UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file Number: 000-32085

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-4392754**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2401 Commerce Drive
Libertyville, Illinois 60048
(Address of Principal Executive Offices)

(847) 680-3515
(Registrant's telephone number, including area code)

Indicate by check (X) whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES _X_ NO___

As of July 31, 2002, there were 38,424,374 shares of the Registrant's $0.01 par value common stock outstanding.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

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Effective January 8, 2001, Allscripts, Inc. acquired Channelhealth Incorporated, and each became a wholly owned subsidiary of a new holding company, Allscripts Healthcare Solutions, Inc., which was originally incorporated in Delaware as Allscripts Holding, Inc. on July 11, 2000. As a result of the merger transaction, each outstanding share of Allscripts, Inc. common stock was converted into one share of Allscripts Healthcare Solutions, Inc. common stock. Allscripts, Inc. no longer files reports with the Securities and Exchange Commission, and its common stock is no longer listed on the Nasdaq National Market; however, Allscripts Healthcare Solutions, Inc. does file reports with the Securities and Exchange Commission, and its common stock is listed on the Nasdaq National Market under the symbol "MDRX". In this report, "we", "us", "our" and "Allscripts", when referring to events prior to January 8, 2001, refer to our wholly owned subsidiary and predecessor, Allscripts, Inc., and, when referring to subsequent time periods, refer to Allscripts Healthcare Solutions, Inc. and its wholly owned subsidiaries, including Allscripts, Inc. and Channelhealth Incorporated, unless the context indicates otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	**$ 21,144**	$ 34,124

Marketable securities	**17,384**	6,352
Accounts receivable, net of allowances of $5,318 at June 30, 2002 and $6,203 at December 31, 2001	**17,083**	13,811
Other receivables	**1,984**	1,372
Inventories	**4,591**	6,225
Prepaid assets	**2,538**	2,573
Other current assets	**465**	389
Total current assets	**65,189**	64,846
Long-term marketable securities	**29,201**	37,814
Fixed assets, net	**6,543**	8,449
Intangible assets, net	**4,313**	4,783
Goodwill	**733**	733
Other assets	**1,396**	819
Total assets	**$ 107,375**	$ 117,444
LIABILITIES		
Current liabilities		
Accounts payable	**$ 5,341**	$ 5,626
Accrued expenses	**2,866**	3,113
Accrued compensation	**2,452**	2,873
Accrued restructuring and other charges	**1,808**	2,991
Deferred revenue	**3,949**	3,882
Total current liabilities	**16,416**	18,485
Other non-current liabilities	**193**	325
Total liabilities	**16,609**	18,810
STOCKHOLDERS' EQUITY		
Preferred stock: Undesignated, $0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding at June 30, 2002 and December 31, 2001	**-**	-
Common stock:		
$0.01 par value, 150,000,000 shares authorized, 38,458,839 issued, 38,424,374 shares outstanding at June 30, 2002; 38,050,001 shares issued, 38,015,536 shares outstanding at December 31, 2001	**385**	381
Additional paid-in capital	**638,763**	636,755
Unearned compensation	**(240)**	(404)
Treasury stock at cost: 34,465 shares of common stock at June 30, 2002 and December 31, 2001	**(68)**	(68)
Accumulated deficit	**(548,292)**	(538,306)
Accumulated other comprehensive income	**218**	276
Total stockholders' equity	**90,766**	98,634
Total liabilities and stockholders' equity	**$ 107,375**	$ 117,444

The accompanying notes are an integral part of these consolidated financial statements

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per-share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	**2002**	2001
	(Unaudited)			
Revenue:				
Prepackaged medications	**$12,480**	$12,719	**$24,959**	$25,282
Software and related services	**5,018**	5,379	**9,457**	8,701
Information services	**2,596**	1,075	**4,451**	1,789
Total revenue	**20,094**	19,173	**38,867**	35,772
Cost of revenue:				
Prepackaged medications	**10,102**	10,405	**20,330**	20,718
Software and related services	**4,175**	5,812	**8,079**	10,643
Information services	**847**	651	**1,666**	1,095
Total cost of revenue	**15,124**	16,868	**30,075**	32,456
Gross Profit	**4,970**	2,305	**8,792**	3,316
Selling, general and administrative expenses	**9,577**	15,176	**20,002**	30,083
Amortization of intangibles	**134**	18,628	**272**	36,416
Write-off of acquired in-process research and development	**-**	-	**-**	3,000
Loss from operations	**(4,741)**	(31,499)	**(11,482)**	(66,183)
Interest income	**727**	1,335	**1,473**	3,114
Interest expense	**(43)**	(68)	**(73)**	(198)
Other income, net	**95**	255	**96**	391
Loss before income taxes	**(3,962)**	(29,977)	**(9,986)**	(62,876)
Income tax benefit	**-**	2,249	**-**	4,348
Net loss	**$(3,962)**	$(27,728)	**$(9,986)**	$(58,528)
Per-share data - basic and diluted:				
Net loss	**$(0.10)**	$(0.73)	**$(0.26)**	$(1.55)

Weighted-average shares of common stock outstanding used in computing basic and diluted net loss per share	**38,422**	37,993	**38,248**	37,659

The accompanying notes are an integral part of these consolidated financial statements

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2002	2001
	(Unaudited)	
Cash flows from operating activities:		
Net loss	**$ (9,986)**	$ (58,528)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**3,088**	43,568
Write-off of acquired in-process research and development	**-**	3,000
Non-cash compensation expense	**164**	247
Realized gain on investments	**(96)**	(164)
Deferred taxes	**-**	(4,348)
Provision for doubtful accounts	**411**	153
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	**(3,683)**	(3,631)
Other receivables	**(487)**	3,797
Inventories	**1,884**	(1,041)
Prepaid and other current and non-current assets	**149**	769
Accounts payable	**(285)**	(1,099)
Accrued compensation	**(421)**	(1,582)
Accrued expenses	**(265)**	(524)
Deferred revenue	**67**	535
Accrued restructuring and other charges	**(1,183)**	-
Other non-current liabilities	**(8)**	3
Net cash used in operating activities	**(10,651)**	(18,845)
Cash flows from investing activities:		
Capital expenditures	**(1,072)**	(3,392)
Purchase of marketable securities	**(19,676)**	(28,186)
Maturities of marketable securities	**17,257**	25,251
Capitalized software development costs	**(744)**	-
Cash used for acquisitions, net of acquired cash	**-**	(5,337)
Net cash used in investing activities	**(4,235)**	(11,664)
Cash flows from financing activities:		
Payment of capital lease obligations	**(106)**	(108)

Proceeds from issuance of common stock	**1,987**	-
Proceeds from exercise of common stock options	**25**	23
Net cash provided (used) by financing activities	**1,906**	(85)
Net decrease in cash and cash equivalents	**(12,980)**	(30,594)
Cash and cash equivalents, beginning of period	**34,124**	76,513
Cash and cash equivalents, end of period	**$ 21,144**	$ 45,919
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	**$28**	$49
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common stock and options in acquisitions	**-**	226,000

The accompanying notes are an integral part of these consolidated financial statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The quarterly financial information presented herein should be read in conjunction with Allscripts' audited consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K. The unaudited interim consolidated financial statements have been prepared on a basis consistent with those consolidated financial statements and reflect all adjustments (all of which are of a normal recurring nature) that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. The consolidated financial statements include the accounts of Allscripts Healthcare Solutions, Inc. and its wholly owned subsidiaries (collectively referred to as "Allscripts"). All significant intercompany accounts and transactions have been eliminated in consolidation. The results for the interim periods are not necessarily indicative of the results to be expected for the year. Certain reclassifications have been made in the prior period financial statements to conform to the current period presentation.

