

**The Nation's First and Only Managed Print Services Company Serving the Healthcare Industry, AUXILIO Inc Leverages Focused Industry Experience To Provide Specialized Knowledge of Hospital Print Environments**

**Business Services  
Managed Print Services**

**AUXILIO Inc**  
26300 La Alameda, Suite 100  
Mission Viejo, CA 92691  
949-614-0700  
www.AUXILIOinc.com



**Joseph J. Flynn, President & CEO**



**Paul Anthony, CFO**

**Executive Bios:**

Joseph J. Flynn is the co-founder and President & CEO of AUXILIO. 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. Joe is fluent in Spanish, French and Portuguese and is a graduate of the Catholic University of America in Washington DC with a Bachelor of Arts in international affairs.

Paul Anthony is a Certified Public Accountant and an expert in financial management, investor relations, tax, treasury and risk management with nearly 15 years of professional services experience with worldwide enterprises, publicly traded companies and start-ups. He has worked for a number of the largest companies in the world including KPMG Peat Marwick LLP and IBM-Access360. Since 2005, Paul has worked as the lead financial management advisor and analyst for AUXILIO. He earned a Bachelor of Science in accounting from Northern Illinois University.

**About AUXILIO Inc**

AUXILIO (ticker: AUXO) is the nation's first and only Managed Print Services (MPS) company exclusively serving the health care industry. By leveraging its focused industry experience and knowledge, AUXILIO is at the forefront of providing specialized knowledge of hospital print environments that ensures cost reduction, assistance with Electronic Health Records (EHR) execution and provides continuous process improvement methodologies to reduce volume substantially. AUXILIO's team of full-time MPS experts work on-site to control,

optimize and enhance its customers' print infrastructures to drive down costs and create efficiencies. AUXILIO has a growing national portfolio of over 80 hospitals with more than 1,600 affiliated physician practice groups, and medical, clinical and administrative support facilities. As the only vendor neutral MPS company in the U.S., AUXILIO's sole focus is on delivering the highest quality equipment, at the lowest cost to its clients. Due to its unique approach and proprietary database technology, AUXILIO has deeply penetrated the health care market and earned the confidence of some of the nation's most prestigious multi-hospital systems, including Catholic Health East (multi-state), Johns Hopkins Health System in Maryland, Bon Secours Health System (multi-state), Sharp HealthCare in California, St. Alphonsus Health System in Idaho, Memorial Health System in Colorado, Barnabas Health in New Jersey and others. AUXILIO's scalable infrastructure positions the company to capture demand as the health care industry seeks best practice solutions to reduce costs by better managing their assets and expenses in their business operations.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO: Mr. Flynn, AUXILIO has a long history in Managed Print Services, and it has been called a giant in the industry. Would you give us a bit of background on the industry and how you have become a leader?**

**CEO Joe Flynn:** Organizations have historically been unsuccessful in attempting to manage the production and process of documents. We've all seen pictures of a frustrated individual trying to find one piece of paper amidst a stack of documents – it's like trying to find a needle in a haystack. The challenge has been how to reduce expanding print volume and control the cost. It seems counter-intuitive with the growth of e-communications, but the reality is paper is still so commonplace for business transactions across all industries and around the world for lots of reasons. One physician was quoted in a prominent health care magazine recently that a paperless hospital is as likely as a paperless toilet. You get my point. It's an interesting analogy to use, but it hits the mark. To get back to your question, for obvious reasons, the Managed Print Services industry evolved from large equipment manufacturers of printers, copiers and fax machines, such as Xerox and other brands, that were attempting to fill a need to generate revenue around the sale of equipment when the cost of big boxes began to go south in the early 2000s. That's all well and good, but their core business was still targeted at selling equipment, so the attempt at building a service model is still tied to the commodity sale, which is then an upsell to a service contract. Remember, manufacturers have factories full of workers who are building devices for them. They have equipment quotas and R&D costs they have to target and achieve. There has been some shift, and some manufacturers are reporting strength in service contract revenues today; however the services are not comprehensive. This is especially true in health care. They are still focused primarily on selling equipment. We know this because we have been providing print management and sustainability programs to the health care market for just about 10 years. Hospitals are unique environments and can generate millions of documents per month. That is where AUXILIO found a niche and took advantage of the opportunity in the creation of our business model. Today, the value of the Managed Print Services industry worldwide is reported to top \$78 billion by 2015.

