible assets as of March 31, 2020:

	Estimated Remaining Amortization Expense		
	Operating Expense	Cost of Revenue	Total
For the year ended March 31,			
2021	$ 4,449	$ 16,661	$ 21,110
2022	3,525	8,873	12,398
2023	2,820	5,154	7,974
2024	2,279	3,573	5,852
2025	1,846	3,573	5,419
2026 and beyond	2,563	2,493	5,056
Total	**$ 17,482**	**$ 40,327**	**$ 57,809**

9. Capitalized Software Costs

Our capitalized software costs are summarized as follows:

	March 31, 2020	March 31, 2019
Gross carrying amount	$ 75,212	$ 59,782
Accumulated amortization	(38,208)	(21,927)
Net capitalized software costs	$ 37,004	$ 37,855

During the year ended March 31, 2020, we recorded $3,198 of impairments related to the write down of previously capitalized software development costs for certain technology that will no longer be utilized in any future software solutions. During the year ended March 31, 2019, we retired $13,453 of fully amortized capitalized software costs that are no longer being utilized by our client base. Amortization expense related to capitalized software costs was $17,085, $11,338, and $6,518 for the years ended March 31, 2020, 2019, and 2018, respectively, and is recorded as cost of revenue in the consolidated statements of net income and comprehensive income.

The following table presents the remaining estimated amortization of capitalized software costs as of March 31, 2020. The estimated amortization is comprised of (i) amortization of released products and (ii) the expected amortization for products that are not yet available for sale based on their estimated economic lives and projected general release dates.

For the year ended March 31,		
2021	$	22,000
2022		10,300
2023		4,500
2024		204
Total	$	37,004

10. Line of Credit

On March 29, 2018, we entered into a $300,000 amended and restated revolving credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, and certain other agents and lenders. The Credit Agreement replaces our prior $250,000 revolving credit agreement originally entered into on January 4, 2016 (“Original Credit Agreement”). The Credit Agreement provides a subfacility of up to $10,000 for letters of credit and a subfacility of up to $10,000 for swing-line loans and also includes a $100,000 accordion feature that provides us with the ability to obtain up to $400,000 in the aggregate of revolving credit commitments and/or term loans upon satisfaction of certain conditions.

The Credit Agreement matures on March 29, 2023 and the full balance of the revolving loans and all other obligations under the agreement must be paid at that time. In addition, we are required to prepay the revolving loan balance if at any time the aggregate principal amount outstanding under the Credit Agreement exceeds the aggregate commitments thereunder. The Credit Agreement is secured by substantially all of our existing and future property. The revolving loans under the Credit Agreement will be available for letters of credit, permitted acquisitions, working capital and general corporate purposes.

The revolving loans under the Credit Agreement bear interest at our option of either, (a) for base rate loans, a base rate based on the highest of (i) 0%, (ii) the rate of interest publicly announced by the administrative agent as its prime rate in effect at its principal office in New York City, (iii) the overnight bank funding rate (not to be less than zero) as determined by the Federal Reserve Bank of New York plus 0.50% or (iv) the LIBOR-based rate for one, two, three or six months Eurodollar deposits plus 1%, and (b) for Eurodollar loans, the LIBOR-based rate for one, two, three or six months (as selected by us) Eurodollar deposits plus 1.00%, plus, in each case, an applicable margin based on our total leverage ratio from time to time, ranging from 0.50% to 1.50% for base rate loans, and from 1.50% to 2.50% for Eurodollar loans. We will also pay a commitment fee of between 0.25% and 0.45%, payable quarterly in arrears, on the average daily unused amount of the revolving facility based on our total leverage ratio from time to time.

The revolving loans under the Credit Agreement are subject to customary representations, warranties and ongoing affirmative and negative covenants and agreements. The negative covenants include, among other things, limitations on indebtedness, liens, asset sales, mergers and acquisitions, investments, transactions with affiliates, dividends and other restricted payments, subordinated indebtedness and amendments to subordinated indebtedness documents and sale and leaseback transactions. The Credit Agreement also requires us to maintain (1) a maximum net leverage ratio of 3.00 to 1.00 and (2) a minimum fixed charge coverage ratio of 3.00 to 1.00 at the end of each fiscal quarter through the term of the loan. We were in compliance with all financial and non-financial covenants under the Credit Agreement as of March 31, 2020.

As of March 31, 2020, we had $129,000 in outstanding loans and $171,000 of unused credit under the Credit Agreement. As of March 31, 2019, we had $11,000 in outstanding loans and $289,000 of unused credit under the Original Credit Agreement. The interest rates as of March 31, 2020 and 2019 was approximately 2.3% and 4.0%, respectively.

During the years ended March 31, 2020, 2019, and 2018, we recorded $1,274, $2,055, and $1,812 of interest expense (excluding amortization of deferred debt issuance costs), respectively, and the weighted average interest rates were approximately 2.4%, 3.7%, and 2.8% respectively.

As of March 31, 2020 and 2019, total unamortized debt issuance costs were $2,124 and $2,834, respectively. Costs incurred in connection with securing the Credit Agreement, including fees paid to legal advisors and third parties, are deferred and amortized to interest expense over the term of the Credit Agreement. Deferred debt issuance costs are reported as a component of other assets on the consolidated balance sheets. During the years ended March 31, 2020, 2019, and 2018, we recorded $710, $710, and $1,610, respectively, in amortization of deferred debt issuance costs.

11. Composition of Certain Financial Statement Captions

Cash, cash equivalents, and restricted cash are summarized as follows:

	March 31, 2020	March 31, 2019
Cash and cash equivalents	$ 138,012	$ 33,079
Restricted cash and cash equivalents	2,307	1,443
Cash, cash equivalents, and restricted cash	$ 140,319	$ 34,522

Accounts receivable includes billed amounts where the right to receive payment is unconditional and only subject to the passage of time. Undelivered products and services are included as a component of the contract liabilities balance on the accompanying consolidated balance sheets.

	March 31, 2020	March 31, 2019
Accounts receivable, gross	$ 83,555	$ 93,513
Allowance for doubtful accounts	(3,549)	(6,054)
Accounts receivable, net	$ 80,006	$ 87,459

Prepaid expenses and other current assets are summarized as follows:

	March 31, 2020	March 31, 2019
Prepaid expenses	$ 18,025	$ 15,548
Capitalized commissions costs	7,053	4,816
Other current assets	1,227	582
Prepaid expenses and other current assets	$ 26,305	$ 20,946

Equipment and improvements are summarized as follows:

	March 31, 2020	March 31, 2019
Computer equipment	$ 34,756	$ 28,923
Internal-use software	17,796	17,084
Furniture and fixtures	12,477	11,660
Leasehold improvements	13,681	15,150
Equipment and improvements, gross	78,710	72,817
Accumulated depreciation and amortization	(58,874)	(51,413)
Equipment and improvements, net	$ 19,836	$ 21,404

Other assets are summarized as follows:

	March 31, 2020	March 31, 2019
Capitalized commission costs	$ 17,537	$ 14,781
Deposits	6,074	5,318
Debt issuance costs	2,124	2,834
Other noncurrent assets	7,921	9,545
Other assets	$ 33,656	$ 32,478

Accrued compensation and related benefits are summarized as follows:

	March 31, 2020	March 31, 2019
Accrued vacation	$ 10,469	$ 9,893
Accrued bonus	10,396	11,598
Accrued commissions	2,087	3,418
Accrued payroll	840	754
Accrued compensation and related benefits	$ 23,792	$ 25,663

Other current and noncurrent liabilities are summarized as follows:

	March 31, 2020	March 31, 2019
Sales returns reserves and other customer liabilities	$ 6,395	$ 7,838
Accrued hosting costs	4,652	4,674
Customer credit balances and deposits	4,260	3,988
Accrued EDI expense	3,511	2,037
Accrued royalties	3,113	3,090
Accrued employee benefits and withholdings	3,002	2,426
Accrued consulting and outside services	2,520	3,874
Accrued outsourcing costs	2,378	2,128
Care services liabilities	2,307	1,443
Accrued legal expense	2,119	699
Accrued self insurance expense	2,054	2,225
Sales tax payable	1,222	509
Contingent consideration related to acquisitions	—	1,000
Deferred rent and related lease obligations	—	2,196
Other accrued expenses	3,819	2,937
Other current liabilities	$ 41,352	$ 41,064
Contingent consideration related to acquisitions	$ 1,900	$ —
Uncertain tax positions	1,203	1,677
Deferred rent and related lease obligations	—	9,927
Other liabilities	178	208
Other noncurrent liabilities	$ 3,281	$ 11,812

12. Income Taxes

The provision for (benefit of) income taxes consists of the following components:

	Fiscal Year Ended March 31,		
	2020	2019	2018
Current:			
Federal taxes	$ 408	$ 1,159	$ (2,788)
State taxes	858	(238)	(1,073)
Foreign taxes	874	744	678
Total current taxes	2,140	1,665	(3,183)
Deferred:			
Federal taxes	$ (3,578)	$ 3,752	$ 2,949
State taxes	(1,682)	(428)	(2,510)
Foreign taxes	(119)	(195)	(86)
Total deferred taxes	(5,379)	3,129	353
Provision for (benefit of) income taxes	$ (3,239)	$ 4,794	$ (2,830)

The provision for (benefit of) income taxes differs from the amount computed at the federal statutory rate as follows:

	Fiscal Year Ended March 31,		
	2020	2019	2018
Tax expense at United States federal statutory rate [1]	$ 895	$ 6,150	$ (129)
Items affecting federal income tax rate:			
Research and development tax credits	(4,705)	(4,647)	(4,179)
Return to provision true-ups	(1,868)	(149)	(2,229)
Impact of foreign operations	(683)	(304)	(365)
Impact of audit settlements	(61)	967	428
Impact of valuation allowance	(49)	(33)	(101)
Qualified production activities income deduction	—	—	(4)
Foreign transition tax - Tax Reform	—	210	1,381
Revaluation of deferred tax balances - Tax Reform	—	231	2,328
Impact of amended returns	67	391	196
Compensation	125	(169)	620
Impact of deferred adjustments	159	132	415
Acquisition expenses	229	(2)	304
State income taxes	687	1,502	1,291
Non-deductible expenses	903	140	98
Impact of uncertain tax positions	1,062	375	(2,884)
Provision for (benefit of) income taxes	$ (3,239)	$ 4,794	$ (2,830)

[1] Federal statutory rate was 21.0%, 21.0% and 31.5% for March 31, 2020, 2019 and 2018, respectively.

The net deferred tax assets and liabilities in the accompanying consolidated balance sheets consist of the following:

	March 31, 2020	March 31, 2019
Deferred tax assets:		
Compensation and benefits	$ 11,966	$ 10,707
Operating lease liabilities	11,430	—
Deferred revenue	10,546	7,171
Research and development credit	9,643	10,089
Net operating losses	8,812	5,320
Allowance for doubtful accounts	1,819	2,156
Foreign deferred taxes	1,574	1,455
Deferred rent	—	3,143
Other	—	690
Total deferred tax assets	55,790	40,731
Deferred tax liabilities:		
Intangibles assets	$ (12,477)	$ (15,806)
Capitalized software	(9,931)	(4,900)
Prepaid expense	(7,842)	(6,407)
Operating right-of-use assets	(6,667)	—
Accelerated depreciation	(1,405)	(1,606)
Accounts receivable	(1,251)	(2,255)
Other	(145)	—
Total deferred tax liabilities	(39,718)	(30,974)
Valuation allowance	(5,452)	(3,563)
Deferred tax assets, net	$ 10,620	$ 6,194

The deferred tax assets and liabilities have been shown net in the accompanying consolidated balance sheets as noncurrent.

As of March 31, 2020 and 2019, we had federal net operating loss (“NOL”) carryforwards of $24,216 and $17,419, respectively. The federal NOL carryforwards were inherited in connection with our acquisitions of HealthFusion in January 2016, Gennius in March 2015, Entrada in April 2017, EagleDream in August 2017, and Medfusion in December 2019. The NOL carryforwards expire in various amounts starting in fiscal 2030 for both federal and state tax purposes. As of March 31, 2020, we had state NOL carryforwards of approximately $3,727 (tax effected), related to the HealthFusion, Entrada, EagleDream, and Medfusion acquisitions state NOL tax attribute. The utilization of the federal NOL carryforwards is subject to limitations under the rules regarding changes in stock ownership as determined by the Internal Revenue Code.

As of March 31, 2020 and 2019, the research and development tax credit carryforward available to offset future federal and state taxes was $12,399 and $11,072, respectively. The federal credits include credits inherited in connection with our acquisition of Medfusion in December 2019. The credits expire in various amounts starting in fiscal 2021.

We expect to receive the full benefit of the deferred tax assets recorded with the exception of certain state credits and NOL carryforwards for which we have recorded a valuation allowance.

Notwithstanding the United States taxation of the deemed repatriated foreign earnings as a result of the one-time Transition Tax, we intend to continue investing these earnings indefinitely outside of the United States. If we determine that all or a portion of our foreign earnings are no longer to be indefinitely reinvested, we may be subject to additional foreign withholding taxes and state income taxes in the United States beyond the Tax Reform's one-time Transition Tax. In the event that we distribute the foreign earnings to the United States, we will incur and record foreign withholding related taxes and U.S. state taxes of approximately $2,600 and $500, respectively.

The Taxation Laws (Amendment) Act, 2019 was enacted on December 12, 2019 to lower corporate tax rates in India. We opted not to elect for the reduced tax rate for various factors for the year ended March 31, 2020.

Uncertain tax positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits, which is recorded within other noncurrent liabilities in our consolidated balance sheet, is as follows:

Balance as of March 31, 2018	$	2,419
Additions for prior year tax positions		1,405
Reductions for prior year tax positions		(930)
Balance as of March 31, 2019		2,894
Additions for prior year tax positions		1,372
Additions for current year tax positions		781
Reductions for prior year tax positions		(855)
Balance as of March 31, 2020	$	4,192

During the year ended March 31, 2020, we recorded additional net liabilities of $1,298 related to various federal and state tax planning benefits recorded in the current year for prior year tax positions. If recognized, the total amount of unrecognized tax benefit that would decrease the income tax provision is $4,192.

