THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

MDRX - Q1 2020 Allscripts Healthcare Solutions Inc Earnings Call

EVENT DATE/TIME: MAY 07, 2020 / 8:30PM GMT

OVERVIEW:

Co. reported 1Q20 results.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Paul M. Black *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Richard J. Poulton *Allscripts Healthcare Solutions, Inc. - President & CFO*

Stephen M. Shulstein *Allscripts Healthcare Solutions, Inc. - VP of IR*

CONFERENCE CALL PARTICIPANTS

David Howard Windley *Jefferies LLC, Research Division - MD & Equity Analyst*

Donald Houghton Hooker *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Eric R. Percher *Nephron Research LLC - Research Analyst*

George Robert Hill *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

James Auh *Cowen and Company, LLC, Research Division - Associate*

James John Stockton *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst*

Kevin Caliendo *UBS Investment Bank, Research Division - Equity Research Analyst of Healthcare IT and Distribution*

Michael Aaron Cherny *BofA Merrill Lynch, Research Division - Director*

Rivka Regina Goldwasser *Morgan Stanley, Research Division - MD*

Robert Patrick Jones *Goldman Sachs Group Inc., Research Division - VP*

Stephanie July Davis Demko *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Allscripts First Quarter 2020 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Stephen Shulstein, Vice President of Investor Relations for Allscripts. Thank you. You may begin.

Stephen M. Shulstein - *Allscripts Healthcare Solutions, Inc. - VP of IR*

Thank you very much, and good afternoon, and welcome to the Allscripts first quarter 2020 earnings conference call. Our speakers today are Paul Black, Allscripts' Chief Executive Officer; and Rick Poulton, our President and Chief Financial Officer.

We'll be making a number of forward-looking statements during the presentation and the Q&A part of the call. These statements are based on current expectations and involve a number of risks and uncertainties that could cause our actual results to vary materially. We undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our earnings release and SEC filings for more detailed descriptions of the risk factors that may affect our results.

Please also reference the GAAP and non-GAAP financial statements as well as the non-GAAP tables in our earnings release and the supplemental workbook that are both available on our Investor Relations website.

And with that, I'm going to hand the call over to Paul Black to begin.

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Thanks, Stephen, and thanks to everyone for joining the call, and hope you are staying safe during these unprecedented times.

I'd like to begin by thanking our associates with their dedication to our clients who are on the front lines of this pandemic, who are 100% focused on providing the best patient care possible. This pandemic has challenged our industry and our clients. I'm proud of how Allscripts has been able to help our clients in realtime and to stand-up solutions to manage through this health crisis. There's no playbook for what we are all experiencing on a global scale. I'm pleased with our leadership team and the teams who are leaning in every day to support clients on the front lines of this pandemic.

We've demonstrated how mission-critical our EHR and other solutions are in helping provide optimal patient care while also helping clients manage for the upheaval to their business operations. I'd like to cover 2 topics. First, let me walk you through what we are already done -- doing internally to manage through this environment, and I'd like to share some examples of how our solutions are being used by clients to manage through this pandemic. All associates have been equipped to work remotely with full capabilities available in all company facilities. We have created processes to ensure support and services teams are fully staffed. Allscripts also has great flexibility with this staff around the globe, enabling us to pivot resources as needed to adapt to the evolving crisis. While our teams are not visiting clients except for essential travel, we are in daily contact with our existing clients. Our managed services and support teams are helping clients build COVID-19-related configurations, enhancing client deficient support, virtual triage ED, establish pop-up locations and use analytics to immediately close the loop at the bedside or at the clinic.

We're also very proud to get immediate feedback from our clients. Reaction data recently conducted a U.S. health care survey of 6 of the largest HCIT suppliers in delivering new functionality and services to help provider organizations deal with this pandemic. Allscripts received the highest scores among the HCIT companies surveyed. Our clients remained focused on pursuing new opportunities using videoconferencing technology and virtual demo capabilities. This has been well received by prospective clients and will continue to use this capability post the crisis, enabling us to utilize this medium to become more efficient in our new client pursuit activities.

One example of how we were able to pivot rapidly when HIMSS was canceled, we quickly moved our on-site activities to complete a virtual platform with less than a week's notice. We offered a total of 22 sessions throughout a 3-day event, and had nearly 900 total registrants in attendance. Feedback from clients and prospects was overwhelmingly positive.

Now let me turn to what we have done to enable and rapidly help our clients with innovative new solutions. I'll begin with our Telehealth offering, which was implemented as part of our EHR agnostic FollowMyHealth patient engagement platform. Our consumer strategy has at its core in the EHR agnostic patient record. That record is connected to the consumers care team, that is why we architected a platform architecture to our telemedicine solutions. This strategy contrasts favorably to a bunch of cool apps that further perpetuate isolated silos of inoperable data. Allscripts created a specialized plan for clients to swiftly implement Telehealth at their organizations through FollowMyHealth. This expedited implementation includes a step-by-step client decision workbook and a bunch of other capabilities that allow them to be up and running in a matter of days. By converting appointments to Telehealth, we can now help clients limit no-shows and cancellations while delivering care to those who need it. Most importantly, this solution gives our clients the opportunity to both retain and efficiently care for their existing patients as well as acquire brand-new patients with our universal queue functionality. We've been able to scale this Telehealth offering from essentially no demand prior to the pandemic to over 70,000 total visits in April. Since March, clients have represented nearly 6,000 providers, who have selected FollowMyHealth, Telehealth.

