

Focusing on ensuring Implementation Success for their Customers with their Enterprise Technology that Reduces Cost and Improves Clinical Quality, Qualifacts Systems Inc. has become the Largest Provider of Cloud-Based Electronic Health Records

**Healthcare
Electronic Health Records**

**Qualifacts Systems Inc.
200 2nd Avenue South
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**David Klements
President and CEO**

BIO: David Klements is the President and CEO of Qualifacts Systems Inc. Prior to joining the Company, David served as a Vice President with SunGard Availability Services and as General Manager of Inflow which was acquired by SunGard.

David graduated with a Bachelor's degree from the University of Wisconsin – Madison and has completed programs at the University of Madrid, Spain and the Kellogg School of

Management at Northwestern University. He serves on the Executive Committee for the Nashville Technology Council and is the Chair-Elect. He is actively involved with HIMSS and the Nashville Chamber of Commerce, and is a mentor for the Jumpstart Foundry program.

In 2011, David was honored as the NEXT Entrepreneur of the Year and Qualifacts was awarded the Company of the Year by the Nashville Technology Council.

About Qualifacts

Qualifacts is the largest provider of cloud-based Electronic Health Records for the behavioral health and human services market. Our team helps over 30,000 behavioral healthcare providers and staff realize improved billing and clinical operations, increased agency revenue, faster payment and better client and staff satisfaction.

**Interview conducted by:
Lynn Fosse, Senior Editor
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CEOCFO: Mr. Klements, what attracted you to Qualifacts?

Mr. Klements: There were a few things that I was looking for when considering my next position, one was getting into the healthcare industry which is one of the major economic drivers in Nashville. The second was that I had come to appreciate at Inflow, my former company, was the notion of subscription revenues and monthly subscription fees and that annuity stream as a way to create

some significant enterprise value. That was an aspect that was important to me. Thirdly, I was looking for something that really was customer intimate and that had a few aspects to me, one was I wanted to be part of something that was mission critical to our customers business. By definition if it is mission critical, if you handle it right from the business side, you are working with the customers to help solve important business challenges. I think those three aspects were the healthcare nature, the business model being a subscription model and then something that was customer intimate/mission critical. While healthcare is big in Nashville, healthcare technology at the time seven years ago was not as prominent an industry. There was a short list of companies I was interested in, one of which was Qualifacts and that is what attracted me.

CEOCFO: What does Qualifacts provide today?

Mr. Klements: At the highest level, we are a health information, technology company. More specifically, we provide enterprise electronic health records and practice management in a single integrated platform, delivered as a service to behavioral health providers across the country. More specifically, we focus largely on the safety net in the behavioral health community, so the community mental health centers, most of which are nonprofits is the market that we serve.

CEOCFO: What do you bring to the table in your systems that is unique?

Mr. Klements: For community mental health centers, this is a big decision, it affects their entire organization and it

is a complicated decision, therefore it can be a risky proposition implementing a full clinical solution for all your users. One of the things that we have done exceptionally well is focus on ensuring implementation success for our customers. Over the past four years, Qualifacts has implemented more organizations than any other behavioral health electronic health record. Our implementations are complete and on budget. This is important because you have to completely implement the EHR in order to gain any of the benefits, so one of the reasons folks pick us is we are good at implementations, it is a prerequisite for getting any value out of the system. In a world where nonprofit executives are concerned about organizational risk, the fact that we do these implementations well is a big differentiator for us. Our customers are under tremendous and constantly changing pressures from regulatory authorities, payers. They are part of the broader healthcare reform. I think our business model is one where we are committed to continuous product innovation. We put about forty thousand hours a year of new work into the product annually. It is the notion of someone understanding that they are buying into something that will continue to improve as their business changes and will continue to meet the future requirements whatever they may be. Thirdly, we have worked hard and focus on the aspects of the user community beyond the software itself. The software is a means to an end, which is achieving better clinical quality, reducing cost and increasing consumer engagement. We have focused much of our efforts around connecting our customers to a broader user community. In some respects if all roads lead back to Qualifacts, we are going to be a bottleneck. So we want our customers working together to solve some of their future challenges, addressing some of their opportunities more quickly and more effectively than we could support them on our own. As an

example, we have a national user conference and a customer-initiated user voice steering committee. We have a number of advisory meetings and a collaborative product process. We have an intranet for all of our customers called Connect. Those are a few examples. Successful implementations, our commitment to ongoing innovation and the idea that this is a community beyond the software are three of the things that make us stand out relative to others.

CEO CFO: Are there particular features you would like to add?

Mr. Klements: The way consumers consume technology today is such that the minute you get something new, you master it and want the next

Mr. Klements: Most of our customers are Medicaid funded, so our priority is to build the best possible interface with that state's Medicaid system, build it one time with a tight integration, and then leverage that to help other providers in that state use CareLogic to meet their billing and compliance requirements. Most of our sales and marketing and business development and product efforts are around ensuring our existing customers are successful and trying with that to go deeper into those states where we currently do business. However, we are going into new states selectively. New York has been the most recent. We entered six new states last year, including Massachusetts and New York earlier this year.

