Emdeon Inc.
Form 424B4
August 12, 2009

Table of Contents

Filed Pursuant to Rule 424(B)(4)
Registration No: 333-153451
Registration No: 333-161270

23,700,000 Shares

Emdeon Inc.

Class A Common Stock

This is an initial public offering of shares of Class A common stock of Emdeon Inc. The company is offering 10,725,000 shares of its Class A common stock and the selling stockholders are offering 12,975,000 shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

To the extent the underwriters sell more than 23,700,000 shares of Class A common stock, the underwriters have the option to purchase up to an additional 3,555,000 shares from the selling stockholders at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus.

Prior to this offering, there has been no public market for the Class A common stock. The initial offering price will be $15.50 per share.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 16 to read about factors you should consider before buying shares of our Class A common stock.

We have been approved to list our Class A common stock on the New York Stock Exchange under the symbol EM.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to us	Proceeds to Selling Stockholders
Per Share	$ 15.50	$ 1.01	$ 14.49	$ 14.49
Total	$ 367,350,000	$ 23,877,750	$ 155,432,063	$ 188,040,188

The underwriters expect to deliver the shares to purchasers against payment in New York, New York on August 17, 2009.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Morgan Stanley

Goldman, Sachs & Co.

UBS Investment Bank

Barclays Capital

Citi

Credit Suisse

Jefferies & Company

William Blair & Company

Oppenheimer & Co.

Piper Jaffray

Wells Fargo Securities

Prospectus dated August 11, 2009.

Table of Contents

You should rely only on the information contained in this prospectus and any free writing prospectus we provide to you. Neither we nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or such other date stated in this prospectus.

TABLE OF CONTENTS

Until September 6, 2009 (25 days after the date of this prospectus), all dealers that buy, sell or trade our Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus were obtained through company research, surveys and studies conducted by third parties, and industry and general publications. The information contained in Business is based on studies, analyses and surveys prepared by American Hospital Association, American Health Insurance Plans, CAQH, Frost & Sullivan, Health Insurance Association of America, McKinsey & Company, PNC Financial Services Group Inc., Medical Group Management Association (MGMA), the National Health Care Anti-Fraud Association and Susquehanna Research Group. While we are not aware of any misstatements regarding the industry data presented herein, estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors.

PROSPECTUS SUMMARY

This summary highlights all material information about us and this offering, but does not contain all of the information that you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the Risk Factors and the consolidated financial statements and related notes. This prospectus includes forward looking-statements that involve risks and uncertainties. See Forward-Looking Statements.

Unless we state otherwise or the context otherwise requires, the terms we, us, our, EBS, and the Company, refer to Emdeon Inc., a Delaware corporation, and its subsidiaries. All information in this prospectus with respect to Emdeon Inc. gives effect to the reorganization transactions described under Organizational Structure as if they had occurred on November 16, 2006. Prior to November 16, 2006, the terms we, us, our, EBS, and the Company refer to the group of subsidiaries of HLTH Corporation that comprised its Emdeon Business Services segment, which we refer to as Emdeon Business Services. EBS Master LLC and EBS Master refer to EBS Master LLC, a Delaware limited liability company.

Our Company

We are a leading provider of revenue and payment cycle management solutions, connecting payers, providers and patients in the U.S. healthcare system. Our product and service offerings integrate and automate key business and administrative functions of our payer and provider customers throughout the patient encounter, including pre-care patient eligibility and benefits verification, claims management and adjudication, payment distribution, payment posting and denial management and patient billing and payment collection. Through the use of our comprehensive suite of products and services, which are designed to easily integrate with existing technology infrastructures, our customers are able to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle process. We believe our solutions are critical to payers and providers as they continue to face increasing financial and administrative pressures. In 2008, we generated revenues from operations of $853.6 million, Adjusted EBITDA of $205.2 million, net income of $11.9 million and cash flow provided by operations of $83.3 million.

Our services are delivered primarily through recurring, transaction-based processes that leverage our revenue and payment cycle network, the single largest financial and administrative information exchange in the U.S. healthcare system. In 2008, we processed a total of 4.0 billion healthcare-related transactions, including approximately one out of every two commercial healthcare claims delivered electronically in the United States. We have developed our network of payers and providers over 25 years and connect to virtually all private and government payers, claim-submitting providers and pharmacies, making it extremely difficult, expensive and time-consuming for competitors to replicate our market position.

Our solutions drive consistent automated workflows and information exchanges that support key financial and administrative processes. Our market leadership is demonstrated by the long tenure of our payer and provider relationships, which for our 50 largest customers in 2008 average 12 years as of June 2009. We are the exclusive provider of certain electronic eligibility and benefits verification and/or claims management services under Managed Gateway Agreements (MGAs) for more than 370 payer customers (approximately 25% of all U.S. payers). Similarly, we are the sole provider of certain payment and remittance advice distribution services for over 680 of our payer customers (approximately 50% of all U.S. payers). These exclusive relationships provide us with a considerable opportunity to expand the scope of our product and service offerings with these customers.

Our ubiquitous, independent platform facilitates alignment with both our payer and provider customers, thereby creating a significant opportunity for us to increase penetration of our existing solutions and drive the adoption of new solutions. Recently, we have significantly increased the number of products and services utilized by our existing customers through cross-selling. Because we serve as a central point of communication and data aggregation for our customers, our network captures the most comprehensive and timely sources of U.S. healthcare information, including approximately 25 terabytes of historical claim data to which we add an average of 125 million rows of data daily. Unlike many other data sources, our network provides us with access to data generated at, or close to, the point of care. Our access to vast amounts of healthcare data positions us to develop business intelligence solutions that provide our customers with valuable information, reporting capabilities and related data analytics to support our customers core business decision making.

Table of Contents

Our Industry

Payer & Provider Landscape

Healthcare expenditures are a large and growing component of the U.S. economy, representing $2.2 trillion in 2007, or 16.2% of GDP, and are expected to grow at 6.2% per year to $4.4 trillion, or 20% of GDP, in 2018. We believe the cost of healthcare administration in the U.S. was approximately $360 billion in 2008, or 17% of total healthcare expenditures, and that $150 billion of these costs were spent by payers and providers on billing and insurance administration-related activities alone. We believe the increased need to slow the rise in healthcare expenditures, particularly during the current period of U.S. economic weakness, increased financial pressures on payers and providers and public policy initiatives to reduce healthcare administrative inefficiencies should accelerate adoption of our solutions.

Healthcare is generally provided through a fragmented industry of providers. The administrative portion of healthcare costs for providers is expected to continue to expand due in part to the increasing complexity in the reimbursement process and the greater administrative burden being placed on providers for reporting and documentation relating to the care they provide. Similarly for payers, payment for healthcare services generally occurs through complex and frequently changing reimbursement mechanisms involving multiple parties. The proliferation of private-payer benefit plan designs and government mandates continue to increase the complexity of the reimbursement process. Furthermore, the complexity of the billing process can make it challenging for providers and payers to identify instances of inappropriate payments. For example, industry estimates indicate that between $68 billion and $226 billion in healthcare costs are attributable to fraud each year. As a result of these complexities, we believe payers and providers will continue to seek solutions that automate, simplify and improve the administrative and clinical processes of healthcare.

In addition, increases in patient financial responsibility for healthcare expenses have put additional pressure on providers to collect payments at the patient point of care since more than half of every one percent increase in patient self-pay becomes bad debt. Our solutions equip providers to significantly improve collection at the point of care.

The Revenue and Payment Cycle

The healthcare revenue and payment cycle consists of all the processes and efforts that providers undertake to ensure they are compensated properly by the large number of different payers for medical services rendered to patients. For payers, the payment cycle includes all the processes necessary to facilitate provider compensation and use of medical services by members. These processes begin with the collection of relevant eligibility and demographic information about the patient before care is provided and end with the collection of payment from payers and patients.

We believe payers and providers spend approximately $150 billion annually on these revenue and payment cycle activities. Major steps in this process include:

> *Pre-Care/Medical Treatment:* The provider verifies insurance benefits available to the patient, ensures treatment will adhere to medical necessity guidelines, confirms patient personal financial and demographic information and obtains any required pre-authorization prior to delivery of care.
>
> *Claim Management/Adjudication:* The provider prepares and submits paper or electronic claims to a payer for services rendered directly or through a clearinghouse, such as ours. Before submission, claims are validated for payer-specific rules and corrected as necessary.

Payment Distribution: The payer sends payment and a payment explanation (i.e., remittance advice) to the provider and sends an explanation of benefits (EOB) to the patient.

Payment Posting/Denial Management: The provider posts payments internally, reconciles payments with accounts receivable and submits any claims to secondary insurers if secondary coverage exists.

Patient Billing and Payment: The provider sends a bill to the patient for any remaining balance and posts payments received.

Table of Contents

Our Market Opportunity and Solutions

Opportunities exist to increase efficiencies and cash flow throughout many steps of the revenue and payment cycle for both payers and providers. The breadth of our revenue and payment cycle network and solutions is illustrated in the chart below:

Our Strengths

We believe that we have a number of strengths including, but not limited to, the following:

Stable, Low-Risk Business Model. We believe our business model is attractive and relatively low-risk due to the following factors:

Limited exposure to the broader economic cycle given that the majority of our revenues are driven by healthcare transaction volumes. Our transaction volumes increased in 2008 to 4.0 billion from 3.7 billion in 2007.

Healthcare industry trends, including demographic changes, continuing healthcare cost escalation, and related governmental and private focus on cost savings, and increasing administrative complexity.

Recurring revenue base with significant visibility. In 2008, approximately 90-95% of our revenue was recurring in nature.

Limited customer concentration. In 2008, no single customer represented more than 5.6% of our total revenue.

Favorable positioning for our business model as evidenced by recent public policy efforts to increase efficiency and improve healthcare quality through the adoption of healthcare information technology solutions and the use of electronic transactions rather than more costly paper-based transactions.

Largest Healthcare Revenue and Payment Cycle Network. Our revenue and payment cycle network reaches the largest number of payers, providers and pharmacies in the U.S. healthcare system, including approximately 1,200 payers, 500,000 providers, 5,000 hospitals, 81,000 dentists and 55,000 pharmacies. The breadth and scale of our network enables us to drive consistent workflow and information exchange for all healthcare constituents using our network.

Comprehensive Suite of Market-Leading Solutions. We provide a comprehensive suite of revenue and payment cycle solutions that address increasing cost pressures and automate key financial and administrative functions of our payer and provider customers throughout the patient encounter. The combination of these products and services has resulted in a comprehensive solution that many of our competitors are unable to replicate because their offerings typically address only one or two of the five segments of the revenue and payment cycle. These solutions enable our customers to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle process.

Leverageable Platform for Future Growth. As the single greatest point of connectivity in the U.S. healthcare system, we are uniquely positioned to leverage our platform to develop and drive the adoption of new products and services.

Established and Long-Standing Customer Relationships. Our products and services are important to our customers, as demonstrated by the fact that our 50 largest customers in 2008 have been with us for an average of 12 years as of June 2009. As many of our customers have continued to rationalize their vendor relationships and simplify their internal operations, we have been able to meet their diverse business needs with our comprehensive suite of solutions.

Strong, Predictable Cash Flow with Low Capital Requirements. Our business generates strong, stable cash flows as a result of the revenue we generate from our recurring, transactions-based business model, our significant operating leverage, our relatively low working capital requirements and the moderate capital expenditures needed to support our network.

Experienced Management Team. Our management team and board of directors include a balance of internally developed leaders and experienced managers from the industry and from our customers (including large payer customers), which provides us with a deep understanding of the complex needs of our customer base.

Our Strategy

We are pursuing the following growth strategies:

Continue to Drive Healthcare s Transition from Paper-Based to Electronic Transactions

Increase Customer Penetration by Executing on Significant Cross-Selling Opportunities

Develop New High-Value Solutions for our Customers Revenue and Payment Cycle Needs

Continue to Capitalize on Efficiencies of Scale and Rationalize Costs to Improve Profitability

Table of Contents

Leverage Our Expansive Data to Create Business Intelligence and Analytics Solutions

Pursue Selective Acquisitions

Recent Developments

Acquisition of eRx Network, L.L.C.

On July 2, 2009, we acquired eRx Network, L.L.C. (eRx), a provider of electronic pharmacy healthcare solutions. eRx provides a number of productivity enhancing services including fast, secure switching of third party claims, eligibility services, pre- and post-editing claims reconciliation, resubmission services, electronic prescribing solutions (ePrescribing), Medicare/Medicaid DME billing, Medicare flu billing, Medicare denial management services and Medicare/Medicaid eligibility verification. We believe the acquisition of eRx will accelerate our development of solutions for our pharmacy customers, including integrated tools for managing efficiency and profitability through innovative claims management, and will provide the combined organization with an increased presence in ePrescribing. In this prospectus, we refer to the acquisition of eRx as the eRx Acquisition.

The consideration for the eRx Acquisition was $75.0 million in cash and 1,850,000 units of EBS Master (EBS Units) issued to certain members of eRx. For the year ended December 31, 2008, eRx had revenues of approximately $27.2 million, net income of approximately $4.8 million and total assets of approximately $6.9 million.

Acquisition of the Sentinel Group

In June 2009, we acquired The Sentinel Group, a healthcare fraud and abuse management services provider. The Sentinel Group combines sophisticated data analytics solutions and technology with an experienced team of fraud investigators to prevent payment by payers, such as insurance companies, of fraudulent and abusive claims. The acquisition will expand our portfolio of offerings to help identify potential financial risks earlier in the revenue and payment cycle, creating efficiencies and cost savings for payers and providers, and will enhance our extensive data and analytical capabilities.

Corporate History and Organizational Structure

Our predecessors have been in the healthcare information solutions business for approximately 25 years. Prior to November 2006, our business was owned by HLTH Corporation (HLTH). We currently conduct our business through EBS Master and its subsidiaries. EBS Master was formed by HLTH to act as a holding company for the group of subsidiaries of HLTH that comprised its Emdeon Business Services segment.

The 2006 Transaction

In September 2006, we were formed by General Atlantic LLC, or General Atlantic, as a Delaware limited liability company for the purpose of making an investment in EBS Master. In September 2006, we entered into a merger agreement with HLTH (as amended, the EBS Merger Agreement) and agreed to acquire a 52% interest in EBS Master from HLTH (the 2006 Transaction) for approximately $1.245 billion in cash. Under the terms of the EBS Merger Agreement, HLTH retained a 48% interest in EBS Master upon closing of the 2006 Transaction. The 2006 Transaction closed in November 2006. We funded $925.0 million of the $1.245 billion purchase price through borrowings under our first lien credit agreement and second lien credit agreement, each of which was entered into in connection with the 2006 Transaction.

The 2008 Transaction

In February 2008, we entered into a securities purchase agreement with HLTH and certain of its subsidiaries, affiliates of General Atlantic and affiliates of Hellman & Friedman LLC, or H&F (the Securities Purchase Agreement). Under the Securities Purchase Agreement, HLTH sold its remaining 48% interest in EBS Master (the 2008 Transaction) to affiliates of General Atlantic and H&F for approximately $575.0 million in cash.

As a result of the 2008 Transaction and the eRx Acquisition, prior to giving effect to the reorganization transactions described below in Organizational Structure, EBS Master was owned 64.58% by affiliates of General Atlantic, who we refer to as the General Atlantic Equityholders, and 33.60% by affiliates of H&F, who we refer to as the H&F Equityholders. We refer to the General Atlantic Equityholders and the H&F Equityholders collectively as our Principal Equityholders. The members of eRx that received EBS Units as partial consideration for the eRx Acquisition (the eRx Members) own the remaining 1.82% of EBS Master.

We were converted into a Delaware corporation in September 2008 and changed our name to Emdeon Inc. We have not engaged in any business or other activities except in connection with our investment in EBS Master and the reorganization transactions described under Organizational Structure and have no material assets other than our membership interests in EBS Master.

The following diagram illustrates our organizational structure immediately prior to the reorganization transactions:

Pre-Reorganization Structure

The Reorganization Transactions

In the reorganization transactions, Emdeon Inc. (or we) has, through a series of transactions, acquired, directly or indirectly, EBS Units previously held by the other General Atlantic Equityholder and certain of the H&F Equityholders (or their successors) in exchange for shares of our Class A common stock and has become the managing member of EBS Master. The remaining H&F Equityholders (or their successors) (the H&F Continuing LLC Members) and the eRx Members continue to hold their EBS Units and have subscribed for and been issued shares of Class B common stock. Members of our senior management team and board of directors that participate in the Amended and Restated EBS Executive Equity Incentive Plan (the EBS Equity Plan) will have their indirect interests in EBS Master converted into EBS Units and unvested options to purchase shares of our Class A common stock, and will subscribe for shares of Class B common stock (the EBS Equity Plan Members and, together with the H&F Continuing LLC Members and the eRx Members, the EBS Post-IPO Members). In addition, we, in our capacity as managing member of EBS Master, will cause the outstanding phantom awards granted to our employees who participate in the Amended and Restated EBS Incentive Plan (the EBS Phantom Plan Participants) to be converted, depending on their vesting status, into shares of our Class A common stock or restricted stock units. The EBS Phantom Plan Participants also will receive unvested options to purchase shares of our Class A common stock.

Following the reorganization transactions, this offering and the use of proceeds from this offering, we will hold directly or indirectly 76.9% of the EBS Units and will continue to be the sole managing member of EBS Master. As the sole managing member of EBS Master, we control all of the business and affairs of EBS Master and its subsidiaries. We will consolidate the financial results of EBS Master and our net income (loss) will be reduced to reflect the entitlement of the EBS Post-IPO Members to a portion of its net income (loss). See Organizational Structure for further details.

Table of Contents

The following diagram depicts our organizational structure following the reorganization transactions, this offering and the use of proceeds from this offering (prior to giving effect to the exchange by the eRx Members described below):

Post-Reorganization Structure

In connection with the reorganization transactions we amended and restated our certificate of incorporation and are now authorized to issue two classes of common stock, Class A common stock and Class B common stock, each of which provides holders with one vote on all matters submitted to a vote of stockholders. The holders of Class B common stock do not have any of the economic rights (including rights to dividends and distributions upon liquidation) provided to holders of Class A common stock. Shares of our Class A common stock and Class B common stock, which we collectively refer to as our common stock, generally vote together as a single class on all matters submitted to stockholders.

Upon completion of this offering and the application of the net proceeds from this offering, the H&F Continuing LLC Members will hold 22,586,390 EBS Units, the EBS Equity Plan Members will hold 2,137,867 EBS Units and the eRx Members will hold 1,850,000 EBS Units. EBS Units held by the EBS Post-IPO Members (along with a corresponding number of shares of our Class B common stock) may be exchanged with EBS Master for shares of our Class A common stock on a one-for-one basis. On August 11, 2009, the eRx Members notified us of their intent to exchange all of their EBS Units (and corresponding shares of Class B common stock) for shares of our Class A common stock, effective immediately prior to the commencement of trading of our Class A common stock on the NYSE on August 12, 2009. As a result, there will be an additional 1,850,000 shares of our Class A common stock outstanding, we will own an additional 1,850,000 EBS Units and the shares of Class B common stock held by the eRx Members will be cancelled. All shares of Class A common stock issued to the eRx Members will be subject to lockup agreements with the underwriters and are restricted securities.

See Organizational Structure, Certain Relationships and Related Party Transactions and Description of Capital Stock for more information on the rights associated with our capital stock and the EBS Units.

The 2006 Transaction and the 2008 Transaction resulted in favorable tax attributes to us. In addition, future exchanges of EBS Units by the EBS Post-IPO Members for cash or shares of our common stock will produce additional favorable tax attributes. These tax attributes would not be available to us in the absence of those transactions. Upon the closing of this offering, we will enter into tax receivable agreements which will obligate us to make payments to the Principal Equityholders and the EBS Equity Plan Members making exchanges of EBS Units for cash or shares of our common stock generally equal to 85% of the applicable cash savings that we actually realize as a result of these tax attributes. We will retain the benefit of the remaining 15% of these tax savings.

See Organizational Structure Holding Company Structure and Tax Receivable Agreements and Certain Relationships and Related Transactions Tax Receivable Agreements.

Our Principal Equityholders

Our Principal Equityholders and the eRx Members currently own 100% of EBS Master and following this offering and the application of the net proceeds from this offering, our Principal Equityholders will control 75.5% of the combined voting power of our common stock. Our Principal Equityholders are affiliates of General Atlantic and H&F.

In connection with the reorganization transactions, we have entered into a stockholders agreement (the Stockholders Agreement) with the General Atlantic Equityholders, the H&F Equityholders, the eRx Members and the EBS Equity Plan Members. The Stockholders Agreement contains provisions related to the composition of our board of directors and the committees of our board of directors and our corporate governance, restrictions and priorities with respect to the transfer of shares of our capital stock and grants the Principal Equityholders, the eRx Members and the EBS Equity Plan Members registration rights. Upon consummation of this offering, our board of directors will consist of nine directors. Under the Stockholders Agreement, (i) the General Atlantic Equityholders are entitled to nominate three directors so long as they beneficially own, in the aggregate, more than 40% of the Class A common stock outstanding immediately prior to consummation of this offering, two directors so long as they beneficially own, in the aggregate, more than 20% but not more than 40% of the Class A common stock outstanding immediately prior to consummation of this offering and one director so long as they beneficially own, in the aggregate, more than 5% but not more than 20% of the Class A common stock outstanding immediately prior to consummation of this offering and (ii) the H&F Equityholders are entitled to nominate two members of our board of directors so long as they beneficially own, in the aggregate, more than 20% of the Class A common stock outstanding immediately prior to consummation of this offering and one director so long as they beneficially own, in the aggregate, more than 5% but not more than 20% of the Class A common stock outstanding immediately prior to consummation of this offering, in each case (a) excluding any shares of Class A common stock held by the eRx Members and EBS Equity Plan Members and (b) assuming that the H&F Continuing LLC Members exchange all of their EBS Units (and corresponding shares of our Class B common stock) for shares of our Class A common stock. In addition, for so long as the Principal Equityholders are entitled to nominate at least one director under the Stockholders Agreement, the General Atlantic Equityholders and the H&F Equityholders are permitted to jointly nominate one independent member of our board of directors provided that if one is no longer eligible to nominate any directors, then the other has the right to nominate the independent director. See Management Board Structure and Certain Relationships and Related Transactions Stockholders Agreement.

General Atlantic LLC is a leading global growth equity firm providing capital and strategic support for growth companies. The firm was founded in 1980 and has approximately $13 billion in capital under management. General Atlantic has invested in over 160 companies, including us. General Atlantic has offices in Greenwich, New York, Palo Alto, London, Düsseldorf, Mumbai, São Paulo, Hong Kong and Beijing.

Hellman & Friedman LLC is a leading private equity investment firm with offices in San Francisco, New York and London. H&F focuses on investing in superior business franchises and serving as a value-added partner to management in a broad range of industries including business services, financial services, media, software/data services, healthcare, internet/digital, and energy/industrials. Since its founding in 1984, H&F has raised and, through its affiliated funds, managed over $16 billion of committed capital and is currently investing its sixth partnership, Hellman & Friedman Capital Partners VI, L.P., with over $8 billion of committed capital.

Table of Contents

Corporate Information

We were formed as a Delaware limited liability company in September 2006 and converted into a Delaware corporation in September 2008. Our corporate headquarters are located at 3055 Lebanon Pike, Suite 1000, Nashville, TN 37214, and our telephone number is (615) 932-3000. Our website address is www.emdeon.com. Information contained on our website does not constitute a part of this prospectus.