Another important distinction of Allscripts architecture has been our long-term commitment to Open. This strategy has played an important role in clients having immediate access to the EHR data and through analytics, create new insights to the rapidly changing COVID-19 landscape. Using Allscripts' Sunrise EHR data, Northwell physicians and data scientists were able to quickly summarize presenting characteristics, comorbidities and outcomes of over 5,500 patients hospitalized with COVID-19 in the greater New York area. In their outpatient clinics, Northwell was able to create and deploy realtime clinical-decision support tools embedded in their note documentation and the TouchWorks solution in a matter of days. Over 900 providers have leveraged to these tools to health care for people who fear they have the coronavirus. Together, acute and ambulatory data is now being used with predictive modeling to help plan and forecast the current and future outbreaks.

Another highly relevant example is our Veradigm business. Veradigm is participating in an evaluation by the FDA Sentinel program to monitor prudential drug shortages brought on by COVID. We were able to leverage our industry-leading patient data set to advance research around the

COVID-19 as well. Veradigm is a founding collaborator of a consortium of leading health care companies who recently announced the launch of the COVID-19 research database. This database is a repository HIPAA-compliance, de-identified and limited patient-level data sets that are intended to be made available to public health and policy researchers, pro bono, enabling them to extract insights to help combat the pandemic. As a collaborator of the consortium, Veradigm is committed to provide de-identified EHR data for nearly 60 million U.S. patients with a recent encounter. In the first week of being live, more than 500 COVID researchers have applied for access through the website.

Our CarePort solutions are being used on the front lines to enable safe, efficient patient transitions between hospitals and post-acute providers. Hospitals throughout the United States sent 18 million referrals annually through CarePort to skilled nursing, home health, hospice, long-term acute and acute rehab, accounting for nearly 40% of all acute to post-acute transitions nationally. We launched the COVID-19 transitions of Care Hub as an educational resource to share current learnings, latest trends and best practices for safe and efficient transitions for COVID-19 patients across the health care system. From a day-to-day workflow standpoint, CarePort is instrumental to helping hospitals face the next pressing issue, where will the hospitalized COVID patients recover? And from a data standpoint, we have a very unique view into what happens to these COVID patients during their acute hospitalization and their recovery period. Our platform was built to track patients across the continuum to have realtime data coming from both hospital and post-acute EHRs. This allows us to see COVID patients from the moment they enter into the ED through the hospital stay and then their recovery course at places such as nursing homes. As a result, CarePort can recognize trends that are not just localized to one care setting, but that span the care continuum as they are occurring rather than after the fact.

To date, CarePort has tracked the care trajectory of 22,000 COVID patients, which likely represents 1 of the largest linked data sets. Early data gathered by and analyzed by CarePort show that the virus is killing 1 in 10 hospitalized middle-age patients in 4 and 10 older than 85 in the United States.

An interoperability for 20 years, dbMotion has been delivering world-class interoperability, connecting some of the most complex and diverse clinical ecosystems worldwide. Semantic normalization, analytics and seamless point-of-care workflows are hallmarks of this robust interoperability platform. Now as COVID-19 stretches capabilities of most like vendors, dbMotion has been at the forefront of supporting our clients in their battle. Israel is an example of the benefits of a connected community of health. Health data from the country's entire 8.7 million population is connected no matter what the EHR provider or care setting via one solution, Allscripts dbMotion. dbMotion is bidirectionally connected to every health care system, the Ministry of Health has leveraged it as part of their 4-part approach against COVID-19. By linking dbMotion epidemiological research operations, notifications and access, the Ministry of Health has made measurable strides to quarrel the pandemic. This robust interoperability initiative was done without any need for additional technical infrastructure faxing, interfacing or data extracts. The Ministry of Health solutions was deployed within 5 days of engagement. These powerful connections mean Israel's healthcare community will be able to make early accurate predictions about the diseases spread, and if it should happen, any reemergence once the current wave subsides.

These examples demonstrate the importance of mission-critical EHR and the success of our strategy of an open architecture. It also demonstrates the importance of creating connected communities of health through data interoperability, providing actionable insights at the point of care. We believe this distinguishes us from our peers. This distinction has been validated recently by external parties.

This week, we were recognized by a new Black Book research as top-rated patient EHR vendor for hospitals between 101 and 250 beds. Based on the responses of more than 2,000 individual users of electronic health records, Allscripts ranked #1 in 10 client satisfaction key performance indicators compared with our top competitors, including in categories for innovation, accountability, ethics, reliability and best-of-breed technology. Allscripts has earned top honors and client satisfaction, 4x running in reports from Black Book, which is especially meaningful given the firm's extensive and objective survey methodology.

This morning, we also received the #1 ranking for physician practices and physician practices from the size of 26 to 99 caregivers. We also received #2 ranking for 100 and above. Clearly, our ambulatory electronic medical records are also providing great value to our clients in the marketplace.

Looking ahead to the rest of 2020 and beyond, we will be intensely focused on assisting our clients during this uncertain time while providing excellent service and innovative solutions. Our ability to step-up with new solutions to help our clients during this health crisis has been inspirational and highlights the mission-critical work that our company does every day.

With that, let me turn the call over to Rick to review our financial performance, thoughts around the balance of 2020 and provide an update on our margin improvement initiatives.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Okay. Thanks, Paul. To start, I'd like to echo Paul's comments thanking our Allscripts team members for their adaptability, their fortitude and most of all, unwavering commitment to our clients during this unprecedented time.

I'm going to structure my comments today around 3 main areas: First, a brief review of our business model and our first quarter financial performance; second, a review of our margin improvement program and how we expect that to impact the second quarter and beyond; and finally, I want to provide some color around our new business segment presentation and what to expect going forward.

We know that many of you have questions about how the impact of COVID-19 on our clients impacts our business model. So let me try to provide some insights to help their understanding. We have 82% recurring revenue, and we have one of the most diversified revenue streams in the health care IT universe, with substantial revenue from large acute, small acute, large physician, small physician, post-acute, payer, lab, pharma and public sector clients. So we have a very resilient business model. But of course, we're not immune to the impact of the COVID pandemic on patient volumes and client priorities. The best way for you to think about how these factors impact us is through the framework of recurring and nonrecurring revenue that we provide in our supplemental data schedules.

