This Morning’s Agenda

1. REVIEW
   Our results and our key areas of focus

2. DISCUSS
   What’s happening with the new iConnect® Network

3. SHOW
   Where we going next with “Advanced Interoperability”

4. ANSWER
   Your most pressing questions
The matters discussed in this presentation may include forward-looking statements, which could involve a number of risks and uncertainties. When used in this presentation, the words “will,” “believes,” “intends,” “anticipates,” “expects” and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from those expressed in, or implied by, such forward looking statements. Except as expressly required by the federal securities laws, the Company undertakes no obligation to update such factors or to publicly announce the results of any of the forward-looking statements. See the Company’s most recent earnings press release for explanation of non-GAAP financial measures used in this presentation as well as reconciliation from GAAP to non-GAAP metrics. Some of the products and/or product features discussed in this presentation may be works in progress and not yet generally available for sale.
What the Market Continues to Face

**Budget**
sequester and payment reform

{ **STALLING DECISION MAKING**}

**ICD-10**
transition

{ **DISTRACTING & TABLING INVESTMENTS**}

**Meaningful Use**
requirements

{ **CONSUMING ENGERY & RESOURCES**}

**Consolidation**
acquisitions & mergers

{ **INHIBITING & COMPLICATING PURCHASING**}
Our Focus is Turning the Tide!

$0.00
Break Even GAAP Income in Q4 (1st time in 3 Yrs)

$30M
Cash Generated from Business Ops in 2nd Half 2013

$19M
Debt Principal Voluntarily Repaid (8%) thru Jan '14
Merge Cardiology Solutions are #1 in KLAS!

Industry Leader!
We are the Leader in MU for Radiology

HHS Report: Merge RIS™ Most Widely-Used Certified EHR Technology by Radiologists
We are the Leader in Interoperability

iConnect
Enterprise Clinical Platform

2013 Frost & Sullivan Product Leadership Award, Medical Imaging Interoperability Solutions Market

iConnect
Enterprise Archive

2013 IHS VNA Global Market Leader
2013 IHS VNA Market Leader, Americas
We’re Making Enterprise Imaging Real

Sinai Health System
Chicago, IL
{ iConnect Access & Enterprise Archive, Merge PACS, Merge Cardio & Hemo }

Ascension Health
MI, WI, MO, TX, TN, AL, FL Ministries
{ iConnect Access and/or Enterprise Archive, Radiology PACS, Merge Cardiology Solutions }

Blanchard Valley Health System
Findlay, OH
{ iConnect Access & Enterprise Archive, Merge PACS, Merge Cardio & Hemo }

Imaging Healthcare Specialists
San Diego, CA
{ iConnect Access, Enterprise Archive & Outpatient Radiology }
KLAS Overall Software Vendor Rankings 2013

1st | athenahealth, 85.8
2nd | Epic, 84.4
3rd | Wolters Kluwer, 83.5
4th | 3M, 82.0
5th | FUJIFILM, 81.7
6th | MedAssets, 80.1
7th | Picis, 79.9
8th | Merge Healthcare, 79.8
9th | CareFusion, 79.5
10th | QuadraMed, 78.9
11th | Sunquest, 78.7
12th | Philips, 77.8

13th | Optum, 74.9
14th | Greenway Medical, 74.4
15th | eClinicalWorks, 74.2
16th | GE Healthcare, 74.1
17th | Cerner, 73.8
18th | RelayHealth, 73.4
19th | Siemens, 73.2
20th | McKesson, 70.5
21st | NextGen Healthcare, 70.3
22nd | MEDITECH, 70.0
23rd | Allscripts, 69.3
24th | Agfa HealthCare, 67.3
KLAS Report: Merge Overall Performance

1. Customers Buying In
   - Enterprise imaging strategy
   - Image enabling the EMR
   - Focus and transparency

2. Footprint Expanding
   - Clients plan to expand imaging suite
   - Clients plan to stay at rate above market average
   - Clients looking into adding interoperability and cardiology