Table of Contents

THE OFFERING

Class A common stock outstanding before this offering	77,762,776 shares.
Class A common stock offered by us	10,725,000 shares.
Class A common stock offered by the selling stockholders	12,975,000 shares.
Class A common stock to be outstanding immediately after this offering	88,487,776 shares. If, immediately after this offering and the application of the net proceeds from this offering, all of the EBS Post-IPO Members elected to exchange their EBS Units for shares of our Class A common stock, 115,062,033 shares of Class A common stock would be outstanding.
Class B common stock to be outstanding immediately after this offering	26,574,257 shares. Shares of our Class B common stock have voting but no economic rights (including rights to dividends and distributions upon liquidation) and will be issued in an amount equal to the number of EBS Units held by the EBS Post-IPO Members. When an EBS Unit is exchanged by an EBS Post-IPO Member for a share of Class A common stock, the corresponding share of our Class B common stock will be cancelled.
Voting Rights	One vote per share; Class A common stock and Class B common stock vote together as a single class. See Description of Capital Stock.
Exchange	EBS Units held by the EBS Post-IPO Members (along with a corresponding number of shares of our Class B common stock) may be exchanged with EBS Master for shares of our Class A common stock on a one-for-one basis. The EBS Post-IPO Members will hold 26,574,257 EBS Units following this offering and the application of the net proceeds from this offering.
Use of proceeds	We estimate that the net proceeds to us from the sale of our Class A common stock in this offering, after deducting offering expenses and underwriting discounts and commissions, will be approximately $145.9 million. We intend to use approximately $5.8 million of the proceeds from this offering to purchase 399,458 EBS Units (at a price equal to the price paid by the underwriters for shares in this offering) held by certain of the EBS Equity Plan Members, including Messrs. Lazenby, Newport, Stuart and Hardin, and will use any remaining proceeds for working capital and general corporate purposes, which may include the repayment of indebtedness and future acquisitions. We will not receive any proceeds from the sale of our Class A common stock by the selling stockholders. See Use of Proceeds.

Proposed New York Stock Exchange symbol	EM.
Risk Factors	You should read the Risk Factors section of this prospectus for a discussion of factors that you should consider carefully before deciding to invest in shares of our Class A common stock.

Unless we indicated otherwise, the number of shares of our Class A common stock outstanding after this offering excludes:

5,295,205 shares issuable under options to purchase shares of Class A common stock and 733,598 restricted stock units (each of which will represent the right to receive a share of our Class A common stock upon vesting) that will be granted in connection with this offering under the Emdeon Inc. 2009 Equity Incentive Plan (the 2009 Equity Plan). The options will permit holders to purchase the underlying shares of Class A common stock at the initial public offering price and will generally vest in equal installments over either three or four years from the date of grant. See Executive Compensation 2009 Equity Plan Awards Granted in Connection with this Offering;

shares of Class A common stock we may repurchase from EBS Phantom Plan Participants in order to satisfy tax obligations that may arise as a result of the conversion of EBS Phantom Plan Awards into Class A common stock and restricted stock units; and

26,574,257 shares of Class A common stock reserved for issuance upon the exchange of EBS Units (along with the corresponding shares of our Class B common stock).

Unless we indicate otherwise (i) all information in this prospectus assumes that the underwriters do not exercise their option to purchase up to 3,555,000 shares of our Class A common stock from the selling stockholders to cover over-allotments, (ii) all information in this prospectus reflects the initial public offering price of $15.50, per share, (iii) all ownership percentages and unit information of EBS Master prior to the reorganization transactions does not reflect any profits interests in EBS Master and (iv) all information in this prospectus does not give effect to the exchange by the eRx members of 1,850,000 EBS Units (and corresponding shares of Class B common stock) for shares of Class A common stock.

SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our summary historical consolidated financial and other data for periods beginning on and after November 16, 2006. For periods prior to November 16, 2006, the tables below present the summary historical consolidated financial and other data of the group of subsidiaries of HLTH that comprised its Emdeon Business Services segment. For periods on and after November 16, 2006, the summary historical financial and other data gives effect to the reorganization transactions described under Organizational Structure as if they occurred on November 16, 2006. See Corporate History and Organizational Structure.

Our statements of operations data for the years ended December 31, 2008 and 2007 and the period from November 16, 2006 through December 31, 2006 and summary balance sheet data as of December 31, 2008 have been derived from our audited financial statements included elsewhere in this prospectus. The statements of operations data of Emdeon Business Services for the period from January 1, 2006 through November 15, 2006 have been derived from Emdeon Business Services audited financial statements included elsewhere in this prospectus.

Our consolidated statements of operations data for the six months ended June 30, 2009 and 2008, and the balance sheet data as of June 30, 2009, have been derived from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus and have been prepared on the same basis as our audited financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information. Our results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results that can be expected for the full year or any future period.

The following table also presents summary unaudited pro forma consolidated balance sheet and statement of operations data as of and for the six months ended June 30, 2009 that gives effect to the (i) the creation or acquisition of amortizable tax assets in connection with this offering and the reorganization transactions and the creation of liabilities in connection with entering into the tax receivable agreements, (ii) the conversion of the EBS Equity Plan Members Grant Units into EBS Units and options to purchase shares of our Class A common stock, (iii) the conversion of awards issued under the EBS Incentive Plan into Class A common stock, restricted stock units and options to purchase shares of our Class A common stock, and (iv) this offering and the use of proceeds from this offering (collectively, the Pro Forma Offering Adjustments) as if each had occurred on June 30, 2009 for the unaudited pro forma consolidated balance sheet and January 1, 2008 for the unaudited pro forma consolidated statement of operations.

The following table also presents summary pro forma consolidated statement of operations data for the year ended December 31, 2008 that gives effect to the Pro Forma Offering Adjustments as well as the step-up in value of the amortizable assets as a result of the 2008 Transaction as if each had occurred on January 1, 2008.

The unaudited pro forma financial information does not give effect to the eRx Acquisition. The unaudited pro forma financial data has been derived from our unaudited pro forma financial information included elsewhere in this prospectus. See Unaudited Pro Forma Financial Information.

Table of Contents

You should read the following information in conjunction with Capitalization, Unaudited Pro Forma Financial Information, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our and Emdeon Business Services respective audited and unaudited consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	Emdeon Business Services (Predecessor)[1]	Emdeon Inc. (Successor)[1]						
						Unaudited		
	Period from January 1, 2006- November 15, 2006	Period from November 16, 2006- December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Pro Forma Year Ended December 31, 2008	Six Months Ended June 30, 2008	Six Months Ended June 30, 2009	I
	(In thousands)							
ata:								
	$ 663,186	$ 87,903	$ 808,537	$ 853,599	$ 853,496	$ 422,859	$ 444,426	$
enses:								
tions	425,108	56,628	514,577	540,570	542,460	270,972	271,607	
and	21,782	2,782	28,539	29,618	30,340	13,716	14,382	
ng, e	76,154	12,762	94,475	91,212	95,306	47,089	51,322	
and)	30,440	7,127	62,811	97,864	101,430	46,269	50,384	
e, net	4,198			3,081	3,081		260	
d	557,682	79,299	700,402	762,345	772,617	378,046	387,955	
ome	105,504	8,604	108,135	91,254	80,879	44,813	56,471	
e	(67)	(139)	(1,567)	(963)	(963)	(603)	(53)	
se[2]	25	10,113	74,325	71,717	72,402	29,491	35,111	
before	105,546	(1,370)	35,377	20,500	9,440	15,925	21,413	
ovision	42,004	1,014	18,101	8,567	4,490	7,690	3,640	
oss)	63,542	(2,384)	17,276	11,933	4,950	8,235	17,773	
oss) g				2,702	1,910	1,854	4,116	

oss)								
	$ 63,542	$ (2,384)	$ 17,276	$ 9,231	$ 3,040	$ 6,381	$ 13,657	$
ted) per A								
		$ (0.05)	$ 0.33	$ 0.12	$ 0.04	$ 0.09	$ 0.18	$
		$ (0.05)	$ 0.17	$ 0.12	$ 0.04	$ 0.08	$ 0.18	$
rage ares iting hare:								
		52,000,000	52,000,000	74,775,039	85,684,945	72,107,472	77,413,610	
		52,000,000	100,000,000	100,000,000	85,684,945	100,000,000	77,413,610	
nancial								
TDA[(3)]	$ 146,286	$ 18,540	$ 182,678	$ 205,154	$ 205,154	$ 99,724	$ 117,484	$

(footnotes continued on next page)

	Emdeon Inc.	
	At June 30, 2009	Unaudited Pro Forma As Adjusted At June 30, 2009
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents[(4)]	$ 96,062	$ 242,960
Total assets	$ 2,003,444	$ 2,143,588
Total debt (net of unamortized debt discount)[(5)]	$ 801,136	$ 801,136
Total equity	$ 919,914	$ 926,130

(1) Our financial results prior to November 16, 2006 represent the financial results of the group of subsidiaries of HLTH that comprised its Emdeon Business Services segment. On November 16, 2006, HLTH sold a 52% interest in EBS Master (which was formed as a holding company for our business in connection with that transaction) to us. Accordingly, the financial information presented reflects the results of operations and financial condition of Emdeon Business Services before the 2006 Transaction (Predecessor) and of us after the 2006 Transaction (Successor).

(2) As a result of purchase price adjustments in connection with the 2006 Transaction and the 2008 Transaction, depreciation, amortization, interest and income tax provision (benefit) amounts may not be comparable for each of the periods presented.

(3) We define Adjusted EBITDA as EBITDA, (which is defined as net income (loss) before net interest expense, income tax provision (benefit) and depreciation and amortization), plus certain other non-recurring, non-cash or non-operating items. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our U.S. generally accepted accounting principles, or GAAP results and the following reconciliation, we believe provides a more complete understanding of factors and trends affecting our business than GAAP measures alone. We believe Adjusted EBITDA assists our board of directors, management and investors in comparing our operating performance on a consistent basis because it removes the impact of our capital structure (such as interest expense and 2006 Transaction costs), asset base (such as depreciation and amortization) and items outside the control of our management team (such as income taxes), as well as other non-cash (such as purchase accounting adjustments, equity-based compensation expense and lease termination charges) and non-recurring items (such as litigation expenses and acquisition costs), from our operations. We consider adjusted EBITDA as a consolidated measure of our operations and, as a result, do not adjust for any noncontrolling interest portion of such measure.

Our board of directors and management use Adjusted EBITDA as one of the primary measures for planning and forecasting overall expectations and for evaluating, on at least a quarterly and annual basis, actual results against such expectations. Adjusted EBITDA is also used as a performance evaluation metric in determining achievement of certain executive incentive compensation programs, as well as for incentive compensation plans for employees generally. See Executive Compensation Compensation Discussion and Analysis. Finally, adjusted EBITDA, or a similar non-GAAP measure, is used by research analysts, investment bankers and lenders to assess our operating performance.

Despite the importance of this measure in analyzing our business, measuring and determining incentive compensation and evaluating our operating performance, as well as the use of adjusted EBITDA measures by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP; nor is Adjusted EBITDA intended to be a measure of liquidity or free cash flow for our discretionary use. Some of the limitations of Adjusted EBITDA are:

Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect the interest expense, or the cash requirements to service interest or principal payments under our credit agreements;

Adjusted EBITDA does not reflect income tax payments we are required to make; and

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

To properly and prudently evaluate our business, we encourage you to review the financial statements included elsewhere in this prospectus, and not rely on any single financial measure to evaluate our business. We also strongly urge you to review the reconciliation of net income to Adjusted EBITDA. The Adjusted EBITDA, as presented in this prospectus, may differ from and may not be comparable to similarly titled measures used by other companies, because Adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations.

The following table sets forth a reconciliation of Adjusted EBITDA to net income, a comparable GAAP-based measure. All of the items included in the reconciliation from net income to Adjusted EBITDA are either (i) non-cash items (such as depreciation and amortization, equity-based compensation expense, purchase accounting adjustments and lease termination charges), (ii) items that management does not consider in assessing our on-going operating performance (such as income taxes and interest expense) or (iii) non-recurring items. In the case of the non-cash items, management believes that investors can better assess our comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of other factors that affect operating performance. In the case of the other items, management believes that investors can better assess our operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

(footnotes continued on next page)

Table of Contents

	Emdeon Business Services (Predecessor)						Emdeon Inc. (Successor)	Unaudited	
	Fiscal Year Ended		January 1, 2006 to	November 16, 2006 to	Fiscal Year Ended		Pro Forma Fiscal Year Ended	Six Months	
	December 31,		November 15,	December 31,	December 31,		December 31,	Ended June 30,	
	2004	2005	2006	2006	2007	2008	2008	2008	2009
					(In thousands)				
	$ 50,553	$ 65,493	$ 63,542	$ (2,384)	$ 17,276	$ 11,933	$ 4,950	$ 8,235	$ 17,7
	15,921	17,469	20,860	3,547	35,070	40,865	41,153	19,506	19,9
tangibles	17,470	14,804	9,580	3,580	27,741	56,999	60,277	26,763	30,4
on-cash es(a)	2,351	939							
ncome), net	80	(18)	(42)	9,974	72,758	70,754	71,439	28,888	35,0
ion (benefit)	26,686	31,526	42,004	1,014	18,101	8,567	4,490	7,690	3,6
	113,061	130,213	135,944	15,731	170,946	189,118	182,309	91,082	106,8
pensation(b)					4,486	4,145	10,818	5,064	8,9
pensation(c)	1,384	296	6,144	310	2,107				
l other d)				1,694	1,694				
ng				805	3,445	5,579	5,715	3,467	8
f)			4,198			750	750		2
ment of leased ted costs(g)						4,758	4,758	16	2
h)						804	804	95	2
A	$ 114,445	$ 130,509	$ 146,286	$ 18,540	$ 182,678	$ 205,154	$ 205,154	$ 99,724	$ 117,4

(a) Represents non-cash advertising services arising from an asset that originated in a barter transaction between HLTH and a media company. This asset was charged against income over the beneficial period of the services. We do not believe that the costs of this transaction are representative of our on-going operations.

(b) Represents non-cash equity-based compensation of EBS Master to both employees and directors. We believe excluding this non-cash expense allows us to compare our operating performance without regard to the impact of equity-based compensation expense, which varies from period to period based on the amount and timing of grants.

(c) Represents non-cash equity-based compensation of HLTH to employees. We believe excluding this non-cash expense allows us to compare our operating performance without regard to the impact of equity-based compensation expense, which varies from period to period based on the amount and timing of grants.

(d) Represents cash compensation to employees paid in conjunction with the 2006 Transaction that was subsequently funded by HLTH through a capital contribution. We believe it is appropriate to exclude these charges which are not considered an ongoing component of our operations.

(e) Represents adjustments that arose out of purchase accounting related to business combinations. Historically, these adjustments have primarily related to the revaluation of deferred revenue to fair value at the dates of the 2006 Transaction and the 2008 Transaction and the subsequent reduction to revenue recognized. As the related revenue stream is an on-going component of our business, we believe it is appropriate to consider these items as revenue which would have been recorded had purchase accounting not been performed. We also believe that this reduction of the deferred revenue affects period-to-period financial performance comparability and is not indicative of the changes in our underlying results of operations. In the future, purchase method adjustments affecting other items may be reflected in our Adjusted EBITDA computation.

(f) Represents charges imputed to us by HLTH in 2006 related to the 2006 Transaction and expenses in 2008 associated with this offering. We believe it is appropriate to exclude these charges which are not considered to be ongoing components of our operations.

(g) Represents the charges recognized upon abandonment of two leased properties in December 2008 and related costs of the abandonments. We believe it is appropriate to exclude these charges and related costs because these items are not considered to be ongoing components of our operations.

(h) Represents costs of failed acquisitions through December 31, 2008. Future acquisition costs, failed or successful, will be excluded based on SFAS 141R, effective January 1, 2009, which requires that successful acquisition costs also be expensed. We believe it is appropriate to exclude such costs because these items are not considered to be ongoing components of our operations.

(4) Does not reflect the impact of approximately $75.0 million paid from our available cash in connection with the eRx Acquisition, which occured after June 30, 2009.

(5) Our debt is reflected net of unamortized debt discount of $59.0 million related to original loan fees and purchase accounting adjustments to discount the debt to fair value in conjunction with the 2008 Transaction.

Table of Contents

RISK FACTORS

Investing in our Class A common stock involves substantial risks. In addition to the other information in this prospectus, you should carefully consider the following factors before investing in our Class A common stock. Any of the risk factors we describe below could adversely affect our business, financial condition or results of operations. The market price of our Class A common stock could decline if one or more of these risks and uncertainties develop into actual events, causing you to lose all or part of the money you paid to buy our shares. While we believe these risks and uncertainties are most important for you to consider, we may face other risks or uncertainties which may adversely affect our business. Certain statements in Risk Factors are forward-looking statements. See Forward-looking Statements.

Risks Related to our Business

We face significant competition for our products and services.

The markets for our various products and services are intensely competitive, continually evolving and, in some cases, subject to rapid technological change. While we do not believe any single competitor offers a similarly expansive suite of products and services, we face competition from many healthcare information systems companies and other technology companies within segments of the revenue and payment cycle markets. We also compete with certain of our customers that provide internally some of the same products and services that we offer. Our key competitors include: (i) healthcare transaction processing companies, including those providing electronic data interchange (EDI) and/or Internet-based services and those providing services through other means, such as paper and fax; (ii) healthcare information system vendors that support providers, including physician practice management system and electronic medical record system vendors; (iii) large information technology consulting service providers; and (iv) health insurance companies, pharmacy benefit management companies and pharmacies that provide or are developing electronic transaction services for use by providers and/or by their members and customers. In addition, major software, hardware, information systems and business process outsourcing companies, both with and without healthcare companies as their partners, offer or have announced their intention to offer products or services that are competitive with products and services that we offer.

Within certain of the products and services markets in which we operate, we face competition from entities that are significantly larger and have greater financial resources than we do and have established reputations for success in implementing healthcare electronic transaction processing systems. Other companies have targeted these markets for growth, including by developing new technologies utilizing Internet-based systems. We may not be able to compete successfully with these companies, and these or other competitors may commercialize products, services or technologies that render our products, services or technologies obsolete or less marketable.

Some of our customers compete with us and some, instead of using a third party provider, perform internally some of the same services that we offer.

Some of our existing customers compete with us or may plan to do so or belong to alliances that compete with us or plan to do so, either with respect to the same products and services we provide to them or with respect to some of our other lines of business. For example, some of our payer customers currently offer, through affiliated clearinghouses, through Web portals and other means, electronic data transmission services to providers that allow the provider to bypass third party EDI service providers such as us, and additional payers may do so in the future. The ability of payers to replicate our products and services may adversely affect the terms and conditions we are able to negotiate in our agreements with them and our transaction volume with them, which directly relates to our revenues. We may not be able to maintain our existing relationships for connectivity services with payers or develop new relationships on satisfactory terms, if at all. In addition, some of our products and services allow payers to outsource business processes that they have been or could be performing internally and, in order for us to be able to compete, use of our products and services must be more efficient for them than use of internal resources.

If we are unable to retain our existing customers, our business, financial condition and results of operations could suffer.

Our success depends substantially upon the retention of our customers, particularly due to our transaction-based, recurring revenue model. We may not be able to retain some of our existing customers if we are unable to continue to provide products and services that our payer customers believe enable them to achieve improved efficiencies and cost-effectiveness, and that our provider customers believe allow them to more effectively manage their revenue cycle, increase reimbursement rates and improve cash flows. We also may not be able to retain customers if our electronic and/or paper-based solutions contain errors or otherwise fail to perform properly or if our pricing structure is no longer competitive. Historically, we have enjoyed high customer retention rates; however, we may not be able to maintain high retention rates in the future. Our transaction-based, recurring revenues depend in part upon maintaining this high customer retention rate, and if we are unable to maintain our historically high customer retention rate, our business, financial condition and results of operations could be adversely impacted.

If we are unable to connect to a large number of payers and providers, our product and service offerings would be limited and less desirable to our customers.

Our business largely depends upon our ability to connect electronically to a substantial number of payers, such as insurance companies, Medicare and Medicaid agencies and pharmacy benefit managers, and providers, such as hospitals, physicians, dentists and pharmacies. The attractiveness of some of the solutions we offer to providers, such as our claims management and submission services, depends in part on our ability to connect to a large number of payers, which allows us to streamline and simplify workflows for providers. These connections may either be made directly or through a clearinghouse. We may not be able to maintain our links with a large number of payers on terms satisfactory to us and we may not be able to develop new connections, either directly or through other clearinghouses, on satisfactory terms. The failure to maintain these connections could cause our products and services to be less attractive to our provider customers. In addition, our payer customers view our connections to a large number of providers as essential in allowing them to receive a high volume of transactions and realize the resulting cost efficiencies through the use of our products and services. Our failure to maintain existing connections with payers, providers and other clearinghouses or to develop new connections as circumstances warrant, or an increase in the utilization of direct links between payers and providers, could cause our electronic transaction processing system to be less desirable to healthcare constituents, which would reduce the number of transactions that we process and for which we are paid, resulting in a decrease in revenues and an adverse effect on our financial condition and results of operations.

The failure to maintain our relationships with our channel partners or significant changes in the terms of the agreements we have with them may have an adverse effect on our ability to successfully market our products and services.

We have entered into contracts with other companies (channel partners), including healthcare information system vendors and electronic medical record vendors, to market and sell some of our products and services. Most of these contracts are on a non-exclusive basis. However, under contracts with some of our channel partners, we may be bound by provisions that restrict our ability to market and sell our products and services to potential customers. Our arrangements with some of these channel partners involve negotiated payments to them based on percentages of revenues they generate. If the payments prove to be too high, we may be unable to realize acceptable margins, but if the payments prove to be too low, the channel partners may not be motivated to produce a sufficient volume of revenues. The success of these contractual arrangements will depend in part upon the channel partners own competitive, marketing and strategic considerations, including the relative advantages of using alternative products being developed and marketed by them or our competitors. If any of these channel partners are unsuccessful in marketing our products and services or seek to amend the financial or other terms of the contracts we have with them, we will need to broaden our marketing efforts to increase focus on the solutions they sell and alter our distribution strategy, which may divert our planned efforts and resources from other projects. In addition, as part of the packages these channel partners sell, they may offer a choice to their customers between products and services that we supply and similar products and services offered by our competitors or by the channel partners directly. For example, one large payer customer terminated an MGA with us during 2007 in order to allow some of our channel partners and provider customers to directly submit transactions to the payer. If our products and services are not chosen for inclusion in vendor packages, the revenues we earn from these relationships will decrease. Lastly, we could be subject to claims and liability, as a result of the activities, products or services of these channel partners or other resellers of our products and services. Even if these claims do not result in liability to us, investigating and defending these claims could be expensive, time-consuming and result in adverse publicity that could harm our business.

Our business and future success may depend on our ability to cross-sell our products and services.

Our ability to generate revenue and growth partly depends on our ability to cross-sell our products and services to our existing customers and new customers. We expect our ability to successfully cross-sell our products and services will be one of the most significant factors influencing our growth. We may not be successful in cross-selling our products and services because our customers may find our additional products and services unnecessary or unattractive. Our failure to sell additional products and services to existing customers could affect our ability to grow our business.

We have faced and will continue to face increasing pressure to reduce our prices, which may cause us to no longer be competitive.

As electronic transaction processing further penetrates the healthcare market or becomes highly standardized, competition among electronic transaction processors is increasingly focused on pricing. This competition has placed, and could place further, intense pressure on us to reduce our prices in order to retain market share. If we are unable to reduce our costs sufficiently to offset declines in our prices, or if we are unable to introduce new, innovative product and service offerings with higher margins, our results of operations could decline.

In addition, many healthcare industry constituents are consolidating to create integrated healthcare delivery systems with greater market power. As provider networks, such as hospitals, and payer organizations, such as private insurance companies, consolidate, competition to provide the types of products and services we provide will become more intense, and the importance of establishing and maintaining relationships with key industry constituents will become greater. These industry constituents have, in the past, and may, in the future, try to use their market power to negotiate price reductions for our products and services. If we are forced to reduce prices, our margins will decrease and our results of operations will decline, unless we are able to achieve corresponding reductions in expenses.

Our ability to generate revenue could suffer if we do not continue to update and improve our existing products and services and develop new ones.

