

CEO: Quality Systems Showed 'Marked Improvement'

Most of Software Maker's Growth Through Mirth

■ By VITA REED

Irvine-based healthcare software maker **Quality Systems Inc.** is showing "marked improvement across all fronts of the organization," according to Chief Executive **Steve Plochocki**.

He made the observation during the company's earnings call while discussing results for the three months ended Sept. 30.

Quality makes software that doctors and dentists use to manage their practices. It has also branched out into medical-records software for smaller hospitals through a series of deals.

"Revenue cycle management, population health and interoperability are all among the key areas that are impacting the company's sales and marketing efforts in terms of both new net deals and as well as cross-selling across our client base," Plochocki said.

Revenue cycle management uses software and computers for coding and documenting insurance claims in order to assist doctors in managing their payments and cash flow.

Quality's profit for the three months ended Sept. 30 came in at \$4.8 million, 52% lower than a year earlier. Revenue in the period grew 9% to \$120.5 million.

Chief Financial Officer **Paul Holt** said later in the call that most of its revenue growth was in service revenue, such as electronic data interchange, maintenance, revenue cycle management, consulting services, software-as-a-service, and other subscription-based streams.

"The biggest driver of this growth [came] from our Mirth acquisition," he said.

Quality bought Costa Mesa-based **Mirth Corp.** in 2013 for an undisclosed price. Mirth makes technology that helps providers and institutions achieve interoperability, meaning hospitals, doctors, and other providers, such

as nursing homes, can easily send data among themselves.

"Mirth continues to contribute positive results for the company," said **Daniel Morefield**, Quality's chief operating officer.

Quality was once one of OC's hottest public companies in terms of growth and value but has had some tough runs in recent years. Expected benefits from healthcare reform were slow to materialize, affecting the company's stock performance.

Separately, Quality said its dental division is working with **Patterson Dental Supply Inc.**, a unit of St. Paul, Minn.-based **Patterson Cos.** Quality said it would establish a new line of business through Patterson Dental's special market division sales force. Patterson Dental has more than 1,400 sales representatives and equipment software specialists in the U.S. and Canada.

Western Dental Works with UCSF

Orange-based **Western Dental Services Inc.** is collaborating with the University of California-San Francisco on several pediatric dental research projects.

The projects will look at the need to improve access to oral health and will seek to define optimal preventive strategies for at-risk children in California and nationwide, Western said in a news release.

It said the project is the first of ongoing programs that will be undertaken by its new office of oral healthcare research. Dr. **Louis Amendola**, Western's senior vice president of clinical affairs, heads the office.

Western said the project's scope is expected to support changes in the delivery of preventive services and in funding and reimbursement to incentivize delivery of preventive dental care.



Plochocki: gains "across all fronts of organization"

"As a practicing pediatrician, I am troubled by the extent of tooth decay among California's children," said Dr. **Valerie Flaherman**, a UCSF assistant professor of pediatrics who is the project's leader.

"Decay is especially prevalent among children from lower-income families, but there is little research to inform us how preventive interventions can address this problem most effectively," she said. "Working with Western Dental, we hope to determine how these interventions may be structured to improve overall oral health in children."

Abbott CEO Lauds Unit

Abbott Medical Optics, a Santa Ana-based unit of North Chicago-based diversified device maker **Abbott Laboratories**, received praise from its parent's top executives last month during a third-quarter earnings call with analysts and investors.

The business, which accounted for \$299 million in sales in the third quarter, is "the best-performing division in the company right now, which is ironic because as you know for a couple of years after we acquired it, we kept reporting disappointing performance to you, and of course you all really challenge us on that," **Abbott Laboratories** Chief Executive **Miles White** said.

"But that business is performing well, taking share in its business. It's had a great run here of new product delivery and continues to. So, I like what I see," White said.

The recent run has come under Chief Executive **Murthy Simhambhatla**, who took the reins in 2013. The company received Food and Drug Administration clearance last month for the **Cataract Operating System 3** and the **Liquid Optics Interface 12**. Both products are used with **Abbott's Catalys Precision Laser** family of devices for cataract surgery.

The former **Advanced Medical Optics Inc.** became part of **Abbott** in 2009. It's focused on organic growth and research and development in recent years.