3. Cerner Integration Ready to Pay Off
KLAS Report: Clients are “Bullish” About Merge

**Plans to Add New Merge Solutions or Instances Within the Next Two Years? (n=30)**

- Cardiology: 30%
- Hemodynamics: 23%
- VNA: 23%
- Image Exchange: 43%
- PACS: 10%

**Confidence Ratings in Merge Healthcare**

- Current Technology (n=31): 7.7
- Executive Leadership (n=25): 7.4
- Technology Road Map (n=30): 7.6

**Merge Cardiology & Hemodynamics Combined Integration Ratings**

- Cerner Millennium (n=17): 7.2
- Epic (n=10): 7.7
- All Others (n=22): 8.1
White Space Opportunity

Why iConnect Network?
The Imaging Marketplace

12% of every visit

12% of every PCP visit in the USA results in an imaging order (44 Million)

800 Million studies

Each year in the USA, 800M+ studies are done; 372M are outpatient

60% EHR Adoption

EHR adoption among referring physicians is nearing 60%

MU2 Mandates

Meaningful Use now makes interoperability mandatory
What Are the Key Drivers?

Cost Savings
Save time and money by eliminating excess HL7 interfaces

Meaningful Use
Help community physicians meet the imaging requirement & attest

Referral Growth
Increase referring physician loyalty and expand business
Clients Work With Many Referring Physicians

And They Work with Many Different EHRs
How will providers connect all disparate EHRs to imaging data & studies?
The Referral Challenge for Imaging

How Do Providers Prevent Referral Leakage?!
Physicians Still at Center of Referral Decisions

Specialist, Hospital Choices Especially Physician-Driven

Information Sources Used to Select a Specialist Physician

- Referral from PCP: 58% rely solely on referral from PCP
- Friends or Relatives: 20%
- Another Doctor or Health Care Provider: 18%
- Health Plan: 11%
- Internet: 7%

Information Sources Used to Select a Facility for a Procedure

- Doctor Performing the Procedure: 69% rely solely on referring doctor
- Another Doctor: 15%
- Friends or Relatives: 10%
- Health Plan: 7%
- Internet: 3%

Merge Can Help with Referral Leakage!

• Average employed physician group refers more than 20% of potential revenue out-of-network

• While most organizations are (rightly focused) on building stronger physician relationships to curb leakage, they fail to realize that breakdowns in referral coordination drive 40% of leakage

$20M
Average annual revenue leaked, 300-bed hospital with 100 employed physicians

Source: The Advisory Board
Traditional Interoperability – Impossible!

Multiple Imaging Centers

Multiple Referring Practices

Multiple PACS Systems

Multiple EMR Vendors
HL7 Interfaces Are Costly to Build & Maintain

For a facility with...
20 community EHR interfaces
20 related RIS interfaces
80,000 annual studies

Costs to Deploy and Maintain HL7 Interfaces
- $20K–$30K implementation fees
- PER bi-directional interface PER referring physician practice
- 3–6 month wait time PER interface

Sample Client
- 20 community EHR interfaces
- 20 corresponding RIS interfaces
- 80,000 annual studies
TCO over 5 years = $2.7M

1. Send Report via HL7

2. View Images in Browser

Report includes link to see image in PACS archive
Compliment a Hospital’s Existing Strategy

- More Realistic View of Key Referring Physicians
  - Can you justify integration with everyone?

- Low-cost service
- Compliments your existing community strategy
- No infrastructure, No replacements, No removals
- Wraps around existing architecture

Community Physicians
What About MU2 Imaging Requirements?

- MU2 is an **UNFUNDED** mandate
- MU2 requires that **100% of images** need to be available to referring physicians
- MU is **ALL OR NOTHING** for referring physicians

**CORE REQUIREMENT**
Order entry (30%) of imaging orders by the ordering physician

**MENU OPTION**
More than 10% of all tests whose result is one or more images ordered by the EP during the reporting period are available through Certified EHR Technology

 Automatically deliver images into referring physicians’ existing EMR to collect incentive payments!
Advanced Interoperability Network
Launched at RSNA • November 26, 2013
iConnect® Network

- Share imaging information between referring physicians and imaging centers on EHR networks
- Provide radiology reports as structured data to be entered into the physicians’ EHR
- Currently partnered with Surescripts Clinical Network Services (CNS) and athenahealth
- Will continue to add more partners to expand our reach