With regards to recurring revenue, the areas of our business that are most directly impacted by patient volumes at our clients are our ambulatory revenue cycle management services, our payment clearing house and some transactional service lines we have around lab connectivity, e-prescribing, pre-authorizations and chart pulls. Collectively, these represent approximately 10% of our recurring revenue in any given quarter. And of course, our nonrecurring revenue in any given quarter is driven by a mix of in-period sales as well as backlog burn down.

Over the longer term, stability in nonrecurring revenue is highly dependent on new sales activity. But in the near term, our substantial backlog helps cushion against any in-quarter weakness in sales activity or sales mix.

So with that as a backdrop, we estimate the COVID pandemic negatively impacted revenue in the first quarter by approximately $7 million to $10 million, reflecting some impact of lower revenues -- of lower volumes as well as delayed purchase decisions driving lower nonrecurring revenue. Were it not for this impact, we believe our revenue results would have been right in the middle of the guidance range that we had provided for the quarter on our last earnings call. Overall for the first quarter, we were pleased to see sales activity exceed the high end of our guidance range. The bookings of $205 million was broad-based and very balanced across our company. It included 2 new hospitals adopting our Sunrise solution and 9 new client logos in the independent physician practices segment. And as Paul highlighted, we saw a surge of growth for our integrated Telehealth solution.

Equally importantly, we had several significant client extensions that signed during the quarter, including Memorial Sloan Kettering Cancer Center and St. Clair Hospital in Pittsburgh. all together, representing over $100 million in renewed business in our in-patient base.

As a reminder, extensions of existing business do not count in our reported bookings, but they do add to our backlog, which stood at $4.5 billion at the end of the first quarter.

We were disappointed in our margin performance for the quarter at all levels of P&L, from gross margin down to EBITDA margin. We were slow to rightsize our cost structure for the client attrition that we discussed at length on our last call, and the COVID-driven revenue shortfall, I highlighted a moment ago, was highly dilutive to margins.

As I'll discuss in more length in just a moment, in late March and early April, we took significant and decisive steps to address these cost problems and expect to significantly improve this margin outcome in future quarters.

But finally, on the first quarter, excluding our settlement payment for the DOJ, we generated $54 million in operating cash flow, which was a 50% increase year-over-year. We are intensely focused on maintaining a strong liquidity position in this new business environment. And at the end of the first quarter, we had $212 million of cash on the balance sheet, along with $684 million remaining capacity under our senior secured credit facility.

So now I want to shift and update you on the status of the margin improvement plan that I outlined on our last earnings call. As a reminder, I indicated our intent to begin a comprehensive operational review focused on efficiencies, resource alignment and streamlined decision-making to improve upon our performance. Shortly after our last call, we hired the firm, AlixPartners, to assist us in this effort, and we have been working with an experienced team of their advisers for the last 7 weeks to identify and capture margin improvement opportunities. From the last week of March through the end of April, we have implemented permanent reductions to our cost structure, representing $75 million in annualized value. These reductions across all functional disciplines of the company, but all we're focused on low-value work and redundancies. So we expect that delivery of value and responsiveness to our clients will actually improve as a result of these actions. We recorded a restructuring charge in Q1 of $9 million and expect an additional charge of approximately $30 million in Q2 related to these actions and this overall initiative.

Equally importantly over the last month, for the service lines around the company that are most influenced by patient volumes, we have taken steps to do a better job matching our cost for these volumes on a more realtime basis. And thus, should not see as much variability to margins as we have in the past or when volumes fluctuate.

So given the combination of cost-reduction actions already taken, plus a greater confidence in our ability to match costs with anticipated revenue, we expect adjusted EBITDA margins to improve significantly from Q1 levels. We will realize less than a full 3 months of benefit from these cost actions in the second quarter. But compared to first quarter, we would still anticipate adjusted EBITDA margins to increase by more than 300 basis points in the second quarter and by more than 400 basis points in the third quarter. Notwithstanding our confidence on the cost side of the equation, there are still so many unknowns about the duration of the impact of the pandemic and the pace of recovery. And while we have no doubt that our clients are anxious to return to normal behavior as soon as possible, the myriad of federal, state and local rules will impact both the ability and the psyche of patients to do the same. So we cannot reasonably forecast client or patient behavior for the rest of the year. And as a result, we thought it was appropriate to withdraw our 2020 full year financial guidance.

What we have achieved through the end of April is a good start to the margin improvement program, but it's only a start. In addition to margin improvement initiatives, we are also reviewing our extensive solutions portfolio to determine what is core to our long-term strategy? And if not, if any, should be candidates for sale.

Due to the requirements to work remotely, the time line to complete our operational review has extended slightly from the 10 to 12 weeks that I outlined on our last earnings call. And I now expect us to be done with this -- with the identification and planned development stages closer to the end of June.

As promised, our intent is still to schedule an Investor Day after that work is complete, to provide more details on expected impact and timing from the plan. We will schedule this Investor Day as appropriate, taking into account the quarterly reporting cycle.

Now I want to conclude my comments by discussing some changes we have made to our segment reporting that you will find in our 10-Q filing when it's filed tomorrow morning. In the first quarter of 2020, we realigned our segment reporting structure to further enhance visibility between our core clinical and revenue cycle solutions, and our EHR agnostic businesses, which we have combined into a segment called data analytics and care coordination. We've taken this step because not only are the solutions in this new segment EHR agnostic, relative to our core segment, they also have very different customer bases, very different expected growth profiles, very different financial profiles, and in the aggregate, very differentiated from our traditional competitors. This new segment structure more closely aligns with how we actually manage and run the company today, and the data analytics and care coordination segment reflects not only Veradigm, but our CarePort, engagement and precision medicine solutions as well.