**CEOCFO: How does the business model look and how has it changed over time?**

**CEO Joe Flynn:** Our business model takes advantage of the lack of strategy around print-related assets and expenses inside of hospital systems. Typically, there are no management or cost controls around equipment and all the commodities, like toner, that hospitals purchase. In addition, in hospitals, there are many different clinical software applications that are mission critical and require compatible print output devices and there are usually layers of problems in this patient care area. Since nobody really owns this process in a hospital, it is commonly very fragmented in terms of IT or supply chain awareness, so we step in and solve the problem. AUXILIO's Managed Print Services model is unique in that we are exclusive to the health care industry and we are vendor neutral, meaning we are experts in understanding the needs of hospitals regarding print environments and infrastructure, the culture in which the caregivers and physicians operate and the print requirements right down to specific hospital departments without being tied to a specific equipment or software brand. No other MPS company is similar to AUXILIO. We were the first in this market and are true business partners with hospitals. Once we sign a deal, we place a team of print specialists on site to work with the hospital administrators and employees to manage their document production process to the penny, from day one. We manage the equipment, services, supplies, help desk service ticket procedures, print vendors and all invoices, as well as provide our proven volume reduction strategy to improve print workflow efficiencies and cost-effectiveness. For example, we manage an eight-hospital system on the East Coast that produces 15 million pieces of paper every month. The back-end and production of each piece of paper represents numerous equipment leases, purchase orders for equipment and commodities such as toner, parts, etc., and break/fix service agreements, all of which are burdensome activities for hospital IT departments. Hospitals are forced to

answer how they will reduce paper volume and at the same time reap some of the benefits from investments they have made in trying to comply with the health care reform mandates. AUXILIO's business model addresses all of these challenges and offers solutions that manufacturers really do not provide.

**CEOCFO: The paperless concept has been around thirty to forty years. How are you able to work with the need to conserve and do you foresee a time when there will be a lot less paper?**

**CFO Paul Anthony:** Hospitals are like any other business. What we have seen in the health care marketplace is a portion of the volume in hospitals, like pre-printed paper forms - the four or five-part documents filled with straightforward information where you have a white, yellow and a pink copy – has reduced somewhat because the forms can now be completed electronically. Software applications within hospitals have expanded access to information and the amount of information available at a caregiver's fingertips is available without searching through files in a hospital's record office filing cabinets. On the other hand, we actually saw an increase in volume as some of the processes and activities in hospitals have shifted to electronic. So, yes, we do see some volume reduction from the clinical side of patient care, but it is not prevalent or systemic. There are still many patients and other individuals within a hospital that want their records in the printed form to take home or use otherwise. As long as the need exists, print will exist. One of the incentives that we provide our customers is a shared volume reduction strategy where we agree that over the course of a five-year contract, we will drive volume down 20 percent. The shared incentive is that if we achieve the goal, we negotiate a percentage of the savings outcome that is shared. This is a joint effort and doesn't happen out of the blue. It takes a great deal of work by our staff on site at the hospitals to change behavior, to institute programs, to have people think twice

about printing, and it requires a commitment from the C-suite level of the organization. When hospital employees see that administrators are committed to the programs that we initiate, the greater the volume reduction. Everyone has been talking about 'going paperless' for decades and the opposite is actually happening. Habits are hard to change. The more access people have to information, the more likely they are to print. We're seeing this in the expanded use of mobile devices. Maybe the next generation will see change. We are not seeing it as of now. Hospitals are paper intensive.

**CEOCFO: When you are speaking with a hospital initially do they understand the need for printing solutions; when is the 'aha' moment?**

**CEO Joe Flynn:** I would say that it was difficult to get hospitals to understand the sales pitch when we started this business almost 10 years ago. It is not the case today. There are a couple of drivers as to why care organizations are now realizing they have to manage their print process. First of all, the changes of Medicare and Medicaid reimbursement are set to reduce hospital revenue across the board by about 15 percent starting in 2014, so every single hospital or health system in this country is impacted by these reimbursement changes. By the way, this decrease is also one of the drivers for all the headline news about mergers and acquisitions in the health care industry. They cannot survive alone. Hospitals need solutions and initiatives to drive out tens of millions of dollars in expenses. Hospital administrators are evaluating every process; everything is on the table and under the microscope to uncover cost efficiencies. The print process is that low-hanging fruit that has come to the forefront especially for hospital IT departments that are leading electronic medical record conversions, but still realizing that document production is not going away. As most people are aware, electronic record-

keeping requires huge investments in new software and the integration of the technology with legacy systems. This is all part of health care reform and hospitals must comply or be penalized. What they are experiencing is that paper volume reduction is not an outcome of managing records electronically, which leads them to seek out methods that will control and manage volume. Our model fits perfectly into the need to solve this challenge and we are in an excellent spot to capitalize on our visibility, reputation and the success we have had with executing our Managed Print Services program in all sizes of care organizations including those that are dispersed geographically. During our early years in business, it was hard to

