

Understanding The Needs Of Hospitals, AUXILIO, Inc. Is Proving Hospitals Full Visibility On All Printing That Takes Place At Their Facility And Lowering Costs With Their Managed Print Services

**Services
Business Services
(AUXO-OTC: BB)**

AUXILIO, Inc.

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**Joseph J. Flynn
President and CEO**

BIO:

Joseph J. Flynn is the co-founder and President & CEO of AUXILIO, Inc. Under Flynn's leadership and strategic direction, the company has experienced continued and successful growth since its inception in 2004. He is an accomplished business leader in the IT, media and market research industries with over 20 years of international and domestic business management experience with some of the world's largest global companies such as; the Nielsen Corporation and Advanstar Communications. Flynn is fluent in Spanish, French and Portuguese

and earned a master's degree in foreign language education from the University of Rhode Island. He is a graduate of the Catholic University of America in Washington DC with a BA in international affairs.

Company Profile:

AUXILIO, Inc. is the nation's pioneer and leading Managed Print Services company that is health care exclusive and vendor neutral. The Company provides transformational customized solutions, a risk free program with no upfront costs, and guaranteed savings for its customers. AUXILIO Inc. centralizes print infrastructure cost centers at fixed rates through streamlined and seamless integration of copy, print, fax and scan services. Its distinct program provides print strategies that result in optimized process improvement, maximized savings and guaranteed results, while supporting health care IT e-communications and systems connectivity that prepare hospitals for Electronic Records Management. AUXILIO, Inc. is the only Managed Print Services company with proprietary information and data systems that enable hospitals to benchmark improvements per piece of paper, per individual, per device, and per hospital unit.

Its services include print infrastructure and vendor monitoring, management, and contract negotiation; change management and end-user training programs; utilization management; financial reporting; workflow efficiency management; information systems integration, connectivity, and document migration strategies; and strategy execution working with the customer to execute a long-term document management program. AUXILIO,

Inc. provides full-time, on-site print experts for hospitals and health care systems who educate and initiate sustainability programs that reduce print volume and costs. The company is headquartered in Mission Viejo, California.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Flynn, will you give us a little history of AUXILIO?

Mr. Flynn: I founded the company in 2004 along with a partner of mine as well as a group of venture capitalists based out of Salt Lake City. We actually bought a business that became AUXILIO. We bought a company that had a few contracts at hospitals. They were doing something similar to what we are doing now, but not as involved. I essentially spent from 2004 to 2006 raising money and honing the business model to what it is today - a much more complex and much more involved Managed Print Services program. In a very short time, we went from two hospitals in 2004, to about fifteen in 2007. I then left the company for two years, stayed very involved as a Board Member, and my partner took the CEO job. He had previously been COO. In August of last year, the board invited me back as President & CEO. My partner subsequently left the business.

CEOCFO: Would you tell us about Managed Print Services and what differentiates AUXILIO?

Mr. Flynn: AUXILIO is unique in the Managed Print Services market. As you may be aware, there are some large players in this industry. However, we provide a unique offering. We are vendor neutral

and health care exclusive, as well as we place our employees on-site at each one of the hospitals we service. One of the things that is happening in health care right now is a rush towards paper volume stabilization. I don't want to call it "going paperless", because that is really a myth. It is actually the volume stabilization of the production of documents in the hospital. Hospitals are very complex places, very busy places, and they are huge producers of documents. The average 360-bed hospital produces over 2.5 million documents every month. More so than not, that document process is fragmented, the costs are decentralized, the volume goes unmanaged and the control factor is non-existent. AUXILIO comes in and provides a service that allows hospitals full transparency on costs and volume and takes charge of the processes. It guarantees savings up to 30%, full visibility on volume and efficient process improvements that lead to end-user satisfaction. The issue is that hospitals are often times left to the mercy of equipment vendors whose sole purpose really is to sell equipment and not really manage the process. This is where we are unique. We do not sell equipment – hardware or software. Being health care exclusive is also important because we understand what the hospital environment is all about, including the culture and the urgency of caring for patients. We know the issues that exist in different departments. We understand how to work with hospital IT managers on special projects and initiatives related to print management. Bottom line, we become an essential part of their culture and their business organization.

CEOCFO: What is an example of some of the simple things that hospitals don't realize that you can come in and focus on, and then maybe something that is more complicated that your people would pick up?