Our practice is to recognize interest related to income tax matters as interest expense in the consolidated statements of net income and comprehensive income. We had approximately $174 and $209 of accrued interest related to income tax matters as of March 31, 2020 and 2019, respectively. We recognized interest income of $35 for the year ended March 31, 2020 and interest expense of $19, and $86 in the years ended March 31, 2019 and 2018, respectively, related to income tax matters in the consolidated statements of net income and comprehensive income. No penalties related to income tax matters were accrued or recognized in our consolidated financial statements for all periods presented.

We are no longer subject to United States federal income tax examinations for tax years before fiscal year ended 2016. With a few exceptions, we are no longer subject to state or local income tax examinations for tax years before fiscal year ended 2015. During fiscal year ended March 31, 2020, our income tax examination by the Internal Revenue Service was formally completed for the tax years March 31, 2014 through March 31, 2016. We do not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits or the expiration of statute of limitations within the next twelve months.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), signed into law on March 27, 2020, has resulted in significant changes to the U.S. federal corporate tax law. Additionally, several state and foreign jurisdictions have enacted additional legislation and or comply with federal changes. As the enactment dates of this law was prior to the end of our reporting period, we have considered the applicable tax law changes in our current and deferred income tax expense as of March 31, 2020. We will continue analyzing the applications of the CARES Act and include the material impact to future income tax provisions, if applicable.

13. Employee Benefit Plans

We provide a 401(k) plan to substantially all of our employees. Participating employees may defer up to the Internal Revenue Service limit per year based on the Internal Revenue Code. The annual contribution is determined by a formula set by our Board of Directors ("Board") and may include matching and/or discretionary contributions. The amount of the Company match is discretionary and subject to change. The retirement plans may be amended or discontinued at the discretion of the Board. Net contributions of $4,658, $5,206 and $4,205 were made by the Company to the 401(k) plan for the years ended March 31, 2020, 2019, and 2018, respectively.

We have a deferred compensation plan (the “Deferral Plan”) for the benefit of those employees who qualify. Participating employees may defer up to 75% of their salary and 100% of their annual bonus for a Deferral Plan year. In addition, we may, but are not required to, make contributions into the Deferral Plan on behalf of participating employees, and the amount of the Company match is discretionary and subject to change. Each employee's deferrals together with earnings thereon are accrued as part of our long-term liabilities. Investment decisions are made by each participating employee from a family of mutual funds. The deferred compensation liability was $5,300 and $5,905 at March 31, 2020 and 2019, respectively. To offset this liability, we have purchased life insurance policies on some of the participants. The Company is the owner and beneficiary of the policies and the cash values are intended to produce cash needed to help make the benefit payments to employees when they retire or otherwise leave the Company. We intend to hold the life insurance policy until the death of the plan participant. The cash surrender value of the life insurance policies for deferred compensation was $7,029 and $9,546 at March 31, 2020 and 2019, respectively. The values of the life insurance policies and our related obligations are included on the accompanying consolidated balance sheets in long-term other assets and long-term deferred compensation, respectively. We made contributions of $74, $71 and $66 to the Deferral Plan for the years ended March 31, 2020, 2019, and 2018, respectively.

14. Share-Based Awards

Employee Stock Option and Incentive Plans

In October 2005, our shareholders approved a stock option and incentive plan (the “2005 Plan”) under which 4,800,000 shares of common stock were reserved for the issuance of awards, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, performance shares, performance units (including performance options) and other share-based awards. The 2005 Plan provides that our employees and directors may, at the discretion of the Board or a duly designated compensation committee, be granted certain share-based awards. In the case of option awards granted under the 2005 Plan, the exercise price of each option is determined based on the date of grant and expire no later than 10 years from the date of grant. Awards granted pursuant to the 2005 Plan are subject to the vesting schedule or performance metrics set forth in the agreements pursuant to which they are granted. Upon a change of control of our Company, as such term is defined in the 2005 Plan, awards under the 2005 Plan will fully vest under certain circumstances. The 2005 Plan expired on May 25, 2015. As of March 31, 2020, there were 227,020 outstanding options under the 2005 Plan.

In August 2015, our shareholders approved a stock option and incentive plan (the “2015 Plan”) under which 11,500,000 shares of common stock were reserved for the issuance of awards, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards, performance stock awards and other share-based awards. In August 2017, our shareholders approved an amendment to the 2015 Equity, (the “Amended 2015 Plan”), to, among other items, increase the number of shares of common stock reserved for issuance thereunder by 6,000,000, which was further amended in August 2019 as approved by our shareholders, to, among other items, increase the number of shares of common stock reserved for issuance thereunder by an additional 3,575,000. The Amended 2015 Plan provides that our employees and directors may, at the discretion of the Board or a duly designated compensation committee, be granted certain share-based awards. In the case of option awards granted under the Amended 2015 Plan, the exercise price of each option is determined based on the date of grant and expire no later than 10 years from the date of grant. Awards granted pursuant to the Amended 2015 Plan are subject to the vesting schedule or performance metrics set forth in the agreements pursuant to which they are granted. Upon a change of control of our Company, as such term is defined in the Amended 2015 Plan, awards under the Amended 2015 Plan will fully vest under certain circumstances. As of March 31, 2020, there were 2,774,330 outstanding options, 2,312,779 outstanding shares of restricted stock awards, 23,186 outstanding shares of performance stock awards, and 6,884,156 shares available for future grant under the Amended 2015 Plan.

The following table summarizes the stock option transactions during the years ended March 31, 2020, 2019, and 2018:

Employee Stock Options Summary	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, March 31, 2017	2,885,415	$ 15.41	6.2	$ 3,150
Granted	1,479,000	$ 14.56	7.5	
Exercised	(216,405)	$ 16.62	5.8	$ 119
Forfeited/Canceled	(477,840)	$ 18.90	3.1	
Outstanding, March 31, 2018	3,670,170	$ 15.51	6.2	$ 766
Granted	326,130	$ 16.40	6.8	
Exercised	(375,645)	$ 15.49	4.7	$ 1,589
Forfeited/Canceled	(451,730)	$ 18.00	4.9	
Expired	(2,400)	$ 28.15		
Outstanding, March 31, 2019	3,166,525	$ 15.36	5.5	$ 7,040
Exercised	(55,325)	$ 15.87	4.3	$ 138
Forfeited/Canceled	(75,450)	$ 23.38	1.5	
Expired	(34,400)	$ 43.04		
Outstanding, March 31, 2020	3,001,350	$ 14.83	4.7	$ —
Vested and expected to vest, March 31, 2020	2,825,186	$ 14.83	4.6	$ —
Exercisable, March 31, 2020	1,909,678	$ 14.83	4.3	$ —

Share-based compensation expense related to stock options was $3,826, $3,936, and $2,953 for the years ended March 31, 2020, 2019, and 2018, respectively.

There were no stock options granted during the year ended March 31, 2020. During the years ended March 31, 2019 and 2018, we granted total stock options of 326,130 and 1,479,000, respectively, to purchase shares of common stock under the Amended 2015 Plan at an exercise price equal to the market price of our common stock on the date of grant, as summarized below.

Option Grant Date	Number of Shares	Exercise Price	Vesting Terms [1]	Expiration
May 30, 2018	241,130	$ 16.83	Four Years	June 1, 2026
August 3, 2018	60,000	$ 21.27	Four Years	August 3, 2026
November 2, 2018	25,000	$ 15.09	Four Years	November 2, 2026
Fiscal year 2019 grants	326,130			
June 13, 2017	249,000	$ 16.37	Four Years	June 13, 2025
May 24, 2017	60,000	$ 14.57	Four Years	May 24, 2025
August 4, 2017	25,000	$ 16.13	Four Years	August 4, 2025
October 31, 2017	915,000	$ 14.07	Four Years	October 31, 2025
December 4, 2017	230,000	$ 14.38	Four Years	December 4, 2025
Fiscal year 2018 grants	1,479,000			

[1] Unless otherwise indicated, options vest in equal annual installments on each grant anniversary date commencing one year following the date of grant

We utilize the Black-Scholes valuation model for estimating the fair value of share-based compensation with the following assumptions:

	Year Ended March 31, 2019	Year Ended March 31, 2018
Expected term	6.1 - 6.3 years	5.6 - 6.1 years
Expected volatility	34.6% - 36.8%	37.0% - 37.7%
Expected dividends	0.0%	0.0%
Risk-free rate	2.8% - 3.1%	1.9% - 2.2%

The weighted-average grant date fair value of stock options granted during the years ended March 31, 2019 and 2018 was $7.18 and $5.59 per share, respectively.

Non-vested stock option award activity during the years ended March 31, 2020, 2019, and 2018 is summarized as follows:

Non-Vested Stock Option Award Summary	Number of Shares	Weighted-Average Grant-Date Fair Value per Share
Outstanding, March 31, 2017	2,073,295	$ 5.09
Granted	1,479,000	5.59
Vested	(621,440)	4.92
Forfeited/Canceled	(273,850)	4.57
Outstanding, March 31, 2018	2,657,005	$ 5.18
Granted	326,130	7.18
Vested	(778,900)	5.12
Forfeited/Canceled	(358,380)	5.36
Outstanding, March 31, 2019	1,845,855	$ 5.52
Vested	(745,033)	5.29
Forfeited/Canceled	(9,150)	6.42
Outstanding, March 31, 2020	1,091,672	$ 5.67

As of March 31, 2020, $4,191 of total unrecognized compensation costs related to stock options is expected to be recognized over a weighted-average period of 1.4 years. This amount does not include the cost of new options that may be granted in future periods or any changes in our forfeiture percentage. The total fair value of options vested during the years ended March 31, 2020, 2019, and 2018 was $3,940, $3,985, and $3,059, respectively.

Restricted stock awards activity during the years ended March 31, 2020, 2019, and 2018 is summarized as follows:

Restricted Stock	Number of Shares	Weighted-Average Grant-Date Fair Value per Share
Outstanding, March 31, 2017	902,948	$ 12.92
Granted	1,424,441	15.00
Vested	(386,226)	14.26
Canceled	(120,253)	14.29
Outstanding, March 31, 2018	1,820,910	$ 14.52
Granted	885,845	18.14
Vested	(642,695)	14.63
Canceled	(348,102)	14.79
Outstanding, March 31, 2019	1,715,958	$ 16.29
Granted	1,529,831	16.93
Vested	(764,290)	16.05
Canceled	(168,719)	17.06
Outstanding, March 31, 2020	2,312,780	$ 16.74

Share-based compensation expense related to restricted stock awards was $14,706, $10,875, and $8,536 for the years ended March 31, 2020, 2019, and 2018, respectively.

The weighted-average grant date fair value for the restricted stock awards was estimated using the market price of the common stock on the date of grant. The fair value of the restricted stock awards is amortized on a straight-line basis over the vesting period, which is generally between one to three years.

As of March 31, 2020, $28,225 of total unrecognized compensation costs related to restricted stock awards is expected to be recognized over a weighted-average period of 1.9 years. This amount does not include the cost of new restricted stock awards that may be granted in future periods.

On December 29, 2016, the Compensation Committee of the Board granted 123,082 performance stock awards to certain executive officers, of which 23,186 shares are currently outstanding. The performance stock awards vest in four equal increments on each of the first four anniversaries of the grant date, subject in each case to the executive officer's continued service and achievement of certain Company performance goals, including strong stock price performance. Share-based compensation expense related to the performance stock awards was $246 for the year ended March 31, 2020.

On October 23, 2018, the Compensation Committee of the Board approved 248,140 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 34% of the performance stock units are tied to our cumulative 3-year total shareholder return, 33% are tied to our fiscal year 2021 revenue, and 33% are tied to our fiscal year 2021 adjusted earnings per share goals, each as specifically defined in the equity award agreements. The number of shares to be issued may vary between 50% and 200% of the number of performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was $17.84 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability-adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue and earnings per share targets. Share-based compensation expense related to the performance stock unit awards was $123 and $534 for the years ended March 31, 2020 and 2019, respectively.

On December 26, 2019 and January 27, 2020, the Compensation Committee of the Board approved a total of 279,587 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 80% of the performance stock units are tied to the Company's fiscal year 2021 revenue goal and 20% are tied to the Company's fiscal year 2022 revenue goal. Performance stock unit awards funded for fiscal year 2021 and fiscal year 2022 revenue performance will be modified for cumulative 3-year total shareholder return ("TSR") on the three-year grant anniversary, which is also the cliff vest date. The number of shares to be issued may vary between 50% and 150% of the number of performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was $16.02 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability-adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue targets. Share-based compensation expense related to the performance stock unit awards was $309 for the year ended March 31, 2020.

Employee Share Purchase Plan

On August 11, 2014, our shareholders approved an Employee Share Purchase Plan (the "Purchase Plan") under which 4,000,000 shares of common stock were reserved for future grant. The Purchase Plan allows eligible employees to purchase shares through payroll deductions of up to 15% of total base salary at a price equal to 90% of the lower of the fair market values of the shares as of the beginning or the end of the corresponding offering period. Any shares purchased under the Purchase Plan are subject to a six-month holding period. Employees are limited to purchasing no more than 1,500 shares on any single purchase date and no more than $25 in total fair market value of shares during any one calendar year. As of March 31, 2020, we have issued 586,102 shares under the Purchase Plan and 3,413,898 shares are available for future issuance.

Share-based compensation expense recorded for the employee share purchase plan was $484, $481, and $362 for the years ended March 31, 2020, 2019, and 2018, respectively.

15. Commitments, Guarantees and Contingencies

Commitments and Guarantees

Our software license agreements include a performance guarantee that our software products will substantially operate as described in the applicable program documentation for a period of 365 days after delivery. To date, we have not incurred any significant costs associated with our performance guarantee or other related warranties and do not expect to incur significant warranty costs in the future. Therefore, no accrual has been made for potential costs associated with these warranties. Certain arrangements also include performance guarantees related to response time, availability for operational use, and other performance-related guarantees. Certain arrangements also include penalties in the form of maintenance credits should the performance of the software fail to meet the performance guarantees. To date, we have not incurred any significant costs associated with these warranties and do not expect to incur significant warranty costs in the future. Therefore, no accrual has been made for potential costs associated with these warranties.