We must improve the functionality of our existing products and services in a timely manner and introduce new and valuable healthcare information technology and service solutions in order to respond to technological and regulatory developments and, thereby, retain existing customers and attract new ones. For example, from time to time, government agencies may alter format and data code requirements applicable to electronic transactions. We may not be successful in responding to technological and regulatory developments and changing customer needs. The pace of change in the markets we serve is rapid, and there are frequent new product and service introductions by our competitors and by channel partners who use our products and services in their offerings. If we do not respond successfully to technological and regulatory changes and evolving industry standards, our products and services may become obsolete. Technological changes may also result in the offering of competitive products and services at lower prices than we are charging for our products and services, which could result in our losing sales unless we lower the prices we charge. If we do lower our prices on some of our products and services, we will need to increase our margins on these products and services in order to increase our overall profitability. In addition, the products and services we develop or license may not be able to compete with the alternatives available to our customers.

Table of Contents

Achieving market acceptance of new or updated products and services is necessary in order for them to become profitable and will likely require significant efforts and expenditures.

Our future financial results will depend in part on whether our new or updated products and services receive sufficient customer acceptance. These products and services include:

- electronic billing, payment and remittance services for payers and providers that complement our existing paper-based patient billing and payment and payment distribution services;
- electronic prescriptions from healthcare providers to pharmacies and pharmacy benefit managers;
- our other pre- and post-adjudication services for payers and providers; and
- decision support, payment integrity or other business intelligence solutions.

Achieving market acceptance for new or updated products and services is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by constituents in the healthcare industry. In addition, deployment of new or updated products and services may require the use of additional resources for training our existing sales force and customer service personnel and for hiring and training additional salespersons and customer service personnel. Failure to achieve broad penetration in target markets with respect to new or updated products and services could have an adverse effect on our business prospects and financial results.

There are increased risks of performance problems during times when we are making significant changes to our products and services or to systems we use to provide services. In addition, implementation of our products and services and efficiency measures and other cost savings initiatives may cost more, may not provide the benefits expected or may take longer than anticipated.

In order to respond to technological and regulatory changes and evolving industry standards, our products and services must be continually updated and enhanced. The software and systems that we sell and that we use to provide services are inherently complex and, despite testing and quality control, we cannot be certain that errors will not be found in any changes, enhancements, updates and new versions that we market or use. Even if new or modified products and services do not have performance problems, our technical and customer service personnel may have difficulties in installing them or in their efforts to provide any necessary training and support to customers.

Implementation of changes in our technology and systems may cost more or take longer than originally expected and may require more testing than originally anticipated. While the new hardware and software will be tested before it is used in production, we cannot be sure that the testing will uncover all problems that may occur in actual use. If significant problems occur as a result of these changes, we may fail to meet our contractual obligations to customers, which could result in claims being made against us or in the loss of customer relationships. In addition, changes in our technology and systems may not provide the additional functionality or other benefits that were originally expected.

In addition, we also periodically implement efficiency measures and other cost saving initiatives to improve our operating performance. These efficiency measures and other cost saving initiatives may not provide the benefits anticipated in the time frame expected, or at all.

Disruptions in service or damages to our data or other operation centers, or other software or systems failures, could adversely affect our business.

Our data centers and operation centers are essential to our business. Our operations depend on our ability to maintain and protect our computer systems, many of which are located in data centers that we operate in Memphis and Nashville, Tennessee, and one operated by a third party in Florida. Our business and results of operations are also highly dependent on our print and mail operations, which are primarily conducted in print and mail operations centers in Bridgeton, Missouri and Toledo, Ohio. We conduct business continuity planning and maintain insurance against fires, floods, other natural disasters and general business interruptions to mitigate the adverse effects of a disruption, relocation or change in operating environment at one of our data centers, print and mail facilities or other locations; however, the situations we plan for and the amount of insurance coverage may not be adequate in any particular case. The occurrence of any of these events could result in interruptions, delays or cessations in service to users of our products and services, which could impair or prohibit our ability to provide our products and services, reduce the attractiveness of our products and services to our customers and adversely impact our financial condition and results of operations.

In addition, despite the implementation of security measures, our infrastructure, data centers or systems that we interface with, including the Internet and related systems, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks, terrorist attacks or other attacks by third parties or similar disruptive problems. Any of these can cause system failure, including network, software or hardware failure, which can result in service disruptions or increased response time for our products and services. As a result, we may be required to expend significant capital and other resources to protect against security breaches and hackers or to alleviate problems caused by such breaches.

We also rely on a limited number of suppliers to provide us with a variety of products and services, including telecommunications and data processing services necessary for our transaction services and processing functions and software developers for the development and maintenance of certain software products we use to provide our solutions. If these suppliers do not fulfill their contractual obligations or choose to discontinue their products or services, our business and operations could be disrupted, our brand and reputation could be harmed and our financial condition and operating results could be adversely affected.

We may be liable to our customers and may lose customers if we provide poor service, if our products and services do not comply with our agreements or if our software products or transmission systems contain errors or experience failures.

We must meet our customers service level expectations and our contractual obligations with respect to our products and services. Failure to do so could subject us to liability, as well as cause us to lose customers. In some cases, we rely upon third party contractors to assist us in providing our products and services. Our ability to meet our contractual obligations and customer expectations may be impacted by the performance of our third party contractors and their ability to comply with applicable laws and regulations. For example, our new electronic payment and remittance services depend in part on the ability of our vendors to comply with applicable banking and financial service requirements and their failure to do so could cause an interruption in the services we provide or require us to seek alternative solutions or relationships.

Errors in the software and systems we provide to customers or the software and systems we use to provide our products and services also could cause serious problems for our customers. In addition, because of the large amount of data we collect and manage, it is possible that hardware failures and errors in our systems would result in data loss or corruption or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. For example, errors in our transaction processing systems can result in payers paying the wrong amount, making payments to the wrong payee or delaying payments. Since some of our products and services relate to laboratory ordering and reporting and electronic prescriptions, an error in our systems also could result in injury to a patient. If problems like these occur, our customers may seek compensation from us or may seek to terminate their agreements with us, withhold payments due to us, seek refunds from us of part or all of the fees charged under our agreements, a loan or advancement of funds, or initiate litigation or other dispute resolution procedures. In addition, we may be subject to claims against us by others affected by any such problems.

In addition, our activities and the activities of our third party contractors involve the storage, use and transmission of personal health information. Accordingly, security breaches of our computer systems or at print and mail operation centers could expose us to a risk of loss or litigation, government enforcement actions and contractual liabilities. We cannot assure you that contractual provisions attempting to limit our liability in these areas will be successful or enforceable, or that other parties will accept such contractual provisions as part of our agreements. Any security breaches also could impact our ability to provide our products and services, as well as impact the confidence of our customers in our products and services, either of which could have an adverse effect on our business, financial condition and results of operations.

We attempt to limit, by contract, our liability for damages arising from our negligence, errors, mistakes or security breaches. However, contractual limitations on liability may not be enforceable or may otherwise not provide sufficient protection to us from liability for damages. We maintain liability insurance coverage, including coverage for errors and omissions. It is possible, however, that claims could exceed the amount of our applicable insurance coverage, if any, or that this coverage may not continue to be available on acceptable terms or in sufficient amounts. Even if these claims do not result in liability to us, investigating and defending against them could be expensive and time consuming and could divert management s attention away from our operations. In addition, negative publicity caused by these events may delay market acceptance of our products and services, including unrelated products and services, or may harm our reputation and our business. We are currently in discussions with HLTH to whom we provide de-identified data regarding the scope of, and the performance under, the agreement governing such relationship. See Certain Relationships and Related Party Transactions Agreements with HLTH Corporation and its Affiliates Amended and Restated Data License Agreement .

Our business will suffer if we fail to successfully integrate acquired businesses and technologies or to appropriately assess the risks in particular transactions.

We have in the past acquired, and may in the future acquire, businesses, technologies, services, product lines and other assets. For example, in July 2009 we acquired eRx and intend to integrate its operations with our business. The successful integration of any businesses and assets we acquire into our operations, on a cost-effective basis, can be critical to our future performance. The amount and timing of the expected benefits of any acquisition, including potential synergies between our current business and the acquired business, are subject to significant risks and uncertainties. These risks and uncertainties include, but are not limited to, those relating to:

- our ability to maintain relationships with the customers of the acquired business;
- our ability to cross-sell products and services to customers with which we have established relationships and those with which the acquired businesses have established relationships;
- our ability to retain or replace key personnel;
- potential conflicts in payer, provider, vendor or marketing relationships;
- our ability to coordinate organizations that are geographically diverse and may have different business cultures; and
- compliance with regulatory requirements.

We cannot guarantee that any acquired businesses will be successfully integrated with our operations in a timely or cost-effective manner, or at all. Failure to successfully integrate acquired businesses or to achieve anticipated operating synergies, revenue enhancements or cost savings could have an adverse effect on our business, financial condition and results of operations.

Although our management attempts to evaluate the risks inherent in each transaction and to evaluate acquisition candidates appropriately, we may not properly ascertain all such risks and the acquired businesses and assets may not perform as we expect or enhance the value of our company as a whole. In addition, acquired companies or businesses may have larger than expected liabilities that are not covered by the indemnification, if any, that we are able to obtain from the sellers.

We have a substantial amount of indebtedness which could affect our financial condition.

As of June 30, 2009, we had an aggregate of $860.1 million of outstanding indebtedness (before deduction of unamortized debt discount of $59.0 million) and we had the ability to borrow an additional $44.2 million under our revolving credit facility. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to take any of such actions on a timely basis or on terms satisfactory to us or at all.

Our substantial amount of indebtedness could limit our ability to:

- obtain necessary additional financing for working capital, capital expenditures or other purposes in the future;
- plan for, or react to, changes in our business and the industries in which we operate;
- make future acquisitions or pursue other business opportunities; and
- react in an extended economic downturn.

Table of Contents

Despite our substantial indebtedness, we may still be able to incur significantly more debt. The incurrence of additional debt could increase the risks associated with our substantial leverage, including our ability to service our indebtedness. In addition, because borrowings under our credit agreements bear interest at a variable rate, our interest expense could increase, exacerbating these risks. For instance, assuming an aggregate principal balance of $860.1 million outstanding under our credit agreements, which was the amount outstanding as of June 30, 2009, and considering the effect of our interest rate swap agreement, a 1% increase in the interest rate we are charged on our debt would increase our annual interest expense by $4.4 million.

Recent events in the credit markets may affect our ability to refinance our existing debt or obtain additional debt financing on acceptable terms.

We may need or seek additional financing in the future to either refinance our existing indebtedness, fund our operations, fund acquisitions, develop additional products and services or implement other projects. Given the state of the current credit environment resulting from, among other things, the general weakening of the global economy, it may be difficult to refinance our existing indebtedness or obtain any such additional financing on acceptable terms, which could have an adverse effect on our financial condition, including our results of operations and/or business plans. In addition, if as a result of the current conditions in the credit markets any of the lenders participating in our revolving credit facility are unable to fund borrowings under such facility, our liquidity could be adversely affected.

The terms of our credit agreements may restrict our current and future operations, which would adversely affect our ability to respond to changes in our business and to manage our operations.

Our credit agreements contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional debt;
- issue preferred stock;
- create liens;
- create or incur contingent obligations;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- make investments and acquisitions;
- enter into hedging arrangements;
- make capital expenditures;
- pay dividends and make other restricted payments;
- enter into transactions with affiliates; and

transfer all or substantially all of our assets or enter into merger or consolidation transactions.

Our credit agreements also require us to maintain certain financial ratios, including a maximum total leverage ratio and a minimum interest coverage ratio. A failure by us to comply with the covenants or financial ratios contained in our credit agreements could result in an event of default under the applicable facility which could adversely affect our ability to respond to changes in our business and manage our operations. A change of control of our company is also an event of default under our credit agreements. Under our credit agreements, a change of control of our company will occur if any person other than the General Atlantic Equityholders or the H&F Equityholders (collectively, the Permitted Holders) or us or our subsidiaries acquires, directly or indirectly, more than 35% of the outstanding equity interests of EBS Master and at the time of the acquisition the Permitted Holders do not collectively hold equity interests of EBS Master representing greater voting power in EBS Master than such person. In the event of any default under our first lien credit agreement, the lenders under that agreement will not be required to lend any additional amounts to us. In addition, upon the occurrence of an event of default under either of our credit agreements, the lenders under both credit agreements could elect to declare all amounts outstanding to be due and payable and require us to apply all of our available cash to repay these amounts. If the indebtedness under our credit agreements were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full.

Recent developments in the healthcare industry could adversely affect our business.

National healthcare reform is currently a major focus at the federal level, and congressional leaders are targeting legislation to be passed by the fall. There are currently numerous federal, state and private initiatives and studies seeking ways to increase the use of information technology in healthcare as a means of improving care and reducing costs. These initiatives may result in additional or costly legal and regulatory requirements that are applicable to us and our customers, may encourage more companies to enter our markets, may provide advantages to our competitors and may result in the development of technology solutions that compete with ours.

Any such reforms or initiatives, whether private or governmental, may result in a reduction of expenditures by customers or potential customers in the healthcare industry, which could have an adverse effect on our business. General reductions in expenditures by healthcare industry constituents could result from, among other things:

- government regulation or private initiatives that affect the manner in which providers interact with patients, payers or other healthcare industry constituents, including changes in pricing or means of delivery of healthcare products and services;
- reductions in governmental funding for healthcare; and
- adverse changes in business or economic conditions affecting payers or providers, pharmaceutical companies, medical device manufacturers or other healthcare industry constituents.

Even if general expenditures by industry constituents remain the same or increase, other developments in the healthcare industry may result in reduced spending on information technology and services or in some or all of the specific markets we serve or are planning to serve. In addition, our customers expectations regarding pending or potential industry developments may also affect their budgeting processes and spending plans with respect to the types of products and services we provide. For example, use of our products and services could be affected by:

- changes in the billing patterns of providers;
- changes in the design of health insurance plans;
- changes in the contracting methods payers use in their relationships with providers; and
- decreases in marketing expenditures by pharmaceutical companies or medical device manufacturers, as a result of governmental regulation or private initiatives that discourage or prohibit promotional activities by pharmaceutical or medical device companies.

The healthcare industry has changed significantly in recent years and we expect that significant changes will continue to occur. The timing and impact of developments in the healthcare industry are difficult to predict. We cannot be sure that the markets for our products and services will continue to exist at current levels or that we will have adequate technical, financial and marketing resources to react to changes in those markets.

Government regulation creates risks and challenges with respect to our compliance efforts and our business strategies.

The healthcare industry is highly regulated and is subject to changing political, legislative, regulatory and other influences. Many healthcare laws are complex, and their application to specific services and relationships may not be clear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate the healthcare information products and services that we provide, and these laws and regulations may be applied to our products and services in ways that we do not anticipate. Federal and state legislatures and agencies periodically consider proposals to reform or revise aspects of the healthcare industry or to revise or create additional statutory and regulatory requirements. Such proposals, if implemented, could impact our operations, the use of our products

Table of Contents

or services and our ability to market new products and services, or could create unexpected liabilities for us. We may also be impacted by non-healthcare laws as a result of some of our products and services. For example, laws regulating the banking and financial services industry may impact our operations as a result of the new electronic payment and remittance services we offer, or plan to offer, through third party vendors. We are unable to predict what changes to laws or regulations might be made in the future or how those changes could affect our business or the costs of compliance.

We have attempted to structure our operations to comply with legal requirements applicable to us directly and to our clients and third party contractors, but there can be no assurance that our operations will not be challenged or impacted by enforcement initiatives. Any determination by a court or agency that our products and services violate, or cause our customers to violate, these laws or regulations could subject us or our customers to civil or criminal penalties. Such a determination could also require us to change or terminate portions of our business, disqualify us from serving customers who are or do business with government entities, or cause us to refund some or all of our service fees or otherwise compensate our customers. In addition, failure to satisfy laws or regulations could adversely affect demand for our products and services and could force us to expend significant capital, research and development and other resources to address the failure. Even an unsuccessful challenge by regulatory authorities or private whistleblowers could result in loss of business, exposure to adverse publicity and injury to our reputation and could adversely affect our ability to retain and attract clients. Laws and regulations impacting our operations include the following:

HIPAA and Other Privacy and Security Requirements. There are numerous federal and state laws and regulations related to the privacy and security of personal health information. In particular, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, established privacy and security standards that limit the use and disclosure of individually identifiable health information and that require the implementation of administrative, physical and technological safeguards to ensure the confidentiality, integrity and availability of individually identifiable health information in electronic form. Our operations as a healthcare clearinghouse are directly subject to the HIPAA privacy and security standards. In addition, our payer and provider customers are directly subject to the standards and are required to enter into written agreements with us, known as business associate agreements, which require us to safeguard individually identifiable health information and restrict how we may use and disclose such information. Further, effective February 17, 2010, the American Recovery and Reinvestment Act of 2009 (ARRA) will extend the direct application of certain provisions of the security and privacy standards to us when we are functioning as a business associate of our payer or provider customers.

Violations of the HIPAA privacy and security standards may result in civil and criminal penalties, and ARRA has increased the penalties for HIPAA violations and strengthened the enforcement provisions of HIPAA. Recently, enforcement activities have appeared to increase, and ARRA may further increase such enforcement activities. For example, ARRA authorizes state attorneys general to bring civil actions seeking either injunctions or damages in response to violations of HIPAA privacy and security regulations that threaten the privacy of state residents.

ARRA also provides that the U.S. Department of Health and Human Services (HHS) must issue regulations later this year requiring covered entities to report certain security breaches to individuals affected by the breach and, in some cases, to HHS or to the public via a website. This reporting obligation will apply broadly to breaches involving unsecured protected health information and will become effective 30 days from the date HHS issues these regulations. Effective February 17, 2010 or later (in the case of restrictions tied to the issuance of implementing regulations), ARRA will impose stricter limitations on certain types of uses and disclosures of individually identifiable health information, such as additional restrictions on marketing communications and the sale of individually identifiable health information.

In addition to the HIPAA privacy and security standards, most states have enacted patient confidentiality laws that protect against the disclosure of confidential medical information, and many states have adopted or are considering further legislation in this area, including privacy safeguards, security standards and data security breach notification requirements. Such state laws and regulations, if more stringent than the HIPAA standards, are not preempted by the federal requirements and may be applicable to us.

Further, some of our customers are subject to a new federal rule requiring financial institutions and creditors, which may include health providers and health plans, to implement identity theft prevention programs to detect, prevent, and mitigate identity theft in connection with customer accounts. We may be required to make changes to our operations to assist our customers in complying with this rule.

HIPAA Transaction and Identifier Standards. HIPAA and its implementing regulations also mandate format, data content and provider identifier standards that must be used in certain electronic transactions, such as claims, payment advice and eligibility inquiries. Although our systems are fully capable of transmitting transactions that comply with these requirements, some payers and healthcare clearinghouses with which we conduct business interpret HIPAA transaction requirements differently than we do or may require us to use legacy formats or include legacy identifiers as they transition to full compliance. Where payers or healthcare clearinghouses require conformity with their interpretations or require us to accommodate legacy transactions or identifiers as a condition of successful transactions, we seek to comply with their requirements, but may be subject to enforcement actions as a result. In January 2009, the Centers for Medicare & Medicaid Services (CMS) published a final rule adopting updated standard code sets for diagnoses and procedures known as the ICD-10 code sets. The final rule also resulted in changes related to the formats used for electronic transactions subject to the rule. While use of the ICD-10 code sets is not mandatory until October 1, 2013 and the use of the updated formats is not mandatory until January 1, 2012, we have begun to modify our payment systems and processes to prepare for their implementation. We may not be successful in responding to these changes and any responsive changes we make to our transactions and software may result in errors and otherwise negatively impact our service levels. We may also experience complications related to supporting customers that are not fully compliant with the revised requirements as of the applicable compliance date.

Anti-Kickback and Anti-Bribery Laws. A number of federal and state laws govern patient referrals, financial relationships with physicians and other referral sources and inducements to providers and patients. For example, the federal anti-kickback law prohibits any person or entity from offering, paying, soliciting or receiving, directly or indirectly, anything of value with the intent of generating referrals of patients covered by Medicare, Medicaid or other federal healthcare programs. Many states also have similar anti-kickback laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program. Moreover, both federal and state laws forbid bribery and similar behavior. Any determination by a state or federal regulatory agency that any of our activities or those of our customers or vendors violate any of these laws could subject us to civil or criminal penalties, could require us to change or terminate some portions of our business, could require us to refund a portion of our service fees, could disqualify us from providing services to customers doing business with government programs and could have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

False or Fraudulent Claim Laws. There are numerous federal and state laws that prohibit false or fraudulent claims. False or fraudulent claims include, but are not limited to, billing for services not rendered, failing to refund known overpayments, misrepresenting actual services rendered, improper coding and billing for medically unnecessary items or services. The federal False Claims Act (the FCA) and some state false claims laws contain whistleblower provisions that allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the government. Whistleblowers, the federal government and some courts have taken the position that entities that allegedly have violated other statutes, such as the federal anti-kickback law, have thereby submitted false claims under the federal FCA.

We rely on our customers to provide us with accurate and complete information. Errors and the unintended consequences of data manipulations by us or our systems with respect to entry, formatting, preparation or transmission of claim information may be determined or alleged to be in violation of these laws and regulations or could adversely impact the compliance of our customers.

Banking and Financial Services Industry Laws. The banking and financial services industry is subject to numerous laws and regulations, some of which may impact our operations and subject us, our vendors or our customers to liability as a result of the payment distribution products and services we offer or may offer in the future. Although we do not act as a bank, we offer, or plan to offer, products and services that involve banks, or vendors who contract with banks and other regulated providers of financial services. As a result, we may be impacted by banking and financial services industry laws and regulations, such as licensing requirements, solvency standards, requirements to maintain privacy of nonpublic personal financial information and Federal Deposit Insurance Corporation (FDIC) deposit insurance limits. Further, our payment distribution products and services may impact the ability of our payer customers to comply with state prompt payment laws. These laws require payers to pay healthcare claims meeting the statutory or regulatory definition of a clean claim to be paid within a specified time frame.

Legislative changes may impede our ability to utilize our off-shore service capabilities.

In our operations, we have employees in Costa Rica and contractors in India who may have access to patient health information in order to assist us in performing services to our customers. In recent sessions, the U.S. Congress has considered legislation that would restrict the transmission of personally identifiable information regarding a U.S. resident to any foreign affiliate, subcontractor or unaffiliated third party without adequate privacy protections or without providing notice of the transmission and an opportunity to opt out. Some of the proposals considered would have required patient consent and imposed liability on healthcare businesses arising from the improper sharing or other misuse of personally identifiable information. Congress also has considered creating a private civil cause of action that would allow an injured party to recover damages sustained as a result of a violation of these proposed restrictions. A number of states have also considered, or are in the process of considering, prohibitions or limitations on the disclosure of medical or other information to individuals or entities located outside of the United States. If legislation of this type is enacted, our ability to utilize off-shore resources may be impeded, and we may be subject to sanctions for failure to comply with the new mandates of the legislation. Further, as a result of concerns regarding the possible misuse of personally identifiable information, some of our customers have contractually limited our ability to use our off-shore resources. Use of off-shore resources may increase our risk of violating our contractual obligations to our customers to protect the privacy and security of individually identifiable health information provided to us, which could adversely impact our reputation and operating results.

Failure by our customers to obtain proper permissions or provide us with accurate and appropriate data may result in claims against us or may limit or prevent our use of data which could harm our business.

We require our customers to provide necessary notices and to obtain necessary permissions for the use and disclosure of the information that we receive. If they do not provide necessary notices or obtain necessary permissions, then our use and disclosure of information that we receive from them or on their behalf may be limited or prohibited by state or federal privacy laws or other laws. Such failures by our customers could impair our functions, processes and databases that reflect, contain or are based upon such data. For example, as part of our claims submission services, we rely on our customers to provide us with accurate and appropriate data and directives for our actions. While we have implemented features and safeguards designed to maximize the accuracy and completeness of claims content, these features and safeguards may not be sufficient to prevent inaccurate claims data from being submitted to payers. In addition, such failures by our customers could interfere with or prevent creation or use of rules, analyses or other data-driven activities that benefit us. Accordingly, we may be subject to claims or liability for inaccurate claims data submitted to payers or for use or disclosure of information by reason of lack of valid notice or permission. These claims or liabilities could damage our reputation, subject us to unexpected costs and adversely affect our financial condition and operating results.

