

# GROWTH. INNOVATION. RESULTS.

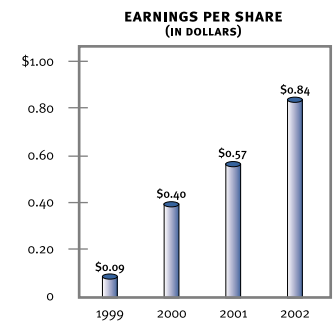
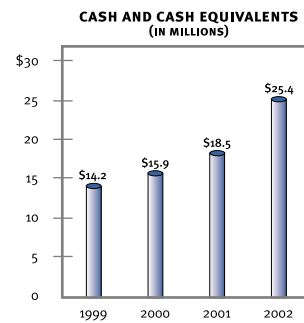
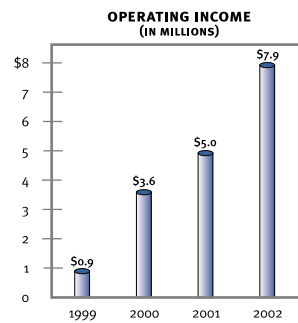
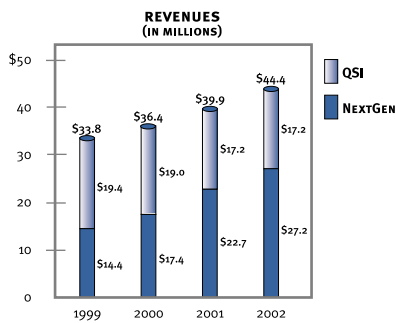
Growth. Innovation. Results.

**NextGen**  
Healthcare Information Systems, Inc.

**QUALITY SYSTEMS INC.**

A Higher IQ For Healthcare IT

Annual Report 2002



## COMPANY PROFILE

Quality Systems Inc. and its NextGen Healthcare Information Systems subsidiary develops and markets computer-based practice management systems, electronic patient records systems, and connectivity applications for large medical and dental group practices. Products are marketed under the QSI and NextGen product names. Visit [www.qsii.com](http://www.qsii.com) and [www.nextgen.com](http://www.nextgen.com) for additional information.

## PRESIDENT'S LETTER

To our Shareholders, Clients, Partners, and Associates:

Investors and entrepreneurs perpetually search for companies that combine award-winning products, dedicated, knowledgeable, and motivated staff, and visionary clients; companies which operate in the largest and most vibrant sectors of the economy; companies that have established a track record for **growth, innovation, and results**.

During FY 2002, QSI proved that it can be that kind of company.

For the year, revenue **growth** was to a record \$44.4 million. These results were driven by record setting performance in our NextGen Healthcare Information Systems and EDI units.

**Growth** was driven by our 221 associates. The contributions of these professionals are too numerous to list, and are impossible to forget. The skills, energy, and commitment of our team members are extraordinary assets to the Company.

Growth draws inspiration from **innovation**. During the year, our NextGen Division delivered NextGen<sup>pda</sup> as well as important enhancements to our flagship EPM and EMR applications. Awards from TEPR, AAFP, and others serve as objective proof of the quality of our products and the clarity of our vision. Our new product pipeline remains robust.

Continued **innovation** in our EDI unit led to the expanded rollout of numerous connectivity products. At the QSI division, Project Sequoia has been the catalyst for two important product extensions.

Growth and innovation are nothing without **results**. For the year, Company earnings per share increased 47%, driven by gains in Operating Income at our NextGen and QSI units of 31% and 61%, respectively.

At year end, and on behalf of everyone at the Company, a sincere "thank you" to the members of the QSI community who inspire us to be our best. Know that each day we strive to lead our industry in **growth, innovation, and results**. Your past, present, and future support is greatly appreciated.

Sincerely,

Lou Silverman

## PERSPECTIVES

We are proud of the results we've delivered to our shareholders over the past year. We are equally proud of the results we've helped our clients achieve through the use of our products:

**Southeast Texas Medical Associates** in Beaumont, Texas purchased **NextGen<sup>emr</sup>** and has become an enthusiastic advocate of "going electronic". SETMA's transcription costs have declined from \$5.93 per visit to \$.25 per visit. More accurate coding and charge capture increased revenue per patient visit by 20%. Operating expenses decreased by over \$2 million per year. Documentation quality increased such that through six audits, no deficiencies were found. SETMA is also a happy **NextGen<sup>epm</sup>** client.

**Piedmont Physicians Group** in Atlanta, Georgia purchased **NextGen<sup>epm</sup>** and realized a 200% ROI in their first year. A/R decreased by 55%, claims denials decreased by 84%, and physician satisfaction increased.

**Creative Dimensions in Dentistry** in Castro Valley, California purchased **QSI's Clinical Product Suite** (electronic dental record product) and moved to a completely paperless chart environment. Office space that had been used for patient files is now used for revenue producing patient treatment resulting in a \$1.5 million per year revenue opportunity. Costs associated with chart management and traditional x-ray film usage have been reduced by 60%.

**Pratt Medical Center** in Fredericksburg, Virginia purchased a suite of **Connectivity** services from QSI. Through its first eight months, more than 8,000 appointments have been scheduled on-line, eliminating a similar number of phone calls into the practice. More than 5,000 families (encompassing about 12,000 individuals) have registered with the practice on-line. Thousands of appointments have been electronically confirmed. And, bottom line, patients responded with a 94% satisfaction rate when surveyed about the enhanced functionality.

# CORPORATE INFORMATION

## OFFICERS OF THE COMPANY

Louis Silverman  
President, Chief Executive Officer

Patrick Cline  
President  
NextGen Healthcare Information Systems Division

Greg Flynn  
Executive Vice President, General Manager  
QSI Division

Paul Holt  
Chief Financial Officer

## DIRECTORS OF THE COMPANY

Sheldon Razin  
Chairman of the Board

Ahmed Hussein  
Co-Chairman of the Board

Mohammed Tawfick El-Bardai  
CEO  
National Telecommunications Corporation

Emad Zikry  
President and CEO  
ARM Capital Advisors, LLC

Dale Hanson  
CEO  
American Partners Capital Group

Frank Meyer  
President  
Glenwood Holdings

William Small  
Independent Management Consultant

## LEGAL COUNSEL

Rutan & Tucker LLP  
Costa Mesa, California

## INDEPENDENT AUDITORS

Grant Thornton LLP  
Irvine, California

## REGISTRAR AND TRANSFER AGENT

U.S. Stock Transfer Corp.  
Glendale, California

## INVESTOR RELATIONS CONSULTANTS

Coffin Communications Group  
Sherman Oaks, California  
818.789.0100

## FORM 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission is available on the Company's website at [www.qsii.com](http://www.qsii.com) or by contacting the Company at the address below.

**QUALITY SYSTEMS INC.**

**NextGen**  
Healthcare Information Systems, Inc.

## CORPORATE/QSI DIVISION HEADQUARTERS

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