For this quarter, we provided the segments on a GAAP-reporting basis only and still have significant amounts of unallocated operating costs between the segments. It's our intent to continue to enhance this segment information in future quarters to both fairly allocate a large percentage of the operating costs between the segments as well as to provide GAAP to non-GAAP reconciliations such that you will be able to see a breakdown of profitability of the company on both a GAAP and non-GAAP basis at the segment level. So with that, I'd like to open up the call for any questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Michael Cherney with Bank of America Merrill Lynch.

Michael Aaron Cherny - *BofA Merrill Lynch, Research Division - Director*

I want to dive in to a lot of the work you're doing around the COVID response. Paul, you referenced some of the work you're doing with Veradigm, some of the enrollment you have relative to research going in and utilizing the data that you're providing. I know it's a little bit weird way to think about that, but how do we think about the revenue model in terms of some of these ancillary and COVID-specific services that you're providing? And how should we think about that as well in terms of will there be an incremental cost burden as you ramp up any extra expenses to get these ready for market?

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

I think on the revenue side, we are -- we get paid for what we're doing on the telemedicine component. And while that probably doesn't necessarily move the media financially in the quarter, it's certainly something over a long period of time because it's a recurring revenue, we're going to -- we'll enjoy that, the benefit of that. It also helps to build concentric circles of capability and value around the electronic medical record that exists for consumers. So to the extent that, that is a solution that our clients have that may have come up for renewal at some point in the future, that'd be another reason for them to renew and continue on with that solution. So there's a hidden benefit there as well. I think on the larger in-patient solutions that are out there that just further accentuates the need for really strong mission-critical electronic medical record. And to the extent that people have Sunrise or TouchWorks or Pro installed, they're very hunker down, making sure that they are building analytics around that and getting data out and then putting data back in, in the form of these clinical decision support capabilities to better take care of the people that have been identified as being COVID-positive. That's a completely different care process.

I think also the capabilities that we have around the Hospital IQ solution that we have, that will be a very big piece in the recovery when people talk about scheduling patients about scheduling surgery centers, about scheduling new surgeries and making sure that all the downstream capabilities are there from a supply standpoint, from a acuity level of staffing standpoint. And just to make sure, as you restart the engine on these surgeries that basically started over the course of the last 5 or 6 days, the elective procedures, that is also a very important capability that we are -- that we think that people are going to ask for and pay for and be quite thrilled to have.

We have some, Michael, solutions that we have put out there for free. We actually, through EPSi, announced some free capabilities around modeling for COVID, as they're modeling for what has happened as well as to prepare the budgets then to think about how they're going to look at the rest of 2020, given what's happened to them this year.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. So Mike, just to -- I mean, the recurring revenue Paul mentioned on Telehealth is incremental, that's direct. There is cost with that, but it's certainly a profitable add on solution. The incremental cost and a lot of the other areas we talked about is very minimal. And I think it's not -- there's no direct revenue impact, but some of the insights that are coming out of these solutions are certainly raising eyebrows in certain places, and I think it's good for brand building and future opportunities there.

Michael Aaron Cherny - *BofA Merrill Lynch, Research Division - Director*

And then, Rick, just one more follow-up question. You referenced the strength of the operating cash flow, x onetime charges, you obviously had positive free cash flow. As you think about the translation of the first set of cost-cutting initiatives, the structural removal that you've had, should we assume a subsequent flow through on the cash flow side as well? Or are there any moving pieces that have to be considered in terms of how that should convert over to your free cash?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. I think I'd put 2 caveats, Mike, on that. One is there is seasonality to cash flow. Billings, some billings happen on an annual basis, and those tend to be their first quarter or fourth quarter. So those tend to be the strongest cash flow quarters, 2 and 3, less so. So you have that pattern. I don't expect that pattern to go away.

And then secondly, I think there's a little bit of an unknown given the general business environment right now about potentially getting stretched around working capital and things like that. So we'll watch that. We'll try to quantify that as best as possible. We're obviously trying to manage it as tight as possible. But I think that's a near-term headwind for everybody, and you just -- it's hard to say exactly what that impact is. But with those 2 caveats, the answer to your question is yes.

Operator

Our next question comes from the line of Kevin Caliendo with UBS.

Kevin Caliendo - *UBS Investment Bank, Research Division - Equity Research Analyst of Healthcare IT and Distribution*

So when we think about the pickup in demand, the expected pickup in demands in QH, are you sort of just moving everything to the right a bit? Or could bookings and project activity have a catch-up if the backdrop normalizes? And if so, if there is this pickup, what's your capacity from a sales and implementation standpoint to handle that sort of ramp?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

So are you asking -- it sounds like you're asking is, it's going to stay kind of linear and just extend out in time? Or do you expect a big bolus of new demand when...

Kevin Caliendo - *UBS Investment Bank, Research Division - Equity Research Analyst of Healthcare IT and Distribution*

Yes, exactly. Yes, exactly.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

I think that's purely speculative. I mean, we can't do anything but purely speculate on that. I will say this, I mean, we had a what we felt was a very nice pipeline of dialogue going when the onset of COVID. And none of those have shutdown, but almost a lot of them -- I shouldn't say all, a lot of them have said, "Hey, I need some time off to go focus on the crisis." So when exactly people be ready to get back to the deal table, is a little bit difficult to say. We will have -- for certain, we will have sales in Q2. We've no doubt about that. But when we talk about on the margin, are they -- how robust are they? Do you continue to see people deferring decision making? Probably, probably. So does that turn around and become a bolus in -- I'll just pick a date, Q4? It could, it could. But we -- our crystal ball is no better than yours. We're not really sure about that. As far as the resources to deal with it, yes, I mean, we're refining our cost structure, no question about it, but we are we're not burning the furniture. So we have a very robust distribution pipeline -- distribution team, I should say, for our sales teams and a lot of knowledge in our services teams. And yes, we have some big projects that are wrapping -- big install projects that will be ramping up over the next couple of quarters, and that will actually naturally free up some resources. So I think we feel pretty well positioned.