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- David Klements

thing. I see it in my kids all the time. Some of those behaviors and expectations are starting to bleed over into what people expect from business capabilities. Behavioral health EHRs in general have been very good about solving clinical workflow, regulatory compliance, and billing issues. There is now more of a move toward evidencing clinical quality and clinical outcomes, so we are very focused on clinical content. There is also a movement from institutional care to more community based care so we are focused on enhancing our mobile

CEO CFO: What is your current geographic range and would you like to see that changing?

CEO CFO: How is business these days?

Mr. Klements: We have been very fortunate. Our revenues are more than fifty percent year over year for the fourth year in a row. The marketing engine is doing a wonderful job. New leads are coming in which is a critical metric for us in terms of forecasting future sales. New leads are up 70% year-over-year. We are in a very fortunate position to be growing quickly and being able to hire the resources to meet the demand.

CEO CFO: Speaking of hiring, many people I have spoken with in technology have told me how difficult it is to get qualified people, technically qualified as well as corporate culture and personality wise. Do you find that same challenge and how do you meet it?

Mr. Klements: We are a small enterprise with roughly a hundred employees, yet we have nearly doubled our total head count in three years. We have created about fifty net new positions. I would say we have been effective in filling spots. Some spots are easier to fill and I would say we fill them consistently as planned. Some of the more specific skill sets and more technical spots tend to take us sometimes 60 to 120 days longer to

find the right person whether that is cultural fit or that particular skill set. There are two attributes to Qualifacts that make us a little different, and one is our mission is incredibly important to us. We serve the behavioral health community and specifically these nonprofits, so the customers that we serve are serving the uninsured or the underinsured and people with severe and persistent mental illness that really do not have another place to go for care. The fact that we are a small part of a value chain for these providers and the consumers they serve is really important to us. People can go write software in many different places and one of the things that we look for when we hire folks is a connection to our mission; it has to be personal and it has to matter. When our mission resonates with a candidate, the idea of becoming part of his team becomes much more important than going to write software for some other healthcare company or some other technology company. The other thing that we do that is important and deliberate to us is focusing on corporate culture. In a company that is growing as quickly as ours, we ask our people to work hard and go beyond. Therefore, we work hard as a leadership team to balance that out with a little bit of fun, which lets people let off a little bit of steam and do some things that they might not be able to do in other companies. Just as an example, over the past three years, we have had a corporate team-building event called project mayhem which is our version of a city-wide scavenger hunt and it is an all-day event. Those sorts of things are unique to Qualifacts and they contribute to helping us recruit and retain great folks.

CEO CFO: How do you ensure absolute user friendliness?

Mr. Klements: Our overarching philosophy is that our customers are col-

laborators with us in the product planning process. We have a forum called the Idea Exchange where all of our customers can suggest product innovation ideas, which include usability suggestions and all other customers can see what everybody else is suggesting as well as the relative priority of those suggestions. It is a very transparent, very collaborative process, and as a company, we go to that idea exchange which is a private website, to see what it is our customers are saying would make the product more useful for them and that is how we prioritize our product planning. The notion of giving the customers a meaningful voice, creating that transparency and then acting on what it is our customers say would make the product more valuable is how we approach product development. There are many different flavors of what it is that a clinician would want to use, even sometimes within one organization depending on the program they could have a variety of different progress notes. Our approach to solving that problem was to give our customers a tool that allowed them at the administrator level, the administrator within their organization to design those service documents however they wanted it for their organization. It was not the case where we were saying this is how a progress note should look or these are the ten progress notes that we are going to make available in our system, we literally gave them a tool. If you think about it like Microsoft Power Point, we said here is the framework that allows you to build whatever service documents the way you want, however you want to see them. That approach of putting those capabilities in our customers' hands helps to ensure user friendliness.

CEO CFO: Why should people pay attention to Qualifacts?

Mr. Klements: There is much going on in healthcare right now so there is a tremendous amount of interest in healthcare technology. Folks are paying attention to Qualifacts because we have enterprise technology that reduces cost, improves clinical quality and increases consumer engagement in a market segment, behavioral health, which is increasingly a critical component of the healthcare scene. There is more evidence now than ever that it is a critical part of health and healthcare business. There has been a great deal of legislation recently shoring up the importance of behavioral health in the overall healthcare fabric. The fact that we are in this particular niche and serving this particular set of providers is important. Those are more global issues. With respect to the company, we are the fastest growing behavioral health EHR. We applied for and made the Inc 5000 list this year. We are expected to grow even faster in 2012 and have a very bright outlook for the next couple of years. When you take our growth rate, the critical segment of the healthcare population that we serve and our approach to the community and the software in and of itself, I think that we are doing things that are unique. More importantly, we have put ourselves in the position to do some amazing things over the next three to five years as healthcare continues to evolve, as clinical analytics continue to become more important, and as chronic population management becomes more important. Qualifacts is in a wonderful position to benefit as a business but also to benefit the customers we serve over the next three to five years. Those are the things I would say are unique, noteworthy, and will continue to be as we grow our business.

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