2. Revenue Recognition

Allscripts' revenue is, in part, derived from the sale of medications for dispensing at the point of care. Allscripts offers the right of return on pharmaceutical products under various policies and estimates and maintains reserves for product returns based on historical experience following the guidelines of Statement of Financial Accounting Standards (SFAS) No. 48, "Revenue Recognition When Right of Return Exists." Revenue from the sale of medications, net of provisions for estimated returns, is recognized upon shipment of the pharmaceutical products when no performance obligations remain and collection of the receivable is probable.

Revenue is also generated from sales of software licenses and related consulting services as well as from subscriptions for software and hardware.

Revenue from software licensing arrangements requiring significant installation and configuration is accounted for under American Institute of Certified Public Accountants Statement of Position (SOP) 81-1 "Accounting for Performance of Construction-Type Contracts and Certain Production-Type Contracts." Revenue is recognized on an output basis as contract milestones are reached provided that the fee is fixed and determinable and collection of the resulting receivable is considered probable. Maintenance and support revenue from these agreements is recognized over the term of the support agreement based on the fair value of the maintenance revenue, which is generally based on contracted renewal rates. For agreements whose payment terms extend beyond twelve months, revenue is recognized as amounts become due and payable upon invoicing, not to exceed the amount of revenue supported by milestones reached.

As of June 30, 2002, there was $1,038,000 of revenue earned on contracts in excess of billings and $1,655,000 of billings in excess of revenue earned on contracts in progress. Billings on contracts where revenue has been earned in excess of billings are expected to occur according to the contract terms.

Revenue from software licensing arrangements not requiring significant installation and configuration is accounted for under SOP 97-2, "Software Revenue Recognition," as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions." Revenue is recognized upon shipment of the software or as services are performed, provided persuasive evidence of an arrangement exists, fees are considered fixed and determinable, and collection of the resulting receivable is considered probable. The revenue to be recognized for each separate element of a multiple-element software contract is based upon vendor-specific objective evidence of fair value, which is based upon the price the customer is required to pay when the element is sold separately. For agreements where payment terms extend beyond twelve months, revenue is recognized as the customer is billed over the term of the agreement.

Revenue from custom service arrangements is recognized as services are performed.

Revenue from physician education products is recognized as physician participation occurs.

In November 2001, the Emerging Issues Task Force (EITF) reached a consensus codified as Topic D-103, "Income Statement Characterization of Reimbursements for 'Out-of-Pocket' Expenses Incurred." The consensus requires that reimbursements for out-of-pocket expenses be classified as revenue in the statement of operations. The consensus is effective for fiscal years beginning after December 15, 2001. Allscripts has adopted EITF Topic D-103 and reimbursements are now being recorded as revenue. Out-of-pocket expenses reimbursed by customers that were classified as revenue for the three months ended June 30, 2002 and 2001 were $178,000 and $54,000, respectively, and for the six months ended June 30, 2002 and 2001 were $269,000 and $54,000, respectively. This classification had the effect of reducing gross margin percentage by 0.3% and 0.2% for the three and six months ended June 30, 2002, respectively.

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3. Comprehensive Loss

Comprehensive loss includes all changes in stockholders' equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive loss for the three and six months ended June 30, 2002 and 2001 consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net loss	$(3,962)	$(27,728)	$(9,986)	$(58,528)
Other comprehensive income:				
Unrealized gain on marketable securities, net of taxes	95	(2)	(58)	97
Comprehensive loss	$(3,867)	$(27,730)	$(10,044)	$(58,431)

4. Restructuring and Other Charges

In July 2001, Allscripts announced and began implementation of a restructuring plan to realign its organization; prioritize its initiatives around high-growth areas of its business; focus on profitability; reduce operating expenses; improve efficiencies in light of recent acquisitions; and focus sales and service efforts on larger physician practices, academic medical centers, and integrated delivery networks. The restructuring plan included workforce and overhead reduction and the termination of certain unprofitable strategic agreements and customer relationships. As a result of the restructuring plan, Allscripts recorded restructuring and other charges of $4,370,000 and $4,266,000, respectively, in fiscal 2001, of which $6,435,000 was classified as operating expenses and $2,201,000 was classified as cost of revenue in the statement of operations.

Restructuring

Workforce reduction

The restructuring plan will result in the termination of approximately 190 employees across all business functions, of which 186 were terminated as of June 30, 2002. The workforce reductions started in the third quarter of 2001 and were substantially completed by the end of the first quarter of 2002. As part of the restructuring charge, Allscripts recorded a workforce reduction charge in fiscal 2001 of $3,317,000 consisting primarily of severance and related benefits, which will be paid out over time.

Termination of agreements

Allscripts recorded a charge of $1,053,000 in fiscal 2001 related to the termination of certain agreements and non-cancelable leases that were originally expected to increase product distribution and enhance product offerings. The charge includes estimated payments for the early termination of these agreements, all of which have been terminated as of June 30, 2002, except the lease agreements, which will expire through January 2006.

Other Charges

Termination of unprofitable customer contracts

Allscripts recorded a charge in fiscal 2001 of $4,266,000 related to the termination of unprofitable customer contracts. The termination of unprofitable customer contracts occurred in client sites where system utilization was low. The charge relates to the reduction of the carrying value of receivables to their expected realizable value and the costs for disposition of assets relating to these sites resulting from terminating the customer relationship.

A summary of the activity and balances of the restructuring and other charges reserve accounts is outlined as follows (in thousands):

	Balance at December 31, 2001	Write-offs	Cash Payments	Balance at June 30, 2002
Restructuring				
Workforce reduction	$1,693	$ -	$ 842	$851
Termination of agreements	658	-	341	317
Subtotal	2,351	-	1,183	1,168
Other charges				
Termination of unprofitable customer contracts and strategic agreements	640	-	-	640
Total	$2,991	$ -	$1,183	$1,808

At June 30, 2002 and December 31, 2001, Allscripts had reclassified reserves of $357,000 and $1,512,000, respectively, to a contra asset account in accounts receivable. During the six months ended June 30, 2002, Allscripts had write-offs of $1,155,000 of accounts receivable related to terminated customer relationships.

5. Net Loss Per Share

Allscripts accounts for net loss per share in accordance with SFAS No. 128, "Earnings per Share," which requires the presentation of basic and diluted earnings per share. Basic loss per share is computed by dividing the net loss by the weighted average shares of outstanding common stock (including additional shares that may be issued pursuant to business combinations). For purposes of calculating diluted loss per share, the denominator includes both the weighted average shares of common stock outstanding (including shares to be issued pursuant to business combinations) and dilutive common stock equivalents.

