October 10, 2003

PEGASUS ANNOUNCES SUPPORT FOR UDO

With the much-anticipated shipping date for **Plasmon's** UDO (ultra-density optical) technology rapidly approaching, **Pegasus Disk Technologies** has announced support for UDO drives and libraries. Pegasus (www.pegasus-afs.com) is an optical storage management software specialist that also supports MO, CD-ROM, and DVD. At **AIIM 2003**, Plasmon (www.plasmon.com) announced UDO, which is being promoted as the successor to MO, would begin shipping this fall. Plasmon was scheduled to demonstrate UDO drives and media this week at **Forum Stockage 2003** being held in Paris.

Cardiff Software (www.cardiff.com) recently began shipping the product it made a big splash with at AIIM. *LiquidCapture*, Cardiff's Web-based image capture platform is now available for a list price of $11,500 for a server-based, five-concurrent license application. *LiquidCapture* is designed to service the rapidly growing distributed capture market. It leverages release scripts for document management systems that Cardiff has already written for its *TeleForm* forms processing application.

Captovation (www.captovation.com), an early innovator in the distributed capture market, recently announced the latest version of its *ecScan* production document capture platform. Captovation has added ISIS drivers to *ecScan* as an alternative to **Kofax** Adrenaline drivers. Captovation will demo *ecScan* at the upcoming **ARMA** records management conference being held Oct. 19-21 in Boston.

Finally, **Kodak** (www.kodak.com) announced it is now shipping the i80 departmental scanner. The i80 lists for $2,700 and is rated at 35 ppm/70 ipm in a duplex, bi-tonal mode. The i80 outputs 150 dpi color images at 20 ppm/20 ipm.

Canon Introduces HV at LV Prices

After years of showing gradual improvement, the price/performance curves on document scanners are being blown out of the water. Leveraging new CIS (contact image sensor) technology, **Canon** recently introduced a pair of sub-$10,000 scanners that have rated performance levels similar to some scanners that list for twice as much. The DR-6080 and the DR-9080C represent Canon's latest. They feature rated speeds of 60 ppm and 90 ppm in portrait mode, respectively. In landscape mode, they increase to 70 ppm and 110 ppm. Both are duplex models whose rated image-per-minute (ipm) speed is double their ppm. As its name suggests, the 9080C features color scanning, with approximately a 37% reduction in rated speed.

The new scanners are the successors to Canon's DR-5020 and DR-5080C models, which were introduced in 1999 and catapulted Canon to second place in the low-volume production market, as defined by **InfoTrends Research Group**

For a list price of $9,975, the Canon 9080C promises 110 ppm bi-tonal scanning in a landscape mode.

(www.infotrends-rgi.com). The 6080 and 9080C are being introduced at list prices of $7,560 and $9,975, respectively, which were formerly the prices of the 5020 and 5080C. According to George Morris, product marketing manager for integrated business systems at Canon USA, as of Nov. 1 (the scheduled shipping date for the new models), the 5080C will be discontinued and the price of the 5020 will be dropped.

"In 1999, when we introduced the 5080C, we broke new ground," Morris told *DIR*. "Aside from **Kodak**, we had the only color scanner priced competitively with bi-tonal units—and the Kodak unit listed for more than $30,000, while ours was under $10,000. However, since that time, a lot has changed in terms of technology. This has enabled us to develop new models with vastly

improved speeds and feeds."

The 5020 and 5080 could also reach bi-tonal speeds of up to 90 ppm, but only through a process called interpolation. Interpolation involves averaging pixel information to scale images. Without interpolation, the 5020 and 5080 are rated at 53 ppm, and the 5080C is more than 80% slower when scanning in color. The new models do not have an interpolation feature.

"When we developed our previous generation, in addition to older CIS technology, we were dealing with limited bandwidth and a fraction of the CPU power we have today," said Morris. "For example, our previous generations were developed to work with SCSI or SCSI-2 interfaces. The new models offer the option of SCSI-3 or USB-2."