Mr. Flynn: I was talking earlier about the volume of paper being produced at hospitals. What often happens is that one department in the hospital, maybe the purchasing department, might do copier leases and they might know some of the volumes coming out of the copiers. On the other hand, IT is handling printed documents coming out of the printers. What happens is neither knows what is taking place in the other's department, which means the true print volume, and

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cost is lost. We come in and do an assessment at no cost. In two days, we let them know the exact print volume that allows them to understand the costs. Without knowing the volume, they cannot manage the cost. This example is a simple thing that we do. It gets more complex when you are dealing with the shift to electronic medical records in health care and the push from paper to digital record-keeping that is on every IT directors' radar today. Taking paper

processing and making it electronic is a more complicated, involved process. Our teams work closely with IT to transform the print infrastructure of the hospitals to save millions of dollars that is then redirected to cover investments into electronic records and quality patient care. Our full-time, on-site print experts are advising on what types of software are compatible with the different output devices. We are getting involved with project planning, and all sorts of projects that without us there, it would be very difficult for them to do in a cost-effective manner. We also perform more routine tasks. For instance, when a printer is broken we have technicians there fixing the printer, to more involved processes like electronic medical records readiness projects.

CEOCFO: Are you working on the medical records side with the hospitals you are in now or is that going to be a separate offering?

Mr. Flynn: Yes, it is part of our current offering. We do not sell equipment or software, what we do is recommend the best print or software solutions for these types of initiatives. Some of our hospitals are further along in terms of their development or their investment in this area. The ones that are further along have expressed great satisfaction in the fact that we are there to help them along on the print side of the 'house'. Some hospitals do not have the funding or the personnel or staffing, so they are a little further behind.

The health care electronic medical records meaningful use mandate is going to force everybody's hand, so to speak. We are certainly experiencing that more and more of our company's role is to be the critical support needed for hospitals preparing their print infrastructures for efficiencies and cost-effectiveness.

CEOCFO: Do more hospitals today understand that this is an area that they should be managing or is it still education on your part?

Mr. Flynn: Interestingly, when we first started I would say we were inventing a problem; one that they hadn't considered. Now our services are absolutely part and parcel of their agendas. Hospitals are under tremendous financial pressure right now, so they are looking at every dollar they spend. The discussions that I am having now with the larger institutions like Johns Hopkins Healthcare System in Maryland or Saint Barnabas Healthcare System in New Jersey are very much at the C-Suite of the hospital administration. They now consider managed print services to be a major and worthwhile initiative. I am very pleasantly surprised having been away for a while and then coming back and realizing that there is a clear understanding by health care executives as to the value and benefit of executing a print strategy program to contain costs and reduce volume

CEO CFO: Is the green factor a nice additive or is it more of a focus?

Mr. Flynn: Sustainability programs are a focus that we take very seriously for our customers. We have a direct impact on the amount of paper that is wasted in a facility. It has definitely become a big selling point for us. This is because our print volume reduction programs work. There are many success stories in place that truly demonstrate our capabilities in this area. So in our company's case, it is not as fluffy as it sounds in perhaps other industries because we have a direct impact on a very environmentally unfriendly process. Overall and most importantly is controlling the volume and making sure that volume is not going up. As I mentioned 2.5 million documents a month can be managed down by our campaigns. By the way, that number is on the increase of 10% to 15% per month. We are able to stabilize and draw that volume down and really have an impact. Our view is that our managed print services strategy has a positive impact on the environment, and I think our customers agree with that.

CEO CFO: So once you get in there, look it over and you start to do your management, is it technology or the personnel, or a combination that bring the cost savings?

Mr. Flynn: It's a combination. We are a services business yet incorporate technology into our offering by providing techniques and tools that have a significant impact on our program strategy. In terms of actual software technology, I would say that although there are good products in the market, if they are not deployed properly by experienced and knowledgeable people they might become worthless. We really pride ourselves on the service our on-site teams bring to the table. They have an astute knowledge of how to manage and monitor print environments in hospitals. I would definitely say this is a position of power for AUXILIO.

CEO CFO: Since you have been in a number of hospitals and are continually growing, how can you be sure that your people on the ground are doing what you want and keeping the level of service that you want?

Mr. Flynn: We have a comprehensive customer satisfaction survey process that each of our customers take part in on a quarterly basis. My senior management team places great emphasis on making sure that they are checking in weekly, even daily with our on-site leaders. The leader of our hospital teams are referred to as Resident Managers. These folks are in daily communications with their supervisors, and our senior managers are in the hospitals pretty regularly themselves. Customer service is the most important component of service excellence to us. I think the fact that we have 100% customer retention demonstrates how involved we are in the day-to-day operations of our on-site teams. The most important thing quite honestly, is to hire independent self-starter people who have a desire to help others and who want to succeed. We are very careful about identifying good hires that fit into the culture of our company and the hospitals that are dedicated to the delivery of patient care to the public.

CEO CFO: What is new in the industry?