Certain of our products and services present the potential for embezzlement, identity theft or other similar illegal behavior by our employees or contractors with respect to third parties.

Among other things, our products and services include printing and mailing checks and/or facilitating electronic funds transfers for our payer customers, and handling mail and payments from payers and from patients for many of our customers which frequently includes original checks and/or credit card information, and occasionally, may include currency. Even in those cases in which we do not facilitate payments or handle original documents or mail, our services also involve the use and disclosure of personal and business information that could be used to impersonate third parties or otherwise gain access to their data or funds. If any of our employees or contractors takes, converts or misuses such funds, documents or data or we experience a data breach creating a risk of identity theft, we could be liable for damages, and our business reputation could be damaged or destroyed. In addition, we could be perceived to have facilitated or participated in illegal misappropriation of funds, documents or data and therefore be subject to civil or criminal liability. Federal and state regulators may take the position that a data breach or misdirection of data constitutes an unfair or deceptive act or trade practice. We also may be required to notify individuals affected by any data breaches. Further, a data breach or similar incident could impact the ability of our customers that are creditors to comply with the federal red flag rules, which require the implementation of identity theft prevention programs to detect, prevent, and mitigate identity theft in connection with customer accounts.

Contractual relationships with customers that are governmental agencies or are funded by government programs may impose special burdens on us and provide special benefits to those customers.

A portion of our revenues comes from customers that are governmental agencies or are funded by government programs. Our contracts and subcontracts may be subject to some or all of the following:

- termination when appropriated funding for the current fiscal year is exhausted;

- termination for the governmental customer s convenience, subject to a negotiated settlement for costs incurred and profit on work completed, along with the right to place contracts out for bid before the full contract term, as well as the right to make unilateral changes in contract requirements, subject to negotiated price adjustments;

- compliance and reporting requirements related to, among other things, agency specific policies and regulations, equal employment opportunity, affirmative action for veterans and workers with disabilities and accessibility for the disabled;

- broad audit rights; and

- specialized remedies for breach and default, including setoff rights, retroactive price adjustments and civil or criminal fraud penalties, as well as mandatory administrative dispute resolution procedures instead of state contract law remedies.

In addition, certain violations of federal and state law may subject us to having our contracts terminated and, under certain circumstances, suspension and/or debarment from future government contracts. We are also subject to conflict-of-interest rules that may affect our eligibility for some government contracts, including rules applicable to all U.S. government contracts, as well as rules applicable to the specific agencies with which we have contracts or with which we may seek to enter into contracts.

The protection of our intellectual property requires substantial resources.

We rely upon a combination of patent, trade secret, copyright and trademark laws, license agreements, confidentiality procedures, nondisclosure agreements and technical measures to protect the intellectual property used in our business. The steps we have taken to protect and enforce our proprietary rights and intellectual property may not be adequate. For instance, we may not be able to secure trademark or service mark registrations for marks in the U.S. or in foreign countries or take similar steps to secure patents for our proprietary applications. Third parties may infringe upon or misappropriate our patents, copyrights, trademarks, service marks and similar proprietary rights, which could have an adverse affect on our business, financial condition and results of operations. If we believe a third party has misappropriated our intellectual property, litigation may be necessary to enforce and protect those rights, which would divert management resources, would be expensive and may not effectively protect our intellectual property. As a result, if anyone misappropriates our intellectual property, it may have an adverse effect on our business, financial condition and results of operations.

Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products or services.

We could be subject to claims that we are misappropriating or infringing intellectual property or other proprietary rights of others. These claims, even if not meritorious, could be expensive to defend and divert management s attention from our operations. If we become liable to third parties for infringing these rights, we could be required to pay a substantial damage award and to develop non-infringing technology, obtain a license or cease selling the products or services that use or contain the infringing intellectual property. We may be unable to develop non-infringing products or services or obtain a license on commercially reasonable terms, or at all. We may also be required to indemnify our customers if they become subject to third party claims relating to intellectual property that we license or otherwise provide to them, which could be costly.

A write-off of all or a part of our identifiable intangible assets or goodwill would hurt our operating results and reduce our net worth.

We have significant identifiable intangible assets and goodwill, which represents the excess of the total purchase price of our acquisitions over the estimated fair value of the net assets acquired. As of June 30, 2009, we had $940.6 million of identifiable intangible assets and $649.6 million of goodwill on our balance sheet, which represented in excess of 80% of our total assets. We amortize identifiable intangible assets over their estimated useful lives which range from 1 to 20 years. We also evaluate our goodwill for impairment at least annually using a combination of valuation methodologies. Because one of the valuation methodologies we use is impacted by market conditions, the likelihood and severity of an impairment charge increases during periods of market volatility, such as the one that recently occurred as a result of the general weakening of the global economy. We are not permitted to amortize goodwill under U.S. accounting standards. In the event an impairment of goodwill is identified, a charge to earnings would be recorded. Although it does not affect our cash flow, a write-off in future periods of all or a part of these assets would adversely affect our operating results and financial condition. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Goodwill and Intangible Assets.

We are dependent on the continued service of key executives, the loss of any of whom could adversely affect our business.

Our performance is substantially dependent on the performance of our senior management team including, George I. Lazenby, IV (Chief Executive Officer), Tracy Bahl (Executive Chairman), Bob A. Newport, Jr. (Chief Financial Officer), Gregory T. Stevens (Executive Vice President, General Counsel and Secretary), J. Philip Hardin (Executive Vice President Provider Services) and Gary D. Stuart (Executive Vice President Payer Services). We have entered into agreements with each member of our senior management team that restrict their ability to compete with us should they decide to leave our company. Even though we have entered into these agreements, we cannot be sure that any member of our senior management team will remain with us or that they will not compete with us in the future. The loss of any member of our senior management team could impair our ability to execute our business plan and growth strategy, cause us to lose customers and reduce revenues, or lead to employee morale problems and/or the loss of key employees.

Our success depends in part on our ability to identify, recruit and retain skilled management and technical personnel. If we fail to recruit and retain suitable candidates or if our relationship with our employees changes or deteriorates, there could be an adverse effect on our business

Our future success depends upon our continuing ability to identify, attract, hire and retain highly qualified personnel, including skilled technical, management, product and technology and sales and marketing personnel, all of whom are in high demand and are often subject to competing offers. Competition for qualified personnel in the healthcare information technology and services industry is intense, and we cannot assure you that we will be able to hire or retain a sufficient number of qualified personnel to meet our requirements, or that we will be able to do so at salary, benefit and other compensation costs that are acceptable to us. A loss of a substantial number of qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for expansion of our business, could have an adverse effect on our business. In addition, while none of our employees are currently unionized, unionization of our employees is possible in the future. Such unionizing activities could be costly to address and, if successful, would likely adversely impact our operations.

Table of Contents

A prolonged economic downturn could have a material adverse effect on our business, financial condition and results of operations.

The U.S. economy is currently undergoing a period of slowdown. We are unable to predict the likely duration or severity of the economic slowdown and there can be no assurance that current economic conditions will not worsen. A prolonged or further weakening of economic conditions could lead to reductions in demand for our products and services. For example, a sustained recession could reduce the amount of income patients are able to spend on healthcare services. As a result, patients may elect to delay or forgo seeking healthcare services, which could decrease our transaction volumes or decrease payer and provider demand for our products and services. In addition, as a result of the economic slowdown, we may experience the negative effects of increased financial pressures on our payer and provider customers. For instance, our business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure and a decline in our customers credit worthiness, which could result in us incurring increased bad debt expense. If we are not able to timely and appropriately adapt to changes resulting from the difficult macroeconomic environment, our business, results of operations and financial condition may be materially and adversely affected.

Lengthy sales, installation and implementation cycles for some of our applications may result in delays or an inability to generate revenues from these applications.

Sales of complex revenue cycle management and electronic medical records applications may result in longer sales, contracting and implementation cycles for our customers. These sales may be subject to delays due to customers internal procedures for deploying new technologies and processes and implementation may be subject to delays based on the availability of the internal customer resources needed. The use of our solutions may also be delayed due to reluctance to change or modify existing procedures. We are unable to control many of the factors that will influence the timing of the buying decisions of potential customers or the pace at which installation and training may occur. If we experience longer sales, contracting and implementation cycles for our applications, we may experience delays in generating, or an inability to generate revenue from these applications, which could have an adverse effect on our financial results.

Risks Related to our Organization and Structure

We are a holding company and our principal asset after completion of this offering will be our equity interests in EBS Master, and we are accordingly dependent upon distributions from EBS Master to pay dividends, if any, taxes and other expenses.

We are a holding company and, upon completion of the reorganization transactions and this offering, our principal asset will be our ownership of equity interests in EBS Master in the form of EBS Units. See Organizational Structure. We have no independent means of generating revenue. We intend to cause EBS Master to make distributions to its unitholders, including us, in an amount sufficient to cover all applicable taxes payable but are limited in our ability to cause EBS Master to make these and other distributions to us (including for purposes of paying corporate and other overhead expenses and dividends) due to the terms of our credit agreements. To the extent that we need funds and EBS Master is restricted from making such distributions under applicable law or regulation, as a result of the terms in our credit agreements or is otherwise unable to provide such funds, it could adversely affect our liquidity and financial condition.

We are controlled by our Principal Equityholders whose interest in our business may be different than yours, and certain statutory provisions afforded to stockholders are not applicable to us.

Together, our Principal Equityholders will control approximately 75.5% of the combined voting power of our common stock (or 72.4% if the underwriters exercise their over-allotment option in full) after the completion of this offering and the application of the net proceeds from this offering. In connection with the reorganization transactions, we have entered into the Stockholders Agreement with the General Atlantic Equityholders, the H&F Equityholders, the eRX Members and the EBS Equity Plan Members. Under the Stockholders Agreement, our Principal Equityholders are entitled to nominate a majority of the members of our board of directors and each of the Principal Equityholders has agreed to vote for all of such nominees. See Management Corporate Governance Board Structure and Certain Relationships and Related Party Transactions Stockholders Agreement for additional detail on the composition of our board of directors and the rights of our Principal Equityholders under the Stockholders Agreement.

Accordingly, our Principal Equityholders can exercise significant influence over our business policies and affairs, including the power to nominate a majority our board of directors. In addition, the Principal Stockholders can control any action requiring the general approval of our stockholders, including the adoption of amendments to our certificate of incorporation and bylaws and the approval of mergers or sales of substantially all of our assets. The concentration of ownership and voting power of our Principal Equityholders may also delay, defer or even prevent an acquisition by a third party or other change of control of our company and may make some transactions more difficult or impossible without the support of our Principal Equityholders, even if such events are in the best interests of minority stockholders. The concentration of voting power among the Principal Equityholders may have an adverse effect on the price of our Class A common stock.

We have opted out of section 203 of the General Corporation Law of the State of Delaware, which we refer to as the Delaware General Corporation Law, which prohibits a publicly held Delaware corporation from engaging in a business combination transaction with an interested stockholder for a period of three years after the interested stockholder became such unless the transaction fits within an applicable exemption, such as board approval of the business combination or the transaction which resulted in such stockholder becoming an interested stockholder. Therefore, after the lock-up period expires, the General Atlantic Equityholders and the H&F Equityholders are able to transfer control of us to a third party by transferring their common stock (subject to the restrictions in the Stockholders Agreement), which would not require the approval of our board of directors or our other stockholders.

Our amended and restated certificate of incorporation provides that the doctrine of corporate opportunity will not apply against the General Atlantic Equityholders, the H&F Equityholders or any of our directors who are employees of the Principal Equityholders, in a manner that would prohibit them from investing in competing businesses or doing business with our customers. To the extent they invest in such other businesses, our Principal Equityholders may have differing interests than our other stockholders. In addition, under the EBS Master LLC Agreement, the EBS Post-IPO Members have agreed that the H&F Continuing LLC Members and/or one or more of their respective affiliates are permitted to engage in business activities or invest in or acquire businesses which may compete with our business or do business with any client of ours.

For additional information regarding the share ownership of, and our relationship with, General Atlantic and H&F, you should read the information under the headings Principal and Selling Stockholders and Certain Relationships and Related Transactions.

We will be exempt from certain corporate governance requirements since we will be a Controlled Company within the meaning of the NYSE Rules and, as a result, our stockholders will not have the protections afforded by these corporate governance requirements.

Together, our Principal Equityholders will continue to control more than 50% of the voting power of our common stock upon completion of this offering. As a result, we will be considered a controlled company for the purposes of the NYSE listing requirements and therefore we will be permitted to, and we intend to, opt out of the NYSE listing requirements that would otherwise require our board of directors to have a majority of independent directors and our compensation and nominating and corporate governance committees to be comprised entirely of independent directors. Accordingly, our stockholders will not have the same protection afforded to stockholders of companies that are subject to all of the NYSE governance requirements and the ability of our independent directors to influence our business policies and affairs may be reduced. See Management Corporate Governance Controlled Company.

We will be required to pay an affiliate of our Principal Equityholders and the EBS Equity Plan Members for certain tax benefits we may claim, and the amounts we may pay could be significant.

Prior to this offering, we and two of our subsidiaries have purchased membership interests in EBS Master. Also, as described under Use of Proceeds, we intend to use a portion of the proceeds from this offering to purchase EBS Units (and corresponding shares of Class B common stock) from certain of the EBS Equity Plan Members. The purchases of these membership interests resulted in tax basis adjustments to the assets of EBS Master, and these basis adjustments have been allocated to us and two of our subsidiaries. In addition, the EBS Units (along with a corresponding number of shares of our Class B common stock) held by the H&F Continuing LLC Members and EBS Equity Plan Members will be exchangeable in the future for cash or shares of our Class A common stock. These future exchanges are likely to result in tax basis adjustments to the assets of EBS Master, which adjustments

Table of Contents

would also be allocated to us. Both the existing and the anticipated basis adjustments are expected to reduce the amount of tax that we would otherwise be required to pay in the future.

We intend to enter into two tax receivable agreements with an entity controlled by the Principal Equityholders (the Tax Receivable Entity). One tax receivable agreement will generally provide for the payment by us to the Tax Receivable Entity of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize in periods after this offering as a result of (i) any step-up in tax basis in EBS Master s assets resulting from the purchases by us and our subsidiaries of EBS Units prior to this offering; (ii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement; and (iii) loss carryovers from prior periods (or portions thereof).

The second of these tax receivable agreements will generally provide for the payment by us to the Tax Receivable Entity of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize in periods after this offering as a result of (i) any step-up in tax basis in EBS Master s assets resulting from (a) exchanges by the H&F Continuing LLC Members of EBS Units (along with the corresponding shares of our Class B common stock) for cash or shares of our Class A common stock or (b) payments under this tax receivable agreement to the Tax Receivable Entity and (ii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement.

We will also enter into a third tax receivable agreement with the EBS Equity Plan Members which will generally provide for the payment by us to the EBS Equity Plan Members of 85% of the amount of the cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize in periods after this offering as a result of (i) any step-up in tax basis in EBS Master s assets resulting from (a) the purchases by us and our subsidiaries of EBS Units from the EBS Equity Plan Members using a portion of the proceeds from the offering, (b) the exchanges by the EBS Equity Plan Members of EBS Units (along with the corresponding shares of our Class B common stock) for cash or shares of our Class A common stock or (c) payments under this tax receivable agreement to the EBS Equity Plan Members and (ii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement.

The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreements, will vary depending upon a number of factors, including the timing of exchanges by the H&F Continuing LLC Members or the EBS Equity Plan Members, as applicable, the price of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable, our use of loss carryovers and the portion of our payments under the tax receivable agreements constituting imputed interest or amortizable basis.

The payments we will be required to make under the tax receivable agreements could be substantial. We expect that, as a result of the amount of the increases in the tax basis of the tangible and intangible assets of EBS Master and the loss carryovers from prior periods (or portions thereof), assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize in full the potential tax benefit described above, future payments under the tax receivable agreements in respect of the purchases and the loss carryovers will aggregate $150.1 million and range from approximately $5.2 million to $17.2 million per year over the next 15 years. These amounts reflect only the cash savings attributable to current tax attributes resulting from the purchases and the loss carryovers. It is possible that future transactions or events could increase or decrease the actual tax benefits realized and the corresponding tax receivable agreement payments from these tax attributes. Future payments under the tax receivable agreements in respect of subsequent acquisitions of EBS Units would be in addition to these amounts and would, if such exchanges took place at the initial public offering price, be of comparable magnitude.

In addition, although we are not aware of any issue that would cause the Internal Revenue Service (IRS) to challenge the tax basis increases or other benefits arising under the tax receivable agreements, the Tax Receivable Entity and the EBS Equity Plan Members will not reimburse us for any payments previously made if such basis increases or other benefits are subsequently disallowed, except that excess payments made to the Tax Receivable Entity or the EBS Equity Plan Members will be netted against payments otherwise to be made, if any, after our determination of such excess. As a result, in such circumstances, we could make payments under the tax receivable agreements that are greater than our actual cash tax savings and may not be able to recoup those payments, which could adversely affect our liquidity.

Finally, because we are a holding company with no operations of our own, our ability to make payments under the tax receivable agreements is dependent on the ability of our subsidiaries to make distributions to us. Our credit agreements restrict the ability of our subsidiaries to make distributions to us, which could affect our ability to make payments under the tax receivable agreements. To the extent that we are unable to make payments under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest until paid, which could adversely affect our results of operations and could also affect our liquidity in periods in which such payments are made.

Rights to receive payments under the tax receivable agreements may be terminated by the Tax Receivable Entity or the EBS Equity Plan Members, as applicable, if as the result of an actual or proposed change in law, the existence of the agreements would cause recognition of ordinary income (instead of capital gain) in connection with future exchanges of EBS Units for cash or shares of our common stock or would otherwise have material adverse tax consequences to the Tax Receivable Entity, its owners or the EBS Equity Plan Members. There are legislative proposals pending in Congress that, if enacted in their present form, may result in such ordinary income recognition. Further, in the event of such a termination, the Tax Receivable Entity or the EBS Equity Plan Members would have the right, subject to the delivery of an appropriate tax opinion, to require us to determine a lump sum amount in lieu of the payments otherwise provided under the agreements. That lump sum amount would be calculated by increasing the portion of the tax savings retained by us to 30% (from 15%) and by calculating a present value for the total amount that would otherwise be payable under the agreements, using a discount rate equal to the lesser of LIBOR plus 100 basis points and 6.5% per annum and assumptions as to income tax rates and as to our ability to utilize the tax benefits (including the assumption that we will have sufficient taxable income). If the assumptions used in this calculation turn out not to be true, we may pay more or less than the specified percentage of our actual cash tax savings. This lump sum amount may be paid in cash or by a subordinated note with a seven-year maturity and an interest rate equal to the lesser of LIBOR plus 200 basis points and 6% per annum. Any such acceleration can occur only if the Tax Receivable Entity or any EBS Equity Plan Member, as applicable, has terminated a substantial portion of our obligations (or, in the case of an EBS Equity Plan Member, such Member s share of our obligations) under the applicable tax receivable agreement with respect to exchanges of units. In view of the foregoing changes in the calculation of our obligations, we do not expect that the net impact of any such acceleration upon our overall financial condition would be materially adverse as compared to our obligations if laws do not change and the obligations are not accelerated. It is further possible that the net impact of such an acceleration would be beneficial to our overall financial condition. The ultimate impact of a decision to accelerate will depend on what the ongoing payments would have been under the tax receivable agreement absent acceleration, which will in turn depend on the various factors mentioned above.

In addition, the tax receivable agreements provide that, upon certain mergers, asset sales, or other forms of business combination or certain other changes of control, our or our successor s obligations with respect to tax benefits would be based on certain assumptions, including that we or our successor would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits covered by the tax receivable agreements. As a result, upon a change of control, we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of our actual cash tax savings.

Risks Related to This Offering and our Class A Common Stock

Substantial future sales of shares of our Class A common stock in the public market could cause our stock price to fall.

Upon consummation of this offering, we will have 88,487,776 shares of Class A common stock outstanding, excluding 5,295,205 shares of Class A common stock underlying outstanding options and 733,598 restricted stock units (each of which will represent the right to receive a share of our Class A common stock upon vesting). Of these shares, the 23,700,000 shares sold in this offering (or 27,255,000 shares if the underwriters exercise their option in full) and the 349,166 shares we issue to the EBS Phantom Plan Participants will be freely tradable without further restriction under the Securities Act of 1933, as amended (the Securities Act). Upon completion of this offering, the remaining 64,438,610 outstanding shares of Class A common stock (or 60,883,610 shares if the underwriters exercise their option in full) will be deemed restricted securities, as that term is defined under Rule 144. Immediately following the consummation of this offering, the holders of these remaining 64,438,610 shares of our Class A common

Table of Contents

stock will be entitled to dispose of their shares following the expiration of an initial 180-day underwriter lock-up period pursuant to the holding period, volume and other restrictions of Rule 144.

In addition, upon consummation of the offering and the application of the net proceeds from this offering, the EBS Post-IPO Members will own an aggregate of 26,574,257 EBS Units and 26,574,257 shares of our Class B common stock. Pursuant to the terms of the EBS LLC Agreement, each of the EBS Post-IPO Members will be able to exchange its EBS Units (and corresponding shares of our Class B common stock) for shares of our Class A common stock, on a one-for-one basis. Shares of our Class A common stock issuable to the EBS Post-IPO Members upon an exchange of EBS Units as described above would be considered restricted securities, as that term is defined in Rule 144 and saleable beginning in six months.

We intend to file a registration statement under the Securities Act registering 17.3 million shares of our Class A common stock reserved for issuance under our 2009 Equity Plan and we will enter into the Stockholders Agreement under which we will grant demand and piggyback registration rights to the EBS Post-IPO Members, including our Principal Equityholders and the EBS Equity Plan Members. See the information under the heading Shares Eligible for Future Sale for a more detailed description of the shares that will be available for future sale upon completion of this offering.

We do not intend to pay dividends in the foreseeable future, and, because we are a holding company, we may be unable to pay dividends.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent on then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our board of directors considers relevant. Furthermore, because we are a holding company, any dividend payments would depend on the cash flow of our subsidiaries. However, our credit agreements limit the amount of distributions our subsidiaries (including EBS Master) can make to us and the purposes for which distributions could be made. Accordingly, we may not be able to pay dividends even if our board of directors would otherwise deem it appropriate. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Description of Capital Stock. For the foregoing reasons, you will not be able to rely on dividends on our Class A common stock to receive a return on your investment.

Provisions in our organizational documents may delay or prevent our acquisition by a third party.

Our amended and restated certificate of incorporation and by-laws contain several provisions that may make it more difficult or expensive for a third party to acquire control of us without the approval of our board of directors. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their Class A common stock. The provisions include, among others:

- provisions relating to the number of directors on our board of directors and the appointment of directors upon an increase in the number of directors or vacancy on our board of directors;

- provisions requiring a 662/3% stockholder vote for the amendment of certain provisions of our certificate of incorporation, such as provisions relating to the election of directors and the inability of stockholders to act by written consent or call a special meeting, and for the adoption, amendment and repeal of our by-laws;

- provisions barring stockholders from calling a special meeting of stockholders or requiring one to be called;

- elimination of the right of our stockholders to act by written consent; and
- provisions that set forth advance notice procedures for stockholders nominations of directors and proposals for consideration at meetings of stockholders.

These provisions of our amended and restated certificate of incorporation and by-laws could discourage potential takeover attempts and reduce the price that investors might be willing to pay for shares of our Class A common stock in the future which could reduce the market price of our Class A common stock. For more information, see Description of Capital Stock.

Table of Contents

The stock price may be volatile, and you may be unable to resell your shares at or above the offering price or at all.

Prior to this offering, there has been no public market for our Class A common stock, and an active trading market may not develop or be sustained upon the completion of this offering. The initial public offering price of the Class A common stock offered hereby was determined through our negotiations with the underwriters and may not be indicative of the market price of the Class A common stock after this offering. The market price of our Class A common stock after this offering will be subject to significant fluctuations in response to, among other factors, variations in our operating results, research and reports that securities analysts publish about us or our business and market conditions specific to our business.