The feeders on the new devices also feature new patented technology in the areas of ultrasonic double-feed detection and staple detection. "Staple detection may not sound like a big deal, but I've visited several service bureaus and have seen what a big problem staples can present," said Morris. "With a good operator, they can stop a scanner for 7 minutes. With a bad one, 15. Throughput is not just about scanning speeds, but about what operators are actually producing. We are trying to streamline the whole image production process."

That's not to say the rated speeds of Canon's new scanners are not impressive. While priced in the low-volume production range, both scanners have speeds that fall at least in the mid-volume range, while the DR-9080C arguably pushes into the high-volume space, especially in the bi-tonal and grayscale mode.

"According to InfoTrends, the document scanner market is softest in the higher-volume segments," Morris told DIR. "That is because of the higher prices. We think our new products will reduce some of the barriers to entry in those segments. Even if you are not using all the functionality, you are getting a lot for your money."

Looking at the competitive landscape, the 9080C could especially put pressure on Kodak's 3500 line, which has been the market leader in the mid-volume production segment since it was introduced in 1998. The 3500 series starts at around $20,000. It's worth noting that the 3500 line is probably due for an overhaul, as it is the only one of Kodak's internally manufactured scanners that does not feature the Quad Linear CCD that Kodak introduced in 2001. Historically, Kodak has used the **AIIM** show for product announcements, so we are looking for something from them next March.

Susan Moyse, lead analyst for document imaging scanners at InfoTrends, noted that color speeds being rated slower than bi-tonal may hurt Canon's new models against competitors such as Kodak who offer scanners with color and black-and-white speeds that are the same. Morris discounted this notion. He said it has not hurt Canon sales in the past.

"I believe in color, and there are applications for color," he said. "However, users still do the majority of their scanning in black-and-white. As you know, Canon USA is a major player in the MFP and digital copier markets. That world is still 75%-85% black-and-white. It's our belief that the percentage of color in the input world will match the percentage in the output world."

It's probably worth re-noting that the 9080C does offer considerably better color speeds than the company's legacy color models. Complementing this color output will be multi-streaming capability based on technology Canon has licensed from **Pixel Translations**. Already in use in some competitive scanners, Pixel's Multistream™ enables scanners to output a combination of color, grayscale, and/or bi-tonal images from a single scan. *DIR* recently featured a service bureau that has leveraged multi-streaming to greatly reduce its indexing time for problem documents [*see DIR 7/11/03*].

Morris noted that Canon also plans to have the two new scanners certified on **Kofax'** VRS, a certification

he expects will be achieved through use of software only. This is fairly significant because the list price for software VRS is $535, while VRS configurations that utilize hardware can run over $1,000. According to the Kofax Web site, scanners rated above 35 ppm have traditionally required VRS hardware implementation.

All in all, the DR-6080 and DR-9080C offer some premium functionality for the money. They raise the bar in terms of what buyers can now expect for less than $10,000. This should help Canon maintain its strong market position in the low-volume production space, as well as possibly make a dent in the mid-volume production segment, where Canon has not competed to date.

Canon's next order of business will probably be

CANON DOCUMENT SCANNERS

Canon Scanner	Duplex	Color	Rated Bi-tonal & Grayscale Speed at 200 dpi	Rated Color Speed at 150 dpi	List Price
DR-2080C	Yes	Yes	20ppm/40 ipm	10 ppm/20 ipm	$1,095
DR-3060	Yes	No	32/64 (43/86 interpolated)	NA	$4,400
DR-3080C	Yes	Yes	32/64 (43/86 interpolated)	10 ppm/NA	$4,800
DR-5020	Yes	No	53/105 (90/180 interpolated)	NA	< $7560
DR-6080	**Yes**	**No**	**60/120 port - 70/140 lscp**	**NA**	**$7,560**
DR-9080C	**Yes**	**Yes**	**90/180 port - 110/220 lscp**	**72/144 port - 90/180 lscp**	**$9,975**

This list shows Canon's document scanner line as it will look after Nov. 1.

