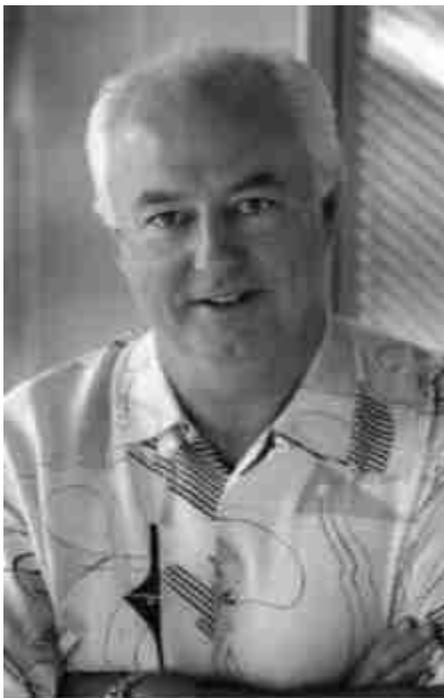


## Even During The Recent Economic Downturn, Claimsnet.com Has Been Able To Realize Good Revenue Growth And Has Made Great Strides In Reducing Losses In Order To Reach Operating Break-Even And Net Profitability

Technology  
Internet Software & Services  
(CLAI-OTC: BB)

Claimsnet.com inc.

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**Donald B. Crosbie**  
Chairman, President and CEO

### BIO:

Don Crosbie is Chairman, President and CEO of Claimsnet.com, a claims processing and clearinghouse company serving the healthcare payer marketplace. Prior to Claimsnet he has been involved in CEO, President and CFO roles in numerous start up and turn around businesses in Dallas, in both technology, health care

and investment banking. From 1984-1994 Mr Crosbie served as Executive Vice President, Senior Vice President of Sales and Marketing and Chief Financial Officer of InterVoice, a voice processing company based Dallas.

Following receiving a Bachelors Degree in Commerce from the University of Wellington, New Zealand, Mr Crosbie spent 20 years in full time church work, as both a missionary in Indonesia, a pastor in Wellington, New Zealand, and as the President of an international missions organization. He has traveled widely in 70 countries throughout the world and brings a unique perspective from his background in business and ministry.

### Company Profile:

Claimsnet.com inc. is a leading provider of Internet-based claim processing solutions for the healthcare payer industry, including distinctive, advanced ASP technology. Headquartered in Dallas, Texas, Claimsnet offers systems that are distinguished by ease of use, customer care, security and measurable cost advantages. More information on Claimsnet can be found at the company's web site at <http://www.claimsnet.com>.

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

**CEOCFO:** Mr. Crosbie, it has been a little over a year since we have spoken, bring us up to date, what has changed at Claimsnet over the last year?

**Mr. Crosbie:** "We have had some good revenue growth even in this current economy. We have made great strides in the last quarter to reducing the losses in the

company as we strive to get to operating break-even and net profitability."

**CEOCFO:** What accounts for the good news?

**Mr. Crosbie:** "Part of it is the nature of our business, because it is in the health-care space and people are still going to the doctor. Apart from that, we have had increased volumes from our current customers and we have been adding new customers on a reasonably consistent basis. Our volumes are up and we reached a milestone in the 2<sup>nd</sup> Quarter where we averaged over 1 million transactions per month for three months in a row. So it is the increase in volume from the existing customer base and the new customers that we are adding."

**CEOCFO:** Would you briefly describe what you do for people that may not be familiar with Claimsnet?

**Mr. Crosbie:** "Our customers are the healthcare payers or the insurance companies. We deliver to them healthcare claims that have gone through various edits so that when they get the claims they can run them through their adjudication system without manual intervention. It reduces the administrative load on the payer side. What we are doing in addition to that is we are an electronic data interchange technology between the providers and the healthcare payer industry, thereby reducing paper claims."

**CEOCFO:** Has there been much change over the past year from paper to the electronic transfer of information?

**Mr. Crosbie:** "The percentage of electronic claims over paper claims has probably grown 3% but it is not growing as fast as we would like after more than ten years in the industry."

**CEOFCFO:** Why is it so slow?

**Mr. Crosbie:** "I would say just a resistance to change on the part of the physician community who don't see this as a cost. The best response we get from them is when we tell them if they send claims electronically they will get paid faster and that seems to motivate them."

**CEOFCFO:** How do you reach your potential customers?

**Mr. Crosbie:** "We have several forms of attracting new customers. Number-one is we have a direct sales effort in the office here that works with the payer community. Second, we have adjudication software system vendors who talk to their customers about us. Thirdly, we have sales people who work independently who recommend us. So it is a three-phased approach in addition to referenceability from existing customers."

**CEOFCFO:** What is the retention rate?

**Mr. Crosbie:** "The retention rate is very high. We have a significant degree of integration in what we do for the customer, so for them to change is somewhat complicated. Provided you give good service, are very responsive, and do things on time, very rarely do you see change and some of our customers we have had for seven years since we started the outreach of the payer community. We have only lost one or two customers during that seven-year period, but that has been a result of change of business ownership."

**CEOFCFO:** Has the competitive landscape changed much?

**Mr. Crosbie:** "It has changed slightly, as there has been some consolidation in the industry. However, essentially it is fairly consistent to what it was five or six years ago."