In accordance with SFAS No. 128, basic and diluted net loss per share have been computed using the weighted average number of shares of common stock outstanding during the period. Allscripts has excluded the impact of all outstanding warrants and options to purchase shares of common stock because all such securities are antidilutive for all periods presented. Antidilutive potential common stock securities excluded from the diluted loss per share computation consisted of 8,283,326 and 6,502,935 options and 3,333 and 7,737 warrants at June 30, 2002 and 2001, respectively.

6. Sale of Common Stock

On March 21, 2002, Allscripts sold a strategic partner 378,501 shares of Allscripts common stock at an average fair market value for the 15 days preceding the transaction date for a purchase price of $1,987,000, net of related expenses of $13,000.

7. Business Segments

SFAS No. 131, "Disclosures about Segments of a Business Enterprise and Related Information," establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Allscripts currently organizes its business around groups of similar products, which results in three reportable segments: prepackaged medications; software and related services; and information services. The prepackaged medications segment derives its revenues from the repackaging, sale, and distribution of medications. The software and related services segment derives its revenues from the sale and installation of software that provides point-of-care decision support solutions. The information services segment derives its revenues from the sale of interactive physician education sessions. All corporate operating expenses are allocated to each reportable segment, using a reasonable basis for each expense. Allscripts does not allocate interest income, interest expense, other income or income tax benefit to its operating segments.

Allscripts does not report its assets by segment or allocate its assets to its segments. Allscripts allocates depreciation and amortization to each segment, but does not allocate the related assets.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Revenue	(in thousands)			
Prepackaged medications	$12,480	$12,719	$24,959	$25,282
Software and related services	5,018	5,379	9,457	8,701
Information services	2,596	1,075	4,451	1,789
Total revenue	$20,094	$19,173	$38,867	$35,772
Depreciation and amortization				
Prepackaged medications	$ 319	$ 548	$ 687	$ 2,016
Software and related services	1,131	21,460	2,230	40,712
Information services	88	343	171	840
Total depreciation and amortization	$1,538	$22,351	$3,088	$43,568
Profit (loss) from operations				
Prepackaged medications	$ 558	$ 157	$ 1,052	$ 212
Software and related services	(5,910)	(30,687)	(13,162)	(64,205)
Information services	611	(969)	628	(2,190)
Total loss from operations	(4,741)	(31,499)	(11,482)	(66,183)
Net interest and other income	779	1,522	1,496	3,307
Total loss before income taxes	$(3,962)	$(29,977)	$ (9,986)	$(62,876)

8. Goodwill Amortization

As of January 1, 2002, Allscripts adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the requirement to amortize goodwill. The transitional impairment test required within the first six months of the adoption of SFAS No. 142 has been performed. No indicators of impairment for any reporting unit were identified as a result of the transitional impairment test.

The following table is a reconciliation of reported net loss and basic and diluted loss per share to adjusted net loss and basic and diluted loss per share reflecting the impact if SFAS No. 142 had been effective for the three and six months ended June 30, 2001 (in thousands, except per-share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Reported net loss	$(3,962)	$(27,728)	$(9,986)	$(58,528)
Goodwill amortization	-	14,772	-	28,952
Adjusted net loss	$(3,962)	$(12,956)	$(9,986)	$(29,576)
Per-share data - basic and diluted				
Reported net loss	$(0.10)	$(0.73)	$(0.26)	$(1.55)
Goodwill amortization	-	0.39	-	0.77
Adjusted net loss	$(0.10)	$(0.34)	$(0.26)	$(0.78)

Amortization of intangible assets for the three and six months ended June 30, 2002 totaled $152,000 and $344,000, respectively. The following table reflects the carrying amounts and accumulated amortization for each type of intangible asset (in thousands):

	June 30, 2002			December 31, 2001		
	Carrying Amount	Accumulated Amortization	Intangible Assets, Net	Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Software	$ 149	$149	$ -	$ 149	$ 61	$ 88
Strategic agreements	4,700	387	4,313	4,825	130	4,695
Total	$4,849	$536	$4,313	$4,974	$191	$4,783

Allscripts estimates that the amortization expense will be $253,000 for the remainder of 2002 and $506,000 per year for the next five fiscal years.

9. Contingencies

The pharmaceutical repackaging industry is subject to stringent federal and state regulations. Allscripts' repackaging operations are regulated by the Food and Drug Administration as if Allscripts were a manufacturer. Allscripts is also subject to regulation by the Drug Enforcement Administration in connection with the packaging and distribution of controlled substances.

Allscripts is a defendant in over 2,000 multi-defendant lawsuits brought by over 3,000 claimants involving the manufacture and sale of dexfenfluramine, fenfluramine and phentermine. The majority of these suits were filed in state courts in Texas beginning in August 1999. The plaintiffs in these cases claim injury as a result of ingesting a combination of these weight-loss drugs. In each of these suits, Allscripts is one of many defendants, including manufacturers and other distributors of these drugs. Allscripts does not believe it has any significant liability incident to the distribution or repackaging of these drugs, and it has tendered defense of these lawsuits to its insurance carrier for handling. In addition, Allscripts has been indemnified by the primary manufacturer of the drugs at issue in these cases. In addition, while Allscripts has not yet conducted a review of all of the Texas suits, since physician dispensing is generally prohibited in Texas and Allscripts has never distributed these drugs in Texas, Allscripts believes that it is unlikely that it is responsible for the distribution of the drugs at issue in many of these cases. The lawsuits are in various stages of litigation, and it is too early to determine what, if any, liability Allscripts will have with respect to the claims made in these lawsuits. If Allscripts' insurance coverage in the amount of $16,000,000 per occurrence and $17,000,000 per year in the aggregate and its indemnity from the drug manufacturer is inadequate to satisfy any resulting liability, Allscripts will have to defend these lawsuits and be responsible for the damages, if any, that Allscripts suffers as a result of these lawsuits. Allscripts does not believe that the outcome of these lawsuits will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

In addition, Allscripts is from time to time subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a material adverse effect on Allscripts' consolidated financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We provide point-of-care medication management and physician decision support solutions that focus on addressing the needs of physicians, managed care payers and plans, and pharmaceutical manufacturers.

From our inception in 1986 through 1996, we focused almost exclusively on the sale of prepackaged medications to physicians, in particular those with a high percentage of fee-for-service patients. The advent of managed prescription benefit programs required providers to obtain reimbursement for medications dispensed from managed care organizations rather than directly from their patients. This new reimbursement methodology made it more difficult for our physician customers to dispense medications to their patient base.

In 1997, under the direction of our new executive management team, we focused our efforts on the information aspects of medication management, including the development of technology tools necessary for electronic prescribing, routing of prescription information and submission of medication claims for managed care reimbursement. In January 1998, we introduced the first version of our TouchWorks software that fully incorporated these features. At the same time, we redirected our sales and marketing efforts away from our traditional fee-for-service customer base to physicians who have a large percentage of managed care patients. We recognized that there is a larger market opportunity among physicians whose patients are covered by managed care plans because the portion of prescriptions covered by managed care plans is increasing relative to the portion of fee-for-service prescriptions. Further, we believe that our technology can give us a competitive advantage where more patients' prescriptions are covered by managed care plans because our products streamline the process by which physicians, managed care organizations and patients interact. In addition, we believe that the managed care market provides us with the opportunity to realize higher margins on our software products.