Kevin Caliendo - *UBS Investment Bank, Research Division - Equity Research Analyst of Healthcare IT and Distribution*

Great. Can I ask a quick follow-up. I don't know how quick this is actually. But on Telehealth, what's your revenue model? Do you have a particular Telehealth partner that you -- as a preferred partner? Can it be used outside your patient portal or the MDRX EMR? Is there -- do you view that business any differently now, given the sort of black swan event created a huge demand for Telehealth services?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. I mean we think Telehealth is here to stay. And so we were happy to put out this integrated solution. It differs significantly from some other maybe well known -- better known Telehealth solutions that are bolt-on solutions for many health care providers. In that, it's -- again, it's fully integrated for the client. And it keeps sacred, what we think should be sacred, which is the patient-doctor relationship. You don't just call up and get whoever happens to be hanging out on a couch that day, you get your doctor. So it's valuable. It keeps strength with our clients with their patients, and we think it very much aligns, therefore, with our clients' interest. It's -- the revenue model is a per provider per month type model. And so far, that seems to be working well. So it's not volume dependent for us. And we think volumes have gone up a lot, as we indicated, and we think they're going to stay strong and grow from here. I mean, that's at least our expectation today.

Operator

Our next question comes from the line of Robert Jones with Goldman Sachs.

Robert Patrick Jones - *Goldman Sachs Group Inc., Research Division - VP*

I know acknowledging that, clearly, visibility is really low right now as far as converting backlog into revenue, I know you guys did offer that $7 million to $10 million impact for Q1. I was wondering if maybe you could just talk a little bit about the timing of that, how it came through? And then I guess, ultimately, and I know you're not providing forward guidance. But is that a decent proxy as how we should think about maybe the near-term impact to revenue in the coming quarters?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. Well, Bob, listen, the range -- you know it's the range, I would say more of that came from an impact of deals pushing in the last 7 to 10 days of the quarter. Deals that we were kind of counting on and expecting when we put out our original guidance. And so what we saw was -- and you can see this in our numbers, you saw that our nonrecurring revenue was significantly lower than it typically is, right? And so that's representative of some incremental software sales that we would expect it could have -- had to occur during the quarter. That's also why they have a high-margin attachment to them. There was a little bit from lower volumes, the last, again, week to 10 days or so of the quarter, almost 2 weeks, I guess. But that was kind of the -- that was how we saw it. So I think the impact from volumes is slightly higher probably this quarter. Offsetting some of that slightly higher is we do have some our ambulatory revenue cycle services business has been a growth business for us. And so we continue to add clients to that, and that represents incremental growth. But incremental growth from certain clients, offset by reduced volumes across a broader number of clients, right? It's kind of the dynamic that's heading -- that's going on there.

But I think volumes will be down a little bit than they were relative to first quarter. And it's hard to have a crystal ball, but I don't think that the nonrecurring businesses there's no reason to believe that's going to be a lot worse. So at least sitting here today than where it was in the first quarter. So there are some things that we (inaudible) other ones. But that gives you a picture of it.

Robert Patrick Jones - *Goldman Sachs Group Inc., Research Division - VP*

No. No, that's helpful. And then I guess, Rick, just on the cost side, you said you took some steps in March and April. You feel like you're in a better position to manage profit given the unfolding COVID situation. Just curious kind of what levels of revenue fluctuation, do you think those steps you took would be able to help offset? And then just for clarification, clearly sound very confident in the margin improvement story, is that kind of interrelated? Or is that 300 and 400 basis point improvement you talked about kind of completely independent of those steps you took and independent of kind of the current environment and how things could unfold from here?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. So the message we're trying to deliver about is -- I mean, we took the first steps, right? So those are behind us. They're not -- and again, we're not done with the overall program, but what I referred to as $75 million of annualized cost, those -- that's been done. So not something we're hoping to do. It's been done. And so we can quantify that pretty easily. And what I was saying, in addition to those steps is we feel like we've done a better job variabilizing our cost around areas that are more volume centric -- volume sensitive. And so a combination of those 2 things, it gave me the confidence to say, I think we can manage EBITDA margins to the levels I described, whether we see revenue fluctuate or not. If revenue took a dramatic twist, it might change -- have some bearing on margin calculations. But that goes back to, again, how I framed it for you. 10% ballpark of our recurring revenue is subject to volumes. And you can make -- we had some volume impact in Q1, so that wasn't -- we didn't have 100% volumes in Q1. We'll have some volumes in Q2 down for April, for sure, May for sure, unclear whether we'll see them creep back up in June. So now you're back into kind of forecasting. And that's purposely why we stayed away from revenue forecasting because we don't -- we're no better at projecting that really than you are.

So all boil down, we feel good about the cost side and I think within a reasonable revenue range, given our -- the actions we've taken and the variabilization of our cost in these other areas that we feel like we could -- we felt confident we can share those EBITDA expectations with you. EBITDA margin.

Operator

Our next question comes from the line of Charles Rhyee with Cowen and Company.

James Auh - *Cowen and Company, LLC, Research Division - Associate*

It's actually James on for Charles. Obviously, reported strong bookings this quarter. Can you give -- provide us some more details on the makeup of bookings? Also maybe talk about what you're seeing in terms of hospital purchasing in light of COVID? Maybe some context around the magnitude of delayed purchases since the pandemic started?