**"AUXILIO's Managed Print Services model is unique in that we are exclusive to the health care industry and we are vendor neutral, meaning we are experts in understanding the needs of hospitals regarding print environments and infrastructure, the culture in which the caregivers and physicians operate and the print requirements right down to specific hospital departments without being tied to a specific equipment or software brand. No other MPS company is similar to AUXILIO. We were the first in this market and are true business partners with hospitals."**

**- Joseph J. Flynn**

convince hospitals that they had a print volume problem to begin with. That is no longer the case. They know the problem exists and are prepared to hear how our program can cut costs. We've already saved more than \$70 million for our hospital partners over the term of their contract. These are real dollars that can be spent on patient care.

**CEOCFO: Over the last few years you have seen significant increase in your market share. How do you implement your managed print services program in hospital systems across multiple states?**

**CFO Paul Anthony:** That's correct. We have increased our market share and we're hard at work to continue growing our pipeline and closing more deals. There's no doubt implementing

our program in multi-state large systems is challenging. The first step is to gain a clear understanding of the size of the enterprise and how groups of regional hospitals across states operate within the larger health system structure. We also place highly skilled leaders who are strong communicators on site to champion these large scale implementations. So, the first and second step is to put the right leader and the people in the right place with the right set of skills. In the last couple of years, we have focused our attention and made substantial investments in training our staff to ensure that they are following a standardized and consistent methodology in their delivery of AUXILIO's Managed Print Services program. This

training program has been extremely successful and helpful particularly for large enterprise implementations. As the company grows and we capture more market share, it's inevitable that we add employees which means we have more people in specific regions or states that we can tap into when necessary.

**CEOCFO: How do you reach potential customers?**

**CFO Paul Anthony:** We reach potential customers through three avenues. One is by the references we receive from existing customers. This avenue is still our best and most successful way of reaching new customers. Every one of our customers has been a reference for us to a potential customer and /or we've received leads and opportunities from them. We're very proud of this. In addition, our customers that have a relationship with a larger system or possibly a regional buying group have expanded our services. That's very important, as it means we have proven our business model. The second lead generator is our channel partnerships with consultants who are former hospital CIOs, CFOs and purchasing agents in the health care provider space. Interestingly, in many cases, we meet these consultants through their affiliation with our current customers or they come to us because they have heard of our model or reputation and

they have been tasked with going out and finding cost savings initiatives or process improvement programs that will deliver value to them. The third way is our direct sales force. We have two sales people; one located on the East Coast and one on the West Coast. These two people have been in the health care industry for decades and they are doing more of the traditional type of lead prospecting.

**CEOCFO: Why are your operating councils an important element of your model?**

**CEO Joe Flynn:** The Operating Council is a critical part of our model because it engages the customer in the process of our program implementation from the start and maintains an open line of communication throughout the term of our contract. It is our way of exchanging information and keeping our stakeholders engaged and informed. Essentially, and over time, the Operating Council keeps us both on task for the initiatives that we jointly agree to execute in our contracts. Our competitors are not organized in this way, which is to our advantage at an operational and strategic level. I think these organizational structures have been instrumental in our success at the time of renewing our contracts. Our teams become involved in major information technology initiatives as an extension of IT departments in many cases, which allows as an opportunity to deepen our relationship over time and become highly visible with our customers. It's a win-win.