We believe that managed care prescription programs will continue to cover an increasing percentage of patients in the foreseeable future. This trend will have the effect of reducing the dispensing opportunities of our traditional dispensing customers because of their inability to submit claims electronically for reimbursement by managed care payers. This reduction in dispensing opportunities will reduce the revenue that we have historically recognized from these customers. Additionally, managed care programs impose reduced reimbursement rates for the medications dispensed to their plan participants, thus providing us with a dollar margin per prescription dispensed that is lower than we have historically experienced. Because TouchWorks enables physicians to submit claims electronically for reimbursement by managed care payers, a large portion of the medications dispensed by our TouchWorks customers is dispensed to managed care patients. Accordingly, we expect that this portion of our business will provide margins with respect to the sale of prepackaged medications that are lower than we have historically experienced. In addition, we expect that seasonal variances in demand for our products and services will continue. Historically, all other factors aside, our sales of prepackaged medications have been highest in the fall and winter months.

In addition to medication management, there are other aspects of the physician's daily work flow that we address through technology-focused solutions. We have enhanced and intend to continue to enhance our current offerings by integrating new products and services. In May 2000, we acquired MasterChart, Inc., a software developer providing dictation, integration and patient record technology, and Medifor, Inc., a provider of electronic patient education. In addition, on January 8, 2001, we acquired Channelhealth Incorporated, a software developer providing modular software for physicians to access medical information and manage clinical workflow. Our TouchWorks software now provides a full electronic medical record for physicians practicing in an ambulatory environment.

In July 2001, we announced and began implementation of a restructuring plan to realign our organization; prioritize our initiatives around high-growth areas of our business; focus on profitability; reduce operating expenses; improve efficiencies in light of the aforementioned acquisitions; and focus sales and service efforts on larger physician practices, academic medical centers, and integrated delivery networks. The restructuring plan includes workforce and overhead reduction, and the termination of certain strategic agreements and unprofitable customer contracts. As a result of the restructuring plan, we recorded restructuring and other charges of $4,370,000 and $4,266,000, respectively, during the third quarter of 2001, of which $6,435,000 was classified as operating expenses and $2,201,000 was classified as cost of revenue. In addition, certain events and changes in circumstances caused us to conduct a review of the carrying value of our goodwill and purchased intangible assets. These events include the restructuring plan, the business climate, which has generated valuation declines of enterprises in our industry, and the failure of certain assets to generate the cash flows that were projected at the time of acquisition. As a result of this review, we recorded an asset impairment charge of $354,984,000 during 2001.

We currently operate in three reportable business segments: prepackaged medications; software and related services; and information services. Software and related services include revenue from software licenses, computer hardware, and related services. Information services include physician education and information products.

The following table illustrates the quarterly revenue trend for the three reportable segments for the quarters ended (unaudited in thousands):

	2002		2001			
	June 30,	March 31,	Dec. 31,	Sept. 30,	June 30,	March 31,
Prepackaged medications	$12,480	$12,479	$12,777	$11,613	$12,719	$12,563
Software and related services	5,018	4,439	4,455	3,937	5,379	3,322
Information services	2,596	1,855	1,459	904	1,075	714
Total revenue	$20,094	$18,773	$18,691	$16,454	$19,173	$16,599

Critical Accounting Policy

Software Capitalization

In accordance with Statement of Financial Accounting Standards (SFAS) No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," we capitalize certain computer software development costs upon the establishment of technological feasibility. Technological feasibility is established upon completion of all planning, designing, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements, which is generally evidenced by a detailed program design. Capitalization of costs occurs from this point until the product is available for general release to our customers.

At each balance sheet date, we compare the carrying value of each capitalized software product to its estimated net realizable value, which is determined by estimating future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and customer support required to satisfy our responsibility set forth at the time of sale.

We amortize capitalized software costs for product available for general release based upon the greater of the ratios that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product, or the straight-line method over the estimated useful life of the product.

Significant management judgment and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing assessment of the recoverability of capitalized costs. If we determine in the future that the carrying value of the capitalized software is not realizable, a write-down of the carrying value of the capitalized software to its estimated net realizable value would be required. Factors that affect our assessment of net realizable value include: the estimated useful life of the product; the level of revenues which are expected to be generated in the future; the level of costs which are expected to be incurred in completion, sale, and support of the product; and identification of any high risk development issues which may render a product, for which costs have been capitalized, unsaleable.

Three Months Ended June 30, 2002 Compared to Three Months Ended June 30, 2001

Prepackaged Medications

Prepackaged medication revenue decreased by 1.9%, or $239,000, from $12,719,000 in the second quarter of 2001 to $12,480,000 in the second quarter of 2002. The decrease reflects a decrease in the volume of prepackaged medications sold resulting from the termination of unprofitable customer arrangements, offset by an increase in the average selling prices of medications sold, due primarily to general price inflation.

Cost of revenue for prepackaged medications for the three months ended June 30, 2002 decreased by 2.9%, or $303,000, from $10,405,000 in 2001 to $10,102,000 in 2002. The decrease was due to decreased volume of sales of prepackaged medications and more favorable buying arrangements with suppliers.

Operating expenses for prepackaged medications for the three months ended June 30, 2002 decreased by 15.6%, or $337,000, from $2,157,000 in 2001 to $1,820,000 in 2002. The decrease was primarily due to lower intangible amortization expense resulting from an intangible asset impairment charge taken during 2001, and the elimination of the requirement to amortize goodwill pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets."

Software and Related Services

Software and related service revenue for the three months ended June 30, 2002 decreased by 6.7%, or $361,000, from $5,379,000 in 2001 to $5,018,000 in 2002. The decrease reflects lower revenue derived from our software sales to smaller physician practices as a result of a decision we made in 2001 to focus sales and service efforts on larger physician practices, as well as our exit from unprofitable customer arrangements.

Cost of revenue for software and related services decreased by 28.2%, or $1,637,000, from $5,812,000 in the second quarter of 2001 to $4,175,000 in the second quarter of 2002. The decrease was primarily due to lower amortization expense of acquired software and lower depreciation expense due to the decision to exit unprofitable customer contracts, offset by increased cost of implementation, training, and support.

Operating expenses for software and related services for the three months ended June 30, 2002 decreased by 77.7%, or $23,501,000, from $30,254,000 in 2001 to $6,753,000 in 2002. The decrease was primarily due to lower intangible amortization expense resulting from an intangible asset impairment charge taken during 2001, and the elimination of the requirement to amortize goodwill pursuant to SFAS No. 142. In addition, operating expenses were lower as a result of workforce reductions that were aimed at improving efficiencies in light of acquisitions made during 2001 and 2000, the decision to focus sales and service efforts on larger physician practices, and the subsidization of marketing expenses by our strategic partners. Also, during the second quarter of 2002, we capitalized $638,000 of software development costs pursuant to SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed."