We historically have accepted sales returns under limited circumstances. We estimate expected sales returns and other forms of variable consideration considering our customary business practice and contract-specific facts and circumstances, and we consider such estimated potential returns as variable consideration when allocating the transaction price to the extent it is probable that there will not be a significant reversal of cumulative revenue recognized.

Our standard sales agreements contain an indemnification provision pursuant to which we shall indemnify, hold harmless, and reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any United States patent, any copyright or other intellectual property infringement claim by any third-party with respect to our software. As we have not incurred any significant costs to defend lawsuits or settle claims related to these indemnification agreements, we believe that our estimated exposure on these agreements is currently minimal. Accordingly, we have no liabilities recorded for these indemnification obligations.

Hussein Litigation

On October 7, 2013, a complaint was filed against our Company and certain of our officers and directors in the Superior Court of the State of California for the County of Orange, captioned Ahmed D. Hussein v. Sheldon Razin, Steven Plochocki, Quality Systems, Inc. and Does 1-10, inclusive, No. 30-2013-00679600-CU-NP-CJC, by Ahmed Hussein, a former director and significant shareholder of our Company. We filed a demurrer to the complaint, which the Court granted on April 10, 2014. An amended complaint was filed on April 25, 2014. The amended complaint generally alleges fraud and deceit, constructive fraud, negligent misrepresentation and breach of fiduciary duty in connection with statements made to our shareholders regarding our financial condition and projected future performance. The amended complaint seeks actual damages, exemplary and punitive damages and costs. We filed a demurrer to the amended complaint. On July 29, 2014, the Court sustained the demurrer with respect to the breach of fiduciary duty claim, and overruled the demurrer with respect to the fraud and deceit claims. On August 28, 2014, we filed an answer and also filed a cross-complaint against Hussein, alleging that he breached fiduciary duties owed to the Company, Mr. Razin and Mr. Plochocki. Mr. Razin and Mr. Plochocki have dismissed their claims against Hussein, leaving the Company as the sole plaintiff in the cross-complaint. On June 26, 2015, we filed a motion for summary judgment with respect to Hussein's claims, which the Court granted on September 16, 2015, dismissing all of Hussein's claims against us. On September 23, 2015, Hussein filed an application for reconsideration of the Court's summary judgment order, which the Court denied. Hussein filed a renewed application for reconsideration of the Court's summary judgment order on August 3, 2017. The Court again denied Hussein's application. On October 28, 2015, May 9, 2016, and August 5, 2016, Hussein filed a motion for summary judgment, motion for summary adjudication, and motion for judgment on the pleadings, respectively, seeking to dismiss our cross-complaint. The Court denied each motion. Trial on our cross-complaint began June 12, 2017. On July 26, 2017, the Court issued a statement of decision granting Hussein's motion for judgment on our cross-complaint. Final judgment over Hussein's claims and our cross-claims was entered on January 9, 2018. Hussein has noticed his appeal of the order granting summary judgment over his claims, and we noticed a cross-appeal on the court's statement of decision granting Hussein's motion for judgment on our cross-complaint. On October 8, 2019, the California State Court of Appeal for the Fourth Appellate District, Division Three, reversed the Superior Court's grant of summary judgment against Hussein's affirmative claims and affirmed the trial court's judgement after a bench trial against the Company on its breach of fiduciary duty claims against Hussein. We petitioned the California Court of Appeal to rehear the matter with respect to Hussein's affirmative claims. The Court modified its opinion but denied the Company's rehearing petition on November 7, 2019. We filed a petition for review with the Supreme Court of California on November 18, 2019, which was denied on January 15, 2020. As a result, the case has returned to the trial court for resolution. A schedule for proceedings before the trial court has not yet been established. At this time, we are unable to estimate the probability or the amount of liability, if any, related to this claim.

Shareholder Derivative Litigation

On September 28, 2017, a complaint was filed against our Company and certain of our current and former officers and directors in the United States District Court for the Central District of California, captioned Kusumam Koshy, derivatively on behalf of Quality Systems Inc. vs. Craig Barbarosh, George H. Bristol, James C. Malone, Peter M. Neupert, Morris Panner, D. Russell Pflueger, Steven T. Plochocki, Sheldon Razin, Lance E. Rosenzweig, Paul A. Holt, and Quality Systems, Inc., No. 8:17-cv-01694, by Kusumam Koshy, a purported shareholder of ours. The complaint alleges breach of fiduciary duties and abuse of control, as well as unjust enrichment and insider selling by individual directors arising out of the allegations described above under the caption "Hussein Litigation" and a related, now-settled, federal securities class action, as well as the Company's adoption of revised indemnification agreements, and the resignation of certain officers of the Company. The complaint seeks restitution and disgorgement, court costs and attorneys' fees, and enhanced corporate governance reforms and internal control procedures. On January 12, 2018, Defendants filed a motion to dismiss the derivative complaint. On July 25, 2018, the Court dismissed the complaint with prejudice. On August 24, 2018, the plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. Briefing was completed in May 2019 and a hearing on the appeal was held on December 12, 2019. On December 19, 2019, the Ninth Circuit affirmed the District Court's dismissal in its entirety. The time within which the plaintiff could file a petition for writ of certiorari to the Supreme Court has expired so this matter is now concluded.

Other Regulatory Matters

Commencing in April 2017, we have received requests for documents and information from the United States Attorney's Office for the District of Vermont and other government agencies in connection with an investigation concerning the certification we obtained for our software under the United States Department of Health and Human Services' Electronic Health Record (EHR) Incentive Program. The requests for information relate to, among other things: (a) data used to determine objectives and measures under the Meaningful Use (MU) and the Physician Quality Reporting System (PQRS) programs, (b) EHR software code used in certifying our software and information, and (c) payments provided for the referral of EHR business. We continue to cooperate in this investigation. Requests and investigations of this nature may lead to future requests for information and ultimately the assertion of claims or the commencement of legal proceedings against us, as well as other material liabilities. In addition, our responses to these and any future requests require time and effort, which can result in additional cost to us. At this time, we are unable to estimate the probability or the amount of liability, if any, related to this matter. Given the highly-regulated nature of our industry, we may, from time to time, be subject to subpoenas, requests for information, or investigations from various government agencies. It is our practice to respond to such matters in a cooperative, thorough and timely manner. At this time, we are unable to estimate the probability or the amount of liability, if any, related to this matter.

16. Restructuring Plan

In June 2019, we implemented a business restructuring plan as part of our continued efforts to preserve and grow the value of the Company through client-focused innovations while reducing our cost structure. As part of the restructuring, we reduced our total workforce by approximately 4% primarily within the research and development function and intend to expand on our research and development resources in India. We recorded $2,505 of restructuring costs in the year ended March 31, 2020 within operating expenses in our consolidated statements of comprehensive income. The restructuring costs consisted primarily of payroll-related costs, such as severance, outplacement costs, and continuing healthcare coverage, associated with the involuntary separation of employees pursuant to a one-time benefit arrangement. These amounts were accrued when it was probable that the benefits would be paid, and the amounts were reasonably estimable. The payroll-related costs have been substantially paid as of March 31, 2020.

In connection with the restructuring plan, we also vacated portions of certain leased locations and recorded impairments of $9,373 in the year ended March 31, 2020 to our operating right-of-use assets and certain related fixed assets associated with the vacated locations, or portions thereof, in North Canton, San Diego, Horsham, St. Louis, Irvine, Atlanta, Brentwood, and Phoenix, based on projected sublease rental income and estimated sublease commencement dates. We are actively marketing each of these vacated locations for sublease. The impairment analysis was performed at the asset group level and the impairment charge was estimated by comparing the fair value of each asset group based on the expected cash flows to its respective book value. We determined the discount rate for each asset group based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the impairment date. Significant judgment was required to estimate the fair value of each asset group and actual results could vary from the estimates, resulting in potential future adjustments to amounts previously recorded.

During the years ended March 31, 2019 and 2018, we recorded $640 and $611, respectively, of restructuring costs related to adjustments to the estimated fair value of remaining lease obligations for vacated properties associated with our prior restructuring plan. The restructuring costs were comprised of facilities-related costs associated with accruals for the remaining lease obligations at certain locations, including Solana Beach, Costa Mesa, and a portion of Horsham with contractual lease terms ending between January 2018 and September 2023. We estimated the remaining lease obligations at fair value as of the cease-use date for each location based on the future contractual lease obligations, reduced by projected sublease rentals that could be reasonably obtained for the locations after a period of marketing, and adjusted for the effect deferred rents that have been recognized under the lease. The effect of discounting future cash flows using a credit-adjusted risk free rate was not significant. Sublease income and commencement dates were estimated based on data available from rental activity in the local markets. As of March 31, 2019, the remaining lease obligation, net of estimated projected sublease rentals, was $1,762.

Refer to Note 5 for estimated timing of payments related to remaining lease obligations.

17. Selected Quarterly Operating Results (unaudited)

The following table presents quarterly unaudited consolidated financial information for the eight quarters preceding March 31, 2020. Such information is presented on the same basis as the annual information presented in the accompanying consolidated financial statements. In management's opinion, this information reflects all adjustments that are necessary for a fair statement of the results for these periods.

	Quarter Ended							
	3/31/20	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18
Revenues:								
Recurring	$124,490	$124,787	$120,589	$119,447	$120,151	$117,446	$116,317	$120,007
Software, hardware, and other non-recurring	11,892	12,953	13,667	12,414	14,634	13,421	14,004	13,193
Total revenues	136,382	137,740	134,256	131,861	134,785	130,867	130,321	133,200
Cost of revenue:								
Recurring	51,992	52,197	50,328	50,540	48,174	47,997	47,172	48,153
Software, hardware, and other non-recurring	7,088	6,975	6,563	6,278	5,959	6,576	7,022	7,154
Amortization of capitalized software costs and acquired intangible assets	9,259	8,963	8,843	8,413	7,924	7,098	6,924	6,544
Total cost of revenue	68,339	68,135	65,734	65,231	62,057	61,671	61,118	61,851
Gross profit	68,043	69,605	68,522	66,630	72,728	69,196	69,203	71,349
Operating expenses:								
Selling, general and administrative	43,159	42,841	39,046	40,128	44,710	41,304	34,229	44,636
Research and development costs, net	21,429	20,026	19,789	22,051	19,813	20,682	18,371	22,128
Amortization of acquired intangible assets	1,449	964	865	865	1,028	1,027	1,121	1,168
Impairment of assets	8,218	1,948	1,916	489	—	—	—	—
Restructuring costs	77	546	175	1,707	640	—	—	—
Total operating expenses	74,332	66,325	61,791	65,240	66,191	63,013	53,721	67,932
Income (loss) from operations	(6,289)	3,280	6,731	1,390	6,537	6,183	15,482	3,417
Interest income	111	30	36	79	103	44	40	29
Interest expense	(661)	(435)	(387)	(472)	(595)	(720)	(769)	(730)
Other income (expense), net	632	137	210	(133)	(117)	(227)	237	374
Income (loss) before provision for (benefit of) income taxes	(6,207)	3,012	6,590	864	5,928	5,280	14,990	3,090
Provision for (benefit of) income taxes	(1,965)	(1,403)	509	(380)	2,000	456	1,896	442
Net income (loss)	$ (4,242)	$ 4,415	$ 6,081	$ 1,244	$ 3,928	$ 4,824	$ 13,094	$ 2,648
Net income (loss) per share:								
Basic [1]	$ (0.06)	$ 0.07	$ 0.09	$ 0.02	$ 0.06	$ 0.07	$ 0.20	$ 0.04
Diluted [1]	$ (0.06)	$ 0.07	$ 0.09	$ 0.02	$ 0.06	$ 0.07	$ 0.20	$ 0.04
Weighted-average shares outstanding:								
Basic	65,988	65,493	65,401	65,015	64,749	64,637	64,265	64,019
Diluted	65,988	65,664	65,560	65,353	64,917	64,776	64,857	64,054

[1] Quarterly net income (loss) per share may not sum to annual net income (loss) per share due to rounding.

18. Subsequent Events

In April 2020, we borrowed an additional $50,000 against the Credit Agreement and our total outstanding loans were $179,000.

In May 2020, we announced a decision to execute a reduction in our workforce of less than 3% as well as other temporary cost reductions in response to the COVID-19 pandemic.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(in thousands) For the year ended	Balance at Beginning of Year	Additions Charged Against Revenue	Deductions	Balance at End of Year
	Sales Return Reserve			
March 31, 2020	$ 4,759	$ 7,094	$ (7,662)	$ 4,191
March 31, 2019	$ 5,520	$ 4,969	$ (5,730)	$ 4,759
March 31, 2018	$ 7,213	$ 3,964	$ (5,657)	$ 5,520

(in thousands) For the year ended	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
	Allowance for Doubtful Accounts			
March 31, 2020	$ 6,054	$ 3,367	$ (5,872)	$ 3,549
March 31, 2019	$ 3,876	$ 5,644	$ (3,466)	$ 6,054
March 31, 2018	$ 2,757	$ 5,913	$ (4,794)	$ 3,876

(in thousands) For the year ended	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Acquisition Related Additions	Deductions	Balance at End of Year
	Valuation Allowance for Deferred Taxes				
March 31, 2020	$ 3,563	$ 327	$ 1,590	$ (28)	$ 5,452
March 31, 2019	$ 2,893	$ 708	$ —	$ (38)	$ 3,563
March 31, 2018	$ 2,073	$ —	$ 922	$ (102)	$ 2,893

Exhibit 21

NEXTGEN HEALTHCARE, INC.
LIST OF SUBSIDIARIES

Name of Subsidiary	State or Other Jurisdiction of Incorporation or Organization
NextGen Healthcare Information Systems, LLC	California
NXGN Management LLC (f/k/a QSI Management LLC)	California
NextGen Cares Foundation, Inc.	California
NextGen RCM Services, LLC	Missouri
Topaz Information Systems, LLC	Arizona
Medfusion, Inc.	North Carolina
OTTO Health, LLC	Colorado
NextGen Healthcare India Pvt. Ltd.	India
NextGen Interoperability Solutions Limited (f/k/a Mirth Ltd)	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-234308,333-22145, 333-63131, 333-67115, 333-129752, 333-198181, and 333-206419) of NextGen Healthcare, Inc. of our report dated June 1, 2020 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Irvine, California

June 1, 2020

EXHIBIT 31.1

Certification of Principal Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John R. Frantz, certify that:

1. I have reviewed this Annual Report on Form 10-K of NextGen Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 1, 2020

By: /s/ John R. Frantz
John R. Frantz
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Arnold, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of NextGen Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 1, 2020

By: /s/ James R. Arnold, Jr.
James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of NextGen Healthcare, Inc. (the "Company") for the year ended March 31, 2020 (the "Report"), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 1, 2020

By: /s/ John R. Frantz
John R. Frantz
Chief Executive Officer
(Principal Executive Officer)

Date: June 1, 2020

By: /s/ James R. Arnold, Jr.
James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Correen E. Macchi
609 Lori Lynn Ct.
St. Charles, MO 63304
314-503-0750

EXPERIENCE

Director, Care Services – 2003 to Present
NextGen Healthcare, St. Louis, Missouri

Currently provides direction to Care Services department responsible for third party administration of federal government health care grants totaling over $60M, Responsible for managing fiduciary duties for care programs for the following Ryan White recipients: State of Oklahoma, State of Kansas, State of Missouri and City of Kansas City, MO. Applies leadership and critical problem solving skills regarding adherence to public healthcare policies published by HRSA, Trains employees on program guidelines and client database, Works as liaison between client services team, database team and recipients helping review database report requests from database users, Responsible for daily operations of department including insurance premium processing, claims processing, pharmacy benefit assistance, rental assistance, transportation assistance and case management eligibility verification, Prepares management reports including monthly invoices to government programs and utilization reports for covered healthcare services, Assists accounting department with quarterly revenue forecasting, Oversees daily banking uploads to ensure SOCS compliance, Reviews supporting documentation provided by sub-contracted pharmacy benefit manager for accuracy and provides direction for medication program design and claims adjudication, Audits services to ensure program compliance with government regulations and program policies and procedures, Researches and implements quality management activities to improve department functions, Communicates effectively both verbally and in writing with government recipients, physicians, physician billing services, dentists, pharmacies, case managers, and other Ryan White providers, Operates within proprietary Citrix based client database, government client databases, Microsoft Office products, QuickBooks, pharmacy benefit software, medical claims adjudication software, and web based provider portal

EDUCATION

University of Missouri – St. Louis
BSBA - Marketing, Magna Cum Laude
BSBA - Management & Organizational Behavior, Magna Cum Laude

REFERENCES

Kathy Weyhaupt
Office Manager – Southampton Dental
314-647-2828

Daron Smith
Pharmacist – Walgreens Specialty Pharmacy
314-454-6676

Janice Jamison
Data and Compliance Manager, DHSS
573-751-4965

LaBraunna Friend
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St. Louis, MO 63146
lfriend@nextgen.com

PROFESSIONAL EXPERIENCE

Community Relations/Provider Development/Collaboration

- Recruitment of local venues to participate in projects geared towards the reduction of negative health outcomes disproportionately affecting minority communities
- Collaboration with community-based organizations to develop and implement health education programming.
- Recruitment of a network medical providers to deliver healthcare services to specific marginalized populations
- Worked with multiple Grantees across 3 states to assist in the development of program planning to reduce redundancy of services, maximized efficacy of service dollars and emphasis client-centered delivery.
- Participated in multiple community group and boards to increase awareness of specific services offered in the community and to gain greater understanding of community needs.

Assessment/Evaluation/Review

- Served on various needs assessment communities tasks with assessing community assets and areas of improvement specific to certain health conditions.
- Evaluation and outcome publication for multiple research projects and health initiatives.
- Evaluation of health insurance plan designs and formularies to best meet the needs of specified sub-populations.
- Review and scoring of Request for Proposals for agencies seeking to become recipients for federal-based funding.
- Conduction of site visits and chart audits for subcontracted medical, oral health and mental providers.
- Created and managed a quality management plan for agency provided services.
- Monitored compliance to requirements and regulations of various funding sources.

Supervision/Training/Leadership

- Management of a network of healthcare services providers.
- Supervision of a team consisting of 5 full-time employees.
- Development and conduction of health education programs in local health centers and community venues.
- Facilitated cultural competency training and trainings on specific health conditions to contracted healthcare providers.

Communication: Reports/Presentations/Technology

- Prepared service utilization and client demographic reports for multiple Grantees.

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lfriend@nextgen.com

- Analysis of service delivery model and system-level efficacy for several programs.
- Developed and prepared reports on clinical-level outcome for clients utilizing contracted providers.
- Proficient in Microsoft Suite applications
- Familiarity with SPSS software

Operational Processes

- Assisted in the development of the framework used to process claims through an electronic claims adjudication system
- Electronic and manual claims processing
- Authorization and eligibility assessment
- Provider portal framework development and monitoring

Critical Thinking/Conflict Resolution

- Responsible for resolution of grievances submitted by both clients accessing services and providers delivering services.
- Responsible for securing adequate geographic distribution of service providers across the state of Missouri.
- Participation on a Care Strategy committee responsible for establishing the standards of care for over 15 funded services and strategizing the best models for the delivery of services.

EMPLOYMENT HISTORY

Nextgen Healthcare d/b/a Healthcare Strategic Initiatives (Benefits Administrator for Ryan White Programs)
Program Manager
March 2010 – present

Metro St. Louis HIV Health Services/Planning Council Support Office
Program Coordinator
March 2008 – March 2010

Doorways
Jumpstart Coordinator
March 2008 – May 2008

Missouri Institute of Mental Health
Field Supervisor
April 2005 – December 2007

Connect Care Health Centers
Health Educator
July 2004 – March 2005

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lfriend@nextgen.com

Saint Louis University, School of Public Health/(HCRL)
Project Manager
March 2003 – June 2004

EDUCATION

Saint Louis University, School of Public Health, St. Louis, MO 2003
Master of Public Health
Concentration: Behavioral Science and Health Education

Xavier University, New Orleans, LA 2000
Bachelor of Biology (BS)

REFERENCES

Meg Ebersoldt

1214 Washington Ave, St. Louis, MO 63103

314-494-1435

Dean Klinkenberg, Ph.D.

4633 World Pkwy Cir, St. Louis, MO 63134

314-497-3741

Kathleen Holmes

4254 Vista Ave, St. Louis, MO 63110

618-670-5130

HEATHER WOLF

1323 AUBURN HILLS DR. ST. CHARLES, MO 63304

(636) 866-1103 ▪ hwolf@nextgen.com

Skills

- Keen ability to analyze, troubleshoot, resolve problems and offer process improvements.
- Adept customer service abilities, with track record in improving poor customer satisfaction indicators.
- Effective oral and written communication skills.
- Proficient computer skills, particularly with mastering a variety of software and diverse knowledge of assorted hardware components.
- Proven teamwork and leadership talent with management experience and history of leading team to improve customer service and sales goals.
- Proactive critical thinking and problem-solving aptitude.
- Efficient planning and organizing practices with experience prioritizing tasks and implementing action plans to set and maintain goals and objectives in a timely, systematic approach.

Accomplishments

- Revised the process of updating OK clients and processing premium payments to run more efficiently.
- Implemented QA procedures for OK and open enrollment premium processing to ensure that client data and premium payments are captured accurately.
- Consistently met and exceeded personal and store sales and service goals, maintaining an average personal secret shop score of 90% and consistently growing sales revenue month to month over three years.
- Improved average secret shop for all stores from 55% to 85%.
- Successfully managed operations of a four-store territory, including managing inventory flow, shipping and receiving activities and all aspects of personnel development.

Education

Woodhaven High School – Flatrock, MI
General Studies, ▪ High School Diploma received

Experience

Care Services- Manager ▪ 07/2014 – Present
NextGen RCM Services d/b/a Healthcare Strategic initiatives ▪ St. Louis, MO

- Process authorizations and approve clients for services.
- Establish efficient working relations with all case managers, providers, and clients.
- Process Ryan White Health Insurance continuation program service referrals for MO, OK and KS.
- Process insurance premium checks for MO, OK and KS.
- Monthly reconciliation of OK & MO bank accounts and credits.
- Monitor specialty referral statuses for MO.
- Prepare invoices for the states of OK & MO
- Track Check count & prepare check orders

Benefits Counselor ▪ 02/2012 – 12/2014

Colonial Life ▪ St. Louis, MO

- Educate and enroll employees in the core, voluntary and supplemental benefits packages of various companies.
- Study, understand and articulate medical plans of different companies to their eligible employees.
- Complete all paperwork and insurance applications thoroughly and accurately, with attention to detail.
- Quickly study, learn and grasp full comprehension of a variety of proprietary software for a number of companies within a nominal time frame in order to complete the employee enrollment process.
- Obtained a certified national enroller with a license to enroll in five states in the Midwestern Region.

References

Tammy Davis 314-583-1441

2733 Heritage Landing

St. Charles, Mo 63303

Seth Nelson 314-813-3800

242 Chateaugay Ln

Chesterfield, Mo 63017

Carol Laure 314-540-0593

3130 Durwood Drive

Florissant, MO 63033

Gary Long

NextGen RCM d/b/a
Healthcare Strategic Initiatives, L.L.C. *March 2006 – present*

Clinical Quality Manager **February 2018 – Present**

- Develop and maintain a Quality Management Plan for the Part B Missouri Ryan White program
- Support and Audit the clinical providers for Part B Missouri Ryan White program
- Participate in Quality Management activities for the Part B Missouri Ryan White program

Program Specialist/Database Administration **April 2009 – February 2018**

- Education and training of use of the electronic database, currently SCOUT
- Work with electronic database users to problem solve issues in the electronic database
- Work with electronic database users to maintain current information in the electronic database
- Develop reports from the electronic database for users, supervisors, providers and grantees

Ryan White Case Management Supervisor **March 2006 – March 2009**

- Supervise Ryan White Case Management subcontracts in the St. Louis Transitional Grant Area (TGA) for the St. Louis City Health Department
- Develop and implement quality management plans for the Ryan White Case Management subcontracts in the St. Louis Transitional Grant Area (TGA) for the St. Louis City Health Department
- Budget, maintain and monitor expenditures of the Ryan White Case Management subcontracts in the St. Louis Transitional Grant Area (TGA) for the St. Louis City Health Department

St. Louis City Department of Health *May 1993 – February 2006*

Ryan White Case Management Supervisor **November 2000 – February 2006**

- Supervise Ryan White Case Management subcontracts in the St. Louis Transitional Grant Area (TGA)
- Develop and implement quality management plans for the Ryan White Case Management subcontracts in the St. Louis Transitional Grant Area (TGA)
- Budget, maintain and monitor expenditures of the Ryan White Case Management subcontracts in the St. Louis Transitional Grant Area (TGA)

Ryan White Case Manager **June 1994 – November 2000**

- Provide assessments of HIV infected patients; develop plans and initiate referral to meet their unique needs
- Provide HIV coordination of services to all HIV infected patients on an on-going basis
- Research and obtain information about resources within and outside the Ryan White Care system for clients

Disease Intervention Specialist (DIS) **May 1993 – May 1994**

- Locate and educate individuals infected with a Sexually Transmitted Disease (STD) so they would access medical treatment
- Complete partner elicitation with individuals infected with a Sexually Transmitted Disease (STD)
- Locate individuals identified in partner elicitation to educate them on Sexually Transmitted Diseases (STDs) and direct them to the appropriate medical care and treatment

Education

Southern Illinois University at Edwardsville Bachelor of Arts in Psychology 1984-1988

References

Erik Fischer
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Patrick Kerwin
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Quality Manager - Washington University Adult ID Clinic
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schlueter_j@wustl.edu
(314) 652-2444 ext. 101

Project Description and Scope of Wok
2. Technical Approach

TRANSITION PLAN

CP-1

Once the contract is awarded, the bidder will work with DHHS to distribute client coverage letters. These letters will be disseminated to clients via the case management system. The bidder recommends this method to ensure that clients' HIV status is not disclosed via a direct mailing from the bidder. Additionally, clients are more likely to open and read correspondence distributed by a known entity. This letter will contain information required for adjudicating pharmacy claims allowing a client to pick up or have medications shipped to them. Mailing medications will be based upon DHHS' program design with respect to guidelines involving out of state deliveries. The client correspondence could also include a listing of preferred pharmacies based upon program design and other program paperwork, such as a copy of the current ADAP formulary.

PHARMACY BENEFITS MANAGEMENT SERVICES – ADAP INSURANCE ASSISTANCE PROGRAM

Pharmacy Network

PBM-1

The bidder will establish a statewide network of pharmacies available for medication in-person pick up or shipping per DHHS program guidelines. Medications will be shipped from an over the counter, institutional or specialty pharmacy to an eligible client within three days of receipt of a valid prescription for an ADAP formulary medication. The bidder has extensive experience establishing a geographically diverse provider network for client convenience and comfort. The pharmacies will be contracted through this bidder's subcontractor and contracts will include language regarding medication counseling, maintaining adequate inventory, and filling prescriptions promptly. The bidder will inform ADAP of pharmacy changes or emergent problems as necessary. The bidder will communicate with pharmacies as needed via fax blasts from the bidder's subcontractor or through an established email distribution list.

Provision of Basic Treatment Adherence

PBM-2

The pharmacies will be contracted through this bidder's subcontractor and include language regarding medication adherence counseling within the context of all established agreements.

Coordination of Benefits/Claims Processing

PBM-3

The bidder will provide electronic claims adjudication via the subcontractor. Claims will be processed electronically to primary and secondary payers. Should the bidder become aware of another payer source, the bidder will adjust a client's medication eligibility to reflect the coverage update. All clients receiving medications through this bidder and its subcontractor will be assigned an RxBIN and PCN code that is specific to DHHS' ADAP sponsored plan.

Payment of Claims and Other Related Insurance Costs and Reimbursement

PBM-4

The bidder will ensure that prescription purchases process electronically at point of sale and charges are passed to DHHS without markup or fees. Payment will be provided to network pharmacies via the subcontractor on a regular basis. This bidder will work with the subcontractor to establish an approved formulary and only process payments for approved formulary medications. Medications will process only for eligible individuals as reported in the bidder's client-level database system. Should the bidder become aware of another 340B claiming rebates for Nebraska ADAP clients, the bidder will notify DHHS immediately.

Data and Reporting

PBM-5

The bidder will maintain a secure client-level data system necessary for receiving and managing confidential client information. The system has already been established for other Ryan White programs and will not require initial development. The system is also used for tracking and processing claims received from the subcontractor. DHHS staff will be granted 24-hour access to the client-level database with individual security profiles.