In addition, on July 2, 2009 we completed the eRx Acquisition. Under SEC rules we are required to file historical financial statements of eRx, as well as pro forma financial information, within 75 days after completion of the acquisition. We cannot predict how investors will react when we file these financial statements or what effect it will have on the market price of our Class A common stock.

Because the initial public offering price per common share is substantially higher than our book value per common share, purchasers in this offering will immediately experience a substantial dilution in net tangible book value.

Purchasers of our Class A common stock will experience immediate and substantial dilution in net tangible book value per share from the initial public offering price per share. After giving effect to the reorganization transactions described under Organizational Structure, the sale of the 10,725,000 shares of Class A common stock offered hereby by us and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds therefrom, our pro forma net tangible book value as of June 30, 2009, would have been a deficit of $664.0 million, or $(7.51) per share of Class A common stock. This represents an immediate dilution in net tangible book value of $23.01 per share to new investors purchasing shares of our Class A common stock in this offering. A calculation of the dilution purchasers will incur is provided below under Dilution.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant levels of legal, accounting and other expenses that we did not incur as a privately-owned corporation. The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) and related rules of the Securities and Exchange Commission (the Commission) and the NYSE corporate governance practices for public companies, impose significant requirements relating to disclosure controls and procedures and internal control over financial reporting. We expect that compliance with these public company requirements will increase our costs, require additional resources and make some activities more time consuming than they have been in the past when we were privately-owned. We will be required to expend considerable time and resources complying with public company regulations.

Failure to establish and maintain effective internal controls over financial reporting could have an adverse effect on our business, operating results and stock price.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. To date, we have not identified any material weaknesses related to our internal control over financial reporting or disclosure controls and procedures, although we have not conducted an audit of our controls. If we are unable to maintain adequate internal controls, our business and operating results could be harmed. We are also in the process of evaluating how to document and test our internal control procedures to satisfy the requirements of Section 404 of Sarbanes-Oxley and the related rules of the Commission, which require, among other things, our management to assess annually the effectiveness of our internal control over financial reporting and our independent registered public accounting firm to issue a report on our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ending December 31, 2010. During the course of this documentation and testing, we may identify deficiencies that we may be unable to remedy before the requisite deadline for those reports. Our auditors have not conducted an audit of our internal control over financial reporting. Any failure to remediate material weaknesses noted by us or our independent registered public accounting firm or to implement required new or improved controls or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. If our management or our independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information, and the trading price of our Class A common stock could drop significantly. Failure to comply with Section 404 of Sarbanes-Oxley could potentially subject us to sanctions or investigations by the Commission, the Financial Industry Regulatory Authority or other regulatory authorities.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as may, will, should, believe, expect, anticipate, intend estimate or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to:

- competition for our products and services;
- the failure to maintain our customer relationships, including connections with our existing payers and providers;
- difficulties in maintaining relationships with our channel partners;
- the inability to effectively cross-sell our products and services to existing customers and to develop and successfully deploy new or updated products or services;
- pricing pressures on our products and services;
- disruptions in our services, damages to our data center operations or other software or system failures;
- the anticipated benefits from acquisitions not being fully realized or not being realized within the expected time frames;
- our substantial amount of indebtedness and possible inability to refinance our existing indebtedness on acceptable terms in light of the general weakening of the global economy;
- covenants in our credit agreements;
- general economic (including a prolonged economic downturn), business or regulatory conditions, affecting the healthcare and information technology and services industries;
- governmental regulation of our industry;
- errors by us, our customers or our contractors in processing and transmitting transaction information;
- the protection of our intellectual property;

loss of key executives and technical personnel;

control by our Principal Equityholders;

payments under the tax receivable agreements to our Principal Equityholders and the EBS Equity Plan Members;

Table of Contents

- compliance with NYSE and SEC corporate governance requirements and costs incurred in connection with becoming a public company; and

- failure to establish and maintain internal controls over financial reporting.

These and other factors are more fully discussed in Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this prospectus. These risks could cause actual results to differ materially from those implied by forward-looking statements in this prospectus.

All information contained in this prospectus is materially accurate and complete as of the date of this prospectus. You should keep in mind, however, that any forward-looking statement made by us in this prospectus, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no obligation to update any forward-looking statements in this prospectus after the date of this prospectus, except as required by federal securities laws. In light of these risks and uncertainties, you should keep in mind that any event described in a forward-looking statement made in this prospectus or elsewhere might not occur.

Table of Contents

ORGANIZATIONAL STRUCTURE

Structure Prior to the Reorganization Transactions

Prior to November 2006, our business was owned by HLTH. We currently conduct our business through EBS Master and its subsidiaries. EBS Master was formed by HLTH to act as a holding company for the group of wholly-owned subsidiaries of HLTH that comprised its Emdeon Business Services segment. In November 2006, we purchased a 52% interest in EBS Master from HLTH. Prior to the commencement of the reorganization transactions, our stockholders consisted of investment funds organized and controlled by General Atlantic. In February 2008, HLTH sold its remaining 48% interest in EBS Master to affiliates of General Atlantic and H&F. In July 2009, EBS Master sold a 1.82% interest in itself to the eRx Members in connection with the eRx Acquisition. As a result, prior to giving effect to the reorganization transactions, EBS Master was owned 64.58% by the General Atlantic Equityholders, 33.60% by the H&F Equityholders and 1.82% by the eRx Members.

Prior to the commencement of the reorganization transactions, EBS Master was authorized to issue 125 million EBS Units and had 101.85 million EBS Units outstanding which were owned as follows:

We owned 51.06% of the outstanding EBS Units;

EBS Acquisition II LLC (EBS Acquisition and, together with us, the General Atlantic Unitholders), an entity whose members consist of investment funds organized and controlled by General Atlantic, owned 13.52% of the outstanding EBS Units;

HFCP VI Domestic AIV, L.P. (HFCP Domestic), an investment fund organized and controlled by H&F, owned 21.94% of the outstanding EBS Units;

H&F Harrington AIV I, L.P. (H&F Harrington), an entity whose partners consist of investment funds organized and controlled by H&F, owned 11.55% of the outstanding EBS Units;

Hellman & Friedman Capital Executives VI, L.P. (H&F Capital Executives), an investment fund organized and controlled by H&F, owned 0.10% of the outstanding EBS Units;

Hellman & Friedman Capital Associates VI, L.P. (H&F Capital Associates and, together with HFCP Domestic, H&F Harrington and H&F Capital Executives, the H&F Unitholders), an investment fund organized and controlled by H&F, owned 0.01% of the outstanding EBS Units; and

the eRx Members collectively owned 1.82% of the outstanding EBS Units.

In addition, participants in the EBS Equity Plan currently hold indirect interests in EBS Master in the form of profits interests, which we refer to as Grant Units . The Grant Units were issued directly to, and are currently held by, EBS Incentive Plan LLC (EBS Plan LLC). Currently, 16 members of our senior management, including our executive officers and directors who are not representatives of our Principal Equityholders, participate in the EBS Equity Plan and hold direct interests in EBS Plan LLC. Each Grant Unit represents an equity interest in EBS Master that entitles the holder to a percentage of the profits and appreciation in the equity value of EBS Master arising after the date of grant.

We have also issued awards (the EBS Phantom Awards) to the EBS Phantom Plan Participants under the Amended and Restated EBS Incentive Plan (the EBS Phantom Plan). EBS Phantom Awards represent the right to payments based on the appreciation in the equity value of EBS Master since the date of grant. Currently, 90 of our employees participate in the EBS Phantom Plan, none of whom are participants in the EBS Equity Plan.

The Reorganization Transactions

On August 4, 2009, we commenced an internal restructuring, which we refer to in this prospectus as the reorganization transactions.

We have not engaged in any business or other activities, except in connection with our investment in EBS Master and the reorganization transactions, and currently have no assets other than our interest in EBS Master. Following this offering, EBS Master and its subsidiaries will continue to operate the historical business. This structure is being implemented because certain of EBS Master s current members desire that it maintain its existing tax treatment as a partnership for U.S. federal income tax purposes and, therefore, will continue to hold their ownership interests in EBS Master until such time in the future as they may elect to exchange their EBS Units (and corresponding shares of our Class B common stock) with EBS Master for shares of our Class A common stock on a one-for-one basis.

Prior to the commencement of the reorganization transactions, we were authorized to issue a single class of common stock. In connection with the reorganization transactions, we amended and restated our certificate of incorporation and are now authorized to issue two classes of common stock, Class A common stock and Class B common stock, each of which is entitled to one vote on all matters submitted to a vote of stockholders. The Class B common stock does not have any of the economic rights (including rights to dividends and distributions upon liquidation) provided to holders of Class A common stock. All shares of our common stock generally vote together, as a single class, on all matters submitted to a vote of stockholders.

As part of the reorganization transactions:

We amended and restated our certificate of incorporation and reclassified the common stock held by our stockholders at such time into an aggregate of 56,000,000 shares of our Class A common stock;

We redeemed from such stockholders 4,000,000 shares of our Class A common stock in exchange for the rights by such stockholders to receive payments under one of the tax receivable agreements with the Tax Receivable Entity (which rights were contributed (directly or indirectly) to the Tax Receivable Entity);

EBS Acquisition merged with a newly-formed subsidiary of ours and the newly formed subsidiary remained as the surviving entity in the merger; EBS Acquisition s former members, all of whom are investment funds organized and controlled by General Atlantic, received an aggregate of 13,773,913 shares of our Class A common stock and rights to receive payments under one of the tax receivable agreements we will enter into with the Tax Receivable Entity (which rights were contributed (directly or indirectly) to the Tax Receivable Entity); as a result we hold, indirectly, an additional 13.52% interest in EBS Master;

H&F Harrington dissolved and distributed 1.06% of its interests in EBS Master to Hellman & Friedman Investors VI, L.P., its general partner (H&F GP), and 98.94% of its interests in EBS Master to H&F Harrington, Inc.; H&F Harrington, Inc. then merged with a newly-formed subsidiary of ours and the newly formed subsidiary remained as the surviving entity in the merger; H&F Harrington, Inc. s sole stockholder, H&F Harrington AIV II, L.P. (H&F AIV), an investment fund organized and controlled by H&F, received an aggregate of 11,639,697 shares of our Class A common stock and rights to receive payments under one of the tax receivable agreements we will enter into with the Tax Receivable Entity (which rights were contributed (directly or indirectly) to the Tax Receivable Entity); and as a result we hold, indirectly, an additional 11.42% interest in EBS Master;

HFCP Domestic, H&F GP, H&F Capital Executives and H&F Capital Associates continue to hold an aggregate of 22,586,390 EBS Units (or 22.18% of the outstanding EBS Units prior to this offering and the reorganization transactions) and were issued an aggregate of 22,586,390 shares of our Class B common stock and also received rights to enter into one of the tax receivable agreements we will enter into with the Tax Receivable Entity (which rights were contributed (directly or indirectly) to the Tax Receivable Entity); and

The eRx Members continue to hold an aggregate of 1,850,000 EBS Units and were issued an aggregate of 1,850,000 Shares of our Class B common stock.

In addition, EBS Master will amend the Fifth Amended and Restated EBS Master LLC limited liability company agreement (the EBS LLC Agreement) so that after the pricing of this offering but prior to the completion of this offering, Grant Units will be converted into 2,537,325 vested and unvested EBS Units and the right to enter into a tax receivable agreement with us. These EBS Units will be subject to vesting based on the vesting schedule of the Grant Units. EBS Plan LLC will then liquidate and the participants in the EBS Equity Plan will receive their share of the vested and unvested EBS Units held by EBS Plan LLC prior to liquidation. Each EBS Equity Plan Member will also be issued a number of shares of our Class B common stock equal to the number of EBS Units that he or she receives in the liquidation. EBS Equity Plan Members (other than our directors) will also be granted options to purchase an aggregate of 3,241,769 shares of our Class A common stock at the initial public offering price in respect of Grant Units, which generally will vest in equal annual installments over a three or four year period following the date of grant, based on continued employment with us and will be subject to accelerated vesting in connection with a change in control if the holder either (i) remains employed through the first year following the change in control or (ii) his employment is terminated during that year by us without cause or by him for good reason.

In connection with the reorganization transactions and after the pricing of this offering but prior to the completion of this offering, and in accordance with the terms of the EBS Phantom Plan, we, in our capacity as managing member of EBS Master, will cause the vested EBS Phantom Awards to be converted into 349,166 shares of our Class A Common Stock. The unvested EBS Phantom Awards will be converted into 733,598 unvested restricted stock unit awards (RSUs) under our 2009 Equity Plan, based on the price of the Class A common stock issued in this offering. The RSUs will entitle the holder to receive shares of Class A Common Stock upon vesting, and will maintain a vesting schedule based on unvested EBS Phantom Awards. In addition, we will issue the EBS Phantom Plan Participants options to purchase 1,603,436 shares of Class A common stock at the initial public offering price. These options will vest in equal annual installments over a three or four year period following the date of grant, based on continued employment with us and will be subject to accelerated vesting in connection with a change in control if the holder either (i) remains employed through the first year following the change in control or (ii) his employment is terminated during that year by us without cause or by him for good reason.

In addition, as a part of the reorganization transactions, we have entered into the Stockholders Agreement and we expect to amend and restate the Fifth Amended and Restated EBS Master LLC limited liability company agreement and enter into tax receivable agreements with the Tax Receivable Entity and the EBS Equity Plan Members. See Holding Company Structure and Tax Receivable Agreements and Certain Relationships and Related Transactions.

Effect of the Reorganization Transactions and this Offering

The reorganization transactions are intended to create a holding company that will facilitate public ownership of, and investment in, our company and are structured in a manner that avoids adverse tax consequences to our investors. We have owned more than 50% of EBS Master since November 2006. We are retaining this interest in EBS Master, which is a partnership for U.S. federal income tax purposes, because a transfer by us of that interest could cause a technical termination of the partnership entity for U.S. federal income tax purposes, which could lead to adverse tax consequences. The mergers of EBS Acquisition and of H&F Harrington, Inc., respectively, with our newly-formed subsidiaries were structured to accomplish a transfer to us of their interests in EBS Master without current recognition of taxable gain to the owners of EBS Acquisition and H&F Harrington, Inc. The H&F Continuing LLC Members are retaining their interests in EBS Master so that they can continue to own interests in EBS Master directly, rather than through an entity subject to entity-level taxation.

Upon completion of the transactions described above, this offering and the application of the net proceeds from this offering:

- We will continue to be the sole managing member of EBS Master, will control EBS Master, and will directly or indirectly hold 88,487,776 EBS Units, or 76.9% of the outstanding equity interests in EBS Master. We will consolidate the financial results of EBS Master and our net income (loss) will be reduced by income (loss) attributable to noncontrolling interest to reflect the entitlement of the EBS Post-IPO Members to a portion of EBS Master s net income (loss);

- the General Atlantic Equityholders will hold an aggregate of 52,676,313 shares of our Class A common stock (or 49,121,313 shares if the underwriters exercise their over-allotment option in full), representing 45.8% of the combined voting and economic power in us (or 42.7% if the underwriters exercise their over-allotment option in full);

the H&F Equityholders will hold an aggregate of 11,639,697 shares of our Class A common stock, an aggregate of 22,586,390 shares of our Class B common stock and an aggregate of 22,586,390 EBS Units, or 19.6% of the outstanding equity interests in EBS Master, collectively representing 29.8% of the combined voting and economic power in us;

the EBS Equity Plan Members will hold an aggregate of 2,137,867 vested and unvested EBS Units or 1.9% of the outstanding equity interests in EBS Master and an aggregate of 2,137,867 shares of our Class B common stock, representing 1.7% of the combined voting and economic power in us;

the eRx Members will hold an aggregate of 1,850,000 EBS Units or 1.6% of the outstanding equity interests in EBS Master and an aggregate of 1,850,000 shares of our Class B common stock, representing 1.6% of the combined voting and economic power in us (although they have notified us of their intent to exchange all of their EBS Units (and corresponding shares of Class B common stock) for Class A common stock);

our public stockholders will collectively hold 23,700,000 shares of our Class A common stock (or 27,255,000 shares if the underwriters exercise their over-allotment option in full), representing 20.6% of the combined voting and economic power in us (or 23.7% if the underwriters exercise their over-allotment option in full); and

the EBS Units (in the case of EBS Equity Plan Members, vested EBS Units) held by the EBS Post-IPO Members (together with the corresponding shares of our Class B common stock) may be exchanged for shares of our Class A common stock on a one-for-one basis. The exchange of EBS Units for shares of our Class A common stock will not affect the EBS Post-IPO Member s aggregate voting power since the votes represented by the exchanged shares of our Class B common stock will be replaced with the votes represented by the shares of Class A common stock for which EBS Units are exchanged.

The percentage of voting power and economic increases in us noted above is presented on a consolidated basis. Upon the consummation of this offering, we will use approximately $5.8 million of net proceeds from the sale of shares of Class A common stock sold by us in this offering to purchase 399,458 EBS Units from certain of the EBS Equity Plan Members, including Messrs. Lazenby, Newport, Hardin and Stuart, will use approximately $9.5 million to pay fees and expenses related to this offering and will invest the remaining proceeds in EBS Master. EBS Master will then use such proceeds as further described under Use of Proceeds and Certain Relationships and Related Party Transactions Purchase of EBS Units.

Holding Company Structure and Tax Receivable Agreements

We are a holding company and, immediately after the consummation of the reorganization transactions and this offering, our principal asset will be our interest in EBS Master, which we will hold directly and indirectly through two of our subsidiaries. The number of EBS Units we will own, directly and indirectly, at any time will generally equal the aggregate number of outstanding shares of our Class A common stock. The economic interest represented by each EBS Unit that we will own will correspond to one share of our Class A common stock, and the total number of EBS Units owned directly or indirectly by us and the holders of our Class B common stock at any given time will generally equal the sum of outstanding shares of all classes of our common stock. Shares of our Class B common stock cannot be transferred except in connection with an exchange of an EBS Unit.

We do not intend to list our Class B common stock on any stock exchange.

We intend to enter into two tax receivable agreements with the Tax Receivable Entity. One tax receivable agreement will generally provide for the payment by us to the Tax Receivable Entity of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize in periods after this offering as a result of (i) any step-up in tax basis in EBS Master s assets resulting from the purchases by us and our subsidiaries of EBS Units prior to this offering; (ii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement; and (iii) loss carryovers from prior periods (or portions thereof).

The second of these tax receivable agreements will generally provide for the payment by us to the Tax Receivable Entity of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize in periods after this offering as a result of (i) any step-up in tax basis in EBS Master s assets resulting from (a) the exchanges by the H&F Continuing LLC Members of EBS Units (along with the corresponding shares of our Class B common stock) for cash or shares of our Class A common stock or (b) payments under this tax receivable agreement to the Tax Receivable Entity and (ii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement.

We will also enter into a third tax receivable agreement with the EBS Equity Plan Members which will generally provide for the payment by us to the EBS Equity Plan Members of 85% of the amount of the cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize in periods after this offering as a result of (i) any step-up in tax basis in EBS Master s assets resulting from (a) the purchases by us of EBS Units from the EBS Equity Plan Members using a portion of the proceeds from the offering, (b) the exchanges by the EBS Equity Plan Members of EBS Units (along with the corresponding shares of our Class B common stock) for cash or shares of our Class A common stock or (c) payments under this tax receivable agreement to the EBS Equity Plan Members and (ii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement.

We are entering into the tax receivable agreements because favorable tax attributes have been or will be made available to us as a result of certain transactions before and after the offering. Specifically, the acquisitions of interests in EBS Master by us and by two of our subsidiaries in the 2006 Transaction and the 2008 Transaction produced favorable tax attributes for us, primarily amortization deductions. The Principal Equityholders believe that the value of these tax attributes should be considered in determining the value of their contribution to us. As it may be difficult to determine the present value of these tax attributes with a reasonable level of certainty, one of the tax receivable agreements with the Tax Receivable Entity obligates us to make payments to the Tax Receivable Entity equal to 85% of the actual tax savings in U.S. federal, state and local income tax or franchise tax as and when realized by us as a result of these attributes. We will retain the benefit of the remaining 15% of these tax savings. In addition, future exchanges of EBS Units for cash or shares of our common stock, as well as payments under the tax receivable agreements, will produce additional favorable tax attributes to us, which would not be available in the absence of such exchanges. The tax receivable agreements therefore obligate us to make payments to the parties making those exchanges equal to 85% of the actual tax savings as and when realized by us as a result of those additional tax attributes. We will also retain the benefit of the remaining 15% of these tax savings.

Rights to receive payments under the tax receivable agreements may be terminated by the Tax Receivable Entity or the EBS Equity Plan Members, as applicable, if as the result of an actual or proposed change in law, the existence of the agreements would cause recognition of ordinary income (instead of capital gain) in connection with future exchanges of EBS Units for cash or shares of our common stock or would otherwise have material adverse tax consequences to the Tax Receivable Entity, its owners or the EBS Equity Plan Members. There are legislative proposals pending in Congress that, if enacted in their present form, may result in such ordinary income recognition. Further, in the event of such a termination, the Tax Receivable Entity or the EBS Equity Plan Members would have the right, subject to the delivery of an appropriate tax opinion, to require us to determine a lump sum amount in lieu of the payments otherwise provided under the agreements. That lump sum amount would be calculated by increasing the portion of the tax savings retained by us to 30% (from 15%) and by calculating a present value for the total amount that would otherwise be payable under the agreements, using a discount rate equal to the lesser of LIBOR plus 100 basis points and 6.5% per annum and assumptions as to income tax rates and as to our ability to utilize the tax benefits (including the assumption that we will have sufficient taxable income). If the assumptions used in this calculation turn out not to be true, we may pay more or less than the specified percentage of our actual cash tax savings. This lump sum amount may be paid in cash or by a subordinated note with a seven-year maturity and an interest rate equal to the lesser of LIBOR plus 200 basis points and 6% per annum. Any such acceleration can occur only if the Tax Receivable Entity or any EBS Equity Plan Member, as applicable, has terminated a substantial portion of our obligations (or, in the case of an EBS Equity Plan Member, such Member s share of our obligations) under the applicable tax receivable agreement with respect to exchanges of units. In view of the foregoing changes in the calculation of our obligations, we do not expect that the net impact of any such acceleration upon our overall financial condition would be materially adverse as compared to our obligations if laws do not change and the obligations are not accelerated. It is further possible that the net impact of such an acceleration would be beneficial to our overall financial condition. The ultimate impact of a decision to accelerate will depend on what the ongoing payments would have been under the tax receivable agreement absent acceleration, which will in turn depend on the various factors mentioned above.

In addition, the tax receivable agreements provide that, upon certain mergers, asset sales, or other forms of business combination or certain other changes of control, our or our successor s obligations with respect to tax benefits would be based on certain assumptions, including that we or our successor would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits covered by the tax receivable agreements. As a result, upon a change of control, we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of our actual cash tax savings.

Although we are not aware of any issue that would cause the IRS to challenge the tax basis increases or other benefits arising under the tax receivable agreements, the Tax Receivable Entity and the EBS Equity Plan Members will not reimburse us for any payments previously made if such basis increases or other benefits are subsequently disallowed, except that excess payments made to the Tax Receivable Entity or the EBS Equity Plan Members will be netted against payments otherwise to be made, if any, after our determination of such excess. As a result, in such circumstances we could make payments to the Tax Receivable Entity or the EBS Equity Plan Members under the tax receivable agreements that are greater than our actual cash tax savings. See Certain Relationships and Related Transactions Tax Receivable Agreements.