Information Services

Information services revenue increased by 141.5%, or $1,521,000, from $1,075,000 in the second quarter of 2001 to

$2,596,000 in 2002. The increase in information services revenue reflects an increase in the number of interactive physician education programs sold and completed.

Cost of revenue for information services for the three months ended June 30, 2002 increased 30.1%, or $196,000, from $651,000 in 2001 to $847,000 in 2002. The increase was due to a higher number of physician education sessions completed.

Operating expenses for information services for the three months ended June 30, 2002 decreased by 18.3%, or $255,000, from $1,393,000 in 2001 to $1,138,000 in 2002. The decrease was primarily due to lower intangible amortization expense as the related intangible asset was fully amortized during 2001.

Interest Income and Income Taxes

Interest income for the three months ended June 30, 2002 was $727,000 as compared to $1,335,000 for the prior year period. The decrease related to a lower average cash and marketable securities balance and a decrease in the average interest rates earned on our investments as compared to the prior year period.

We recorded a benefit for income taxes during the three months ended June 30, 2001 of $2,249,000 from the scheduled reversal of deferred tax liabilities related to the amortization of non-goodwill intangible assets. No other provision or tax benefit for income taxes was recorded in either period because we currently anticipate that annual income taxes payable will be minimal or zero, and we have provided a valuation allowance for our net deferred tax assets.

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Prepackaged Medications

Prepackaged medication revenue decreased by 1.3%, or $323,000, from $25,282,000 in the first six months of 2001 to $24,959,000 in the first six months of 2002. The decrease reflects a decrease in the volume of prepackaged medications sold resulting from the termination of unprofitable customer arrangements, offset by an increase in the average selling prices of medications sold, due primarily to general price inflation.

Cost of revenue for prepackaged medications for the six months ended June 30, 2002 decreased by 1.9%, or $388,000, from $20,718,000 in 2001 to $20,330,000 in 2002. The decrease was due to decreased volume of sales of prepackaged medications and more favorable buying arrangements with suppliers.

Operating expenses for prepackaged medications for the six months ended June 30, 2002 decreased by 17.8%, or $775,000, from $4,352,000 in 2001 to $3,577,000 in 2002. The decrease was primarily due to lower intangible amortization expense resulting from an intangible asset impairment charge taken during 2001, and the elimination of the requirement to amortize goodwill pursuant to SFAS No. 142.

Software and Related Services

Software and related service revenue for the six months ended June 30, 2002 increased by 8.7%, or $756,000, from $8,701,000 in 2001 to $9,457,000 in 2002. The increase reflects an increase in sales of our integrated content and clinical workflow products, offset by lower revenue derived from our software sales to smaller physician practices as a result of a decision we made in 2001 to focus sales and service efforts on larger physician practices, as well as our exit from unprofitable customer arrangements.

Cost of revenue for software and related services decreased by 24.1%, or $2,564,000, from $10,643,000 in the first six months of 2001 to $8,079,000 in the first six months of 2002. The decrease was primarily due to lower amortization expense of acquired software and lower depreciation expense due to the decision to exit unprofitable customer contracts, offset by increased cost of implementation, training, and support.

Operating expenses for software and related services for the six months ended June 30, 2002 decreased by 76.6%, or $47,723,000, from $62,263,000 in 2001 to $14,540,000 in 2002. The decrease was primarily due to lower intangible amortization expense resulting from an intangible asset impairment charge taken during 2001, and the elimination of the requirement to amortize goodwill pursuant to SFAS No. 142. In addition, operating expenses were lower as a result of workforce reductions that were aimed at improving efficiencies in light of acquisitions made during 2001 and 2000, the decision to focus sales and service efforts on larger physician practices, and the subsidization of marketing expenses by our strategic partners. Also, during the first six months of 2002, we capitalized $744,000 of software development costs pursuant to SFAS No. 86. During the six months ended June 30, 2001, we recorded a write-off of acquired in-process research and development of $3,000,000 related to an acquisition.

Information Services

Information services revenue increased by 148.8%, or $2,662,000, from $1,789,000 in the first six months of 2001 to $4,451,000 in 2002. The increase in information services revenue reflects an increase in the number of interactive physician education sessions sold and completed.

Cost of revenue for information services for the six months ended June 30, 2002 increased 52.1%, or $571,000, from $1,095,000 in 2001 to $1,666,000 in 2002. The increase was due to the higher number of physician education sessions completed.

Operating expenses for information services for the six months ended June 30, 2002 decreased by 25.2%, or $727,000, from $2,884,000 in 2001 to $2,157,000 in 2002. The decrease was primarily due to lower intangible amortization expense as the related intangible asset was fully amortized during 2001.

Interest Income and Income Taxes

Interest income for the six months ended June 30, 2002 was $1,473,000 as compared to $3,114,000 for the prior year period. The decrease related to a lower average cash and marketable securities balance and a decrease in the average interest rates earned on our investments as compared to the prior year period.

We recorded a benefit for income taxes during the six months ended June 30, 2001 of $4,348,000 from the scheduled reversal of deferred tax liabilities related to the amortization of non-goodwill intangible assets. No other provision or tax benefit for income taxes was recorded in either period because we currently anticipate that annual income taxes payable will be minimal or zero, and we have provided a valuation allowance for our net deferred tax assets.

Liquidity and Capital Resources

At June 30, 2002, our principal sources of liquidity consisted of $21,144,000 of cash and cash equivalents and $46,585,000 of marketable securities. At June 30, 2002, we had working capital of $48,773,000 and an accumulated deficit of $548,292,000.

Net cash used in operating activities was $10,651,000 for the six months ended June 30, 2002. Cash used in operating activities resulted primarily from a loss from operations of $9,986,000, partially offset by depreciation and amortization of $3,088,000. Accounts receivable increased by $3,683,000 in the six months ended June 30, 2002, primarily due to growth in revenue. Inventories decreased by $1,884,000 during the six months ended June 30, 2002 due to the sale of advance purchases of certain medications where shortages were expected. Accrued restructuring and other charges decreased by $1,183,000 during the six months ended June 30, 2002 primarily due to cash payments made for employee severance arrangements.

Net cash used in investing activities was $4,235,000 for the six months ended June 30, 2002. Cash used in investing activities resulted primarily from net purchases of marketable securities of $2,419,000. In addition, capital expenditures were $1,072,000 for the six months ended June 30, 2002 as a result of capital outlays to support the future growth of our business. We also capitalized software development costs of $744,000 during the six months ended June 30, 2002. Currently, we have no material commitments for capital expenditures, although we anticipate ongoing capital expenditures in the ordinary course of business.

Net cash provided by financing activities was $1,906,000 for the six months ended June 30, 2002, primarily as a result of the sale of common stock to a strategic partner.