Specifically, when a client has been identified as eligible for the Nebraska ADAP (ADAP) and ADAP transfers this data to the bidder, the bidder will translate that information into its proprietary client-level data system, SCOUT (Securing Client Outcomes Using Technology), and create an ADAP Medications Service Referral. These referrals will become the basis for all subsequent payment activity.

Attachment A has been provided to demonstrate the process for managing the ADAP assistance program within the bidder's client-level database. These procedures are based on best practice as defined by the bidder. Funding agencies may take an active role in suggesting improvements or changes to these procedures for those things that will help improve the overall program functioning or address areas in which client services may be in jeopardy. Please see Attachment A for additional information

Twice a month, the subcontractor invoices the bidder for eligible members and medications. The bidder will invoice DHHS according to this same schedule. At the end of every month, the prescription data is imported into the client-level database for reporting purposes. This includes dates of service, total amount billed, client ID, Physician, Rx number, drug name, NDC, quantity filled, amount paid by insurance, primary vs secondary coverage. The bidder can develop custom reports that DHHS can run (if requested) to include insurance information, NDC labelers, as collected in SCOUT and other data points contained in SCOUT.

DHHS will be granted remote access to the client-level database and receive technical support from the bidder. Termination of ADAP members will be communicated to pharmacies via eligibility in the subcontractor's claims adjudication system. The bidder can establish annual expenditure caps as well as individual medication caps and set up prior authorization required for specific medication. The bidder can also design benefits around refill too soon rules, generics required rules, and other programmatic requirements.

We have only the highest of standards with respect to safeguarding client confidentiality, IT Standards and security requirements including double log in's for SCOUT users. (one through a CITRIX platform and the second in the application itself). The bidder has only the highest of standards with respect to safeguarding client confidentiality. IT Standards and security requirements including double log in's for SCOUT users. (one through

a CITRIX platform and the second in the application itself). NextGen Healthcare has a SOC 2 Report (Service Organization Controls Type 2) available. This is a report on controls placed in operation relevant to security, availability, confidentiality and privacy and the suitability of the design and operating effectiveness of its controls for the period of 1/1/19 – 12/31/19. The review was performed by Cyberguard Compliance, LLP and is available upon request.

Back billing and Eligibility Screening

PBM-6

Should the bidder become aware of another payer source, the bidder will instruct the subcontractor to reverse the charge to DHHS plan and instruct the pharmacy where the original fill occurred to bill the correct payer source. The bidder can report out these changes in eligibility to DHHS by closing applicable service referrals and updating the client's health coverage log in the client-level database. A visual representation of this process is available in Attachment A.

Overpayment or Payment of Invalid Claim

PBM-7

Should an incorrect payment be identified, the bidder will request a refund from the subcontractor and work with DHHS to resolve the overpayment with a credit on a future invoice.

Technical and Customer Support

PBM-8

The bidder provides technical and customer support to DHHS staff, network pharmacies and case managers when necessary. Client calls are managed by the pharmacies, case managers, or DHHS staff. The bidder participates on clinical advisory committees which meet quarterly on formulary issues. The bidder is available to assist pharmacies with eligibility questions, formulary questions, and prior authorization requests. The subcontractor manages calls that require immediate reversals in the claims adjudication system and drug interaction issues. The bidder's toll-free number shall be accessible from 7:30 am – 6:00 pm, Monday through Friday. Staff is available for urgent pharmacy issues occurring during the evening and on weekends/holidays. Individual pharmacy locations are responsible for managing adherence or stockpiling issues and working directly with clients.

PHARMACY BENEFITS MANAGEMENT SERVICES – ADAP INSURANCE ASSISTANCE PROGRAM

Payment of Insurance Premiums

IBM-1

The bidder ensures processing and payment for health insurance premiums within five days or faster when necessary. The bidder has the ability to prepay up to six months of premiums per client, when necessary. The bidder can ensure sufficient capital to cover the estimated 800 clients at an average rate of $500 per client for a six-month period. The bidder would expect payment for this six-month period within the traditional Net 30 payment terms from date of invoice. Payments are made for approved clients only via the method highlighted

in Attachment B included with this response. The bidder will administer policy continuation via payments and policy cancellations via non-payment. Should a payment be processed, and a policy require cancellation, the bidder will attempt to cancel the payment or issue a stop payment whenever possible. The bidder will work with DHHS on insurance related issues via phone, email or by utilizing a secure communication feature available in the bidder's client-level database.

Data Reporting

IBM-2

The bidder will maintain a secure data system necessary for receiving and managing confidential client information. When a client has been identified as eligible for Nebraska ADAP (ADAP) and ADAP transfers this data to the bidder, the bidder will translate this information into its proprietary client-level data system, SCOUT (Securing Client Outcomes Using Technology), and create a Health Insurance Continuation Referral. These referrals will become the basis for all subsequent payment activity.

Attachment B has been provided to demonstrate the process for managing the ADAP insurance assistance program within the bidder's client-level database. These procedures are based on best practice as defined by the bidder. Funding agencies may take an active role in suggesting improvements or changes to these procedures for those things that will help improve the overall program functioning or address areas in which client services may be in jeopardy. Please note that although screenshots are provided as they relate to HSI's process in SCOUT, all information detailed below will be available for export to be reflected in the Funder's data system. Please see Attachment B for additional information.

DHHS will be granted remote access to the client-level database and receive technical support from the bidder. This access will grant ADAP staff real time determination of premium amounts paid, pending or owed as the bidder becomes aware. Monthly client level reports are provided as detailed back up to the bidder's invoices. Additional custom reports can be developed according to DHHS's needs.

The bidder has only the highest of standards with respect to safeguarding client confidentiality. IT Standards and security requirements including double log in's for SCOUT users. (one through a CITRIX platform and the second in the application itself). NextGen Healthcare has a SOC 2 Report (Service Organization Controls Type 2) available. This is a report on controls placed in operation relevant to security, availability, confidentiality and privacy and the suitability of the design and operating effectiveness of its controls for the period of 1/1/19 – 12/31/19. The review was performed by Cyberguard Compliance, LLP and is available upon request.

Payment for Medical Co-pays

The bidder also can provide cost sharing assistance for clients in need of medical co-pay assistance with their healthcare providers. This service includes electronic claims adjudication for healthcare practices as well as a provider portal to determine eligibility for this service category. Medical co-pay assistance is not included in the current cost proposal but could be an option for your organization. The round one questions indicated this is an expectation of the bidder, but there is no section specific to the delivery of this service within the current RFP.

DIRECT PHARMACY SERVICES – ADAP MEDICATION ASSISTANCE PROGRAM

Manage Inventory

DPS-1

The bidder currently uses the PBM model for all ADAP clients, whether the client has healthcare coverage or does not have healthcare coverage. This allows all ADAP clients the same access to the geographically diverse network whether they are receiving primary, secondary or tertiary assistance through the program. Conversations regarding side effects, medication adherence, and time to fill notifications would occur at the local pharmacy level within the PBM model. The bidder can also work with DHHS to establish one single-source pharmacy to manage statewide delivery, should DHHS wish to manage the network with this approach.

Dispensing and Statewide Delivery

DPS-2/DPS-4/DPS-5

The PBM model would ensure that medications are shipped within three days to the requested address. Deliveries outside the state would not be permitted per the current guidelines. Auto-refill could be established if allowable by DHHS. Dispensing would be managed by network pharmacies.

Provide Patient Contact and Pharmacy Support Services

DPS-3

Patient outreach and counseling would be managed by the pharmacy network within the PBM model.

Other Contractor Requirements

Recordkeeping, emergency contingency plans for prescription dispensing, laws governing the dispensing of medications, and patient messaging/satisfaction would be the responsibility of the pharmacy network within the PBM model.

GRIEVANCE PROCEDURES

The bidder will manage grievance brought forth by pharmacy providers and case managers to the best of our ability before escalating any issues to DHHS. Client grievances should be directed to case managers.

REQUIRED REPORTING

DPS-6

The bidder and the subcontractor's platforms can generate the anticipated reports as listed in the RFP. These include: Pharmacy Benefit Management Reports and the Insurance Benefit Management Reports. The ADAP Inventory Reconciliation Report can be made available if the bidder works with a single source pharmacy for statewide delivery. Claim Vouchers/Invoice reports will be submitted by the 15th of the month for the previous month's processed encounters. Reports will be generated from information contained in

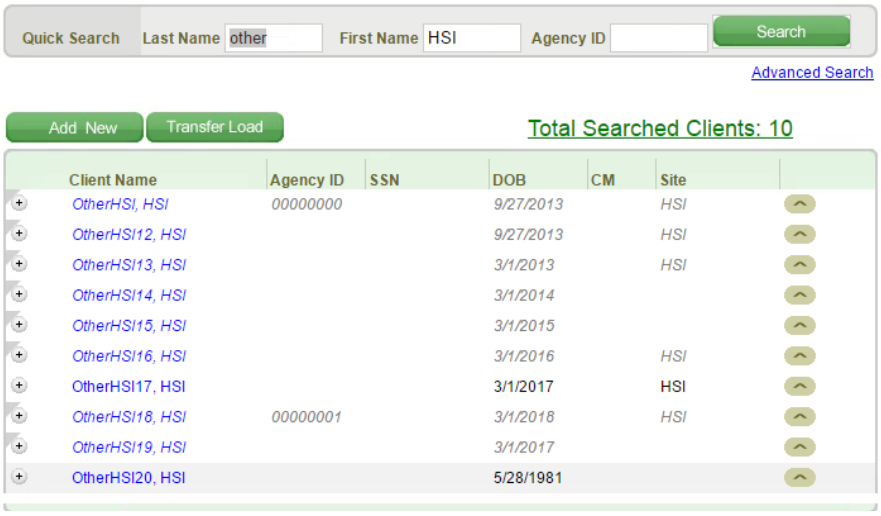
the client-level database and balanced against financial information housed in the accounting software, Quickbooks. Submission deadlines will be established with DHHS and tracked within the Microsoft Outlook application to ensure that deadlines are met.

PHARMACY BENEFITS MANAGEMENT SERVICES – ADAP INSURANCE ASSISTANCE PROGRAM - ATTACHMENT A

Attachment A has been provided to demonstrate the process for managing the PHARMACY BENEFITS SERVICES – ADAP INSURANCE ASSISTANCE PROGRAM within the bidder's client-level database. These procedures are based on best practice as defined by the bidder (HSI). Funding agencies may take an active role in suggesting improvements or changes to these procedures for those things that will help improve the overall program functioning or address areas in which client service may be in jeopardy.

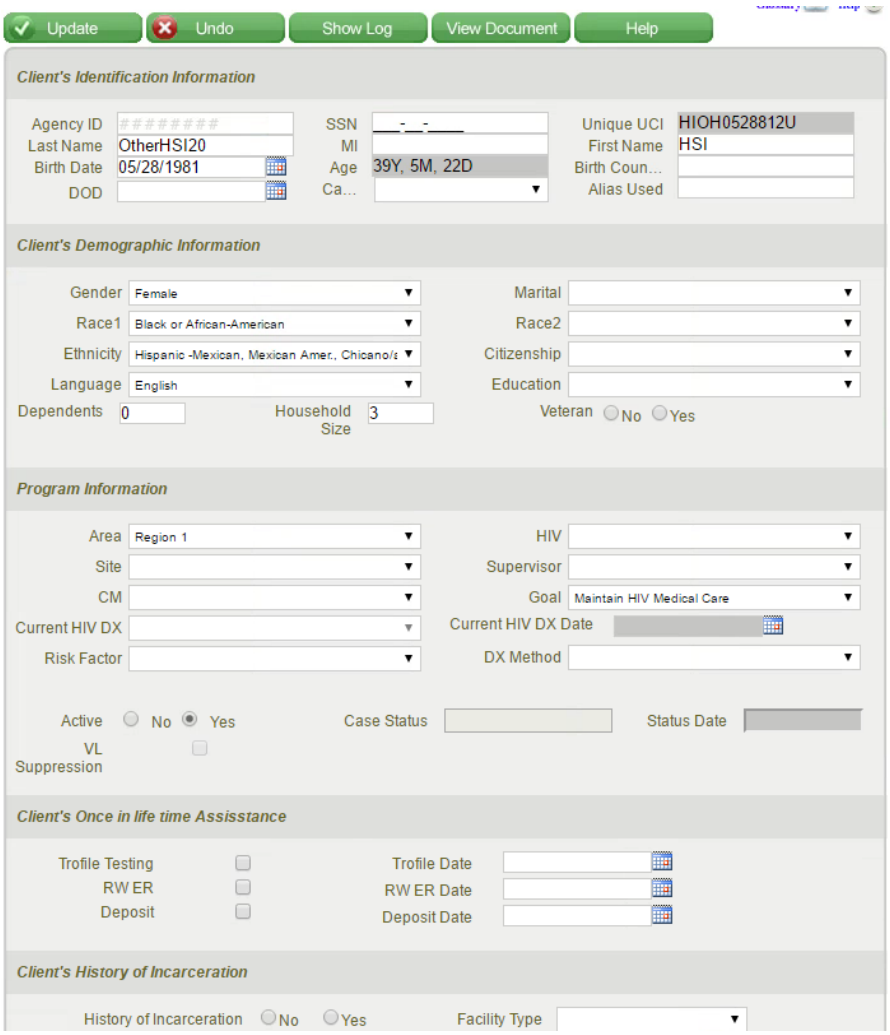
<u>Client Enrollment in the client-level database = SCOUT (Securing Client Outcomes Using Technology)</u>

1. HSI will be in receipt of a data transfer from DHHS which should include eligibility, client demographics, healthcare coverage (if any) and ADAP service requested (primary, secondary or tertiary benefits).
2. HSI will translate information, either electronically or manually, and use it to create a unique client file in SCOUT.
    a. Screen shot of Case List containing multiple client files in SCOUT:

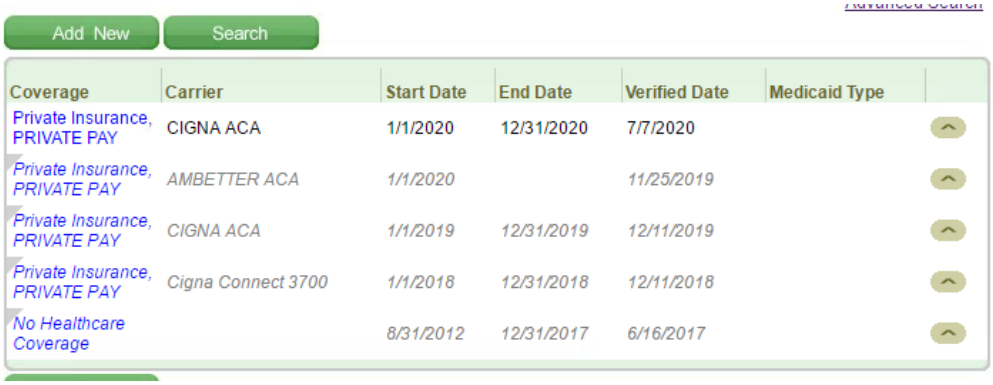


3. The client file in SCOUT will be populated with all information necessary to provide for ADAP medication coverage.

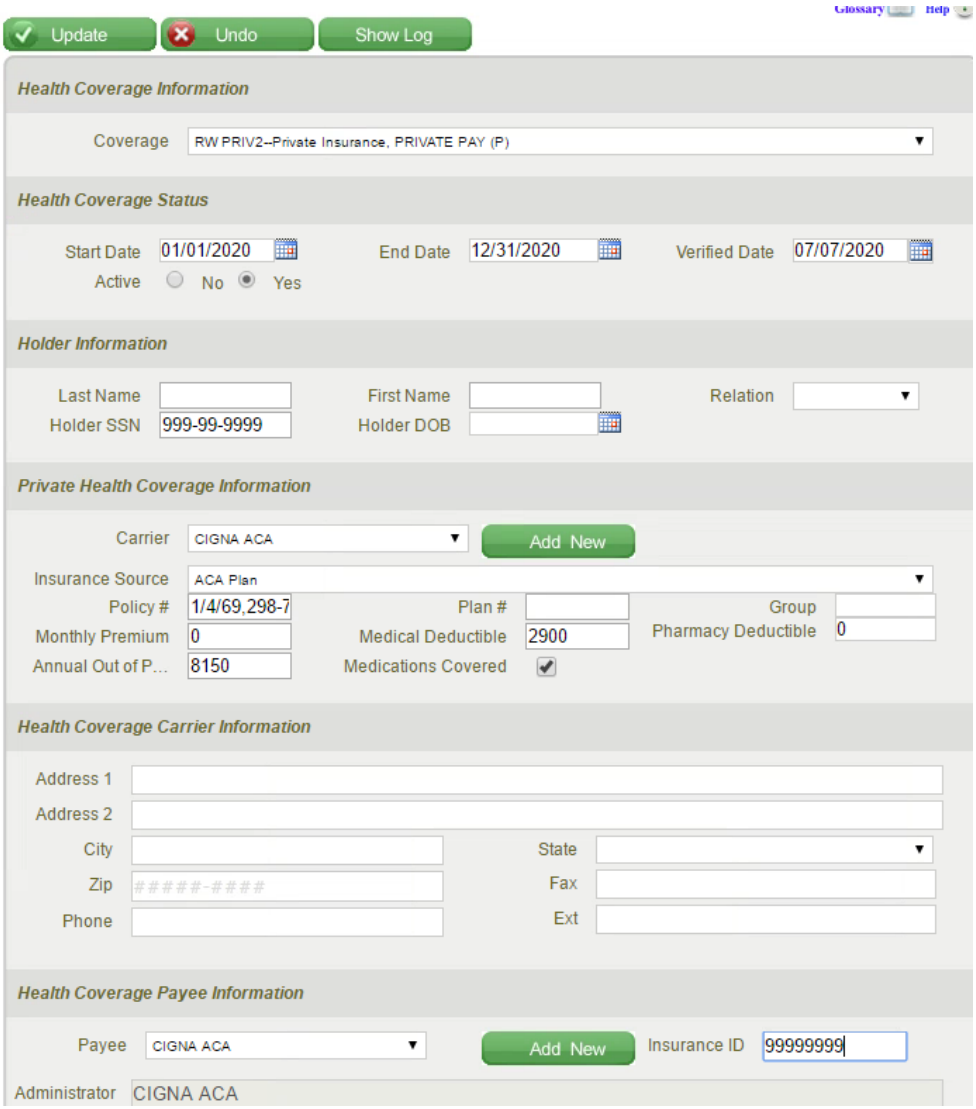
a. Screen shot of Demographics:



b. Screen shot of Healthcare Coverage Log:



c. Screen shot of Health Coverage Information:



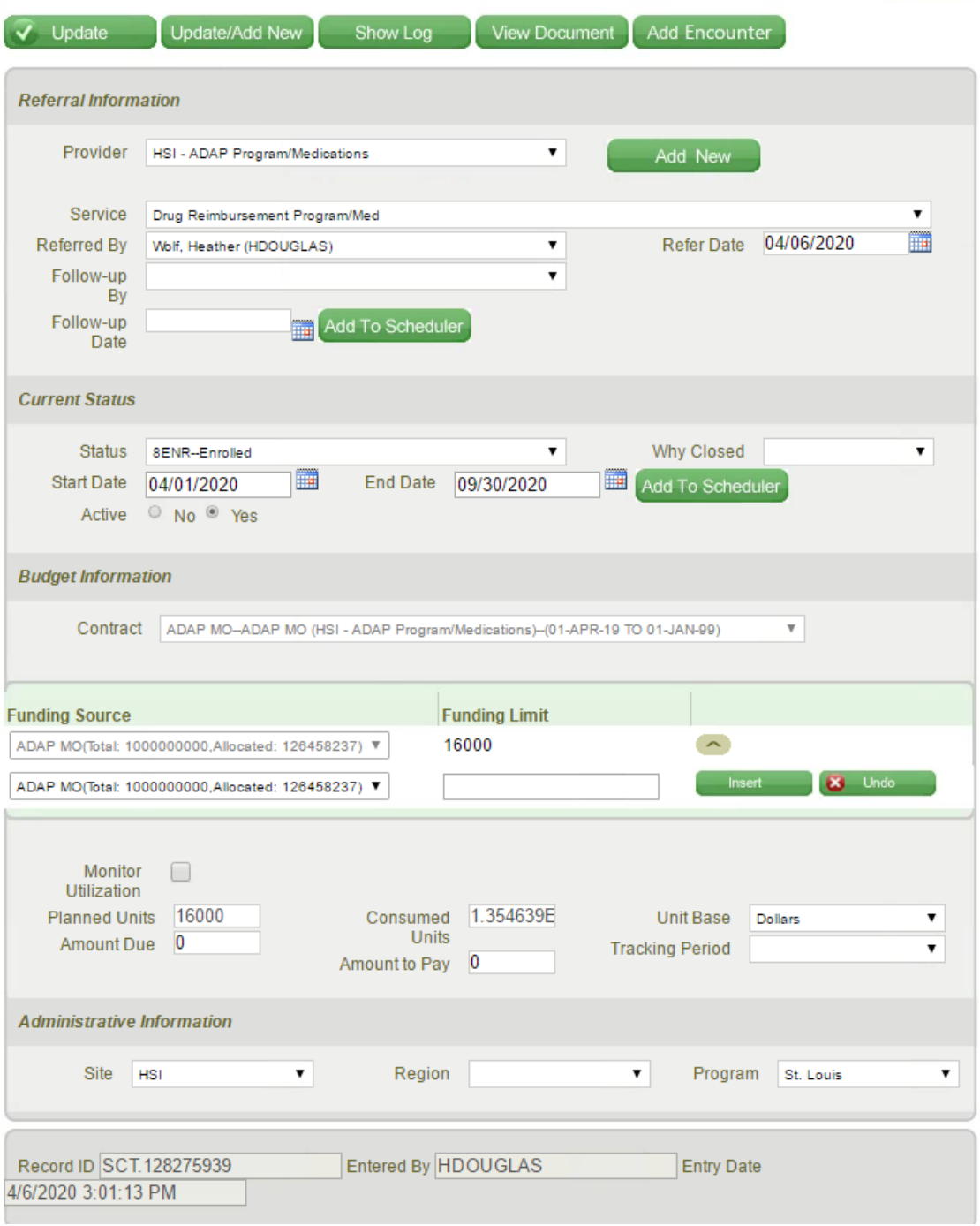
4. Since approval for assistance is granted via DHHS staff, HSI does not anticipate regular need for additional information beyond that which is needed for the creation of ADAP coverage within the subcontractor's claims adjudication system. However, in those instances where additional information is needed or where special circumstances apply, HSI will record notable items in the Notes field in the client file.

a. Screen shot of Progress note in Service Referral:

Service Management and Encounters:

1. Once a client file is created, the appropriate Service Referral is generated. In SCOUT, a Service Referral is the mechanism that governs whether medications, premiums, or other insurance wraparound services will be paid. All clients in need of assistance must have an open and active Service Referral documenting the client is eligible to receive services. Additionally, this will be the mechanism which defines Active Members per month.

a. Screen shot of HSI Service Referral for ADAP medication coverage:



The information is then translated to the subcontractor's claims adjudication system so that client's medications may be processed electronically. This system contains real time eligibility and allows HSI to activate or inactivate medication coverage immediately without waiting for a daily data transfer.

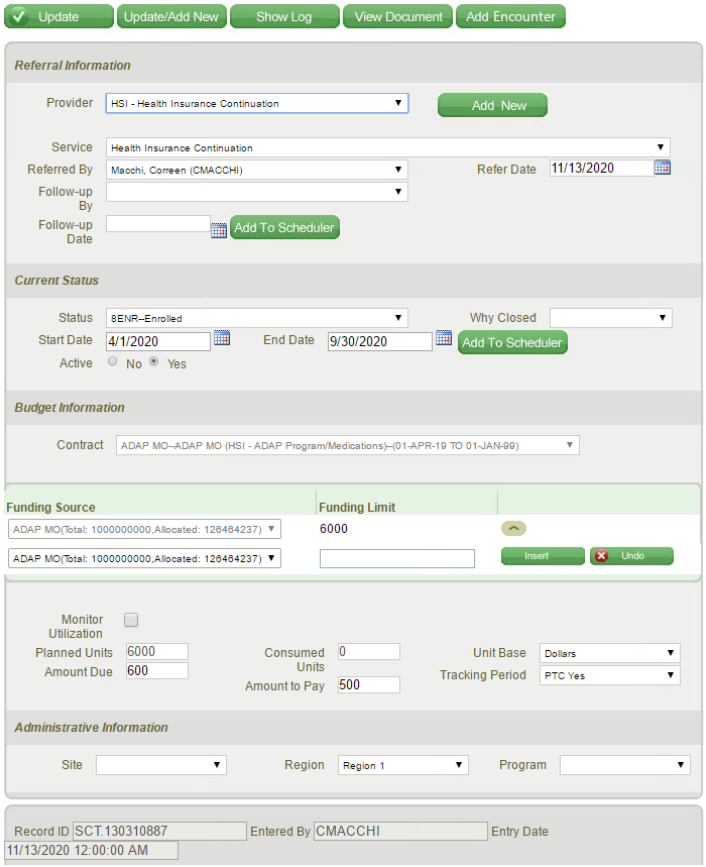
INSURANCE BENEFITS MANAGEMENT SERVICES – ADAP INSURANCE ASSISTANCE PROGRAM - ATTACHMENT B

Attachment B has been provided to demonstrate the process for managing the INSURANCE BENEFITS MANAGEMENT SERVICES – ADAP INSURANCE ASSISTANCE PROGRAM within the bidder's client-level database. These procedures are based on best practice as defined by the bidder (HSI). Funding agencies may take an active role in suggesting improvements or changes to these procedures for those things that will help improve the overall program functioning or address areas in which client service may be in jeopardy.

<u>Service Management and Encounters</u>

1. Once a client file has been created (see Attachment A), the appropriate Service Referral is generated. In SCOUT, a Service Referral is the mechanism that governs whether medications, premiums, or other insurance wraparound services will be paid. All clients in need of assistance must have an open and active Service Referral documenting the client is eligible to receive services. Additionally, this will be the mechanism which defines Active Members per month.

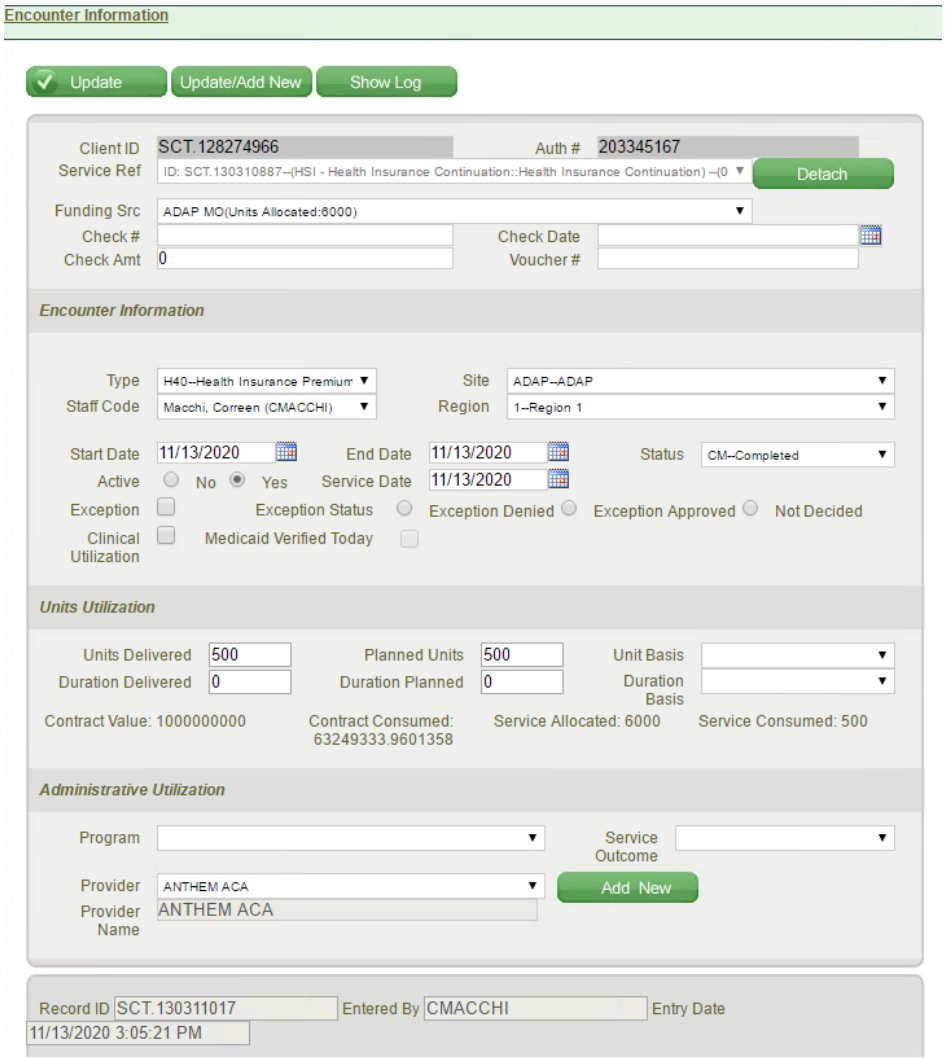
    a. Screen shot of HSI Service Referral for Health Insurance Premium Payments:



2. In addition to reflecting eligibility for assistance, the service referral provides the mechanism that allows HSI to document plan units for payment and attach a contract with a specified funding cap as directed by DHHS. Each Encounter (discussed in more detail below) will draw down from the contracted amount. This allows for tracking and monitoring of clients' expenditures as they relate to capped amounts. In addition, the service referral can capture information regarding total premium and actual payment due based upon factors such as premium tax credits (as reflected as "PTC Yes" above).