THE COMPETITIVE LANDSCAPE

Scanner	Duplex	Color	Bi-tonal & Gray Speed at 200 dpi	Color Speed at 200 dpi	Flatbed Capabilities	List Price
Kodak i250	No	Yes	50	50	Optional	$4,600
B&H 2000S FB	No	No	65 ppm	Na	Yes	$4,995
Panasonic KV-S6050W	No	No	56	NA	Yes	$5,499
Fujitsu fi-4640S	No	No	56	NA	Yes	$5,995
Kodak i260	Yes	Yes	50/100	50/100	Optional	$6,200
B&H 2000D FB	Yes	No	65/98	NA	Yes	$6,795
Ricoh IS450DE	Yes	No	65/98	NA	Yes	$6,795
Fujitsu M4097D	Yes	No	67/114	NA	Yes	$6,995
Panasonic KV-S2065L	Yes	No	62/116	NA	No	$7,499
Canon DR-6080	**Yes**	**No**	**70/140**	**NA**	**No**	**$7,560**
Panasonic KV-S6055W	Yes	No	56/92	NA	Yes	$8,499
Fujitsu fi-4750C	Yes	Yes	64/114	22/27	Yes	$8,995
Fujitsu fi-4750L	Yes	No	66/124	NA	Yes	$8,995
Caonon DR-9080C	**Yes**	**Yes**	**110/220**	**57/114 (port.)**	**No**	**$9,975**
Fujitsu fi-4860C	Yes	Yes	74/146	60/120	No	$16,995
Fujitsu M4099D	Yes	No	90/180	NA	Yes	$20,995
Kodak 3500 series	Yes	No	75-85/150-170	NA	No	$20,990 & up
Panasonic KV-SS855D	Yes	No	95/187	NA	No	$24,999
Kodak 4500	Yes	No	85/170	NA	No	$26,990
Fujitsu fi-4990C	Yes	Yes	90/180	88/140	No	$29,225

This is a list of low- and mid-volume production scanners that Canon's new releases will be competing with. Fujitsu has traditionally been the low-volume production market leader, while Kodak has dominated the mid-volume space in recent years. (When it was available, the rated speeds are based on a landscape scanning mode. The numbers represent page per minute/image per minute figures.)

addressing the departmental space, where its DR-3060 and DR-3080C have come under pressure recently from a slew of competitive releases. We're assuming Canon will leverage its new technology to do that fairly shortly.

On a more immediate note, it will be interesting to see if Canon's newest offerings, as well as its competitors' answers, can help drive a surge in production document scanner sales above the departmental level. If users start buying a greater number of faster scanners, it will naturally lead to more documents being scanned, which could provide a boost to the entire industry.

For more information: **Canon USA**, Lake Success, NY, PH (516) 328-5000, www.usa.canon.com. ◼️

Kofax, Fujitsu Expand IP Relationship

Fujitsu to resell VRS bundles for all fi-series scanners.

In 1999, **Fujitsu** became the first vendor to offer **Kofax** VRS (Virtual ReScan) technology for one of its scanners. Four years later, FCPA (Fujitsu Computer Products of America) has announced it will become the first vendor to offer VRS across its entire product line. Starting this month, Kofax's VRS image processing technology will be available from Fujitsu resellers and distributors.

"The feedback we've received from our channel is that they'd prefer a single source for a VRS-enabled scanner," Don McMahan, Fujitsu Imaging Products' VP of sales for U.S. and Latin America, told *DIR*. "For distributors, it's easier to deliver a single solution in one box, than two or three separate components. For resellers, it's potentially more profitable because VRS sales now become part of our alliance program. We have also worked it out so that both Kofax and Fujitsu salespeople will be compensated for Fujitsu's VRS sales."

Since 2000, Fujitsu has offered VRS kits for its 4099 and 4097 production scanners. Under the new agreement, Fujitsu will extend its VRS offerings to its complete line of more than 10 fi-series scanners. "We're putting together packages that offer customers some options," said Scott Francis, senior product marketing manager for Fujitsu Imaging Products. "On the lower-end, they can choose a software-only implementation. We are also going to offer a VRS package that includes a Kofax Adrenaline board. On the higher-end, we've standardized on a package that includes the Adrenaline 650i image processing board."