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Yes. I'll start and if Rick want to add some more color, be it. The bookings, as Rick said, was pretty much across the board decent, given what we ran up against, especially the last couple of weeks when things really were starting to come apart. From a client perspective, whether people were -- especially on the coast, where people were really starting to hit the emergency rooms in other areas. So we're able to keep a decent focus there. On the ambulatory business, we had, as Rick highlighted in his comments, some 9 new logos. We felt good about that. We expanded some of our existing client relationships to take on the revenue cycle outsourcing capabilities for them there. We had decent international momentum. We didn't have a lot necessarily brand-new bookings there, but we have a lot of pipeline that's being built in that part of the world. And we just highlighted the fact that we had a lot of new business activity that while not bearing a lot of fruit in the first quarter, we had a couple of deals. We still have a fair amount of activity there that we feel good about for the year. It's just the timing of when that will actually happen. From a delay standpoint, we can point you to, even though we had good bookings, to 3 or 4 transactions that did not occur, that had the right kind of margin profiles in them that would have, as Rick said in his comments, would have done what we needed to do to hit the middle of our revenue guidance.

So that happens every single quarter. This was a very bad quarter from the standpoint of a wildcard that we have never seen before in the history of this country, and that impacted ability of people to make final decisions.

Operator

Our next question comes from the line of Jamie Stockton with Wells Fargo.

James John Stockton - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst*

I guess, maybe first, as far as the disruption is concerned around the ability to actually get stuff like implementations and upgrades done and how much that might be constraining the client services part of your business, any commentary there. Are you able to do most stuff remotely? Is there going to be pent-up demand? Anything on that would be great.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

So for the most part, Jamie, our service teams are not going on site anywhere right now. So there's a little impact. There's obviously some impact from that. But there is a pretty good remote opportunity to work on these, particularly with respect to some of the upgrades. So physical proximity is not critical for upgrades. And really, it's more about bandwidth and attention span of clients to really get involved in that type of activity. So sitting here today, clients are still required to do an upgrade because of some of the CMS rules. Those rules may get relaxed. Those deadlines may get relaxed. And if so, then maybe we'll see some reduction in that activity later in the year. But right now, again, we had some rightsizing to do in terms of the level of the size of the team relative to business activity. But the team is still staying at this juncture now has pretty decent utilization with the clients right now. So they're finding ways to effectively work on both.

James John Stockton - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst*

Okay. And then maybe just 2 other quick ones. The -- I think Bob was asking about this earlier, but any magnitude of how much of a decline you guys have seen in what sounds like maybe a $35 million-ish-type bucket that is more heavily tied to client volume? People have thrown numbers out there like 40% or 50% for the month of April. Is that a reasonable ballpark to think about? And then we can just make our own assumptions about when things recover.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

On a net basis, Jamie, I don't expect any kind of impact at that size. We're not seeing that right now. But we may still see -- maybe there's more volume data to be seen that -- or flow through on a lag basis that'll come through. But right now, that's pretty high for what we're seeing. But again, I'd reiterate the point I made when Bob asked the question is, it is a growth area of the business. And we are -- that would -- that's an area that would otherwise be growing at a pretty nice clip.

So the net impact is, I think, softer -- is much less than the number you have in your mind. But could you have -- I mean, I think you just have to take that into account when you do the math. But I think volumes across -- they vary a lot across different specialties, how much they're down, but we've heard the same data you have with respect to potential volumes. And so you can kind of triangulate to an estimate.

James John Stockton - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst*

Okay. And then just lastly, the DOJ payment that you made in Q1, just like what's the expectation in the rest of this year as far as completing the payment? Is it all going to happen this year? Is some of that going to spill into 2021?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

The answer, yes. Originally, it was supposed to all get done this year, Jamie, but we did ask for some deferment on that, given the circumstances that are going on. And so it's not a big amount, but there will be about -- there'll be a lag of about $25-ish million that will drift into 2021, probably.

Operator

Our next question comes from the line of George Hill with Deutsche Bank.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

This is Cheryll on for George. Could you speak to the impact of COVID-19 on client churn? And I guess, are you seeing any data that's indicative of an increase or decrease in client stickiness as in, if you have clients that were planning to churn off the platform, are they staying longer than planned because of COVID-19?

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

I'd say it's pretty early to tell. I would say there's a couple of things, leading indicators would be, just a financial position that they find themselves in, if they are under a process to replace us, where we -- we're -- we're the incumbent, we've been there for a long time. We've got a contract with us. We've been doing good work. There's a lot of folks that are putting that decision on process -- or excuse me, pause. And I would expect that to continue until such time that they would have a little bit better understanding what their demand is and what their economics look like. Depending upon who you talk to, whether it's a large ambulatory practice or it's a large physician enterprise -- I'm sorry, large hospital enterprise, they're pretty capital constrained right now as a result of the hit that they have taken or will take throughout the course of the March, April, potentially may time frame until they get their elective procedures back on track. I would say that broadly, that is under the category of churn, that this will be something that will cause decisions to be paused.

Operator

Our next question comes from the line of Eric Percher with Nephron Research.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

Paul, I guess, to start off, I want to know what your thoughts are on the physician practice marketplace. It feels like a lot of pressure and some efforts to alleviate that. But what is your take on where we are? And where then we're headed from our consolidation?

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

The consolidation piece, Eric, has been talked about for a really long time. And the data show that there has been some quality consolidation. In many cases, their consolidation has been with other physician groups, which actually, typically based on our market share there, we believe we have 1 of the largest market shares in the stand-alone physician practice arena. That typically would benefit us because 1 of our large clients, if you will, is aggregating more, but there's still a lot of independent physician groups who have voted at their Board levels that they want to continue to maintain their independence. And so I've not seen a bunch of that continuation. And then there's also a bit of the fatigue of the rapid nature with which IDNs and academic medical centers affiliated with our purchase physician practices over the course of the last 5 or 6 years. And those not maybe performing as well financially as they thought they were going to. So I've seen before the pandemic coming, that being something of an event that slowed down.