<u>Insurance Premium and Cost-Sharing Service Process:</u>

1. For each month (or for multiple months as directed by DHHS), an Encounter is generated to document the payment information for that client.
   a. Screen shot of Health Insurance Premium Encounter

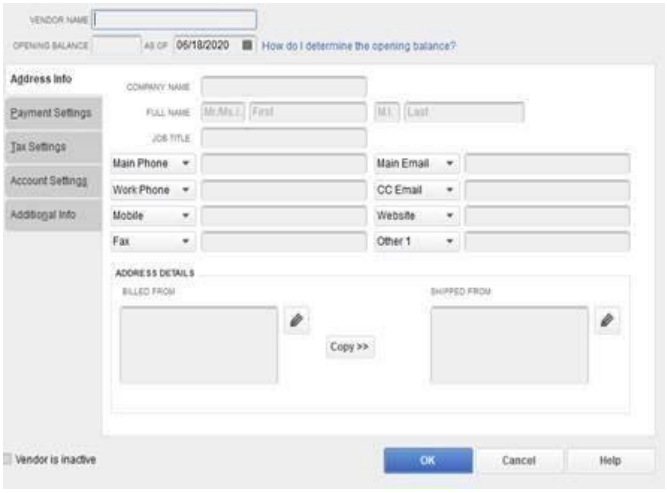


<u>Payment Process:</u>

1. The provider or payee information reflected in the Encounter is then used to populate the financial software, QuickBooks. This data is used to generate checks

or other forms of payment. If checks are part of an established check run, such as insurance premium, this is done electronically. If a payment for a new client, new vendor, or an unscheduled payment is required, this is a manual process.

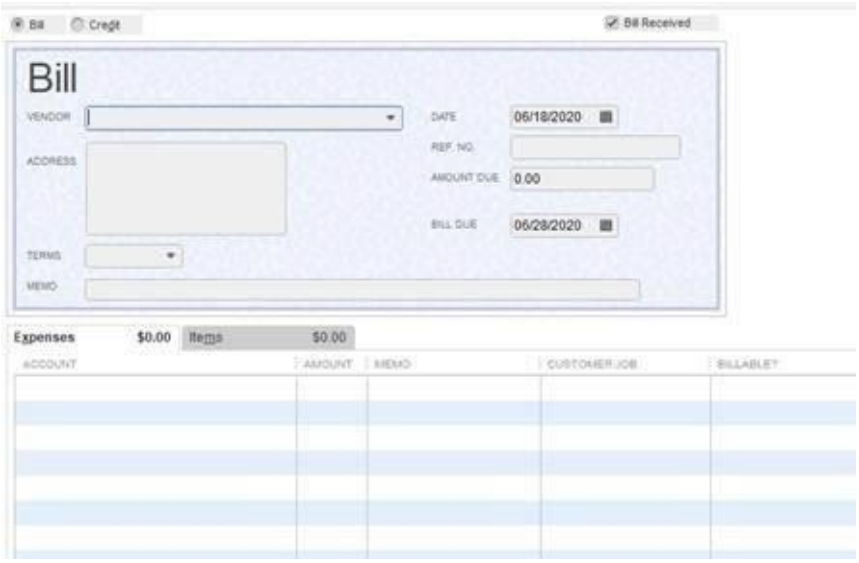
a. Screen shot of New Vendor Screen in QuickBooks:



2. Once all information has been documented and saved,

a check is cut.

a. Screen shot of QuickBooks electronic check:



3. Assuming an insurance premium due date of the first of the month, the check generation process for established clients and established payment begins approximately 30 days prior to the due date. This time is used to verify that clients are still eligible and that no changes to premiums have been made.

4. Once checks are cut, they are collated with their support documentation and presented for signature to an authorized signatory.

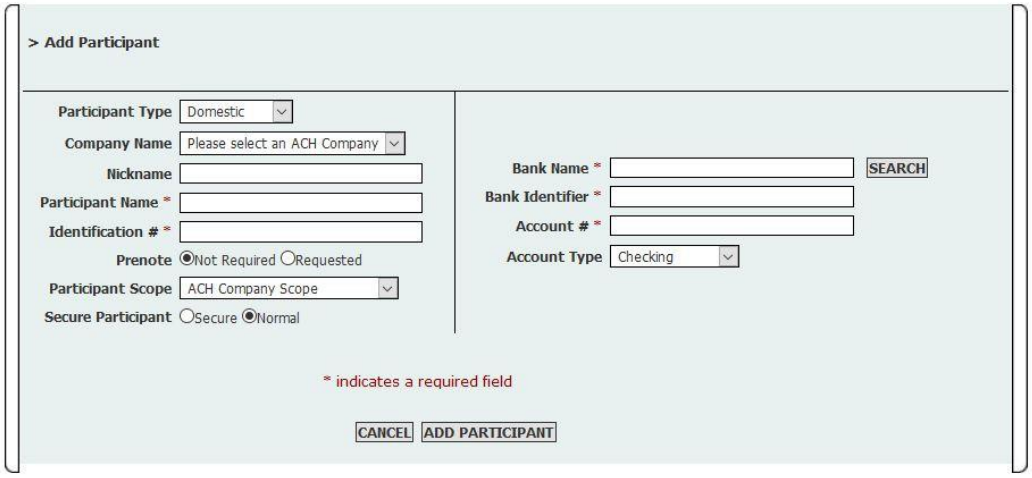
5. Checks will be mailed to meet with programmatic guidelines. Historically, insurance premium checks are sent via FedEx or USPS depending upon remittance address of carrier, number of payments included, and urgency of payments.

6. If a premium is due for a new client to the program and expedited payment is required, all the previous steps are followed except for the check generation described above. HSI can accommodate special requests and generate payment within 24 hours as long as all the necessary information is provided.

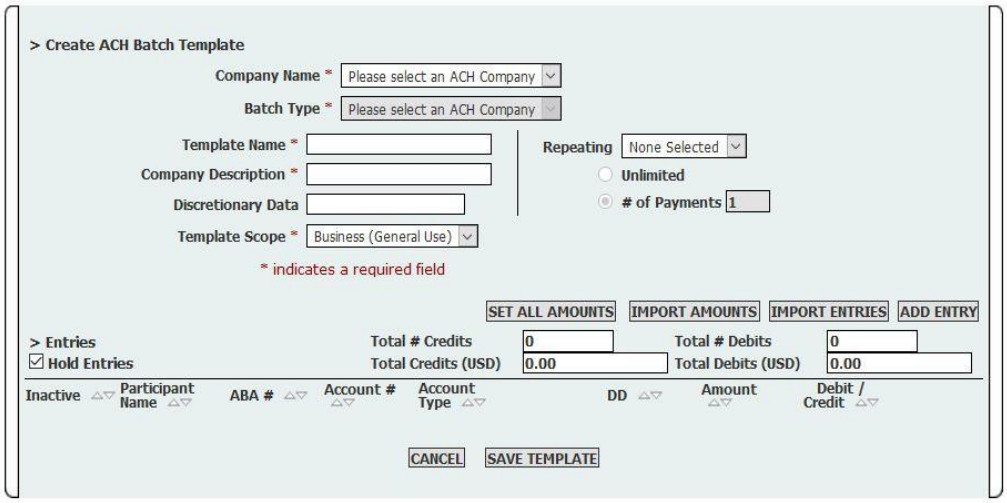
7. HSI does have a pay by phone option where we can provide bank routing and account information can be issued via phone for immediate payment. In addition, a debit card number can be provided for the most urgent of issues. HSI can also set up vendors on ongoing ACH payments if required. Vendors requesting ACH payments would be required to provide bank routing numbers, bank account numbers, and have the ability to obtain reports from their financial institution to accurately post payments to individual client insurance plans.

a. Screenshot of ACH Set up Process

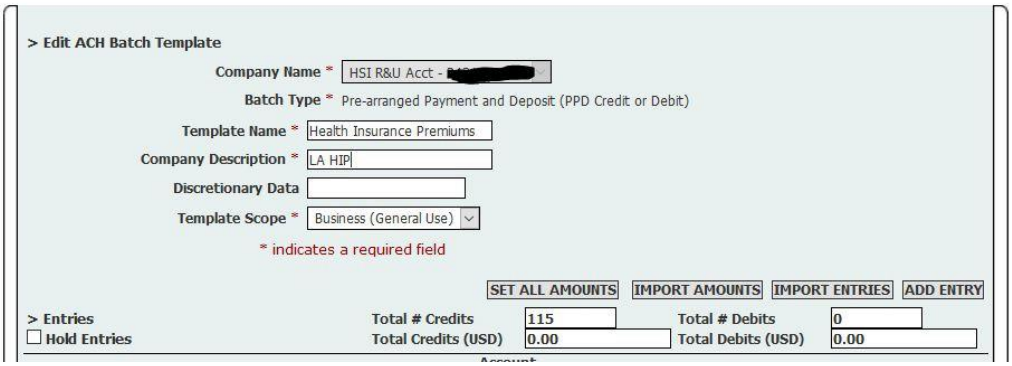
Creating a Participant:



Creating an ACH Template:



Editing an ACH Template for Payments:



Invoicing and Reporting

1. At the close of the month, and once all encounters have been created, QuickBooks and SCOUT are balanced to ensure all expenses are captured and an invoice is generated. DHHS will not be billed for any client service that has not been documented and viewable within the data system.
2. Approximately the 15th of each month, the information regarding amount paid, check date, and check number for the previous month will be imported back into SCOUT from QuickBooks and will be available for viewing by DHHS in SCOUT.

Credits, Reconciliation, and Audit

1. Throughout the process of providing health insurance premium (HIP) assistance to clients, over-payments and underpayments are occasionally realized.

2. If an underpayment is identified in the same month but before payment is made, HSI will make an adjustment to current month's Encounter and make payment accordingly. This type of reconciliation is realized as a single transaction to DHHS.

3. If an underpayment is identified after payment has been made for a given month, HSI will create a new Encounter for the additional amount due and will process and make payment accordingly. This type of reconciliation is realized as two transactions.

4. In the case of a recognized overpayment when the client will continue services with the program and a credit has been recorded with the insurer, HSI will note the overpayment in the client file and work with the insurer to adjust a subsequent month's payment for an equal amount. This type of reconciliation is realized as a single transaction to DHSS with details readily available in SCOUT.

5. In the case of a recognized overpayment when the client will continue services with the program and a refund has been issued to the policy holder (client), HSI will note the overpayment in the client file and will work with the client to receive the refund check before it is cashed. HSI uses a Refund/Rebate memo with all participants in the HIP program to remind them of their obligation to the program. A sample of this memo

has been provided for review and a version of this can be disseminated to clients, as appropriate, via DHHS.

6. In the case of all other refunds and recoupment that results in funds being returned, HSI will record all such transactions and will return them as program credit at the direction of DHHS.

    a. Screen shot of Program Credit Account:

Date	Memo	Amount	Balance
			2,500.00
4/6/2020	refund auth 203127080	6.33	2,506.33
4/6/2020	refund auth 203127095	22.24	2,528.57
4/6/2020	refund auth 203127104	60.96	2,589.53
4/23/2020	voiding check #155456	2,538.00	5,127.53
4/22/2020	refund auth 203138781	248.86	5,376.39
4/22/2020	refund auth 203138927	25.00	5,401.39
4/30/2020	Return Program Credit	-2,500.00	2,901.39
Total by Month - April		401.39	2,901.39

7. HSI commissions a Single Audit each year and will submit the results to DHHS if requested.

8. DHHS is welcome to conduct program and fiscal audits at any mutually agreed upon time.

9. On occasion, HSI becomes aware of a refund issued directly to a client. HSI can work with DHHS to develop a correspondence to send to a client should this occur.

Healthcare Strategic Initiatives

SAMPLE Rebate/Refund Letter

TO: DHHS Client

FROM: Healthcare Strategic Initiatives

DATE:

RE: **PLEASE READ** - **Important Notice** about Health Insurance Refund.

You are receiving this notice because you have received assistance from HSI for health insurance premium payments. These payments were made on your behalf to give you access to medical care and prescriptions through a health insurance plan.

For a variety of different reasons, you may have received a **refund check** from your insurance carrier. If you haven't received one yet, you still may receive a refund in upcoming weeks. Because HSI has been paying your insurance premium, you should send this and any other **refund checks** to HSI as soon as you receive them. Please be aware that if future review of your account shows that you received a check and did not turn it over to HSI, you may lose your eligibility for the program.