As a member of EBS Master, we will incur U.S. federal, state and local income taxes on our allocable share of any net taxable income of EBS Master. As authorized by the EBS LLC Agreement and to the extent permitted under our credit agreements, we intend to cause EBS Master to continue to distribute cash, generally, on a pro rata basis, to its members (which after consummation of the reorganization transactions and this offering will consist of us, our two subsidiaries, and the EBS Post-IPO Members) at least to the extent necessary to provide funds to pay the members tax liabilities, if any, with respect to the taxable income of EBS Master. In addition, to the extent permitted under our credit agreements, EBS Master may make distributions to us without pro rata distributions to any other member in order to pay (i) consideration, if any, for redemption, repurchase, acquisition, cancellation or termination of our Class A common stock and (ii) payments in respect of indebtedness, preferred stock, the tax receivable agreements, operating expenses, overhead and other fees and expenses. See Certain Relationships and Related Transactions Sixth Amended and Restated EBS Master LLC Limited Liability Company Agreement and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facilities.

We will account for the reorganization transactions using a carryover basis as the reorganization transactions are premised on a non-substantive exchange of ownership interests in order to facilitate our initial public offering. This is consistent with Financial Accounting Standards Board (FASB) No. 141 (Revised 2007), *Business Combinations.* The management and governance rights and economic interests that the General Atlantic Equityholders and the H&F Equityholders held in EBS Master before the reorganization transactions will not change as a result of the reorganization transactions until the consummation of this offering.

The obligations resulting from the tax receivable agreements that will be entered into are expected to be offset in part by the tax benefits that were transferred to us as a result of the reorganization transactions. Although not assured, we expect that the consideration that we will remit under the tax receivable agreements will not exceed the tax liability that we otherwise would have been required to pay absent the transfers of tax attributes to us as a result of the reorganization transactions and subsequent exchanges.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $145.9 million, after deducting underwriting discounts and commissions and estimated offering expenses of approximately $20.3 million.

We intend to use approximately $5.8 million of the net proceeds to us from this offering to purchase 399,458 EBS Units held by certain of the EBS Equity Plan Members at a price per unit equal to the price paid by the underwriters for shares in this offering and will use any remaining proceeds for working capital and general corporate purposes, which may include the repayment of indebtedness and future acquisitions.

We have broad discretion as to the application of the proceeds to be used for working capital and general corporate purposes. Prior to application, we may hold any net proceeds in cash or invest them in short term securities or investments. You will not have an opportunity to evaluate the economic, financial or other information on which we base our decisions regarding the use of these proceeds.

We will not receive any proceeds from the sale of our Class A common stock by the selling stockholders, including any proceeds resulting from the underwriters exercise of their option to purchase additional shares from the selling stockholders.

DIVIDEND POLICY

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, including restrictions contained in our credit agreements, business prospects and other factors that our board of directors considers relevant.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2009 on an actual basis; on a pro forma basis to reflect the estimated impact of the tax receivable agreements and the conversion of (i) the EBS Equity Plan Members Grant Units into 2,537,325 EBS Units and 3,241,769 options to purchase shares of Class A common stock and (ii) phantom awards issued under the EBS Phantom Plan into 349,166 shares of Class A common stock, 733,598 restricted stock units and 1,603,436 options to purchase shares of Class A common stock in the reorganization transactions; and as further adjusted to reflect:

the sale of 10,725,000 shares of our Class A common stock by us in this offering at $15.50 per share, after deducting the underwriters discounts and commissions and the estimated offering expenses, and

the application of the net proceeds of this offering as described under Use of Proceeds.

	As of June 30, 2009		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands-except share data) (Unaudited)		
Total indebtedness[1]	$ 801,136	$ 801,136	$ 801,136
Equity:			
Class A common stock, $0.00001 par value per share	1	1	1
Class B common stock, $0.00001 par value per share			
Additional paid-in capital	683,610	541,970	684,866
Accumulated other comprehensive (loss)	(17,486)	(17,486)	(17,486)
Retained earnings	37,780	28,991	28,991
Total equity of Emdeon Inc.	703,905	553,476	696,372
Noncontrolling interest[2]	216,009	232,510	229,758
Total equity	919,914	785,986	926,130
Total capitalization	$ 1,721,050	$ 1,587,122	$ 1,727,266

(1) Our debt is reflected net of unamortized debt discount of $59.0 million related to original loan fees and purchase accounting adjustments to discount the debt to fair value in conjunction with the 2008 Transaction. Also, under the revolving portion of our first lien credit agreement we may borrow up to $50.0 million. As of June 30, 2009, there were approximately $5.8 million of outstanding but undrawn letters of credit issued under our revolving credit facility and we had the ability to borrow an additional $44.2 million.

(2) Pro forma noncontrolling interest does not reflect EBS Units issued in connection with the eRx Acquisition, which occurred after June 30, 2009.

45

Table of Contents

DILUTION

If you invest in our Class A common stock, you will experience dilution to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma net tangible book value per share of our Class A common stock after this offering. Dilution results from the fact that the per share offering price of the Class A common stock is substantially in excess of the book value per share attributable to the shares of Class A common stock held by existing equity holders.

Our net tangible book value as of June 30, 2009 was a deficit of approximately $670.3 million, or $(8.66) per share of our Class A common stock. Net tangible book value represents the amount of total tangible assets less total liabilities and pro forma net tangible book value per share represents pro forma net tangible book value divided by the number of shares of Class A common stock outstanding, in each case, after giving effect to (i) the reorganization transactions described under Organization Structure, (ii) the 2008 Transaction, (iii) the conversion of Grant Units held by the EBS Equity Plan Members into EBS Units and options to purchase shares of our Class A common stock, (iv) the conversion of phantom awards issued under the EBS Phantom Plan into shares of our Class A common stock, restricted stock units and options to purchase shares of our Class A common stock, and (v) the estimated impact of the tax receivable agreements.

After giving effect to the sale of 10,725,000 shares of Class A common stock in this offering by us at the initial public offering price of $15.50 per share and the application of the net proceeds from this offering, our pro forma as adjusted net tangible book value would have been a deficit of $664.0 million, or $(7.51) per share. This represents an immediate increase in net tangible book value (or a decrease in net tangible book deficit) of $1.73 per share to existing equityholders and an immediate dilution in net tangible book value of $23.01 per share to new investors.

The following table illustrates the per share dilution:

Assumed initial public offering price per share	$	15.50
Pro forma net tangible book value (deficit) per share as of June 30, 2009 before giving effect to the tax receivable agreements	$	(7.71)
Effect of the tax receivable agreements	$	(1.53)
Pro forma net tangible book value (deficit) per share before the change attributable to new investors	$	(9.24)
Increase in pro forma net tangible book value per share attributable to new investors	$	1.73
Pro Forma adjusted net tangible book value (deficit) per share after this offering	$	(7.51)
Dilution per share to new investors	$	23.01

Dilution is determined by subtracting pro forma net tangible book value per share of Class A common stock after the offering from the initial public offering price per share of Class A common stock.

Table of Contents

The following table summarizes, on the same pro forma basis as of June 30, 2009, the total number of shares of Class A common stock and EBS Units purchased from us, the total consideration paid to us and the average price per share paid by the existing equityholders and by new investors purchasing shares in this offering (amounts in thousands, except percentages and per share data):

	Shares of Class A Common Stock and EBS Units Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders	104,114	90.7%	$ 920,865(1)	84.7%	$ 8.84
New investors	10,725	9.3	166,238	15.3	15.50
Total	114,839	100.0%	$ 1,087,103	$ 100.0%	$ 9.47

(1) In connection with our acquisition of eRx, we issued 1.85 million EBS Units. The value of the EBS Units issued is subject to receipt of a final valuation. For the purpose of this disclosure only, we have assumed a value of $13.92 per unit.

Table of Contents

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated balance sheet at June 30, 2009 and the unaudited pro forma consolidated statement of operations for the six months ended June 30, 2009 give effect to (i) the creation or acquisition of amortizable tax assets in connection with this offering and the reorganization transactions and the creation of liabilities in connection with entering into the tax receivable agreements, (ii) the conversion of the EBS Equity Plan Members Grant Units into EBS Units and options to purchase shares of our Class A common stock, (iii) the conversion of EBS Phantom Awards into Class A common stock, restricted stock units and options to purchase shares of our Class A common stock and (iv) this offering and the use of proceeds from this offering (collectively, the Pro Forma Offering Adjustments) as if each had occurred on June 30, 2009 for the unaudited pro forma consolidated balance sheet and January 1, 2008 for the unaudited pro forma consolidated statement of operations.

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2008 gives effect to the Pro Forma Offering Adjustments and the step-up in value of the amortizable assets as a result of the 2008 Transaction as if each had occurred on January 1, 2008. The unaudited pro forma financial information does not give effect to the eRx Acquisition.

The unaudited pro forma financial information has been prepared by our management and is based on our historical financial statements and the assumptions and adjustments described herein and in the notes to the unaudited pro forma financial information below. The presentation of the unaudited pro forma financial information is prepared in conformity with Article 11 of Regulation S-X.

Our historical financial information for the year ended December 31, 2008 has been derived from our audited consolidated financial statements and accompanying notes included elsewhere in this prospectus. Our historical financial information as of and for the six months ended June 30, 2009 has been derived from our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this prospectus.

We based the pro forma adjustments on available information and on assumptions that we believe are reasonable under the circumstances. See Notes to Unaudited Pro Forma Financial Information for a discussion of assumptions made. The unaudited pro forma financial information is presented for informational purposes and is based on management s estimates. The unaudited pro forma consolidated statements of operations do not purport to represent what our results of operations actually would have been if the transactions set forth above had occurred on the dates indicated or what our results of operations will be for future periods.

Table of Contents

Emdeon Inc.

Unaudited Pro Forma Consolidated Balance Sheet
June 30, 2009
(in thousands, except per share data)

	Actual[1]	Pro Forma Offering Adjustments	Notes	Pro Forma
Assets				
Current assets:				
		$ 166,238	(6)	
		(13,551)	(6)	
		(5,789)	(8)	
Cash and cash equivalents	$ 96,062	146,898		$ 242,960
Accounts receivable, net of allowance for doubtful accounts	148,408			148,408
Deferred income tax assets	3,797			3,797
Prepaid expenses and other current assets	19,979			19,979
Total current assets	268,246	146,898		415,144
Property and equipment, net	136,684			136,684
Goodwill	649,588			649,588
Intangible assets, net	940,589			940,589
Other assets, net	8,337	(6,754)	(3)	1,583
Total assets	$ 2,003,444	$ 140,144		$ 2,143,588
Liabilities and equity				
Current liabilities:				
Accounts payable	$ 5,831			$ 5,831
Accrued expenses	75,453			75,453
Deferred revenues	12,330			12,330
Current portion of long-term debt	3,374			3,374
Total current liabilities	96,988			96,988
Long-term debt excluding current portion	797,762			797,762
Deferred income tax liabilities	156,815	(15,051)	(2)	141,764
ITR Liability		150,143	(2)	150,143
Other long-term liabilities	31,965	(1,164)	(4)	30,801
Commitments and contingencies				
Equity				
Preferred stock (par value, $0.00001), 25,000,000 shares authorized and 0 shares issued and outstanding				
Class A common stock (par value, $0.00001), 400,000,000 shares authorized and 88,487,776 shares	1			1

outstanding				
Class B exchangeable common stock (par value, $0.00001), 52,000,000 shares authorized and 24,724,257 shares outstanding				
		(150,143)	(2)	
		15,051	(2)	
		(6,754)	(3)	
		1,164	(4)	
		8,789	(5)	
		166,238	(6)	
		(13,551)	(6)	
		(16,501)	(7)	
		(3,037)	(8)	
Additional paid-in capital	683,610	1,256		684,866
Accumulated other comprehensive loss	(17,486)			(17,486)
Retained earnings	37,780	(8,789)	(5)	28,991
Emdeon Inc. shareholders equity	703,905	(7,533)		696,372
		16,501	(7)	
		(2,752)	(8)	
Noncontrolling interest	216,009	13,749		229,758
Total equity	919,914	6,216		926,130
Total liabilities and equity	$ 2,003,444	$ 140,144		$ 2,143,588

See accompanying notes to the unaudited pro forma financial information.

Table of Contents

Emdeon Inc.

Unaudited Pro Forma Consolidated Statement of Operations
For the Six Months Ended June 30, 2009
(in thousands, except per share data)

	For the Six Months Ended June 30, 2009			
	Actual[1]	Pro Forma Offering[9] Adjustments	Notes	Pro Forma
Revenue	$ 444,426			$ 444,426
Costs and expenses:				
Cost of operations (exclusive of depreciation and amortization below)	271,607	787	(a)	272,394
Development and engineering	14,382	303	(a)	14,685
Sales, marketing, general and administrative	51,322	1,707	(a)	53,029
Depreciation and amortization	50,384			50,384
Loss on abandonment of leased properties	260			260
Total costs and expenses	387,955	2,797		390,752
Operating income	56,471	(2,797)		53,674
Interest income	(53)			(53)
Interest expense	35,111			35,111
Income before income taxes	21,413	(2,797)		18,616
Income tax provision	3,640	(1,026)	(b)	2,614
Net income	17,773	(1,771)		16,002
Net income attributable to noncontrolling interest	4,116	(298)	(c)	3,818
Net income attributable to Emdeon Inc.	13,657	(1,473)		12,184
Net income per share Class A common stock:				
Basic	$ 0.18			$ 0.14
Diluted	$ 0.18			$ 0.14
Weighted average common shares and equivalents				
Basic	77,413,610			88,528,166
Diluted	77,413,610			88,528,166

See accompanying notes to unaudited pro forma financial information.

Table of Contents

Emdeon Inc.

Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2008
(in thousands, except per share data)

	For the Year Ended December 31, 2008						
	Actual[1]	Pro Forma 2008 Transaction Adjustments[10]	Notes	Pro Forma 2008 Transaction	Pro Forma Offering Adjustments[9]	Notes	Pro Forma Consolidated
Revenues	$ 853,599	$ (103)	(a)	$ 853,496			$ 853,496
Costs and expenses:							
Cost of operations	540,570	11	(b)	540,581	1,879	(a)	542,460
Development and engineering	29,618	1	(b)	29,619	721	(a)	30,340
Sales, marketing, general and administrative	91,212	21	(b)	91,233	4,073	(a)	95,306
Depreciation and amortization	97,864	3,566	(c)	101,430			101,430
Loss on abandonment of leased properties	3,081			3,081			3,081
Total costs and expenses	762,345	3,599		765,944	6,673		772,617
Operating income	91,254	(3,702)		87,552	(6,673)		80,879
Interest income	(963)			(963)			(963)
Interest expense	71,717	685	(d)	72,402			72,402
Income (loss) before income taxes	20,500	(4,387)		16,113	(6,673)		9,440
Income tax provision (benefit)	8,567	(1,631)	(e)	6,936	(2,446)	(b)	4,490
Net income (loss)	11,933	(2,756)		9,177	(4,227)		4,950
Net income (loss) attributable to noncontrolling interest	2,702	405	(f)	3,107	(1,197)	(c)	1,910
Net income (loss) attributable to Emdeon, Inc.	$ 9,231	$ (3,161)		$ 6,070	$ (3,030)		$ 3,040

Basic	$ 0.12	$ 0.08	$ .04
Diluted	$ 0.12	$ 0.08	$ .04
Outstanding:			
Basic	74,775,039	74,775,039	85,684,945
Diluted	100,000,000	74,775,039	85,684,945

Table of Contents

Emdeon Inc.
Notes to Unaudited Pro Forma Financial Information

Basis of Presentation

In February 2008, HLTH sold its remaining 48% interest in EBS Master to affiliates of General Atlantic and H&F for $575 million. The affiliates of General Atlantic and H&F were deemed to be a collaborative group under EITF Topic No. D-97, *Push Down Accounting*, and the 48% step up in the basis of the net assets of EBS Master recorded at the General Atlantic and H&F acquiror level was pushed down to our financial statements in accordance with Staff Accounting Bulletin No. 54, *Application of Pushdown Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase,* and replaces the historical basis held by HLTH.

Transaction costs of $3.4 million were incurred in connection with this transaction. The total 2008 Transaction price was allocated as follows (in millions):

Current assets	$ 88.0
Property and equipment	60.7
Other assets	0.3
Identifiable intangible assets:	
Customer contracts	571.7
Tradename	81.9
Non-compete agreements	6.9
Goodwill	298.6
Current liabilities	(46.7)
Long term debt	(356.6)
Deferred tax liability	(113.2)
Long term liabilities	(13.2)
Total transaction price	$ 578.4

Pro Forma Adjustments ($ in thousands)

(1) The amounts in this column represent our actual results for the periods reflected.

(2) Reflects adjustments to record a liability primarily related to one of our tax receivable agreements with the Tax Receivable Entity. Under this tax receivable agreement, we are required to pay to the Tax Receivable Entity 85% of the cash savings realized on (i) any step-up in basis in EBS Master s assets resulting from the purchases by us and our subsidiaries of EBS Units prior to this offering; (ii) tax benefits of $15.1 million primarily related to imputed interest deemed to be paid by us as a result of this tax receivable agreement and (iii) loss carryovers from prior periods (or portions thereof). We expect to make aggregate payments under the tax receivable agreements of approximately $150.1 million. The pro forma adjustment, assuming the reorganization and IPO transactions were consummated on June 30, 2009, is calculated as follows:

Receiving Party	Tax Benefits	Tax Receivable	Tax Receivable Agreement Payment

		Agreement Payment Rate	
Tax Receivable Entity	173,913	85%	147,826
EBS Equity Plan Members	2,726	85%	2,317
Pro Forma Adjustment	176,639		150,143

The pro forma balance sheet reflects a liability only for the cash savings attributable to current tax attributes resulting from the purchases of EBS Units that occurred prior to and in connection with this offering and for the cash savings attributable to loss carryovers from prior periods (or portions thereof). It is possible that future transactions or events could increase or decrease the actual tax benefits realized and the corresponding tax receivable agreement payments from these tax attributes. This liability was recognized as a reduction of the additional paid in capital.

Future payments under the tax receivable agreements with respect to subsequent acquisitions of EBS Units by us would be in addition to amounts related to the reorganization transactions. The actual amount of payments

Table of Contents

Emdeon Inc.
Notes to Unaudited Pro Forma Financial Information (continued)

will depend on numerous factors, including the time and price at which the EBS Units are acquired. However, assuming such EBS Units were acquired at the time of this offering, it is expected that payments under the tax receivable agreements for the retained EBS Units would aggregate $128.0 million. Such amount is calculated as follows:

Receiving Party	Tax Benefits	Tax Receivable Agreement Payment Rate	Tax Receivable Agreement Payment
Tax Receivable Entity	135,109	85%	114,842
EBS Equity Plan Members	15,477	85%	13,156
Total	150,586		127,998

This amount has not been included in our pro forma balance sheet as of June 30, 2009 as these transactions are not directly attributable to the reorganization transactions or this offering. They are presented only as supplemental information.

See Certain Relationships and Related Party Transactions Tax Receivable Agreements elsewhere in this prospectus for a more detailed description of the tax receivable agreements and the anticipated effect the tax receivable agreements will have on future exchanges of EBS Units for shares of our common stock.

(3) Reclassification of amounts paid in connection with this offering into equity as an offset to the estimated proceeds of this offering.

(4) Reflects adjustments to give effect to the reclassification of other long-term liabilities into Class A common stock and additional paid in capital as a result of the conversion of the EBS Phantom Awards into Class A common stock, restricted stock units and options to purchase shares of our Class A common stock.

(5) Reflects the impact on retained earnings of the assumed conversion of EBS Phantom Awards into Class A common stock, restricted stock units and options to purchase shares of our Class A common stock as if such conversion occurred on June 30, 2009. EBS Phantom Awards were previously classified as liabilities and valued at their redemption value. Prior to the completion of this offering, EBS Phantom Awards will be exchanged for Class A common stock, restricted stock units and options to purchase shares of our Class A common stock. The exchange of EBS Phantom Awards resulted in incremental compensation expense of $8,789 and represents a nonrecurring charge that is directly attributable to this offering and is therefore excluded from the pro forma statement of operations.

(6) Reflects our receipt of the net proceeds from this offering, after deducting underwriting discounts, commissions and estimated offering expenses of approximately $13.6 million, assuming the issuance of shares of Class A common stock at a price of $15.50 per share.

(7) Reflects a noncontrolling interest in EBS Master that results from the conversion of Grant Units held by the EBS Equity Plan Members into EBS Units.

(8) Reflects the repurchase of 399,458 EBS Units and corresponding Class B common shares using approximately $5,789 of our net proceeds from this offering.

(9) The amounts in this column represent the pro forma adjustments made to reflect the reorganization transactions and this offering as if they occurred on January 1, 2008 as follows:

(a) Reflects an adjustment to equity based compensation expense to give effect to the conversion of the EBS Phantom Awards into Class A common stock, restricted stock units and options to purchase shares of our Class A common stock assuming such conversions occurred on January 1, 2008. This portion of the expense relates to unvested equity-based awards and will be recognized over the remaining vesting periods, which generally range from three to five years from the date of grant.

Table of Contents

Emdeon Inc.
Notes to Unaudited Pro Forma Financial Information (continued)

(b) Reflects an adjustment to income taxes, using statutory tax rates.

(c) Reflects an adjustment to noncontrolling interest related to net income of EBS Master assuming the reorganization transactions and this offering occurred on January 1, 2008 calculated as follows:

	Six Months Ended June 30, 2009	Year Ended December 31, 2008
EBS Master net income	$ 18,231	
Pro Forma EBS Master net income giving effect only to the 2008 Transaction		$ 13,761
Less: Pro forma offering adjustments to EBS Master net income	(2,797)	(6,673)
Tax effect of pro forma adjustments to EBS Master net income	337	803
Pro Forma EBS Master net income	15,771	7,891
Multiplied by noncontrolling interest percentage in EBS Master	24.21%	24.21%
Pro Forma income attributable to noncontrolling interest	3,818	1,910
Historical income attributable to noncontrolling interest	4,116	
2008 Transaction Pro Forma income attributable to noncontrolling interest		3,107
Pro Forma adjustment	$ (298)	$ (1,197)

(10) The amounts in this column represent the pro forma adjustments made to reflect the 2008 Transaction as if it occurred on January 1, 2008 as follows:

(a) Reflects an adjustment to reduce deferred revenue on January 1, 2008 in connection with the 2008 Transaction. In accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, deferred revenue is recorded in a business combination to the extent the deferred revenue represents a legal obligation by the acquiring company. A portion of our deferred revenue balances represent one time up front or installation fees that we recognize over the life of the contract. As these fees do not represent a future contractual obligation of ours, they were not recorded in connection with the 2008 Transaction purchase price allocation. This purchase accounting adjustment resulted in a reduction of revenue of $4,746, reflected in the actual results of the period included in column (1). Assuming the 2008 Transaction was consummated on January 1, 2008, the reduction of revenue for the year ended December 31, 2008 would have been $4,849. The net pro forma impact of this adjustment is a $103 reduction to revenue.

(b) Reflects an adjustment to increase rent expense as a result of reducing a liability established for escalating lease payments in accordance with Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, in connection with the 2008 Transaction. Existing straight-line lease liabilities as of the date of the 2008 Transaction were written off and we will amortize the remaining scheduled lease commitments over the remaining lease periods on a straight-line basis, beginning with the date of acquisition. The offset of rent expense from the amortization of the liability will be less as a result of reducing the liability. Assuming the 2008 Transaction were consummated on January 1, 2008, the increase to rent expense for cost of operations; development and engineering; and sales, marketing, general and administrative for the year ended December 31, 2008 would have been $11, $1 and $21, respectively.