Development Partners

- Radiology Ltd.
  - Tucson, Arizona
  - 600,000 studies annually

- Long Island Radiology Associates
  - Greater New York
  - 185,000 studies annually
Initial Target Market – Merge Client Base

1,500 hospitals
- Includes many hospitals on “America’s Best Hospital Honor Roll”

6,000 clinics
- 1,200 imaging centers
- 800 orthopedic practices
- 2,000 ophthalmology sites

- 2 LIVE client pilots, 17 early adopters signed (10% of our RIS client base)
- CDI joined, largest outpatient imaging chain in USA
- athenahealth has joined
How iConnect Network Works

Hospital Imaging Center

iConnect Network

Epic

Cerner

Athena

Allscripts

Imaging Center
What iConnect Network Really Looks Like
The Workflow – Physicians Office
The Workflow – Physicians Office
The Workflow – Physicians Office

SUCCESS!

Your order has been successfully submitted.

CLINICAL DECISION SUPPORT #: 00000000
ORDER CONFIRMATION #: 00123456
# The Workflow

![Workflow Image]

## MERGE RIS

<table>
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<th>Patient Name</th>
<th>Privacy Notice</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
<th>Email</th>
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<tbody>
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<td>Test, Sarah</td>
<td>Yes</td>
<td>1035 NW 21st St, Orlando, Florida 32828</td>
<td>4045849499</td>
<td>-</td>
<td><a href="mailto:dsdj@sfdaa.com">dsdj@sfdaa.com</a></td>
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<th>Date</th>
<th>Jacket</th>
<th>Exam</th>
<th>Description</th>
<th>Loc.</th>
<th>Ref. Phys.</th>
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### New Patient Details
- **Name:** Test, Sarah
- **DOB:** 04/04/1984
- **Age:** 35 y
The Workflow
The Workflow
Beachside Imaging Center
100 Hatton Drive
Suite 100
Daytona Beach, FL 32117
386-555-1221

PATIENT NAME: TEST, SARAH
DATE OF BIRTH: 07/15/1978
JACKET #: 1968
REFERRING DOCTOR: GREEN, MARE
732234287
MR Shoulder Arthrogram
REASON: Annual Exam

TECHNIQUE: Magnetic Resonance Imaging of the shoulder was performed following intrarticular injection of Gadohun under fluoroscopy technique.

FINDINGS:
There is a linear hyperintense signal underscoring the superior labrum mimicking the osseous sulci of the greater tuberosus favoring the diagnosis of normal underscoring of the labrum rather than a labral tear. A small superolateral labrum however, cannot be completely excluded.

There is a lateral arc of the posterior glenoid labrum extending into the posterior rotator cuff. The tear extends into the posterior band of the inferior glenohumeral ligament (IGHL). There is no demonstrated “reverse Hill-Sachs lesion”. There is persistent capsular externa but no demonstrated posterior capsular retraction.

There is an increase of the articular surface of the anterior acetabular labrum but no demonstrated anterior labral tear. The glenoid tapers tendon remains within the bicipital groove.

Normal supraspinatus, infraspinatus, teres minor and subscapularis tendon complexes. There is a Type II morphology of the lesser acromial arch (solved vertebral). There is persistent labrum extending along the coracohumeral ligament.

Normal acromiocavicular articulation.

IMPRESSION:
Posterior labral tear involving the posterior band of the inferior glenohumeral ligament as discussed above.
No demonstrated “reverse Hill-Sachs lesion”.
Hyperintense signal underscoring the superior labrum most compatible with normal hyaline cartilage however a small superior labral tear cannot be completely excluded.

Normal tendons and muscles of the rotator cuff.

<<Reading Radiologist Sign>>
<<Reading Radiologist Name>>
CC:

To view the study click here.
If the link does not work you can copy the following URL or type in the browser address bar:
How it Looks Inside of GE
How it Looks Inside of GE
Referring Physician Feedback

“iConnect Network gives us a competitive advantage for both our providers and patients. Since we are a part of an ACO and are patient centered medical home certified, iConnect Network is a true example of a solution that integrates with our EHR, achieves information exchange and helps our health center be more efficient by automating time-consuming processes. This ultimately enables us to improve treatment times, reimbursements and patient care, as well as meet core regulatory requirements.”