Fujitsu will make VRS standalone software available for its current list price of $535 per seat. It will offer an Adrenaline 650i board and cable packaged with VRS software for $1,295. For its higher-speed production scanners, a VRS-enabling package that includes a 650i board will be available for a list of $2,495. This package, which will be introduced at the end of this month for the fi-4860C and the fi-4990C, will also include installation.

"Through this expansion of our alliance with Kofax, we are fully endorsing VRS and providing engineering support with our own team," said McMahan. "We also hope to extend the reach of VRS to our full distribution channel, which is a little broader than the Kofax channel."

In the traditional document imaging market, many of Kofax's and Fujitsu's partners overlap. However, Fujitsu has recently been working to broaden its channel. This has included work with leading reseller groups from general computing distributors, such as **Tech Data** and **Ingram Micro**. Fujitsu also has burgeoning relationships with a group it terms "direct market resellers (DMRs)," such as Internet distributor **CDW**. According to McMahan, DMRs now account for 20-25% of Fujitsu Imaging Products' business.

"We've targeted DMRs for sales of departmental and workgroup scanners, but at some point they sell a bit of everything," McMahan told *DIR*. "As distributed scanning becomes a greater part of our business, it makes sense that DMRs represent a growing chunk of our sales. Distributed scanning is typically a large corporate installation and DMRs typically sell to corporate accounts. VRS will be available through DMRs as soon as we work it into the marketing programs of our workgroup scanners."

Ever since it was announced as a key component of the huge **FedEx** installation in 2001 [*see DIR 9/7/01*], VRS has been considered a key component to successful distributed scanning applications. FedEx was a **Bell & Howell** scanner customer, but Fujitsu customers, such as shipping services specialist **Pegasus TransTech**, also use VRS in large distributed operations. "We have some large implementations going on right now involving VRS that, unfortunately, I can't talk about," said McMahan. "I can say that one is with a financial services company rolling out VRS on several thousand Fujitsu scanners for its workgroups."

According to Doug Rudolph, Kofax's VP of worldwide sales for IP products, VRS is a key

element for easing the pain of distributed imaging rollouts. "It reduces the amount of training end users have to do, while ensuring that images will be scanned right on the first try," said Rudolph. "This simplifies the scanning process to pressing a button and removes a lot of the hassle associated with scanner settings."

According to McMahan, Fujitsu's recent success in distributed applications helped its workgroup scanner ($500-2,000) sales grow 71% in the last half-year compared to the previous six months. "Our departmental scanner ($2,000-6,000) sales have not been far behind," he added. "Those two segments represent a tremendous opportunity for Kofax and Fujitsu."

According to Rudolph, also driven by distributed applications, Kofax VRS' revenue increased by 106% in its fiscal 2003, which ended on June 30. "Because of the way VRS is sold, we don't have any numbers that indicate what type of scanners it's being deployed with," said Rudolph. "However, I believe the majority of VRS sales come with Fujitsu scanners."

After its humble origins as an option for the Fujitsu M3097, VRS is now certified to run on scanners from almost every major vendor. "We were pioneers with VRS," concluded McMahan. "This new announcement is just the latest match between two powerhouses in the document imaging industry. In addition, you are going to see some upcoming announcements between us on a global basis that are going to make life difficult for our competitors."

For more information: **FCPA**, San Jose, CA, PH (408) 432-6333, www.fcpa.com/products/scanners; **Kofax**, Irvine, CA, PH (949) 727-3144, www.kofax.com. DIR

Keyfile Latest To Join eiStream Fold

Many companies in the document imaging industry like to talk about acquisitions. **eiStream** accomplishes them. Following its tested model, eiStream recently acquired the assets of **Lexign** from financial services giant **Zions Bancorporation**. Lexign primarily consists of the former **Keyfile Corporation**, a document imaging and workflow specialist that reportedly once did more than $30 million in annual revenue.