(c) Reflects an adjustment for additional depreciation and amortization expense arising from the step-up in basis of 48% of certain identifiable intangible and technology assets to fair value in connection with the

Table of Contents

Emdeon Inc.
Notes to Unaudited Pro Forma Financial Information (continued)

2008 Transaction. The pro forma adjustment, assuming the 2008 Transaction was consummated on January 1, 2008, is calculated as follows:

	Depreciation	Amortization	Total
Related asset balance prior to 2008 Transaction	$ 69,510	$ 430,237	
Adjustment of 48% of basis to fair market value	33,895	660,489	
Write-off original basis of HLTH	(4,940)	(46,000)	
Balance resulting from 2008 Transaction	$ 98,465	$ 1,044,726	
Divided by: weighted average life (in years)	6.9	17.4	
Pro Forma annual expense	14,239	60,082	$ 74,321
Historical expense	13,951	56,804	70,755
Pro Forma adjustment	$ 288	$ 3,278	$ 3,566

(d) In connection with the 2008 Transaction, we adjusted 48% of the then carrying value of our long-term debt to fair value. The effect on our balance sheet was the recording of an additional discount of approximately $66.4 million and the write-off of 48% of the then existing debt discount of $8.2 million. Because the terms of our credit agreements were unaffected by the 2008 Transaction, the effect of the 2008 Transaction on interest expense is limited to the amortization of our debt discount. The pro forma adjustment of $685 reflects the additional amortization of debt discount that would have been recorded in 2008 had the 2008 Transaction occurred on January 1, 2008.

(e) Reflects an adjustment to reduce income taxes due to the pro forma adjustments presented in notes (a) through (d) above applying statutory tax rates for the applicable periods.

(f) Reflects an adjustment to noncontrolling interest (22.58%) related to net income of EBS Master for January 1, 2008 through February 8, 2008 as follows:

Pro Forma Emdeon Inc. consolidated net income	$ 9,177
Less: Emdeon Inc. Parent Only net loss (excluding equity in earnings of EBS Master LLC)	5,688
Tax Benefit of Pro Forma adjustments attributable to Emdeon Inc.	(1,104)
Pro Forma EBS Master net income (loss)	13,761
Multiplied by H&F Equityholders noncontrolling interest percentage in EBS Master:	22.58%
Pro Forma net income attributable to noncontrolling interest	3,107
Less: Historical net income attributable to noncontrolling interest	2,702
Pro Forma adjustment	$ 405

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected historical consolidated financial data for periods beginning on and after November 16, 2006. For periods prior to November 16, 2006, the tables below present the selected historical consolidated financial data of the group of wholly-owned subsidiaries of HLTH that comprised its Emdeon Business Services segment. For periods on and after November 16, 2006, the selected consolidated financial data gives effect to the reorganization transactions described under Organizational Structure as if they occurred on November 16, 2006. See Organizational Structure.

Our selected statement of operations data for the period from November 16, 2006 through December 31, 2006 and for the years ended December 31, 2007 and 2008 and the selected balance sheet data as of December 31, 2006, 2007 and 2008 have been derived from our consolidated financial statements that have been audited by our independent registered public accounting firm.

The selected statement of operations data of Emdeon Business Services for the years ended December 31, 2004 and 2005 and for the period from January 1, 2006 through November 15, 2006 and the selected balance sheet data as of December 31, 2004 and 2005 have been derived from Emdeon Business Services consolidated financial statements that have been audited by Emdeon Business Services independent registered public accounting firm.

Our consolidated statements of operations data for the six months ended June 30, 2009 and 2008 and the balance sheet data as of June 30, 2009, have been derived from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus and have been prepared on substantially the same basis as the audited financial statements. In the opinion of management, our unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information. Our results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results that can be expected for the full year or any future period.

The information set forth below should be read in conjunction with Capitalization, Unaudited Pro Forma Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our and Emdeon Business Services consolidated financial statements and related notes included elsewhere in this prospectus.

	Emdeon Business Services (Predecessor)[1]			Emdeon Inc. (Successor)[1]				
							Unaudited	
	Year Ended December 31, 2004	Year Ended December 31, 2005	Period from January 1, 2006 thru November 15, 2006	Period from November 16, 2006 thru December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Six Months Ended June 30, 2008	Six Months Ended June 30, 2009
	(In thousands, except per share data)							
Statement of Operations Data:								
Revenues	$ 679,258	$ 690,094	$ 663,186	$ 87,903	$ 808,537	$ 853,599	$ 422,859	$ 444,426

Costs and expenses:								
Cost of operations	454,009	449,044	425,108	56,628	514,577	540,570	270,972	271,607
Development and engineering	21,948	22,734	21,782	2,782	28,539	29,618	13,716	14,382
Sales, marketing, general and administrative	92,591	89,042	80,352	12,762	94,475	91,212	47,089	51,322
Depreciation and amortization(2)	33,391	32,273	30,440	7,127	62,811	97,864	46,269	50,384
Loss on abandonment of leased properties						3,081		260
Total costs and expenses	601,939	593,093	557,682	79,299	700,402	762,345	378,046	387,955
Operating income	77,319	97,001	105,504	8,604	108,135	91,254	44,813	56,471
Interest income	(33)	(74)	(67)	(139)	(1,567)	(963)	(603)	(53)
Interest expense(2)	113	56	25	10,113	74,325	71,717	29,491	35,111
Income (loss) before income taxes	77,239	97,019	105,546	(1,370)	35,377	20,500	15,925	21,413
Income tax provision (benefit)(2)	26,686	31,526	42,004	1,014	18,101	8,567	7,690	3,640

Table of Contents

	Emdeon Business Services (Predecessor)[1]			Emdeon Inc. (Successor)[1]				
							Unaudited	
	Year Ended December 31, 2004	Year Ended December 31, 2005	Period from January 1, 2006 thru November 15, 2006	Period from November 16, 2006 thru December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Six Months Ended June 30, 2008	Six Mont Ended June 30 2009
	(In thousands, except per share data)							
ncome)	50,553	65,493	63,542	(2,384)	17,276	11,933	8,235	17,7
ncome) butable to ontrolling est						2,702	1,854	4,
ncome) butable to rolling est	$ 50,553	$ 65,493	$ 63,542	$ (2,384)	$ 17,276	$ 9,231	$ 6,381	$ 13,
dends								
c and ed ngs (loss) hare to s A mon kholders:								
c				$ (0.05)	$ 0.33	$ 0.12	$ 0.09	$ 0
ted				$ (0.05)	$ 0.17	$ 0.12	$ 0.08	$ 0
ghted age ber of es used in puting ngs per e:								
c				52,000,000	52,000,000	74,775,039	72,107,472	77,413,
ted				52,000,000	100,000,000	100,000,000	100,000,000	77,413,

	Emdeon Business Services (Predecessor)[1]		Emdeon Inc. (Successor)[1]			
	At December 31, 2004	At December 31, 2005	At December 31, 2006	At December 31, 2007	At December 31, 2008	Unaudited At June 30, 2009
Balance Sheet Data:						
Cash and cash equivalents[3]	$ 8,668	$ 6,930	$ 30,513	$ 33,687	$ 71,478	$ 96,062
Total assets	1,230,723	1,245,128	1,372,853	1,357,229	2,000,279	2,003,444
Total debt[4]			907,349	871,934	825,230	801,136
Total equity	$ 1,094,150	$ 1,121,637	$ 292,657	$ 300,969	$ 878,153	$ 919,914

(1) Our financial results prior to November 16, 2006 represent the financial results of the group of wholly-owned subsidiaries of HLTH that comprised its Emdeon Business Services segment. On November 16, 2006, HLTH sold a 52% interest in EBS Master (which was formed as a holding company for our business in connection with that transaction) to an affiliate of General Atlantic. Accordingly, the financial information presented reflects the results of operations and financial condition of Emdeon Business Services before the 2006 Transaction (Predecessor) and of us after the 2006 Transaction (Successor).

(2) As a result of purchase price adjustments recorded in connection with the 2006 Transaction and 2008 Transaction, depreciation, amortization, interest and income tax provision (benefit) amounts may not be comparable for each of the periods presented.

(3) Does not reflect the impact of approximately $75.0 million paid from our available cash in connection with the cRx Acquisition, which occurred after June 30, 2009.

(4) Our debt as of June 30, 2009 is reflected net of unamortized debt discount of $59.0 million related to original loan fees and purchase accounting adjustments to discount the debt to fair value in conjunction with the 2008 Transaction.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The historical consolidated financial data discussed below reflect our historical results of operations and financial condition for periods on and after November 16, 2006. The historical consolidated financial data discussed below for periods prior to November 16, 2006, reflect the historical results of operations and financial condition of the group of subsidiaries of HLTH that comprised its Emdeon Business Services segment. For periods on and after November 16, 2006, the historical consolidated financial data gives effect to the reorganization transactions described under Organizational Structure as if they occurred on November 16, 2006.

You should read the following discussion in conjunction with Selected Consolidated Financial Data and our and Emdeon Business Services respective consolidated financial statements and the related notes included elsewhere in this prospectus. Some of the statements in the following discussion are forward-looking statements. See Forward-looking Statements.

Overview

We are a leading provider of revenue and payment cycle management solutions, connecting payers, providers and patients in the U.S. healthcare system. Our product and service offerings integrate and automate key business and administrative functions of our payer and provider customers throughout the patient encounter, including pre-care patient eligibility and benefits verification, claims management and adjudication, payment distribution, payment posting and denial management and patient billing and payment. Our customers are able to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle process by using our comprehensive suite of products and services.

We deliver our solutions and operate our business in three business segments: (i) payer services, which provides services to commercial insurance companies, third party administrators and governmental payers; (ii) provider services, which provides services to hospitals, physicians, dentists and other healthcare providers, such as labs and home healthcare providers; and (iii) pharmacy services, which provides services to pharmacies, pharmacy benefit management companies and other payers. Through our payer services segment, we provide payment cycle solutions, both directly and through our channel partners, that simplify the administration of healthcare related to insurance eligibility and benefit verification, claims filing and claims and payment distribution. Through our provider services segment, we provide revenue cycle management solutions and patient billing and payment services, both directly and through our channel partners, that simplify providers revenue cycle, reduce related costs and improve cash flow. Through our pharmacy services segment, we provide solutions to pharmacies and pharmacy benefit management companies and government agencies related to prescription benefit claim filing, adjudication and management, as well as electronic prescriptions.

There are a number of company-specific initiatives and industry trends that may affect our transaction volumes, revenues, cost of operations and margins. As part of our strategy, we encourage our customers to migrate from paper-based claim, patient statement, payment and other transaction processing to electronic, automated processing in order to improve efficiency. Our business is aligned with our customers to support this transition, and as they migrate from paper-based transaction processing to electronic processing, even though our revenues generally will decline, our margins and profitability will typically increase. For example, because the cost of postage is included in our revenues for patient statement and payment distribution services (which is then also deducted as a cost of operations), when our customers transition to electronic processing, our revenues and costs of operations decrease as we will no longer incur or be required to charge for postage. In addition, as our payer customers migrate to MGAs with us, our electronic transaction volume usually increases while the rebates we pay and the per transaction rate we charge under these agreements is typically reduced.

Part of our strategy also includes acquisitions and the development and introduction of new products and services, such as information based business intelligence and data analytics solutions and electronic payment solutions for payers and providers. Our new and updated products and services are likely to require us to incur development and engineering expenditures at levels similar to, and possibly greater than, recent years expenditures in order to successfully develop and achieve market acceptance of such products and services. For 2009 and 2010, we currently estimate our development and engineering expenses to be in the range of approximately 3.7% to 4.1% of revenues and we expect to fund such expenditures with cash flows generated from operations. We also may acquire, or enter into agreements with third parties to assist us in providing, new products and services. For example, we offer, or plan to offer, our electronic payment solutions through banks or vendors who contract with banks and other financial service firms. The costs of these initiatives or the failure to achieve broad penetration in target markets with respect to new or updated products and services may affect our results of operations and margins.

We also expect to continue to be affected by pricing pressure in our industry, which has led (and is expected to continue to lead) to reduced prices for the same services. We have sought in the past and will continue to seek to mitigate pricing pressure by (i) providing additional value-added products and services, (ii) increasing the volume of services we provide and (iii) managing our costs. In addition, significant changes in regulatory schemes, such as the new updated HIPAA standard electronic transaction code set requirements for ICD-10, ARRA and other federal healthcare policy initiatives, and demographic trends affecting the healthcare industry, such as population growth and aging, could affect the frequency and nature of our customers healthcare transactional activity. The impact of such changes could impact our revenues, cost of operations and infrastructure expenses and thereby affect our results of operations and the way we operate our business. For example, an increase in the U.S. population, if such increase is accompanied by an increase in the U.S. population that has health benefits, or the aging of the U.S. population, which requires an overall increased need for healthcare services, may result in an increase in our transaction volumes which, in turn, may increase our revenues and costs of operations.

Corporate History

Our predecessors have been in the healthcare information solutions business for approximately 25 years. We have grown both organically and through targeted acquisitions in order to offer the full range of products and services required to automate the patient encounter administration process.

In May 2000, Envoy Corporation and its wholly-owned subsidiary, Envoy/ExpressBill, Inc., became part of our business. Envoy was a leading provider of claim transaction processing services to commercial payers and had an extensive network of healthcare providers and relationships with healthcare information system vendors. ExpressBill provided patient billing services, which involved the printing and mailing of customized patient statements, or bills, from healthcare providers to patients. The Envoy business today comprises the core of our claims management and submission operations, while the ExpressBill business comprises the core of our patient statement and billing operations.

In the third quarter of 2003, we acquired Advanced Business Fulfillment, Inc. (ABF), a distributor of payments and remittance advice from payers to providers and explanation of benefit information to patients. The ABF business today comprises the core of our payment distribution operations.

In the fourth quarter of 2003, we acquired MediFax EDI, Inc. MediFax provided insurance eligibility and benefit verification solutions between providers and governmental payers. The MediFax business today comprises the core of our provider revenue cycle management operations.

In the second quarter of 2004, we acquired Dakota Imaging Inc., a provider of paper claim imaging and scanning services for payers. By combining Dakota s paper conversion processing capabilities with our existing electronic and print delivery capabilities, we were able to offer payers a single solution for processing both paper and electronic inbound claims.

Prior to November 2006, our business was owned by HLTH. We currently conduct our business through EBS Master and its subsidiaries. EBS Master was formed as a holding company for the group of wholly-owned subsidiaries of HLTH that comprised its Emdeon Business Services segment. In November 2006, we purchased a 52% interest in

EBS Master from HLTH. In February 2008, HLTH sold its remaining 48% interest in EBS Master to affiliates of General Atlantic and H&F. As a result, prior to giving effect to the reorganization transactions, EBS Master was owned 65.77% by the General Atlantic Equityholders, and 34.23% by H&F Equityholders.

In the fourth quarter of 2007, we acquired IXT Solutions, Inc. (IXT), a provider of both paper-based and electronic patient statement and billing services. By combining IXT s electronic patient statement and billing capabilities with our existing patient statement and billing operations, we enhanced our patient statement and billing offerings to healthcare providers.

In September 2008, we acquired GE Healthcare Information Technology s patient statement business, a bulk print and mail service provider. The acquired business provides print and mail delivery of correspondence, such as patient statements, invoices, claims and appointment reminders, to patients from hospitals and physician groups.

In June 2009, we acquired The Sentinel Group, a healthcare fraud and abuse management services provider. The acquisition will expand our portfolio of offerings to help identify potential financial risks earlier in the revenue and payment cycle, creating efficiencies and cost savings for payers and providers, and will enhance our extensive data and analytical capabilities.

On July 2, 2009, we acquired eRx, a provider of electronic pharmacy healthcare solutions. We believe the acquisition of eRx will accelerate our development of solutions for our pharmacy customers, including integrated tools for managing efficiency and profitability through innovative claims management, and will provide the combined organization with an increased presence in ePrescribing. The consideration for the eRx acquisition was $75 million in cash and 1,850,000 EBS Units issued to certain members of eRx. For the year ended December 31, 2008, eRx had revenues of approximately $27.2 million, net income of approximately $4.8 million and total assets of approximately $6.9 million. Because eRx s 2008 income before income taxes would have represented more than 20% of our 2008 income before income taxes (due primarily to our interest, depreciation and amortization expense), we are required, pursuant to SEC rules, to file historical financial statements of eRx within 75 days after completion of the eRx Acquisition, as well as pro forma financial statements giving effect to the transaction.

Our Revenues and Expenses

We generate revenues by providing products and services that automate and simplify business and administrative functions for payers and providers, generally on either a per transaction, per document, per communications basis or, in some cases, on a monthly flat-fee basis. We generally charge a one-time implementation fee to payers and providers at the inception of a contract in conjunction with related setup and connection to our network and other systems. In addition, we receive software license fees and software and hardware maintenance fees, primarily from payers who license our systems for converting paper claims into electronic ones.

Cost of operations consists primarily of costs related to products and services we provide to customers and costs associated with the operation and maintenance of our networks. These costs include (i) postage and materials costs related to our patient statement and billing and payment distribution services, (ii) rebates paid to our channel partners, including healthcare information system vendors and electronic medical record vendors and (iii) data and telecommunications costs, all of which generally vary with our revenues. Cost of operations also includes (i) personnel costs associated with production, network operations, customer support and other personnel, (ii) facilities expenses and (iii) equipment maintenance, which vary less directly with our revenue due to the fixed or semi-fixed nature of these expenses.

The largest component of our cost of operations is currently postage (which is also a component of our revenue). Our postage costs increase as our patient statement and payment distribution volumes increase and also when the U.S. Postal Service increases postal rates, which has occurred each year from 2006 to 2009 and is expected to occur in the future. U.S. postage rate increases, while generally billed as pass-through costs to our customers, affect our cost of operations as a percentage of revenue. In recent years we have offset the impact of postage rate increases through cost reductions from efficiency measures, including data communication expense reductions and production efficiencies. Though we plan to continue our efficiency measures, we may not be able to offset the impact of postage rate increases in the future and, as a result, cost of operations as a percentage of revenue may rise if postage rate increases continue.

Rebates are paid to channel partners for electronic and other volumes delivered through our network to certain payers and can be impacted by the number of MGAs we execute with payers, the success of our direct sales efforts for provider revenue cycle management products and services and the extent to which direct connections to payers are developed by channel partners. In 2007 and 2008, our revenues and expenses were impacted by two separate contracts with a channel partner that expired without renewal. The effect of the expiration of these contracts was a decrease in our transaction volumes and related revenues and costs of operations. The effect on our operating income was partially mitigated by the retention of a portion of the transaction volumes through our MGA and other payer relationships, as well as the reduction in rebates paid pursuant to the expired channel partner contracts.

Table of Contents

We have been able to reduce our data communication expense over the last several years due to efficiency measures and contract pricing changes.

Our material costs, related primarily to our patient statement and payment distribution volumes, have increased over the last few years because of inflation and general commodity price increases.

Development and engineering expense consists primarily of personnel costs related to the development, management and maintenance of our current and future products and services. We plan to invest more in this area in the future as we develop new products and enhance existing products.

Sales, marketing, general and administrative expense (excluding corporate expense described in the next paragraph) consists primarily of personnel costs associated with our sales, account management and marketing functions and management and administrative services related to the operations of our business segments.

Our corporate expense relates to personnel costs associated with management, administrative, finance, human resources, legal and other corporate service functions, as well as professional services, certain facilities costs, advertising and promotion, insurance and other expenses related to our overall business operations. We expect to incur additional costs in this area related to becoming a public company, including additional director and officer insurance, outside director compensation, employment of additional personnel and Sarbanes-Oxley and other compliance costs.

Our development and engineering expense, sales, marketing, general and administrative expense and our corporate expense, while related to our current operations, are also affected and influenced by our future plans (including the development of new products and services), business strategies and enhancement and maintenance of our infrastructure.

Significant Items Affecting Comparability

Certain significant items or events should be considered to better understand differences in our results of operations from period to period. We believe that the following items or events have had a significant impact on our results of operations for the periods discussed below or may have a significant impact on our results of operations in future periods:

Corporate Allocation Charge and Subsequent Standalone Costs

Prior to the consummation of the 2006 Transaction, we were a segment of HLTH and HLTH provided us with certain management and administrative support services. For those services, HLTH charged us a corporate services fee based on an allocation of the costs they incurred. Conversely, during the same period, we provided certain corporate technology support services to HLTH and its other operating segments. The corporate services fee charged by HLTH to us was offset by the costs we incurred in providing these corporate technology support services. For the period from January 1 to November 15, 2006, the corporate services fee HLTH charged us amounted to approximately $7.5 million, after reduction for the approximately $7.0 million of corporate technology support costs we incurred during that period.

We separated from HLTH in November 2006 and transitioned to a stand-alone company. During this transition, we replicated the functions that HLTH previously provided to us and have been incurring and will continue to incur the costs of those functions. Subsequent to the 2006 Transaction through various periods during 2007, HLTH provided us with certain services to facilitate our transition to a stand-alone company and we continued to provide certain technology support services to HLTH. The net cost of the services HLTH provided to us in 2007 under this arrangement was $1.8 million.

Efficiency Measures

We evaluate and implement efficiency measures and other cost savings initiatives on an ongoing basis to improve our financial and operating performance through cost savings, productivity improvements and other process improvements. Since late 2006, we have increased these activities and have initiated numerous measures to streamline our operations through innovation, integration and consolidation. For instance, we are consolidating our data centers, consolidating our networks and outsourcing certain information technology and operations functions. The implementation of these measures often involve upfront costs related to severance, professional fees and/or contractor costs, with the cost savings or other improvements not realized until the measures are successfully completed.

Long-Term Debt

In connection with the 2006 Transaction, we borrowed an aggregate of $925.0 million under our credit agreements and entered into an interest rate swap agreement in order to reduce the risks associated with the variable rate of interest we are charged under our credit agreements. The incurrence of debt under our credit agreements resulted in interest expense of approximately $10.1 million in the period from November 16 through December 31, 2006, $74.3 million in 2007, $71.7 million in 2008 and $35.1 million during the six months ended June 30, 2009. Included in interest expense is (i) amortization expense related to our debt issuance costs and debt discount of approximately $0.3 million in the period from November 16 through December 31, 2006 and $2.4 million in 2007, and (ii) amortization expense related to our debt issuance costs, debt discount and other comprehensive loss of approximately $19.7 million in 2008 and $9.7 million during the six months ended June 30, 2009. Additionally, interest expense for 2008 was reduced by a favorable change in the fair value of our interest rate swap agreement of approximately $12.7 million. Prior to November 2006, we were wholly-owned by HLTH and, therefore, our financial statements and results of operations did not reflect long-term indebtedness or similar arrangements.

Purchase Accounting

In connection with the 2006 Transaction and the 2008 Transaction, purchase accounting adjustments were reflected in our financial statements to account appropriately for these business combinations. These adjustments included the following items and their impact:

Recognition of the fair value of our identifiable intangible assets. The increased value of these intangibles resulted in amortization expense subsequent to these transactions of $3.6 million in the period from November 16 through December 31, 2006, $27.7 million in 2007 and $57.0 million during 2008.

Reduction to fair value of our deferred revenue related to outstanding products and services to be provided subsequent to the 2006 Transaction and the 2008 Transaction. In connection with the 2006 Transaction, we reduced our deferred revenue by $5.2 million and, in connection with the 2008 Transaction, we reduced our deferred revenue by $5.6 million. These adjustments, in effect, reduced the revenue and income from operations that would otherwise have been recognized by $0.8 million in the period from November 16 to December 31, 2006, $3.4 million in 2007, $5.3 million in 2008 and $0.7 million in the six months ended June 30, 2009.

Reduction in the carrying value of our long-term debt to fair value in connection with the 2008 Transaction. In connection with the 2008 Transaction, 48% of our long-term debt was adjusted to fair value, a debt discount of approximately $66.4 million was recorded and approximately $8.2 million of the debt discount existing prior to the 2008 Transaction was written off. Amortization of the debt discount increased interest expense by approximately $9.8 million in 2008 and $5.8 million for the six months ended June 30, 2009. Also, as a result of the 2008 Transaction, our interest rate swap no longer met the criteria for hedge accounting and thus the value of the interest rate swap at that date is being amortized over its term to interest expense. This amortization increased interest expense by approximately $9.7 million during 2008 and $4.0 million for the six months ended June 30, 2009. As a result of no longer meeting the criteria for hedge accounting, the change in fair value of our interest rate swap from the date of the 2008 Transaction to its redesignation date as a hedge on September 30, 2008 was reflected within interest expense, which reduced interest expense by approximately $12.7 million during 2008.