Luis Velasco, CIO, Marana Health Center
So What’s Next?
Five Elements Will Deliver Big Value

1. **E-Ordering/Referrals**
   - Clean Orders
   - With Decision Support
   - Know patients are coming
   - Utilization
   - $1.00

2. **Consumer Engagement/Scheduling**
   - Brand promotion
   - Patient navigation
   - Satisfaction
   - TBD

3. **Pre-Certification: Patient Pay / Clinical Decision Support**
   - Outsource UM/Pre-Auth
   - Fixed cost/case
   - Save up to $70/case
   - $10.00

4. **EHR Integration: Result/Report Delivery**
   - No more HL7 Interfaces
   - Support physician EMR workflow
   - Easily support MU2 attestation
   - $0.65

5. **Data Mining & Analytics**
   - TBD

Innovative Imaging
Short-Term Market Opportunity

Initial Annual Market Opportunity = $4.0 B+
### The Larger Market Opportunity

#### Not Just Radiology…

<table>
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<tr>
<th>Specialty</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
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<td>Ophthalmology</td>
<td>$123,488,274</td>
<td>$137,280,174</td>
<td>$152,612,436</td>
<td>$169,657,094</td>
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<td>Gastrointestinal (GI)</td>
<td>$183,778,857</td>
<td>$204,304,366</td>
<td>$227,122,285</td>
<td>$252,488,644</td>
<td>$867,694,152</td>
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<td>Gyn/Breast (Mammo)</td>
<td>$85,520,994</td>
<td>$95,072,485</td>
<td>$105,690,742</td>
<td>$117,494,908</td>
<td>$403,779,129</td>
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<td>Orthopedics</td>
<td>$192,827,252</td>
<td>$214,363,339</td>
<td>$238,304,704</td>
<td>$264,919,982</td>
<td>$910,415,277</td>
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<td>Dermatology</td>
<td>$99,418,286</td>
<td>$110,521,908</td>
<td>$122,865,647</td>
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<td>Lab</td>
<td>$71,665,333</td>
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<td>Cardiology</td>
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- Represents total market opportunity, based on the # of referrals by specialty, electronic ordering, image-enabled report delivery, and pre-authorization services for specific high-cost services.
Cost of Current RBM Process

- Fully loaded cost...

$79,050 per 1,000 patients

**Abstract 11505: Economic Effect of Third-Party Payor Pre-Authorization Policy for Nuclear Stress Perfusion Imaging**

Brendan R Malik¹; J. Ronald Mikolich; John Lisko²; Amitha Dhingra; Brandon Mikolich

¹Cardiology, Northeast Ohio Med Univ, Rootstown, OH
²Internal Medicine, Northeast Ohio Med Univ, Rootstown, OH
³Cardiology, Sharon Regional Health System, Hermitage, OH

**Background:** To reduce inappropriate use of myocardial perfusion imaging (MPI), the largest health insurance provider in Western Pennsylvania implemented a Pre-Authorization (PA) policy for all MPI procedures in September 2010. Information regarding non-MPI testing was provided to physicians in the geographical coverage area, with an emphasis on stress echocardiography (SE). This study was designed to assess the economic effects of this policy on cardiology practices.

**Methods:** The number of MPI studies, SE studies and non-imaging exercise tests were computed for the 1st quarter 2010 (prior to PA mandate) and for the 1st quarter 2012 (after PA mandate). The ratio of each type of test was computed for each time period, as a % of total tests. Using Medicare data, total change in reimbursement as a direct result of the PA policy was computed per 1,000 patient studies. The actual cost of compliance with the policy was computed per 1,000 patients, including physician time, office staff time, and overhead costs.