But I do also see these days is a fair amount of aggregation from private equity firms, depending on the specialty type, while that's not of scale yet across the United States, it's a new trend.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

All right. And Rick, a quick one on the margin commentary. Are you expecting $300 million and $400 quarter-over-quarter? Or is that year-over-year?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

It's relative to Q1.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

Relative to Q1.

Operator

Our next question comes from the line of Donald Hooker with KeyBanc Capital Markets.

Donald Houghton Hooker - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

There was an earlier question about attrition, client attrition. Last quarter, I think you explicitly called out $50 million of headwind from attrition in the acute care space. These were decisions that were made a long time ago that are sort of just, we're going to hit your P&L perhaps this year. I mean, can we safely assume that maybe doesn't happen this year, maybe it gets pushed out?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Donald, I think on the edges of that, that's possible, that we'll retain some of that a little longer. And that'll -- clients who thought they have their migration strategies all lined up, probably got thrown off. But you see that coming into the quarter, right? I mean, our year-over-year numbers are down, not just because of COVID, but we already see some of that baked into our numbers. So I think, yes, to maybe a small piece of it. But in general, that message that we shared last call is still what you should be expecting.

Donald Houghton Hooker - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Sure. And then maybe one last one. Just curious how you all -- you have a lot of different businesses. I mean, and you're dealing with counterparties that are -- many of whom are probably likely financially struggling. How do you manage credit risk from your perspective against -- with respect to your clients? Are there -- has that changed at all with this? Or are there areas of concern or optimism?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, I mean -- so I'll start with the last part, optimism. My optimism is the strain on health care providers is not lost on the federal government. And so the federal government continues to line up programs that are designed to support health care providers. And you, I'm sure, know all about those. I won't bore you with them, but there's a lot of money. So that's the reason to stay optimistic, notwithstanding the impact that will -- that canceling of elective procedures, things like that have had on our client base. Our credit, beyond that, is there more risk? It's all possible. I mean we're trying to be as diligent as possible. We're trying to be as vigilant as possible with managing receivables. We are structuring new contracts that had a lot of labor content to them, meaning if there's a lot of, what we call managed services or other forms of services that accompany the agreement, we are structurally taking less credit risk on. And we're trying to ensure that if you don't pay your bills on time, then we manage that through other levers that we have. So we're trying to -- we have, I think, appropriate business levers to pull, but we're also recognizing the times we're in right now, and we're trying to be as collaborative as possible. But at the same time, making sure our clients don't think we're the federal government.

Operator

Our next question comes from the line of Stephanie Davis Demko with SVB Leerink.

Stephanie July Davis Demko - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

I have a less of a question for the quarter itself and more kind of a directional one. So Rick, obviously, you've been at Allscripts for a while, but you're now back in the CFO seat. Now that you've had almost a full quarter relook under the hood, what has risen up as your top priorities or areas where you'd like to change over the coming year?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Thanks for the question, Stephanie. So just to be clear, it's been 65 days, I think, with 2 jobs. Look, a lot of things are important to me and what you can expect are a lot of the things I touched on today. So maniacal about liquidity. We've been very aggressive about what I call rightsizing our cost base. We've done a lot in a pretty short period of time. And I think it's important for us to continue to more maybe more actively, not continue, more actively review our solution portfolio and decide whether we're really the appropriate long-term owners for certain assets. And there's nothing in the code to that other than I think that's just good old business management practices that we should be doing, and we will do. So I think those would be the tenants of what you should expect from me for the next several quarters is, it's all going to be about cash, cost efficiencies and portfolio simplification.

Stephanie July Davis Demko - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

Okay. Now that you're in the portfolio kind of simplification seat also, are there any areas where you think would be important to add or subtract, just in order to get you to the next phase of where you want Allscripts to be?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, look, in the near term, again, given the operating environment we're in and given where our stock is, I don't see deploying a lot of capital in the near term. And so I think the bias would be more towards the other things that, again, there are better owners of for the long term. And if we did so, then that -- we'll take those actions.

So I don't -- wouldn't be any more specific with that with what solutions. But I'm just telling you to that as a body of work.

Stephanie July Davis Demko - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

Understood. And assuming you get maniacal about capital and you can get cash flow to where you want it to be, would you ever consider something like a dividend as opposed to other uses of cash, just as some of your peers have done that with success?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, look, I mean, I can never say we'd never consider anything right. But would we -- look, I think what we're doing, bigger picture, Stephanie, we're showing you that we have kind of an interesting portfolio. We have a really solid core business with lots of great customers that is in a mature segment of the industry and probably should think about managing itself like a value kind of enterprise. And then yet, we have another segment of the business, which is higher growth, higher profitability and longer term, can and should deploy more capital to help it keep growing. Because it can be -- it can expand on its industry leadership positions that it's in.

So how do we think about that at a full enterprise level? Stay tuned. We'll keep thinking about it.

Stephanie July Davis Demko - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

I'll be sitting there. There's no shame in the value gain, none at all.