The following table summarizes our contractual obligations at June 30, 2002, and the effect such obligations are expected to have on our liquidity and cash in future periods (in thousands):

	Total	Remainder of 2002	2003-2004	2005+
Contractual obligations:				
Non-cancelable capital leases	$ 320	$ 135	$ 185	$ -
Non-cancelable operating leases	2,517	516	1,694	307
Marketing programs	1,600	740	860	-
Total contractual cash obligations	$4,437	$1,391	$2,739	$307

We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet the anticipated cash needs of our current business for at least the next twelve months. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. We will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, which might impact our liquidity requirements or cause us to issue additional equity or debt securities. There can be no assurance that financing will be available in the amounts or on terms acceptable to us, if at all.

Safe Harbor For Forward-Looking Statements

This report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements," and statements we or our representatives make may contain forward-looking statements that involve risks and uncertainties. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements often contain words like believe, expect, anticipate, intend, contemplate, seek, plan, estimate or similar expressions. Forward-looking statements do not guarantee future performance. Recognize these statements for what they are and do not rely upon them as facts.

Forward-looking statements involve risks, uncertainties and assumptions, including, but not limited to, those discussed in this report. We make these statements under the protection afforded them by Section 21E of the Securities Exchange Act of 1934. Because we cannot predict all of the risks and uncertainties that may affect us, or control the ones we do predict, our actual results may be materially different from the results we express in our forward-looking statements. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For a more complete discussion of the risks, uncertainties and assumptions that may affect us, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2002, we did not own any derivative instruments but we were exposed to market risks, primarily changes in U.S. interest rates. As of June 30, 2002, we had cash, cash equivalents and marketable securities in financial instruments of $67,729,000. Maturities range from less than one month to approximately 18 years. Declines in interest rates over time will reduce our interest income from our investments. Based upon our balance of cash, cash equivalents and marketable securities as of June 30, 2002, a decrease in interest rates of 1.0% would cause a corresponding decrease in our annual interest income of approximately $677,000.

PART II. OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

At Allscripts' Annual Meeting of Stockholders held on May 2, 2002, the stockholders (1) elected M. Fazle Husain, Richard E. Tarrant, and Glen E. Tullman as directors of the Company to hold office until the 2005 annual meeting of stockholders (subject to the election and qualification of their successors or their earlier death, resignation or removal); and (2) approved the amendment of the Company's Amended and Restated 1993 Stock Incentive Plan to increase the number of shares that may be issued under the plan by 1,000,000 shares. The votes were as follows:

	Votes for	Votes against	Withheld/Abstain
(1) Election of directors:			
M. Fazle Husain	33,571,041	-	60,322
Richard E. Tarrant	33,577,617	-	53,746
Glen E. Tullman	33,008,404	-	622,959
(2)Approval of amendment of the Amended and Restated 1993 Stock Incentive Plan	30,200,374	3,382,038	48,951

ITEM 6. Exhibits and Reports on Form 8-K

(A) Exhibits -- See Index to Exhibits.

(B) Reports on Form 8-K -- None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
(Registrant)

By: /s/ David B. Mullen
David B. Mullen
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: August 13, 2002

INDEX TO EXHIBITS

Exhibit Number	Description	References

2.1	Agreement and Plan of Merger, dated as of March 13, 2000, among Allscripts, Inc., MC Acquisition Corp., MasterChart, Inc. and certain shareholders of MasterChart, Inc., together with a list of exhibits and schedules thereto. Such exhibits and schedules are not filed, but the Registrant undertakes to furnish a copy of any such exhibit or schedule to the Securities and Exchange Commission upon request.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 24, 2000, as amended on July 24, 2000 and July 25, 2000
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of May 9, 2000, by and among Allscripts Inc., MC Acquisition Corp., MasterChart, Inc. and certain shareholders of MasterChart, Inc.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 24, 2000, as amended on July 24, 2000 and July 25, 2000
2.3	Agreement and Plan of Merger, dated as of April 12, 2000, among Allscripts, Inc., WebDoc Acquisition Corp., Medifor, Inc. and certain shareholders of Medifor, Inc., together with a list of exhibits and schedules thereto. Such exhibits and schedules are not filed, but the Registrant undertakes to furnish a copy of any such exhibit or schedule to the Securities and Exchange Commission upon request.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 31, 2000, as amended on July 25, 2000
2.4	Agreement and Plan of Merger, dated as of July 13, 2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation, and Channelhealth Incorporated.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on July 27, 2000
2.5	First Amendment to Agreement and Plan of Merger, entered into as of November 29, 2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation, and Channelhealth Incorporated.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
3.1	Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions,Inc. (formerly named Allscripts Holding, Inc.).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no.333-49568)

3.4	Bylaws of Allscripts Healthcare Solutions, Inc.(formerly named Allscripts Holding, Inc.).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
10.1	Amended and Restated 1993 Stock Incentive Plan, as amended	
99.1	Certification of Chief Executive Officer and Chief Financial Officer	

AMENDMENT TO
ALLSCRIPTS, INC.
AMENDED AND RESTATED
1993 STOCK INCENTIVE PLAN
(Approved by Stockholders May 2, 2002)

RESOLVED, that the second sentence of Section 2 is hereby deleted in its entirety and replaced with the following:

"The maximum number of Common Shares to be issued pursuant to all grants under this Plan shall be 8,393,489."

AMENDMENT TO
ALLSCRIPTS, INC.
AMENDED AND RESTATED
1993 STOCK INCENTIVE PLAN
(Approved by Stockholders May 10, 2000)

RESOLVED, that the second sentence of Section 2 is hereby deleted in its entirety and replaced with the following:

"The maximum number of Common Shares to be issued pursuant to all grants under this Plan shall be 7,393,489."

ALLSCRIPTS, INC.
AMENDED AND RESTATED
1993 STOCK INCENTIVE PLAN

WHEREAS, on September 14, 1993, the Board of Directors of Allscripts, Inc. (the "Company") approved the adoption of the Company's 1993 Stock Incentive Plan (this "Plan" or the "1993 Plan");

WHEREAS, effective June 28, 1999 the Company effected a reverse split of its common shares, $0.01 par value per share (the "Common Shares"), pursuant to which each Common Share was converted into one-sixth of a Common Share (the "Reverse Split");

WHEREAS, all references in this Plan to numbers of Common Shares shall reflect the Reverse Split;

WHEREAS, the Company has adopted an Incentive Stock Option Plan (the "Initial Option Plan"), a 1990 Stock Option Plan (the "1990 Plan"), a Consultant Option Plan (the "Consultant Plan") and an Amended and Restated 1993 Eligible Director Stock Option Plan (the "Director Plan") (the Initial Option Plan, 1990 Plan, Consultant Plan and Director Plan being collectively referred to herein as the "Predecessor Plans").