Mr. Flynn: The best news is that the industry of managed print services is gaining steam and traction across industries and around the world. For our company, the industry of health care in the United States is absolutely intent upon cutting costs, reducing print volume, be-

coming more streamlined for the sake of efficiencies and is shifting to electronic management of patient records. This is all new and exciting for us. Another interesting element as a vendor neutral managed print services company is the consolidation of hardware and/or software companies. Recently, Ricoh bought IKON, which was a big, big shakeup because IKON was the largest distributor for Ricoh's biggest competitor. That has shaken the industry up a bit. From a Managed Print Services standpoint, there is a lot of talk about this new development, and the fact that equipment vendors are promoting MPS as an offering of service. I don't think there is a lot of meat behind that message though. I think they are really trying to spin a story and have very little in the way of actual demonstrated Managed Print Services 'boots on the ground' kind of customers. Fundamentally, there is a heightened awareness of the capabilities of MPS, but there are very few companies actually practicing it in my view.

CEO CFO: What is your revenue model?

Mr. Flynn: We charge by what we call a utilization rate. We figure out what the cost is to produce a printed document as part of our assessment analysis for hospitals and we guarantee a pricing model that is 20% to 30% less. Essentially, the hospitals pay for what they produce. It is a simple, easily understood model that includes all expenses related to production of the document. That is the printer, the ink, machine, leasing, labor; all that is included in that price per cost.

CEO CFO: Do you find you need to be gentle around the people who are making the copies and the hospital staff when you come in, or are they fairly receptive in the beginning?

Mr. Flynn: They are very receptive. They see it as their administration stepping up to help reduce costs, improve processes and increase their personal satisfaction levels within the print environment. You have probably been in hospitals, Lynn and witnessed how unbelievably busy the staffs are; especially inner-city hospitals such as Los Angeles, where we are working. They are used to a minimum of four or five hour turn-around times to solve a print problem,

which is probably the best they are going to get from an equipment vendor. However, our people are there within twenty minutes. They are taking time-consuming problems off the plates of hospital end-users. It doesn't get any better than that. For sure, hospital staffs are very receptive to us coming on board to help.

CEOCFO: How are you reaching new hospitals?

Mr. Flynn: We are reaching new hospitals through a couple of different ways including developing unique marketing platforms and listening to our customers. In addition, we have a very strong alliance with one of the largest service companies in the world that does not offer managed print services. It is Sodexo. Sodexo is a French-based company with major operations here in the United States. In fact, they are the largest service provider for food service, environmental service and plant maintenance for hospitals across America. Through this partnership with Sodexo, we become an extension of their portfolio service offering. That has become a main source of new business. In addition, I'm proud to say that our customer referrals from our existing hospitals are excellent, and we have several other channel partners that really serve up opportunities to us. It is important to us when we go in that we talk to the C-Suite and it is not always easy to get access to that level of executive. When we started six years ago, the biggest challenge was really getting access to the market. Having strong partners and a solid foundation of customer referrals as our 'door-opener' to new business makes it easier. We have the credibility at the get-go. Our growth over

time has resulted in more business and our reputation as the go-to managed print services company for health care precedes us. In the early days, it was friends and family walking us through the door.

CEOCFO: What is ahead in the next year or so for AUXILIO?

Mr. Flynn: We anticipate this is probably the strongest growth year since we started. My personal goal is to try to secure 200 hospital contracts in the next five years and really expand the company. This means we are working hard at that expansion goal, yet making sure we grow at a rate that is manageable. That is the most challenging thing for a CEO of the company; to manage your growth properly.

CEOCFO: What is the financial picture of AUXILIO today?

Mr. Flynn: The financial picture for AUXILIO is very healthy. We have no debt and plenty of cash to operate; \$2 million cash in the bank and we are profitable from operations of existing customers. We paid off all our debt last year and the company is in very healthy shape. We have a great platform to grow this business. I'm trying to get to \$100 million by the time I am fifty years old which is 5 short years away unfortunately!

CEOCFO: Do you do much outreach to investors; is that an area of focus for you?

Mr. Flynn: Yes I do. We also have an investor relations firm that works on that.

CEOCFO: Why should potential investors take notice of AUXILIO?

Mr. Flynn: This is a great company and we have demonstrated that we have a

solid business model. In addition, we are in a niche industry where there is a real need. We have demonstrated that our customers like what we have to offer. We are in a recession-proof market, as the health care market and the hospitals will always be open and always be busy. We have no debt, plenty of cash in the bank, all of our contracts are three to five years recurring revenue. So it is a good story, it really is. I am beginning to do more investor relations work and I am starting to see a lot of interest.

CEOCFO: Final thoughts, what should people remember most when they read about AUXILIO?

Mr. Flynn: People should remember that we are a unique, vendor-neutral, and health care exclusive print management services company with committed people on staff. In addition, we are in a niche market that we have truly pioneered the concept of managed print services for; so much so that it has become a part of our corporate brand. It may have been overlooked in the past but it is now very much front and center. They should remember the fact that no other company specifically does what we do, and it is comforting to realize the fact that AUXILIO created a niche and is growing in success stories every day. As an entrepreneur, I know that creating a value proposition, carving out a niche market, hiring the right people, building the strategy and fulfilling the need in the marketplace are marks of success. I believe we've cornered this market for health care.