Operator

Our next question comes from the line of Dave Windley with Jefferies.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

So you had a fairly rapid ramp from, I think, what you described as basically a standstill to 6,000 providers in Telehealth. I was hoping to just dig around for a few more metrics there. First, is that predominantly kind of deploying to your ambulatory base? Or did you also get some uptake on the acute side? And thinking about this being part of FollowMyHealth, should I think about that being kind of in the short run, the TAM that you could -- the addressable audience that you could deploy that to? And what number would that be?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

So first part of the question is the client base that are adopting it, both ambulatory and acute. So we've seen it on both sides of the house. And I would say our -- with only a few exceptions, most of our clients use the FollowMyHealth platform, most of our EHR clients. And there are clients outside our EHR base that use that platform as well. So the addressable market is, in theory, considerably bigger than we are now. I'd say it's 5x or more bigger than it is now. Some of those clients, in fairness, made decisions to incorporate bolt-on stuff a long time ago. And like all things, we may see some revisitation of some of those decisions. So I don't know that 6 is going to turn into 5x that in short time frames. But I think there is a lot of upside to go. And I think we're getting good feedback on the solution. And frankly, what's exciting to us is it's not just the customer retention vehicle for our clients, it's actually a customer acquisition tool right now, too. So many of our clients are plugging into their website, the ability to just schedule a Telehealth visit without even being pre registered at that clinic. So we've developed a queuing capability that allows them to align these keep customers up and basically acquire them as patients. So that's exciting, and we think as word continues to spread about that. And again, it's a practice or a physician friendly tool in that it really cements the relationship of the physician and the patient. So...

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

Got it. Got it. Rick, you've touched on a few different things around capital. I wondered if -- on a couple of specifics, are you seeing any change in your AR DSOs or AR aging? And then totally separately, later on in the year, is it still the plan to essentially retire then convert into the revolver and deal with it that way. Just thinking about near term maturities?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes, yes. So number one, I mean, look, you can do DSO calc off of what we produced here. Our DSOs have changed a little bit. But I'd say bigger picture and really at the core of your question, I think, Dave is, I was really pleased with our cash receipts for the month of April. Very, very pleased with that. And that's on top of what was, I think, a pretty good first quarter. So so far, so good on that front would be my -- what I have you take away.

As to the second part of your question, yes, the -- we've had converts that are mature in July. And yes, our intent is to use our revolver capacity to retire those. So obviously, retiring that debt, there's no change to net debt when we do that. But it does use some of that idle revolver capacity.

Operator

Our next question comes from the line of Ricky Goldwasser with Morgan Stanley.

Rivka Regina Goldwasser - *Morgan Stanley, Research Division - MD*

Paul, earlier, you talked about the stimulus money and the fact that there's a lot of funding going in the hospital direction. The administration earlier this week release some details and added transparency around how these dollars have been allocated. Do you have any sense when you think about kind of like your customer base? How are they're doing in terms of getting their fair share of the budgets?

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Yes. I've actually been in contact almost daily with a number of our different clients. I was actually with a couple of yesterday in appropriate states that allow for social distancing, to say it that way. But as you know, hospital is still open for business. And with mass and all the appropriate conditions, we were able to have meetings, but I talked to a lot of folks, not only in the United States, but outside the United States, just to get the pulse.

In the U.S., there's been 3 different programs that have been rolled out, and those people, to a client, have been participating very nicely in those programs. So that helps them in the short term, certainly with their liquidity, and it also helps them in the short-term to make sure that they are able to make payroll and other things. The problem that they have is that they -- a lot of their costs have gone up. They are -- in the hospital side, they have spent a lot of time retrofitting in anticipation of a surge, which in many cases, didn't happen. They had been building additional bed capacity for negative pressure beds by putting in new doors, new windows and things like that, about $10,000 a bed. And so there's a fair amount of that that got done. That's not throw-away capabilities or capacity in the future, but it's also something that, in the short term, caused a pretty big blip on their financials.

But broadly, I am not hearing any of them complain about the fact that they did not get their appropriate amount of money from the government. The rural hospitals are substantially hurt, and there's a new build that's getting passed for those folks to get approximately $4 million a piece. And that's a pretty big chunk of change for a rural hospital, so that will help them in a hurry.

And I would just say, broadly, these stimulus programs and the Medicaid -- excuse me, Medicare loans that are being put out there, are very important to these people, and our clients are participating very nicely on those.

Rivka Regina Goldwasser - *Morgan Stanley, Research Division - MD*

And one follow-up on the work you're doing with AlixPartners. When you talked about the potential divestiture, as we think about modeling for the next couple of years, is the focus on looking at divesting revenue pools that are lower margin? Or are you looking at all and are going to make also kind of like strategic decisions here, even if there are businesses that are margin accretive?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Ricky, I think you may be just a little out over our ski tips there on that question. I mean what I'm signaling to you is that everything is in scope right now, and that we're evaluating what do we think strategic for the long-term and whatnot. And somewhat, I think it's just good management, somewhat maybe a desire to ensure that if something is worth a lot more outside of our company than inside it that we capitalize on that. And so we're reviewing. I think what's strategic and what's not? The margin calculus is part of that, but that's not entire -- that not entirely it. So I think we'll evaluate something, and then we would expect to receive at least fair value for the asset. So if we conclude something is not strategic, but we can't get fair value for it, then we're not going to do any, right? So the last thing you should take away from this is that we're committed to sell anything because that's not what we're saying. But what we are committed to do is reviewing. And if there is a better answer, then we'll go do it.

Operator

Ladies and gentlemen, that concludes our question-and-answer session. I'd like to turn the floor back to Mr. Black for any final comments.

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Thank you all for attending today's call. I'd like to again thank our Allscripts associates for what they're doing in the company to help our clients and also to advance the cause of the company. Also, I want to thank our client heros for everything they're doing, their putting themselves at risk literally every day when they're on the front lines of this. And it's a very foreboding task that they have, and it's -- we very much appreciate it. And this is not only is a comment around the United States, but also outside the rest of the world, so in the U.K., in Canada, in the Middle East, in Singapore, Australia. We have clients all over the world that are facing this pandemic. It's unbelievable, as we all know. And as I said, to beat outset, there is no playbook. So we're all managing it. We're all working hard. We're all committed to the final outcome here, and we'll get through it. But it's an important event in the world history. We appreciate your trust in Allscripts, and we thank you for your time today.

Operator

Thank you, This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.