WHEREAS, the Board of Directors adopted resolutions on June 7, 1999 approving an amendment and restatement of this Plan and pursuant to such resolutions, the Company wishes to amend and restate the Plan to contain the following terms:

1. Purpose. The purpose of this Plan is to provide a means whereby the Company may, through the grant of stock incentives, including options to purchase the Company's Common Shares and stock appreciation rights, to key individuals who perform services for or on behalf of the Company (such as employees, officers, Eligible Directors, consultants and agents of the Company), attract and retain persons of ability as key individuals and motivate such persons to exert their best efforts on behalf of the Company. "Eligible Directors" shall be members of the Board of Directors of the Company who are not employees or officers of the Company or of any other entity and who do not own beneficially, or are not affiliated with an entity that owns beneficially 10% or more of the Company's outstanding voting securities on the date when Stock Incentives are to be granted to such persons under this Plan. The Plan authorizes the grant to such key individuals of the Company of stock incentives in the form of (a) incentive stock options ("ISOs") to purchase Common Shares of the Company under Section 422 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), (b) nonqualified stock options to purchase Common Shares of the Company ("Nonqualified Options") and (c) stock appreciation rights ("SARs") (ISOs, Nonqualified Options and SARs being referred to collectively as "Stock Incentives").

2. Number of Shares Available Under Plan. Stock Incentives may be granted by the Company from time to time to key individuals who perform services for or on behalf of the Company (such recipients being hereafter referred to as "grantees"). The maximum number of Common Shares to be issued pursuant to all grants under this Plan shall be 4,393,489. The shares issued upon exercise of Stock Incentives granted under this Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both. In the event of a lapse, expiration, termination, forfeiture or cancellation of any Stock Incentive granted under this Plan or any Predecessor Plan without the issuance of shares, the shares subject to or reserved for such Stock Incentive may be used again for new grants of Stock Incentives hereunder; provided that in no event may the number of Common Shares issued hereunder exceed the total number of shares reserved for issuance. Any Common Shares withheld or surrendered to pay withholding taxes pursuant to Section 9 or withheld or surrendered in full or partial payment of the exercise price of an ISO or Nonqualified Option pursuant to Section 5(e) and any Common Shares covered by Stock Incentives which Stock Incentives are withheld or surrendered to pay withholding taxes pursuant to Section 9 or withheld or surrendered in full or partial payment of the exercise price of an ISO or Nonqualified Option pursuant to Section 5(e) shall be added to the aggregate Common Shares available for issuance. In no event shall the number of Common Shares underlying Stock Incentives granted hereunder to any individual in any twelve-month period exceed 3,000,000 Common Shares.

3. Administration. This Plan shall be administered by the Compensation Committee (the "Committee") as appointed by the Board of Directors of the Company (the "Board"). To the extent required to comply with Rule 16b-3 under the Securities Exchange Act of 1934, each member of the Committee shall qualify as a "non-employee director," as defined therein.

The Committee may interpret the Plan, prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and make such other determinations and take such other action as it deems necessary or advisable, except, as otherwise expressly reserved in the Plan to the Board.

The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent.

No member or former member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Stock Incentive awarded under it. To the maximum extent permitted by applicable law, each member or former member of the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan unless arising out of such member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the members or former members may have as directors or under the By-Laws of the Company.

4. Eligibility and Awards. The Committee shall, subject to the limitations of the Plan, have full power and discretion to establish selection guidelines; to select eligible persons for participation; and to determine the form of grant, either in the form of ISOs, Non-qualified Options, SARs or combinations thereof, the number of Common Shares subject to the grant, the fair market value of the Common Shares, when necessary, the restriction and forfeiture provisions relating to Common Shares, the time and conditions of vesting or exercise, the conditions, if any, under which time of vesting or exercise may be accelerated, the conditions, form, time, manner and terms of payment of any award, and all other terms and conditions of the grant; provided, however, that ISOs shall not be granted to any individual who is not an employee of the Company.

5. Terms and Conditions of Stock Incentives. Each Stock Incentive granted under the Plan shall be evidenced by an agreement, in form approved by the Committee which shall be subject to the following express terms and conditions and to such other terms and conditions as the Committee may deem appropriate:

(a) Stock Incentive Period. Each Stock Incentive agreement shall specify the period for which the Stock Incentive thereunder is granted (which, in the case of ISOs, shall not exceed ten years from the date of grant or, in the case of a grant to a person who owns, directly or indirectly, within the meaning of Section 424(d) of the Code, stock representing more than 10% of the voting power of all classes of stock of the Company, shall not exceed five years from the date of grant) and shall provide that the Stock Incentive shall expire at the end of such period.

(b) Grant Period. Consistent with paragraph 11, an ISO must be granted within ten years of the date this amendment and restatement of this Plan was adopted or the date this amendment and restatement of this Plan is approved by the Shareholders of the Company, whichever is earlier.

(c) Exercise Price. The per share exercise price of each Stock Incentive shall be determined by the Committee at the time any Stock Incentive is granted, and, in the case of ISOs, shall not be less than the fair market value (or if granted to a person who owns, directly or indirectly, within the meaning of Section 424(d) of the Code, stock representing more than 10% of the voting power of all classes of stock of the Company, 110% of fair market value) (but in no event less than the par value) of the Common Shares of the Company on the date the Stock Incentive is granted. If the Company's Common Shares are actively traded or quoted in an established market (such as a national securities exchange or the National Association of Securities Dealers Automated Quotation System) the fair market value of the Company's Common Shares shall be the price of the Common Shares as of the close of the date the Stock Incentive is granted; however, in all other cases the fair market value of the Company's Common Shares shall be that value that the Committee shall have determined as the fair market value in good faith and in its sole discretion.

(d) Exercise of Stock Incentive. No part of any Stock Incentive may be exercised until the grantee shall have satisfied the conditions (e.g., such as remaining in the employ of the Company for a certain period of time), if any, after the date on which the Stock Incentive is granted as the Committee may specify in the Stock Incentive agreement. Subject in each case to the provisions of paragraph (f) of this paragraph 5, any Stock Incentive may be exercised, to the extent exercisable by its terms, at such time or times as may be determined by the Committee.

(e) Payment of Purchase Price Upon Exercise of ISO or Nonqualified Option. Upon the exercise of an ISO or Nonqualified Option, the purchase price shall be paid in cash or, if the Stock Incentive agreement so provides, (i) in Common Shares of the Company, valued at its fair market value on the date of exercise, (ii) by surrender of other options for Common Shares of the Company held by the grantee which have not expired, with the surrender value being the amount by which the fair market value of a Common Share on the date of exercise exceeds the exercise price of the surrendered option(s), (iii) by surrender of SARs for their cash value, or (iv) by any combination of the foregoing. Fair market value for purposes of this paragraph (e) shall be determined as of the date of exercise pursuant to the method described in paragraph (c) of this paragraph 5.

(f) Exercise in the Event of Death, Disability or Other Termination of Employment. Subject to the limitations as to the exercisability of ISOs, which are described in subparagraphs (1), (2) and (3) below, and the remaining provisions of this Plan, the Committee, in its sole discretion, shall determine the provisions concerning the exercisability of options to be included in each grantee's Stock Incentive Agreement.

(1) If an ISO grantee dies, his ISO may be exercised, to the extent that the grantee could have done so at the date of his death, by the person or persons to whom the grantee's rights under the ISO pass by will or applicable law, or if no such person has such right, by his executors or administrators, at any time, or from time to time, for up to one year after the date of the grantee's death (as the Committee may specify in the Stock Incentive Agreement) but not later than the expiration date specified in paragraph (a) of this paragraph 5 if sooner than one year.