eiStream has now completed four acquisitions since it was launched in the fall of 2000. All four were document imaging-focused software developers that were being run by larger companies whose main focus was elsewhere. These acquisitions included **Eastman Software** from **Kodak**, **Kofile** from **Tyler Technologies**, **ViewStar** from **Avaya**, and now Lexign. Zions is a financial services organization with more than $27 billion in assets. It had acquired Keyfile (which at the time was known as **icomXpress**) for $55 million in 2001, as part of a digital transaction strategy.

eiStream declined to say how much it paid for Lexign, but we are assuming it was considerably less than $55 million. According to John Oldham, eiStream's VP of marketing and sales, Lexign will immediately become a profitable operating unit for eiStream. The company has made job offers to 20 Lexign employees, and for now, eiStream will maintain Lexign's Nashua, NH, offices. They may eventually be combined with the nearby Billerica, MA offices of the former Eastman Software.

> **"Our strategy is to maintain and expand our role in the imaging, workflow, and BPM space. Lexign is an excellent fit in terms of expanding both our customer base and range of technology."**
>
> **John Oldham, eiStream**

Oldham expects the acquisition to increase eiStream's annual revenue run rate to $75-80 million. In 2002, eiStream reported close to $60 million, which reflected 20% growth over 2001. Lexign marks eiStream's first acquisition since ViewStar in the spring of 2001 [*see DIR 5/4/01*].

"Our strategy is to maintain and expand our role in the imaging, workflow, and BPM [business process management] space," Oldham told *DIR*. "Lexign is an excellent fit in terms of expanding both our customer base and range of technology. We want to service customers from the desktop to enterprise applications, and Lexign offers some tremendous middle market technology."

eiStream reports that Lexign currently supports more than 2,000 installations with 1,000 customers worldwide. "This includes big names like **Dell**, **Motorola**, and **Merck**," said Oldham. "Its customer base is a mix of commercial, financial services, and state, local, and federal government. Similar to the ViewStar and Eastman Software acquisitions, we feel there is quite a bit of potential for expansion within the Lexign customer base. In both cases, this potential was not realized because document imaging was not a signature product for the vendor

most recently supporting the application."-

According to Tim Mortenson, president of eiStream WMS [WMS represents Eastman Software's former product line], in the past, eiStream customers have proven very receptive to working with an incoming vendor that is more focused on document imaging than its predecessor. "In addition to traditional maintenance agreements, we offer something called an investment protection program," Mortenson told *DIR*. "This program is designed to help companies get back on track earning returns on their document imaging investments. We also have some very complementary enterprise technology we can cross sell to Lexign customers. Conversely, Lexign has some attractive mid-market technology for our current enterprise customers."

Through Kofile, eiStream already has a departmental and mid-market document imaging system. However, through its *Flow* product, Lexign brings some lower volume workflow technology to the eiStream mix. "*Flow* utilizes **Microsoft** Exchange," explained Steve Russell, president of eiStream ViewStar. "*Flow's* integration with e-mail makes it ideal for use in administrative-based processes such as approving expense reports."

Flow was in development the last time *DIR* talked with Keyfile in 2000. This was just prior to the acquisition by Zions, which according to Zions' Web site (www.zionsbancorporation.com) was worth $55 million. Zions apparently attempted to combine the Keyfile technology with its own digital signature technology to develop an electronic transaction application. Last year, however, Zions sold off some of its digital signature technology to a company called **Identrus**. This left the Keyfile piece to be picked up by eiStream.

"We think we can bring the Lexign revenue back up near $30 million per year," said Oldham. "We are looking forward to applying our sales, marketing, service, and support infrastructure and experience. These are elements the organization has been lacking over the past couple years."

Don't think by a long shot that the Lexign acquisition ends what appears to be turning into a document imaging software roll-up for eiStream. "We continue to investigate other opportunities," said Oldham. "Last time I looked, there were more than 200 companies in areas related to document imaging and workflow that we considered acquisition candidates."