**CEOFCFO:** Does the controversy over the healthcare bill have an affect on Claimsnet?

**Mr. Crosbie:** "Obviously nothing has changed yet, so we haven't seen any affect from it yet although I did hear a report this morning that said one of the things happening right now is that people

are going to the doctor more before they lose their insurance, which is interesting. It is very difficult to know which way it is going to go. Obviously talk about greater electronic claims and interoperability between physicians and accessing medical records is in the main good for us. We will adapt to it as it goes on, but it is very difficult to tell what exactly is going to happen. What we do know is both from direct experience of working with claims that have are handled by the government is that these claims are generally more complex and longer, so if it all went to the government plan we would probably have more volume."

**CEOFCFO:** What about newer technologies and security?

**Mr. Crosbie:** "Everything that we do is security encoded under acceptable security standards as mandated by both HIPAA and various regulatory agencies. So

**"We are making significant progress in the volume of transactions, expansion of customer base and leverage of technology to get the business model to where it was always envisioned it would be. We have made significant progress this year and we will continue for the rest of the year and we will become a larger player in the industry." - Donald B. Crosbie**

we have to keep abreast of that and update with that when changes are made. So it is not something that we determine specifically, but something that is determined for us on which we have to follow. We have had no breaches of security in seven years and I think that should continue. However, we are not handling people's personal medical records; we are handling a specific claim. There are potential issues in the future from a repository of medical records, but as far as the claims go the security that we have is mandated by the regulatory authorities."

**CEOFCFO:** That is a pretty standard process these days!

**Mr. Crosbie:** "Yes!"

**CEOFCFO:** What about new or different software updates, and ways of streamlining your program?

**Mr. Crosbie:** "Yes, we update all the time. There are new transactions sets coming on line and being used more such

as eligibility verification, electronic remittance advices that are increasing. This is the communication from the payer to the provider of how much and for what they are getting paid. So there are expanding set of transactions, which are moving into the electronic field. In addition, although we don't handle the funds, some of the electronic funds transfers operations are moving towards working with people like us so that they can send the money electronically and notify the provider of what he is getting paid and for which claims."

**CEOFCFO:** Claimnet has the highest acceptance rate in the industry of claims that are submitted would you tell me a little about that aspect of your success?

**Mr. Crosbie:** "What we do as an applications service provider is we edit claims at the direction of our customers. What that means is we are looking for fields that need to be there in order for their claim to be auto adjudicated. We are also are looking for ways to exclude from the payers software, claims that shouldn't be sent to them. For instance, we check against eligibility lists. What we are trying to do is as a gatekeeper of claims, not to hold them up, but to make sure claims that

get through can be taken care of. If there are problems with any particular claim we will reject them back to the provider electronically for them to fix them immediately and return them sometimes the same day or the next day, which is a lot faster than going through the post office."

**CEOFCFO:** Ninety-eight percent of your claims are accepted the first time according to your website; is it superior software?

**Mr. Crosbie:** "It is customization of the edits. We have general edits that are applied across all claims and we have specific edits that are applied for specific payers; and that could be as simple as the data needs to be presented in date order, either oldest first or newest first. We do all of that at our site before we send them to the payer so the payer just has to import them into their adjudication system. We are always making adjustments to the edits based on what the payer wants. As

they see particular problems with certain aspects of a claim, they will put an edit into our system to allow for that or to adjust for it so that it doesn't become a problem further down the line. The object is to look at what needs to be there at the earliest possible time so that we don't deal with claims that cannot be handled. That is also a benefit for the provider as they don't have to worry about claims being sent that are not going to be handled correctly and the delay that comes as a result of that."

**CEO CFO:** You are a good service to have!

**Mr. Crosbie:** "Our customers have thought so as well!"

**CEO CFO:** You have talked about an excellent track record of customer service; tell us about the interaction with the customers and what sets you apart?

**Mr. Crosbie:** "What we strive for is full automation of the process, but we do have a customer service team available both by email and by phone. They can handle any problems as they occur and we strive to take care of everything on the same day. Obviously, no one likes their claims to be held up thus elongating the process of payment. So we strive to take care of that

very diligently and that is the key to our customer services being both responsive in a timely manner and also make the necessary changes where they are required in a timely manner. This enables the process to continue in almost a real-time environment."

**CEO CFO:** What is the financial picture like for Claimsnet today?

**Mr. Crosbie:** "It is better than it was. We are still looking for additional volume on the top line so that we can leverage the technology and people we have. We have made some changes because of the current economic environment to reduce expenses about three months ago and that is having a significant impact. We believe that in the next couple of quarters we will be arriving at operating break-even or profitability."

**CEO CFO:** What should the investment community expect in the next couple of years, and what might they not understand about what you do that they should?

**Mr. Crosbie:** "Key to understanding what we do on the revenue side is that we have an annuity based revenue stream, basically meaning that we have a consistent stream of revenue from our existing customers on a month-by-month basis,

and that we will continue to grow. Secondly we should look at profitability over the next couple of quarters, in other words by the end of December 2009. We should look for the possibility of M&A activity because there is some consolidation going on in this industry. That could mean one of two things; either we get acquired or we acquire some others as we seek to get a larger base of critical mass in order to keep up with all the requirements that are based on businesses like ours in the regulatory environment we are in."

**CEO CFO:** There certainly will be more regulation!

**Mr. Crosbie:** "That's for sure!"

**CEO CFO:** Final thoughts, what should people take away about Claimsnet?

**Mr. Crosbie:** "We are making significant progress in the volume of transactions, expansion of customer base and leverage of technology to get the business model to where it was always envisioned it would be. We have made significant progress this year and we will continue for the rest of the year and we will become a larger player in the industry."



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