**CEOCFO: How do you help hospitals measure the effect of how your services are performing?**

**CFO Paul Anthony:** AUXILIO established a robust database technology when we began doing business almost 10 years ago. It's obviously proprietary and we are the only company that we know of in the world that has tracked 100 percent of print volume within a health care provider network. We track information monthly, whether print output is produced on a network device or on a non-network device, or generated from a remote lo-

cation from the main campus of a hospital or anywhere else. We also track page volume in our hospital customers as deep as on a departmental level right down to the individual device. This allows us to have precise information to share with our customers. We also use our technology for our research purposes to uncover what is driving volume at our customer locations and for comparative reasons in order to establish a baseline at hospitals of the same size and number of facilities. This affords us the opportunity to check performance within an existing health system against a peer group based on either bed count or location. We can run different statistical reports or metrics against all the data we gave collected over time, and compare the results from one hospital customer against another to get a flavor for how an institution is working from a print standpoint. We can identify anomalies or areas in which a particular hospital or group of hospitals or system is performing. Our staff can then focus on specific departments or areas to determine workflow pattern that may be different, both positive or negative, to understand how best to change or improve the flow that may be more effective or less expensive. We can then bring that outcome to an organization. We are using data to measure performance to help our customers find better ways of doing things. Using our proprietary database assists us in identifying opportunities and creates the right solution for each customer.

**CEOCFO: What is an example of something that might come up in a report like that?**

**CFO Paul Anthony:** What is interesting is that when we walk into hospitals that are financially or operationally challenged because of mergers or acquisitions that have occurred as part of consolidation efforts, more often than not, there is confusion. We may discover a large number of fax machines, for instance, and that faxes are being sent from floor to floor. We ask questions and try to understand the reason, particularly with the advent of electronic distribution of information. This is a situation where a hospital is spending all this money

printing out documents and putting them into a fax machine only to be printed on the floor above or below when the shared information could be done by networking printers and PC more logically. We can solve that issue by identifying an appropriate alternative using an electronic platform.

**CEOCFO: What is the financial picture like at AUXILIO today?**

**CFO Paul Anthony:** Our financial picture is dramatically improving. Just two years ago, we were right on the cusp of a major growth spurt from a revenue perspective. In many cases, when we sign new deals the accounts can take between nine to twelve month to implement, particularly for some of the larger accounts. At the end of 2011 and into 2012, we closed several large accounts that are now completely implemented. With all that growth and because our business model assumes full financial risk and responsibility for our client's entire print process, we will typically end up front-loading a lot of costs. As our accounts mature, we realize more of the benefits. Our revenue continues to grow and our recurrent service revenue continues to increase, which has resulted in significant margin improvement. We have seen three consecutive quarters of adjusted income operations being positive. We are continuing to see our financial results improve. We told the investor community that our goal was to try to cross over the line to profitability sometime in 2013. We just announced that achievement in mid-August and we expect to continue this trajectory of growth. Our financial performance is also improving as we absorb and use this growth to leverage our operating expenses that we are saddled with as being a public company.

**CEOCFO: What surprised you most as the company has developed?**

**CEO Joe Flynn:** The rapid pace of change in the health care environment itself. It has gone from fat and happy, so to speak, to an almost draconian environment where the efforts to drive out cost and inefficiencies are

very dramatic right now. In the past, health systems were loosely affiliated groups of hospitals that could share services and documents. Today, they are consolidating decision-making and purchasing and working with vendors at the system level and corporate level. Hospitals are becoming corporations trying to operate much leaner and meaner than they did in the past. As a forward-thinking company, AUXILIO recognized that the industry was evolving and developed solutions that would meet its needs and address its challenges. Our service offering helps all hospitals in the system. In fact, the larger the system the more benefit gained by the organization via our MPS program. If you look at our pipeline, there are no individual hospitals. Also, definitely on

the commodity side, we have seen pricing in the equipment come down across the board. Thirdly, on the vendor side there is a tremendous amount of consolidation. They're used to ten to fifteen different types of equipment brands and now there are only five or six major brands. That is all market dynamics and all play to our advantage.

**CEOCFO: Why should the business and investment community pay attention to AUXILIO?**

**CEO Joe Flynn:** We have achieved that magical \$40 million revenue line. We have proven that our business model can serve large health systems, which is the trend in the market we serve, and we have a strong busi-

ness foundation of customers. We are operating profitably, growing our margins and are more efficient internally so that we can absorb growth and opportunities, and at the same time grow our EBITDA margins. We are looking at opportunities down the road to add other services that might be higher end technology consulting services, and perhaps expanding outside of just managed print and delving more into IT services. We are looking at that now and talking to our customers. The most important thing we will continue to do is stay very close to our customers and work hard to earn their trust and confidence every day by doing an excellent job for them. That is our brand promise.



# **AUXILIO Inc**

**26300 La Alameda, Suite 100**

**Mission Viejo, CA 92691**

**949-614-0700**

**[www.AUXILIOinc.com](http://www.AUXILIOinc.com)**