**Results:** During the 1st QTR 2010, 82.1% (636 of 775 patients) underwent MPI, while 17.9% (139 of 775 patients) had a SE. During the 1st QTR 2012, 74.6% (676 of 906 patients) underwent MPI, while 25.4% (230 of 906 patients) had SE. The number of non-imaging stress was identical in both study periods. Using a Medicare reimbursement of $770 per MPI and $355 per SE, the total reimbursement for stress testing per 1,000 patients decreased from $695,300 to $666,250 resulting in a loss of $29,050 related to the change in the ratio of each type of study after the PA policy. Using a physician time cost of $19.70 for 6 min, an office staff cost of $0.50 /min for 45 min and overhead $8.00 per case, the cost of PA policy implementation was $50,000 per 1,000 patients. The total economic impact of the Pre-Authorization policy was $79,050 per 1,000 patients.

**Conclusions:** A payor Pre-Authorization policy for MPI resulted in a loss of $79,050 per 1,000 patients, using actual practice data before and after the policy. The policy resulted in a significant decrease in MPI (82.1% to 74.6%, p< 0.001) and a significant increase in SE (17.9% to 25.4%, p< 0.001). The economic loss results not only from a decrease in total reimbursement, but also from an increase in costs associated with policy compliance.
Pre-authorization #’s – Radiology

**Healthcare Today**
without automation

- **122.76M** # of studies / year
- **$9.75B** total cost
  - **$79.95 / study**

**Healthcare Tomorrow**
with Merge automation

- **$1.22B** total cost
  - **$9.95 / study**
- **$8.54B** total potential industry savings
We Can Automate Pre-Authorization

- Registry of priors
- Clinical decision support rules
  - ACR
  - Payer
  - Employer
- Cloud-based image archive
- Zero-footprint DICOM / XDS viewer
- 1/3 of ambulatory imaging market
- VENDOR NEUTRAL solution
How Eye Care Can Help with Population Health
What the Market Looks Like

Diabetes

- currently 347M diabetics worldwide - 26M in the US
- diabetic patients increase 6% annually
- the leading cause of blindness for ages 20 - 74
- diabetes costs $245B in the US alone
- In the US, 1 in 5 dollars goes to treat diabetes
- government insurance (US) pays for >64% of diabetic care
What Problems We Can Solve with Eye Screening

- Diabetes, AMD, glaucoma, ALZ are increasing globally
  - 347M diabetics worldwide – grows ~6% annually
- Institutions need more revenue with volume
  - Detect disease & increase billable procedures
- Countries & socialized medicine need less cost with more service
  - Detect disease – treat early – reduces costs
- No complete solutions, just band-aids
  - Need hardware, software, cloud, analytics, engagement
How Combined Technologies Will Solve Problems

- Primary providers will capture images and upload to Merge Honeycomb
- Client owned reading center will interpret images in Merge Eye Care PACS
- Image reports will route to iConnect Network
- iConnect Network will deliver image reports to disparate providers’ EHRs

Entire Solution Will Generate ~$4.50 per Study

Disparate Sites
Total Market Opportunity

Today, diabetes alone, is a $695M global opportunity

347M diabetics × ~$2.00 per screen*

The US is 10% of the global market opportunity

$100M US market opportunity**

There is NO cap on the market

diabetes population increases each year and will double in 15 years

* financials based on a recent RFQ to Singapore amortized over 5-year period
** includes additional revenue from Honeycomb and iConnect Network
Why Merge?
Where We’ve Been

- Co-founder of DICOM
- 90+ Patents in imaging and HIT
- #1 Downloaded medical imaging application in the world

01 - PACS for image intensive specialties
02 - Clinical data and workflow tools
03 - Firsts in enterprise imaging & interoperability
Our Client Base

- **1,500 hospitals**
  Including many hospitals on “America’s Best Hospital Honor Roll”

- **6,000 clinics**
  1/3 of all U.S. Imaging Centers
  37% of all Ortho Groups
  2,000 of all ophthalmology sites

- **250 partners**
  75% of all worldwide modality vendors

- **9 of 10 top pharma**
  Top pharmaceutical companies & CRO’s have used Merge to run clinical trials
Questions?
Appendix
Merge Guidance for 2014

- $212 - 225M
  Expected Pro Forma Revenue

- $40 - 45M
  Expected AEBITDA & GAAP Income POSITIVE

- 7.5 - 21%
  Expected AEBITA Growth