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Zix Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator's instruction) Your first question comes from the line of Jackson Spears - The Robins Group.

Jackson Spears - The Robins Group

Could you help us a little bit on the e-prescribing side? This tax stimulus bill gives massive incentives for electronic health records. I believe it ranges from about 40,000 to 60,000 physicians and it is clear that what the government wants is a total solution, not a standalone solution. Do you think your model is flawed and why would not the payers start to shift the strategy?

Richard Spurr

I heard you say that we think our model is flawed, what was the second part of that question, Jack?

Jackson Spears - The Robins Group

The payers, I was saying about the payers now. They only get, there is like 4,000 physicians to e-prescribing. You need a total solution and you are only a standalone e-prescribing solution.

Richard Spurr

I understand that part. Okay so let me address the standalone e-prescribing as an entry point to HIT adoption. We have seen that money that money does not cause doctors to run out and we search and install technology. We have seen that time and time again and so what we believe must also be present is the existence of the set of standards that everyone knows they can adhere to and remain compliant going forward and secondly and very importantly, a set of support processes and training and installation around the actual implementation to accommodate the work flow change and the change of the practice.

Our programs have always been built with all of those components addressed. So the new HIT stimulus bill, while we do believe it will make a significant difference, we do not think it is going to have any near-term impact. Longer term as we said in the script, we know that we are going to have to provide our physicians both existing as well as new with an easy migration path or integration with the full EMR suite should they choose to do that through some mechanism.

Now let me talk about the payers. So, I am not a payer but we talk with them and I have been told by many of them that they are not interested in the investment required to support the electronic medical

record transition, not just for the acquisition of the technology but much more importantly the cost associated with moving data in the systems and then creating an ongoing method or mechanism for the ongoing update of those records. The return on investment to the payers is very clearly and tangibly due to lower drug cost and the availability of tangible justification for the broader EMR suite is not yet widely accepted. So, our payers at least continue to be very interested and focused today on e-prescribing and it is not clear there is any movement on their part to support EMR.

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