For more information: **eiStream**, Dallas, TX, PH (214) 520-1660, www.eistream.com.⬛

iManage, Kofax Enter Co-Selling Agreement

A partnership between **iManage** and **Kofax** is the latest sign that the new **Interwoven** plans to be a serious competitor in the rapidly evolving electronic content management (ECM) space. The new Interwoven will be, of course, the result of a recently announced merger between document management specialist iManage and Web content management specialist Interwoven, which is expected to close this quarter. The partnership with Kofax is designed to make imaging a serious part of the company's offerings.

"We don't look at document capture as a checkbox item on a partner list," explained Steve Pattison, iManage's VP of business development. "We see it as the front end to a content management lifecycle, and our friends at Kofax view it the same way. People don't just want to scan documents to put them in a secure vault. They want to collaborate on them, put them in a workflow, and make them accessible inside and outside the enterprise. Our document management and collaboration software enables this type of application. Interwoven's technology will help with the publishing of those documents on Web sites."

According to Pattison, only a small percentage of iManage's current base of 1,300 customers currently does scanning. "However, many clients are asking about the technology, and it's going to be a very large play for us going forward," said Pattison. "I would describe our integration with capture as ramping up. As we take a proactive lead in creating solutions based on scanning, along with our partner Kofax, that ramp-up will increase."

Release scripts for the iManage document repository have already been written for several capture products. These include software products from **Captiva** and **eCopy**, as well as hardware from **Lexmark** and **Ricoh**. More than just a release script, the agreement with Kofax will feature a co-selling arrangement. "We will each be able to bring in representatives from the other company when the opportunity arises," said Pattison. "There is no direct financial compensation, but there is a great value in terms of being able to offer a more complete solution."

Pattison concluded by saying that, when looking at the competitive landscape for ECM, the Kofax/iManage arrangement is a natural. That landscape already includes an OEM agreement between Captiva and **Documentum**, **Open Text's** recent acquisition of document imaging specialist

Gauss, and **FileNET's** continued efforts to push its own capture platform. "Kofax has been looking for a heavyweight document management partner," said Pattison.

For more information: **iManage**, Foster City, CA, PH (650) 577-6500. 🖵

ReadSoft Invoices Sales Surpass Traditional Forms

Through the first half of 2003, sales of **ReadSoft's** invoice processing software have surpassed sales of the company's traditional forms processing software. Through the first six months of the year, the Swedish software developer reported that 53% of its software license revenue of 56 million Swedish Kronas ($7.26 million U.S.) came from its *Invoices* product line and 47% from its *Forms* line. For 2002, 39% of ReadSoft's sales came from *Invoices*, which was up from 30% in 2001 and 23% in 2000.

According to Bob Fresneda, president of ReadSoft's U.S. operations, this trend of increased *Invoices* sales has been reflected in ReadSoft's North American sales. "A company sells to the market it is focused on," Fresneda told *DIR*. "It's become easier to focus on the accounts payable space for a couple of reasons. The first is that invoice processing technology is now proven. A couple years ago, you quoted me in *DIR* as saying that end users were pioneers if they installed an invoice processing application. Today, ReadSoft and most of its competitors have at least a couple of invoice reference sites we can point to.

"The second reason we are now focusing on *Invoices* over *Forms* is that it's easier to figure out who your target customers are. We just find the top players in the AP department and show them the ROI they can achieve with *Invoices*."

Unfortunately for ReadSoft, while its invoice processing sales have been on the rise, its traditional forms sales have dropped off proportionately. As a result, the overall company's sales have remained relatively flat since peaking at 296.8 million Kronas (north of $35 million U.S.) in 2001. Through the first six months of 2003, ReadSoft's overall revenue was at 137.6 million Kronas.

To make up for its declining traditional *Forms* sales, ReadSoft plans to delve deeper into the semi-structured and unstructured forms processing space, of which invoice processing is a subset. "We started out with structured forms processing software and have taken our technology into the semi-structured

[invoices] market where we've become a leader," said Fresneda. "Within the next year, we plan to release new technology that will take us into new areas like unstructured forms and document classification."

Fresneda noted that most of ReadSoft's competitors are also headed toward semi-structured and unstructured forms. "What makes us different is that we will address unstructured documents with internally developed technology—not by buying a company or licensing classification technology from someone else," he said. "ReadSoft has developed its own neural net technology that it will leverage."