If you receive a **refund check** directly from your insurance company, group insurance administrator, COBRA administrator, or pharmacy provider, **DO NOT cash the refund check**; instead, please do the following:

1) Write on the back of the check "Pay to the order of HSI," and sign your name below that.
2) Mail the check to the following address: HSI, Attn: Care Services, 1836 Lackland Hill Pkwy, St. Louis, MO 63146

If you have already cashed the refund check, please contact HSI immediately to make payment arrangements. **We can be reached Monday-Friday, 7:30 am-6:00 pm at toll-free at 1-877-541-6822.** Please reference this letter.

If you receive the **credit** on your account rather than a refund check, please forward the information to HSI or your Case Manager immediately.

It is our goal to provide you with access to the most comprehensive health benefits available. Thank you for your cooperation.

6396 Z1 ATTACHMENT A
DHHS HIPAA BUSINESS ASSOCIATE AGREEMENT PROVISIONS
SERVICES CONTRACTS

1. BUSINESS ASSOCIATE. "Business Associate" shall generally have the same meaning as the term "business associate" at 45 CFR § 160.103, and in reference to the party in this Contract, shall mean Contractor.

2. COVERED ENTITY. "Covered Entity" shall generally have the same meaning as the term "covered entity" at 45 CFR § 160.103, and in reference to the party to this Contract, shall mean DHHS.

3. HIPAA RULES. "HIPAA Rules" shall mean the Privacy, Security, Breach Notification, and Enforcement Rules at 45 CFR Part 160 and Part 164.

4. OTHER TERMS. The following terms shall have the same meaning as those terms in the HIPAA Rules: Breach, Data Aggregation, Designated Record Set, Disclosure, Health Care Operations, Individual, Minimum Necessary, Notice of Privacy Practices, Protected Health Information, Required by Law, Secretary, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use.

5. THE CONTRACTOR shall do the following:
   - 5.1. Not use or disclose Protected Health Information other than as permitted or required by this Contract or as required by law. Contractor may use Protected Health Information for the purposes of managing its internal business processes relating to its functions and performance under this Contract. Use or disclosure must be consistent with DHHS' minimum necessary policies and procedures.
   - 5.2. Implement and maintain appropriate administrative, physical, and technical safeguards to prevent access to and the unauthorized use and disclosure of Protected Health Information. Comply with Subpart C of 45 CFR Part 164 with respect to electronic Protected Health Information, to prevent use or disclosure of Protected Health Information other than as provided for in this Contract and assess potential risks and vulnerabilities to the individual health data in its care and custody and develop, implement, and maintain reasonable security measures.
   - 5.3. To the extent Contractor is to carry out one or more of the DHHS' obligations under Subpart E of 45 CFR Part 164, comply with the requirements of Subpart E that apply to DHHS in the performance of such obligations. Contractor may not use or disclosure Protected Health Information in a manner that would violate Subpart E of 45 CFR Part 164 if done by DHHS.
   - 5.4. In accordance with 45 CFR §§ 164.502(E)(1)(ii) and 164.308(b)(2), if applicable, ensure that any agents and subcontractors that create, receive, maintain, or transmit Protected Health Information received from DHHS, or created by or received from the Contractor on behalf of DHHS, agree in writing to the same restrictions, conditions, and requirements relating to the confidentiality, care, custody, and minimum use of Protected Health Information that apply to the Contractor with respect to such information.
   - 5.5. Obtain reasonable assurances from the person to whom the information is disclosed that the information will remain confidential and used or further disclosed only as required by law or for the purposes for which it was disclosed to the person, and the person notifies the Contractor of any instances of which it is aware that the confidentiality of the information has been breached.
   - 5.6. Within fifteen (15) days:
     - 5.6.1. Make available Protected Health Information to DHHS as necessary to satisfy DHHS' obligations under 45 CFR § 164.524;
     - 5.6.2. Make any amendment(s) to Protected Health Information as directed or agreed to by DHHS pursuant to 45 CFR § 164.526, or take other measures as necessary to satisfy DHHS' obligations under 45 CFR § 164.526;
     - 5.6.3. Maintain and make available the information required to provide an accounting of disclosures to DHHS as necessary to satisfy DHHS' obligations under 45 CFR § 164.528.

5.7. Make its internal practices, books, and records relating to the use and disclosure of Protected Heath Information received from, or created or received by the Contractor on behalf of the DHHS available to the Secretary for purposes of determining compliance with the HIPAA rules. Contractor shall provide DHHS with copies of the information it has made available to the Secretary.

5.8. Report to DHHS within fifteen (15) days, any unauthorized use or disclosure of Protected Health Information made in violation of this Contract, or the HIPAA rules, including any security incident that may put electronic Protected Health Information at risk. Contractor shall, as instructed by DHHS, take immediate steps to mitigate any harmful effect of such unauthorized disclosure of Protected Health Information pursuant to the conditions of this Contract through the preparation and completion of a written Corrective Action Plan subject to the review and approval by DHHS. The Contractor shall report any breach to the individuals affected and to the Secretary as required by the HIPAA rules.

6. TERMINATION.

6.1. DHHS may immediately terminate this Contract and any and all associated contracts if DHHS determines that the Contractor has violated a material term of this Contract.

6.2. Within thirty (30) days of expiration or termination of this Contract, or as agreed, unless Contractor requests and DHHS authorizes a longer period of time, Contractor shall return or at the written direction of DHHS destroy all Protected Health Information received from DHHS (or created or received by Contractor on behalf of DHHS) that Contractor still maintains in any form and retain no copies of such Protected Health Information. Contractor shall provide a written certification to DHHS that all such Protected Health Information has been returned or destroyed (if so instructed), whichever is deemed appropriate. If such return or destruction is determined by the DHHS be infeasible, Contractor shall use such Protected Health Information only for purposes that makes such return or destruction infeasible and the provisions of this Contract shall survive with respect to such Protected Health Information.

6.3. The obligations of the Contractor under the Termination Section shall survive the termination of this Contract.

DocuSigned by:
Correen Macchi
3F6457035AFB40F...

BIDDER SIGNATURE _____

Attachment B
Business Requirements Traceability Matrix
Request for Proposal Number 6396 Z1 REVISED

Bidders are instructed to complete a Business Requirements Traceability Matrix for pharmacy benefits manager services to the Ryan White Program. Bidders are required to describe in detail how their proposed solution meets the conformance specification outlined within each Business Requirement.

The traceability matrix is used to document and track the business requirements from the proposal through testing to verify that the requirement has been completely fulfilled. The contractor will be responsible for maintaining the contract set of Baseline Requirements.

The traceability matrix should indicate how the bidder intends to comply with the requirement and the effort required to achieve that compliance. It is not sufficient for the bidder to simply state that it intends to meet the requirements of the RFP. DHHS will consider any such response to the requirements in this RFP to be non-responsive and the bid may be rejected. The narrative should provide DHHS with sufficient information to differentiate the bidder's business solution from other bidders' solutions.

The bidder must ensure that the original requirement identifier and requirement description are maintained in the traceability matrix as provided by DHHS. Failure to maintain these elements may render the bid non-responsive and result in for rejection of the bidder. How to complete the traceability matrix:

Column Description	Bidder Responsibility
Req #	The unique identifier for the requirement as assigned by DHHS, followed by the specific requirement number. This column is dictated by this RFP and must not be modified by the bidder.
Requirement	The statement of the requirement to which the bidder must respond. This column is dictated by the RFP and must not be modified by the bidder.

Cross Program Requirements

Business Requirements	
Req #	**Requirement**
CP-1	Describe the plan to transition pharmacy services from the current central pharmacy model to the proposed model of service within sixy of signing the contract such that pharmacy services to DHHS clients will not be interrupted.
	Response: Once the contract is awarded the bidder with work with DHHS to distribute coverage letters. Please see section CP-1 of the technical approach.

Pharmacy Benefit Management Services Requirements

Business Requirements	
Req #	**Requirement**
PBM-1	Describe the pharmacy or pharmacy network that will fill prescriptions for ADAP-enrolled Insurance Assistance clients, how Bidder will communicate with pharmacies, and how Bidder will establish and maintain a mail-order pharmacy with overnight shipping capability.
	Response: The bidder will establish a statewide network of pharmacies per DHHS program guidelines. Please see section PBM-1 of the technical approach.
PBM-2	Describe how Bidder shall ensure that ADAP Insurance Assistance clients receive basic treatment adherence counseling at time of prescription fill.
	Response: The pharmacies will be contracted through the bidder's subcontractor and in adherence counseling language in agreements. Please see section PBM-2 of the technical approach.
PBM-3	Describe how Bidder shall coordinate benefits and claims processing.
	Response: The bidder will provide electronic claims adjudication via the subcontractor per the clients' payer sources. Please see section PBM-3 of the technical approach.
PBM-4	Describe how Bidder shall pay claims and other insurance related costs and reimbursement.
	Response: The bidder will process prescriptions at point of sale and pass through charges to DHHS without markup or fees. Please see section PBM-4 of the technical approach.

PBM-5	Describe how Bidder shall provide a secure data system with 24-hour remote access to electronic pharmacy claims and reporting by ADAP staff.
	Response: The bidder will maintain a secure web based client-level data system for DHHS access at all times. This system is already developed and available. Please see section PBM-5 of the technical approach.
PBM-6	Describe how Bidder shall develop and maintain back-billing and eligibility screening processes that comply with all state and federal laws and policies.
	Response: Should the bidder become aware of another payer source, the bidder will instruct the subcontractor to reverse the charge to DHHS and instruct the pharmacy to bill the correct entity. Please see section PBM-6 of the technical approach.
PBM-7	Describe how Bidder shall correct overpayments of claims and payments of invalid claims.
	Response: Should an incorrect payment be identified, the bidder will request a refund from the subcontractor and work with DHHS to resolve the overpayment withe a credit on a future invoice. Please see section PBM-7 of the technical approach.
PBM-8	Describe how Bidder shall provide technical and customer support.
	Response: The bidder will provide technical and customer support to DHHS staff, network pharmacies, and case managers when necessary. Please see section PBM-8 of the technical approach.

Insurance Benefit Management Services Requirements

Business Requirements	
Req #	**Requirement**
IBM-1	Describe how Bidder shall establish and administer an insurance premiums payment process.
	Response: The bidder ensures processing and payment for health insurance premiums within five days or faster when necessary. Please see section IBM-1 of the technical approach.
IBM-2	Describe how Bidder shall provide for the reporting of premium payment information.

	Response: The bidder will maintain a secure data system necessary for receiving and managing confidential client information. This system is in place and available for DHHS. Please see section IBM-2 in the technical approach.

Direct Pharmacy Services Requirements

Business Requirements	
Req #	**Requirement**
DPS-1	Describe how the Bidder will notify the client when it is time to refill two weeks before the current fill is set to run out.
	Response: Client outreach regarding refills will be managed by individual pharmacies within the PBM network. Please see section DPS-1 in the technical approach.
DPS-2	Describe how Bidder will dispense and offer statewide delivery.
	Response: The bidder will use the PBM model and medications will be dispensed and available for local pick up or statewide delivery through the network. Please see section DPS-2 in the technical approach.
DPS-3	Describe how Bidder will provide patient contact and pharmacy support services.
	Response: Patient outreach and counseling will be managed by the pharmacy network. The bidder will provide support services to the pharmacies within the network with regard to client eligibility. Please see section DPS-3 in the technical approach.

DPS-4	Describe how Bidder shall dispense and deliver medications in one—month supplies with refills shipped one week before the current fill is set to run out.
	Response: The dispensing and delivery of medications will be managed at the pharmacy level in the PBM model. Please see section DPS-4 of the technical approach.
DPS-5	Describe how Bidder shall ensure that ADAP initial fills are delivered within 24 hours to the client following the receipt of the prescription or request from DHHS staff.
	Response: The guidelines surrounded service deliveries will be included in the contract language between the subcontractor and pharmacy network. Please see section DPS-5 of the technical approach.
DPS-6	Describe how you Bidder shall ensure that required reports are accurate and are submitted within the required timeframes as set forth in the required reporting.
	Response: Reports will be generated from information contained in the client-level database. Reports containing financial information will be balanced against financial software. Please see section DPS-6 of the technical approach.

Cost Proposal

RFP 6396 Z1

Pharmacy Benefits Manager for the Ryan White Program

Bidder must provide all-inclusive pricing based off the estimated per member per month usage. Bidder must provide pricing for each year of the initial term and each renewal option.

Estimated Quantity	PER MEMBER PER MONTH *						
	Initial Year One	Initial Year Two	Initial Year Three	Initial Year Four	Initial Year Five	Optional Renewal Year One	Optional Renewal Year Two
800	$39	$39	$39	$39	$39	$39	$39

* Active member is defined as client who is active and enrolled in the bidder's client-level database

BAFO Cost Proposal

RFP 6396 Z1

Pharmacy Benefits Manager for the Ryan White Program

BIDDER NAME: HSI - NextGen Healthcare

Bidder must provide all-inclusive pricing based off the estimated per member per month usage. Bidder must provide pricing for each year of the initial term and each renewal option.

Estimated Quantity	PER MEMBER PER MONTH *						
	Initial Year One	Initial Year Two	Initial Year Three	Initial Year Four	Initial Year Five	Optional Renewal Year One	Optional Renewal Year Two
800	$35	$35	$35	$35	$35	$35	$35

* Active member is defined as client who is active and enrolled in the bidder's client-level database

REVISED BAFO Cost Proposal

RFP 6396 Z1

Pharmacy Benefits Manager for the Ryan White Program

BIDDER NAME: HSI – NextGen Healthcare

Bidder must provide all-inclusive pricing based off the estimated per member per month usage. Bidder must provide pricing for each year of the initial term and each renewal option.

The pricing submitted by the Bidder shall include all costs associated with the services defined in this RFP. This includes, but is not limited to, incorporating any rebate administration fees in the per member per month rate.

The State will only pay the monthly per member per month rate, and **reimburse** for insurance premiums as identified in Section V.3.a.

Estimated Quantity	PER MEMBER PER MONTH						
	Initial Year One	Initial Year Two	Initial Year Three	Initial Year Four	Initial Year Five	Optional Renewal Year One	Optional Renewal Year Two
800	$35	$35	$35	$35	$35	$35	$35

- Active member is defined as client who is active and enrolled in the bidder's client-level database

Bidder shall confirm compliance by selecting either yes or no below, with Sections V.C.1. and V.D.3.a.ii and iii. of the RFP.

Yes	XX
No	