(2) If an ISO grantee's employment with the Company shall terminate because of his permanent disability, he may exercise his ISO, to the extent that he could have done so at the date of his termination, at any time, or from time to time, within one year of such termination but not later than the expiration date specified in paragraph (a) of this paragraph 5 if sooner than one year. For this purpose, the term "permanent disability" means the permanent incapacity of a grantee to perform the usual duties of his employment by reason of physical or mental impairment. Permanent disability shall be deemed to exist when so determined by the Committee based upon a written opinion of a licensed physician who has been approved by the Committee.

(3) If an ISO grantee's employment with the Company shall terminate for any reason other than death or permanent disability, he may exercise his ISO, to the extent that he could have done so at the date of his termination, at any time, or from time to time, within three months of the date of his termination but not later than the expiration date specified in paragraph (a) of this paragraph 5 if sooner than three months.

(g) Transferability. Except as provided in this Section 5(g), no Stock Incentive may be assigned or otherwise transferred. Each Stock Incentive granted under the Plan shall be transferable by will and by the laws of descent and distribution. In addition, under such rules and procedures as the Committee may establish and subject to the discretion of the Committee, the grantee of a Stock Incentive (other than an ISO) may transfer such Stock Incentive, provided that (i) the applicable Stock Incentive Agreement expressly so permits and (ii) the grantee provides such documentation or information concerning any such transfer or transferee as the Committee may reasonably request. Any Stock Incentives held by any transferees shall be subject to the same terms and conditions that applied immediately prior to the transfer. No ISO may be assigned or otherwise transferred in any manner.

(h) Dollar Limitation. No ISO may be granted under the Plan to any employee if in the calendar year in which the ISO is first exercisable the aggregate fair market value (determined as of the date of grant) of Common Shares of the Company for which such employee has been granted ISOs which first become exercisable in such calendar year exceeds $100,000. Any Stock Incentive which violates the rules of this subparagraph (h) of this paragraph 5 shall be deemed to be a Nonqualified Option rather than an ISO.

(i) SAR's.

(1) A grantee of an SAR shall have the right to receive cash or Common Shares having a fair market value equal to the appreciation in market value of a stated number of Common Shares from the date of grant, or in the case of an SAR granted in tandem with or by reference to an ISO or Nonqualified Option granted simultaneously with or prior to the grant of such SAR, from the date of grant of the related stock option to the date of exercise.

(2) SARs may be granted in tandem with or with reference to a related ISO or Nonqualified Option, in which event the grantee may elect to exercise either the option or the SAR (as to the same Common Shares subject to the option and the SAR), or the SAR may be granted independently of a related stock option. The right shall be exercisable not more than ten years after the date of grant if granted in tandem with or with reference to an ISO.

(3) Upon exercise of an SAR, the grantee shall be paid the excess of the then fair market value of the number of shares to which the SAR relates over the fair market value of such number of shares at the date of grant of the SAR or of the related stock option, as the case may be. Such excess shall be paid in cash or in Common Shares having a fair market value equal to such excess, or a combination thereof, as the Committee shall determine.

(j) Other Provisions. Each Stock Incentive agreement shall contain such terms and provisions as the Committee may determine to be necessary or desirable.

(k) No Rights as a Shareholder. No grantee shall have any rights as a shareholder with respect to any Common Shares subject to his Stock Incentive prior to the date of issuance to him of a certificate or certificates for such shares.

6. Adjustments in Event of Change in Common Shares. If during the term of this Plan, there shall be any change in the Company's Common Shares through a merger, consolidation, reorganization, recapitalization or otherwise, or if there shall be a dividend on the Company's Common Shares, payable in Common Shares, or if there shall be a stock split, combination or other change in the Company's issued Common Shares, the Common Shares available under this Plan shall be increased or decreased proportionately to give effect to such change in the Common Shares and the Common Shares subject to then existing Stock Incentives shall be proportionately adjusted so that upon the issuance of Common Shares pursuant to such Stock Incentives, the person receiving such Common Shares will receive the securities which would have been received if the issuance of Common Shares pursuant to the Stock Incentives had occurred immediately prior to such merger, consolidation, reorganization, recapitalization, dividend, stock split, combination or other change. Each such Stock Incentive shall be adjusted to nearest whole share, rounding downwards. In no event shall any fractional share become subject to a Stock Incentive issued hereunder.

7. Compliance with Other Laws and Regulations. The Plan, the grant and exercise of Stock Incentives thereunder, and the obligation of

the Company to sell and deliver Common Shares under such Stock Incentives, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the sale or purchase of shares under the Plan, no shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Committee. If shares are not required to be registered, but are exempt from registration, upon exercising all or any portion of a Stock Incentive, the Company may require each grantee (or any person acting under paragraph 5(f)), to represent that the shares are being acquired for investment only and not with a view to their sale or distribution, and to make such other representations deemed appropriate by counsel to the Company. Stock certificates evidencing unregistered shares acquired upon exercise of Stock Incentives shall bear any legend required by applicable state securities laws and a restrictive legend substantially as follows:

The securities represented hereby have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be transferred in the absence of such registration or an opinion of counsel acceptable to the Company that such transfer will not require registration under such Act.

8. No Rights to Continued Employment. The Plan and any Stock Incentive granted under the Plan shall not confer upon any grantee any right with respect to employment or the continuance of employment by the Company, nor shall they affect in any way the right of the Company to terminate his relationship (including his employment) at any time.

9. Withholding. The Committee in its discretion may cause to be made as a condition precedent to the payment of any cash or stock, appropriate arrangements for the withholding of any federal, state, local or foreign taxes.

10. Amendment, Suspension and Discontinuance. The Board may from time to time amend, suspend or discontinue the Plan; provided, however, no action of the Board may, without the approval of Shareholders (a) increase the number of shares reserved for Stock Incentives pursuant to paragraph 2; (b) permit granting of any ISO at any option price less than that determined in accordance with paragraph 5(c); (c) change the eligibility of employees or class of persons to receive the Stock Incentives (other than as described in paragraphs 1, 2 and 4); or (d) permit the granting of Stock Incentives after the termination date provided for in paragraph 11.

11. Effective Date and Term. The Effective Date of the Plan shall be the date of the approval of this amendment and restatement of the Plan by the Shareholders of the Company within twelve months before or after this amendment and restatement of the Plan is approved by the Company's Board of Directors. This Plan shall terminate and no Stock Incentive shall be granted after the expiration of the period of ten years from the date this amendment and restatement of the Plan was adopted by the Board of Directors; provided that any Stock Incentives previously granted may be exercised in accordance with their terms.

12. The Plan shall be governed by and construed in accordance with the laws of the State of Illinois.

Exhibit 99.1

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1349), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Allscripts Healthcare Solutions, Inc.

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC 1349), each of the undersigned hereby certifies that:

(i) this Quarterly Report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Allscripts Healthcare Solutions, Inc.

Dated as of this 13th day of August, 2002.

/s/ Glen E. Tullman	/s/ David B. Mullen
Glen E. Tullman Chairman and Chief Executive Officer	David B. Mullen Chief Financial Officer