Bob Fresneda, president, U.S. operations, ReadSoft.

According to Fresneda, ReadSoft is already working with some of its larger customers worldwide to develop applications. "Our plan is to be fairly conservative," he said. "Some of our competitors have made big announcements but still don't have any customer sites to show. This lack of installations is good news for us because it means they haven't completely figured out the market. We think we can learn a lot from our experience with *Invoices*."

On the *Invoices* front, ReadSoft recently rewrote its integration with the **Hyland** *OnBase* and **OTG/Legato/EMC** *Application Xtender* platforms to work on the .NET platform. ReadSoft also continues to focus on integration with ERP systems to drive *Invoices* sales. According to Fresneda, in the U.S. ReadSoft has six *Invoices* installations that are integrated with **SAP** systems. A partnership with SAP archiving specialist **IXOS** is helping drive sales in this area. ReadSoft also recently announced a partnership with **Esker**, an SAP output specialist. Finally, ReadSoft recently completed work on an integration module for **Oracle's** ERP platform and is working with a North American-based reseller that has written an integration module for the **PeopleSoft** and **Lawson** ERP systems.

Fresneda concluded by saying that ReadSoft's U.S. sales were up 14% over the first six months of 2003. He stated that the "US and rest of the world" figures that appeared in ReadSoft's six-month report were a bit deceiving. "We are really struggling in South America," Fresneda explained. "You also have to take into account that the U.S. dollar has really taken a hit over the last year. A year ago, the exchange rate was approximately 10 Kronas to one U.S. Dollar, now it's closer to 8-to-1. As far as U.S. sales go, we are at about the same level we were when the

company was peaking a couple years ago."

For more information: **ReadSoft Inc.,** Metarie, LA, PH (504) 841-0100, www.readsoft.com.

HIPAA Deadline Could Mean Spike In Paper Claims

With an Oct. 16 compliance deadline fast approaching, there still seems to be quite a bit of confusion surrounding the HIPAA (Health Information Portability and Accountability Act) transactions and code set provisions. As the regulations apply only to electronically submitted claims, there continues to be rampant speculation that the number of paper health care claims being submitted to providers by payers is going to increase after the deadline. This, of course, flies in the face of one of the major purposes of HIPAA, which is to facilitate the exchange of electronic medical records.

According to Chris Thompson, EVP of **Recognition Research, Inc**. (**RRI**), a software developer that specializes in the processing of paper health care claims, **Florida Medicaid** has stated that it plans to use paper for any transactions that are currently non-HIPAA compliant. This move could cause its daily paper claims volume to increase from 20,000 to 120,000 per day.

There are also reports that many health care providers are fearful that non-compliant electronic submissions will not be paid, so they are also considering switching to paper. This type of activity would be very embarrassing for the **Centers for Medicare & Medicaid Services** (**CMS**), the federal government organization in charge of implementing HIPAA. As a result, CMS is making a concerted effort to stop the switch to paper health care claims. CMS recently issued a press release announcing that the Medicare program, which is administered by CMS, will implement a contingency plan to accept noncompliant electronic transactions after the October 16 deadline.

Still, there is some doubt as to whether CMS' message encouraging the continued use of electronic claims is being heard by everyone affected by HIPAA. "If folks don't get the message… CMS is next going to have to go to each plan, grab them by the shirtfront, so they have their attention, and then say, 'You don't have to do it - OK?!?'" suggested RRI's Thompson.

Ironically, RRI and other forms processing software vendors could be major beneficiaries from a spike in the volume of paper claims. Even with approximately 50% of health care claims currently being submitted electronically, health insurance still represents one of the largest verticals within the forms processing market. If health care providers and payers want to keep their heads in the sand, ignore what CMS is telling them, and move back to paper claims, it could be a boon for the document imaging market. If you have customers in the health insurance space, you might want to stay in close contact with them over the coming months, while the whole HIPAA mess sorts itself out.

For more information: **Recognition Research, Inc**., Blacksburg, VA, PH (540) 961-6500, www.rrinc.com.