Income Taxes

During the six months ended June 30, 2009, we concluded, based primarily on our taxable income for the quarter ended June 30, 2009 and the expected accretive impact of our recent acquisitions on future taxable income, that we would generate sufficient future taxable income to utilize certain of our net operating losses, the benefit of which we had not previously recognized. As a result, income tax expense for the six months ended June 30, 2009 is

Table of Contents

net of a benefit of approximately $11.8 million related to these net operating losses that had been the subject of a valuation allowance in previous periods.

Stock-Based and Equity-Based Compensation Expense

We incurred stock-based and equity-based compensation expense during 2006, 2007, 2008 and for the six months ended June 30, 2009 associated with stock options and restricted awards from HLTH and equity grants pursuant to the EBS Equity Plan and the EBS Incentive Plan. Total stock-based compensation expense incurred for the period from January 1 through November 15, 2006, the period from November 16 through December 31, 2006 and for 2007 was approximately $6.1 million, $0.3 million and $2.1 million, respectively. Total equity-based compensation expense of approximately $4.5 million, $4.1 million and $8.9 million was incurred for 2007, 2008 and the six months ended June 30, 2009, respectively.

In June 2009, we modified the repurchase features of all awards previously granted under the EBS Equity Plan. Following this modification, all awards granted under the EBS Equity Plan were reclassified as equity awards. Awards granted under the EBS Incentive Plan continue to be classified as liabilities. Immediately prior to this reclassification, we adjusted the value of these equity based awards to their fair value and recognized a change in estimate (increase to equity based compensation expense) of approximately $4.6 million during the six months ended June 30, 2009.

In connection with the reorganization transactions, the EBS Phantom Awards held by certain of our employees will be converted into 349,166 shares of our Class A common stock, 733,598 restricted stock units and 1,603,436 options to purchase shares of our Class A common stock. As a result of this conversion, we expect to recognize additional compensation expense of approximately $9.4 million at the date on which this offering is completed.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expense and related disclosures. We base our estimates and assumptions on the best information available to us at the time the estimates and assumptions are made, on historical experience and on various other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies include areas that require a significant amount of judgment and estimates.

Revenue Recognition

We generate revenues by providing products and services that automate and simplify business and administrative functions for payers and providers, generally on either a per transaction, per document, per communication basis or, in some cases, on a monthly flat-fee basis. We generally charge a one-time implementation fee to payers and providers at the inception of a contract in connection with related setup and connection to our network and other systems. In addition, we receive software license fees and software and hardware maintenance fees from payers who license our systems for converting paper claims into electronic claims and, occasionally, sell additional software and hardware products to such payers.

Revenue for transaction services, payment services and patient statements are recognized as the services are provided. Postage fees related to our payment services and patient statement volumes are recorded on a gross basis in accordance with EITF 00-10, *Accounting for Shipping and Handling Fees and Costs*. Implementation and software license and software maintenance fees are amortized to revenue on a straight-line basis over the contract period, which generally varies from one to three years. Software and hardware sales are recognized once all elements are delivered and customer acceptance is received.

Table of Contents

Cash receipts or billings in advance of revenue recognition are recorded as deferred revenues on our consolidated balance sheets.

We exclude sales and use tax from revenue in our consolidated statements of operations.

Software Development Costs

We account for internal use software development costs in accordance with Statement of Position (SOP) No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). Software development costs that are incurred in the preliminary project stage are expensed as incurred. Once certain criteria of SOP 98-1 have been met, direct costs incurred in developing or obtaining computer software are capitalized. Training and data conversion costs are expensed as incurred. Capitalized software costs are included in property and equipment within our consolidated balance sheets and are amortized over a three-year period.

Business Combinations

In accordance with SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R), we allocate the consideration transferred (i.e. purchase price) in a business combination to the acquired business identifiable assets, liabilities, and noncontrolling interests at their acquisition date fair value. The excess of the purchase price over the amount allocated to the identifiable assets, liabilities and noncontrolling interests, if any, is recorded as goodwill. Any excess of fair value of the identifiable assets acquired and liabilities assumed over the consideration transferred, if any, is generally recognized within our earnings as of the acquisition date.

We estimate the fair value of the assets, liabilities and noncontrolling interests based on one or a combination of income, cost, or market approaches as determined based on the nature of the asset or liability and the level of inputs available to us (i.e. quoted prices in an active market, other observable inputs or unobservable inputs). To the extent that our initial accounting for a business combination is incomplete at the end of a reporting period, we report provisional amounts for those items which are incomplete. We retroactively adjust such provisional amounts as of the acquisition date once we receive new information about facts and circumstances that existed as of the acquisition date.

Goodwill and Intangible Assets

Goodwill and intangible assets from our acquisitions are accounted for using the purchase method of accounting. Intangible assets with definite lives are amortized on a straight-line basis over the estimated useful lives of the related assets generally as follows:

Customer relationships	9 to 20 years
Trade names	20 years
Non-compete agreements	1 to 5 years

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), we review the carrying value of goodwill annually and whenever indicators of impairment are present. With respect to goodwill, we determine whether potential impairment losses are present by comparing the carrying value of our reporting units to the fair value of our reporting units. If the fair value of the reporting unit is less than the carrying value of the reporting unit, then a hypothetical purchase price allocation is used to determine the amount of goodwill impairment.

Our reporting units are determined in accordance with SFAS 142. We have identified our payer, provider, and pharmacy operating segments as our reporting units. We estimate the fair value of our reporting units using a methodology that considers both income and market approaches. Specifically, we develop an initial estimate of the fair value of each reporting unit as the present value of the expected future cash flows to be generated by the reporting unit. We then validate this initial amount by comparison to a value determined based on transaction multiples among guideline publicly traded companies.

Each approach requires the use of certain assumptions. The income approach requires management to exercise judgment in making assumptions regarding the reporting unit s future income stream, a discount rate and a constant rate of growth after the initial five year forecast period utilized. These assumptions are subject to change based on business and economic conditions and could materially affect the indicated values of our reporting units. For example, a 100 basis point change in our selected discount rate would result in a change in the indicated value of our payer, provider and pharmacy reporting units of approximately $91.1 million, $97.5 million and $12.6 million, respectively, which would have required additional impairment analysis in accordance with SFAS 142.

The market approach requires management to exercise judgment in its selection of the guideline companies as well in its selection of the most relevant transaction multiple. Guideline companies selected are comparable to us in terms of product or service offerings, markets, and/or customers, among other characteristics. We considered two transaction multiples (i) the ratio of market value of invested capital to earnings before interest and taxes (MVIC/EBIT) and (ii) the ratio of market value of invested capital to earnings before interest, taxes, depreciation, and amortization (MVIC/EBITDA).

Our method of assessing the fair value of our reporting units and our method of selecting the key assumptions did not change from 2007 to 2008. However, a decline in the market returns on equity and the borrowing costs at the date of our evaluation resulted in an average 200 point decrease in the discount rate from the comparable prior year evaluation.

Income Taxes

We account for income taxes under the provisions of SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). SFAS 109 generally requires us to record deferred income taxes for the tax effect of differences between book and tax bases of our assets and liabilities.

Deferred income taxes reflect the available net operating losses and the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including our past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved would adversely affect utilization of our deferred tax assets, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

We recognize uncertain tax positions in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Equity-Based Compensation

Compensation expense related to our equity-based awards is recognized on a straight-line basis over the vesting period under the provisions of SFAS 123(R), *Share Based Payment* (SFAS 123(R)), using the modified prospective method. The fair value of equity awards is determined by utilizing a contemporaneous independent third party valuation using a Black-Scholes model and assumptions as to expected term, expected volatility, expected dividends and the risk free rate. Our equity-based awards have historically been classified as liabilities due to certain repurchase features. We remeasure the fair value of liability awards at each reporting date. Liability awards are included in other long-term liabilities in the consolidated balance sheets.

In June 2009, we modified the repurchase features of all awards previously granted under the EBS Equity Plan. Following this modification, all awards granted under the EBS Equity Plan were reclassified as equity awards. Awards granted under the EBS Incentive Plan continue to be classified as liabilities.

Table of Contents

Results of Operations

The following table summarizes our consolidated results of operations for the period from January 1 through November 15, 2006 (Predecessor), the period from November 16 through December 31, 2006, the years ended December 31, 2007 and December 31, 2008 and for the six months ended June 30, 2008 and June 30, 2009:

Emdeon Business Services (Predecessor)[1]		Emdeon Inc. (Successor)[1]								Unaudite
eriod From Jan. 1, 2006 to Nov. 15, 2006		Period From Nov. 16, 2006 to Dec. 31, 2006		Year Ended December 31, 2007		Year Ended December 31, 2008		Six Months Ended June 30, 2008		
Amount	% of Revenue[2]	Amount	% of Revenue[2]	Amount	% of Revenue[2]	Amount	% of Revenue[2]	Amount	% of Revenue	A
				(in thousands)						
299,991	45.2%	$ 39,318	44.7%	$ 366,675	45.4%	$ 372,159	43.6%	$ 184,597	43.7%	$
336,243	50.7	44,934	51.1	408,439	50.5	444,845	52.1	219,996	52.0	
32,055	4.8	4,143	4.7	36,937	4.6	39,067	4.6	19,622	4.6	
(5,103)	(0.8)	(492)	(0.6)	(3,514)	(0.4)	(2,472)	(0.3)	(1,356)	(0.3)	
663,186	100.0	87,903	100.0	808,537	100.0	853,599	100.0	422,859	100.0	
201,452	67.2	26,514	67.4	241,755	65.9	242,950	65.3	122,309	66.3	
221,587	65.9	29,680	66.1	268,529	65.7	292,844	65.8	145,766	66.3	
6,250	19.5	763	18.4	6,753	18.3	6,619	16.9	3,871	19.7	
(4,181)		(329)		(2,460)		(1,843)		(974)		
425,108	64.1	56,628	64.4	514,577	63.6	540,570	63.3	270,972	64.1	
8,303	2.8	1,000	2.5	11,157	3.0	10,472	2.8	4,798	2.6	
9,675	2.9	1,277	2.8	12,869	3.2	14,015	3.2	6,863	3.1	
3,812	11.9	505	12.2	4,513	12.2	5,131	13.1	2,055	10.5	
(8)										
21,782	3.3	2,782	3.2	28,539	3.5	29,618	3.5	13,716	3.2	
22,547	7.5	3,066	7.8	22,386	6.1	23,286	6.3	12,723	6.9	

26,513	7.9	3,671	8.2	31,329	7.7	30,475	6.9	15,753	7.2	
3,031	9.5	357	8.6	3,561	9.6	3,864	9.9	1,893	9.6	
(914)		(163)		(1,052)		(624)		(317)		
51,177	7.7	6,931	7.9	56,224	7.0	57,001	6.7	30,052	7.1	
165,119	24.9	21,562	24.5	209,197	25.9	226,410	26.5	108,119	25.6	
29,175	4.4	5,831	6.6	38,251	4.7	37,292	4.4	17,037	4.0	
30,440	4.6	7,127	8.1	62,811	7.8	97,864	11.5	46,269	10.9	
105,504	15.9	8,604	9.8	108,135	13.4	91,254	10.7	44,813	10.6	
(67)	(0.0)	(139)	(0.2)	(1,567)	(0.2)	(963)	(0.1)	(603)	(0.1)	
25	0.0	10,113	11.5	74,325	9.2	71,717	8.4	29,491	7.0	
105,546	15.9	(1,370)	(1.6)	35,377	4.4	20,500	2.4	15,925	3.8	
42,004	6.3	1,014	1.2	18,101	2.2	8,567	1.0	7,690	1.8	
63,542	9.6%	(2,384)	(2.7)%	17,276	2.1%	11,933	1.4%	8,235	1.9%	
						2,702		1,854		
63,542		$ (2,384)		$ 17,276		$ 9,231		$ 6,381		$

(1) Our financial results prior to November 16, 2006 represent the financial results of the group of subsidiaries of HLTH that comprised its Emdeon Business Services segment. On November 16, 2006, HLTH sold a 52% interest in EBS Master (which was formed as a holding company for our business in connection with that transaction) to an affiliate of General Atlantic. Accordingly, the financial information presented reflects the results of operations and financial condition of Emdeon Business Services before the 2006 Transaction (Predecessor) and of us after the 2006 Transaction (Successor).

(2) All references to percentage of revenues for expense components refer to the percentage of revenues of such segment.

(3) See Note 23 Segment Reporting to our audited financial statements and Note 14 Segment Reporting to our unaudited financial statements included elsewhere in this prospectus for further detail of our revenues within each reportable segment.

Our historical consolidated operating results do not reflect (i) the step-up in the value of certain assets as a result of the 2008 Transaction (other than for the year ended December 31, 2008, and the six months ended June 30, 2008 and June 30, 2009), (ii) the creation of certain tax assets in connection with this offering and the reorganization transactions and the creation or acquisition of related liabilities in connection with entering into the tax receivable agreements, (iii) the eRX Acquisition, (iv) this offering and the application of the net proceeds from this offering and (v) additional costs we will incur as a public company. As a result, our historical consolidated operating results may not be indicative of what our results of operations will be for future periods.

Management s discussion and analysis of the results of operations for the historical periods prior to November 16, 2006 does not reflect the impact that the 2006 Transaction and the 2008 Transaction have had and will have on us, including increased leverage and liquidity requirements. For a discussion of the significant items affecting the comparability of the 2006 predecessor period and successor periods, see Significant Items Affecting Comparability above.

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenues

Our total revenues were $444.4 million for the six months ended June 30, 2009 as compared to $422.9 million for the six months ended June 30, 2008, an increase of approximately $21.6 million or 5.1%.

Our payer services segment revenue is summarized by product line in the following table:

	June 2009	June 2008	$ Change
Claims management	$ 91,199	$ 90,554	$ 645
Payment services	103,257	93,823	9,434
Intersegment revenue	137	220	(83)
	$ 194,593	$ 184,597	$ 9,996

Claims management revenues for the six months ended June 30, 2009 increased by approximately $0.6 million, or 0.7%, from the six months ended June 30, 2008 due primarily to an increase in the volume of electronic claims processed during the current year period. Payment services revenues for the six months ended June 30, 2009 increased by approximately $9.4 million, or 10.1%. This increase was primarily driven by new sales and implementations, as well as the impact of U.S. postage rate increases effective in May 2008 and May 2009. Also reflected in payment services revenue for the six months ended June 30, 2009 is approximately $0.2 million related to fraud and abuse management solutions services following our acquisition of The Sentinel Group in June 2009.

Our provider services segment revenue is summarized by product line in the following table:

	June 30 2009	June 30, 2008	$ Change
Patient statements	$ 137,464	$ 132,222	$ 5,242

Revenue cycle management	75,783	70,639	5,144
Dental	15,712	15,999	(287)
Intersegment revenue	972	1,136	(164)
	$ 229,931	$ 219,996	$ 9,935

Patient statement revenues for the six months ended June 30, 2009 increased approximately $5.2 million, or 4.0%, primarily due to the acquisition of the patient statement business of GE Healthcare Information Technology in September 2008 and the impact of U.S. postage rate increases effective in May 2008 and May 2009, partially offset by customer attrition. Revenue cycle management revenues for the six months ended June 30, 2009 increased approximately $5.1 million, or 7.3%, primarily from new sales and implementations, partially offset by attrition in legacy products. Dental revenues for the six months ended June 30, 2009 decreased approximately $0.3 million, or 1.8%, primarily due to pricing pressures in the dental market.

Table of Contents

Our pharmacy services segment revenues were $21.0 million for the six months ended June 30, 2009 as compared to $19.6 million for the six months ended June 30, 2008, an increase of approximately $1.4 million, or 6.6%. This increase was primarily attributable to new sales and implementations, as well as growth in sales to existing customers. In future periods, we expect our pharmacy services segment revenues to increase as a result of the eRx Acquisition.

Cost of Operations

Our total cost of operations was $271.6 million for the six months ended June 30, 2009 as compared to $271.0 million for the six months ended June 30, 2008, an increase of approximately $0.6 million, or 0.2%.

Our cost of operations for our payer services segment was approximately $122.3 million for both the six months ended June 30, 2009 and June 30, 2008. As a percentage of revenue, our payer services costs of operations decreased to 62.8% for the six months ended June 30, 2009 as compared to 66.3% for the six months ended June 30, 2008. The decrease in payer services segment costs of operations as a percentage of revenue was primarily attributable to (i) reduced rebates due to the expiration of two contracts with a channel partner, (ii) reduced data communication expenses from lower rates, consolidation of our data centers and improved utilization of our existing data communication capabilities and (iii) the absence of severance costs related to 2008 efficiency measures combined with the resulting reduction in compensation for the six months ended June 30, 2009. These reductions were partially offset by higher postage costs resulting from U.S. postage rate increases effective in May 2008 and May 2009.

Our cost of operations for our provider services segment was $146.4 million for the six months ended June 30, 2009 as compared to $145.8 million for the six months ended June 30, 2008, an increase of approximately $0.6 million, or 0.4%. As a percentage of revenue, our provider services segment costs of operations decreased to 63.7% for the six months ended June 30, 2009 as compared to 66.3% for the six months ended June 30, 2008. The increase in provider services costs of operations was primarily attributable to the acquisition of the patient statement business of GE Healthcare Information Technology in September 2008 and U.S. postage rate increases in May 2008 and May 2009, partially offset by a reduction in data communication expenses from lower rates, consolidation of our data centers and improved utilization of our internal data communication capabilities. The decline in provider services costs of operations as a percentage of revenue is primarily attributable to reduced data communication expenses from lower rates, consolidation of our data centers and improved utilization of our internal data communication capabilities.

Our cost of operations for our pharmacy services segment was $3.8 million for the six months ended June 30, 2009 as compared to $3.9 million for the six months ended June 30, 2008, a decrease of $.1 million, or 2.1%, reflecting generally consistent levels of activity in each period. We expect our costs of operations for our pharmacy services segment to increase in future periods as a result of the eRx Acquisition.

Development and Engineering Expense

Our total development and engineering expense was $14.4 million for the six months ended June 30, 2009 as compared to $13.7 million for the six months ended June 30, 2008, an increase of approximately $0.7 million, or 4.8%, reflecting generally consistent levels of activity in each period.

Sales, Marketing, General and Administrative Expense (Excluding Corporate Expense)

Our total sales, marketing, general and administrative expense (excluding corporate expense) was $29.5 million for the six months ended June 30, 2009 as compared to $30.1 million for the six months ended June 30, 2008, a decrease of approximately $0.5 million, or 1.8%.

Our sales, marketing, general and administrative expense for our payer services segment was $12.4 million for the six months ended June 30, 2009 as compared to $12.7 million for the six months ended June 30, 2008, a decrease of approximately $0.3 million, or 2.4%. This decrease was primarily attributable to the absence of severance costs related to 2008 efficiency measures combined with the resulting reduced compensation in the six months ended June 30, 2009.

Our sales, marketing, general and administrative expense for our provider services segment was $15.3 million for the six months ended June 30, 2009 as compared to $15.8 million for the six months ended June 30, 2008, a decrease of approximately $0.5 million, or 2.9%. This decrease was primarily attributable to 2008 efficiency measures which reduced compensation costs, as well as our utilization of internal personnel to develop product enhancements for which eligible costs were capitalized, in the six months ended June 30, 2009. This decrease was offset by an increase in bad debt expense associated with an increase in aging of receivables from our revenue cycle management services customers.

Our sales, marketing, general and administrative expense for our pharmacy services segment was approximately $2.0 million for the six months ended June 30, 2009 as compared to $1.9 million for the six months ended June 30, 2008, an increase of approximately $0.1 million, or 7.0%, reflecting generally consistent levels of activity in each period.

Corporate Expense

Our corporate expense was $22.1 million for the six months ended June 30, 2009 as compared to $17.0 million for the six months ended June 30, 2008, an increase of approximately $5.0 million, or 29.6%. This increase in the current year period was primarily attributable to increased equity-based compensation expense, incremental costs associated with building the infrastructure required to operate as a public company, and costs of added functions such as business development and public relations. With respect to equity-based compensation, due to the presence of certain repurchase features of our equity-based awards granted prior to May 26, 2009, we have historically been required to recognize compensation expense at the end of each quarter based on the fair value of such equity-based awards at that time. In connection with our operational performance and improved general market conditions, the value of our equity-based awards increased during the six months ended June 30, 2009. As a result of this increase in our equity value, we recognized a change in estimate (i.e. increase to equity-based compensation expense) of approximately $4.6 million during the six months ended June 30, 2009 to adjust our equity-based awards to their fair value. Upon completion of this offering, we similarly expect to record additional equity-based compensation expense related to awards issued under the Phantom Plan as contingencies related to those awards are resolved. We expect to recognize an increase to equity-based compensation expense of approximately $9.4 million upon completion of the offering.

Depreciation and Amortization Expense

Our depreciation and amortization expense was $50.4 million for the six months ended June 30, 2009 as compared to $46.3 million for the six months ended June 30, 2008, an increase of approximately $4.1 million, or 8.9%. This increase was primarily attributable to depreciation of property and equipment placed in service subsequent to June 30, 2008, as well as additional depreciation and amortization expense related to purchase accounting adjustments associated with the 2008 Transaction. The increased depreciation and amortization from the 2008 Transaction is fully reflected in the six months ended June 30, 2009 while only reflected for the period from February 8, 2008 to June 30, 2008 in the six months ended June 30, 2008.

Interest Income

We had minimal interest income for the six months ended June 30, 2009 as compared to $0.6 million for the six months ended June 30, 2008, a decrease of approximately $0.6 million. While our interest-bearing cash and cash equivalent balances generally have increased since June 30, 2008, this increase was more than offset by the effect of a reduction in the market interest rates available to us during the six months ended June 30, 2009.

Interest Expense

Our interest expense was $35.1 million for the six months ended June 30, 2009 as compared to $29.5 million for the six months ended June 30, 2008, an increase of approximately $5.6 million, or 19.1%. The comparability of interest expense between these two six months periods is impacted by the adjustment of 48% of our debt to its fair value in connection with the 2008 Transaction, the discontinuation of hedge accounting treatment for our interest rate swap from February 2008 to September 2008, as well as a decline in the variable interest rates under our credit agreements. Both the adjustment of 48% of our debt to fair value and the discontinuation of hedge accounting treatment of our interest rate swap resulted in increased interest expense from the amortization of such items. This increased amortization is fully reflected in the six months ended June 30, 2009 while only reflected for the period from February 8, 2008 to June 30, 2008 in the six months ended June 30, 2008.

Our discontinuation of hedge accounting treatment also required us to adjust our interest rate swap to fair market value with the change reflected in interest expense. The six months ended June 30, 2008 included a reduction of interest expense of approximately $11.8 million related to this fair value adjustment. No similar adjustment was reflected in the six months ended June 30, 2009 as we redesignated our interest rate swap agreement as a hedge of our interest rate risk in September 2008.

Income Taxes

Our income tax expense was $3.6 million for the six months ended June 30, 2009 as compared to $7.7 million for the six months ended June 30, 2008, a decrease of approximately $4.1, or 52.7%. The effective income tax rates for the six months ended June 30, 2009 and June 30, 2008 were 17.0% and 48.2%, respectively. Differences between the federal statutory rate and these effective income tax rates principally relate to the change in our book basis versus tax basis in our investment in EBS Master, changes in our valuation allowance and other permanent differences.

During the six months ended June 30, 2009, we concluded, based primarily on our taxable income for the quarter ended June 30, 2009 and the expected accretive impact of our recent acquisitions on future taxable income, that we would generate sufficient future taxable income to utilize certain of our net operating losses, the benefit of which we had not previously recognized. As a result, income tax expense for the six months ended June 30, 2009 is net of a benefit of approximately $11.8 million related to these net operating losses that had been the subject of a valuation allowance in previous periods.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues

Our total revenues were $853.6 million in 2008 as compared to $808.5 million in 2007, an increase of approximately $45.1 million, or 5.6%. This increase in revenue was net of approximately $4.7 million revenue reduction in 2008 from purchase accounting adjustments associated with the 2008 Transaction.

Our payer services segment revenue is summarized by product line in the following table:

	2008	2007	Change
Claims management	$ 179,930	$ 192,318	$ (12,388)
Payment services	191,874	173,677	18,197