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

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 19, 2004

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of Incorporation)

000-32085
(Commission File Number)

36-4392754
(I.R.S. Employer
Identification No.)

2401 Commerce Drive
Libertyville, Illinois
(Address of principal executive offices)

60048
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last year)

Item 5. Other Events.

On August 19, 2004, Allscripts Healthcare Solutions issued a press release announcing the formation of a strategic partnership with Medem, Inc. ("Medem"), a physician-patient communications network, founded and governed by the American Medical Association (the "AMA") and other medical societies, effective August 12, 2004. Attached as Exhibit 99.1 is a copy of the press release, which is incorporated herein by reference. A summary of the principal terms of the transaction, which include the acquisition of both convertible debt and equity of Medem by Allscripts, LLC, a wholly-owned subsidiary of Allscripts ("Allscripts"), is set forth below.

Note Purchase

Pursuant to the terms of a Convertible Secured Promissory Note Purchase Agreement (the "Note Purchase Agreement") by and among Medem, Allscripts, the AMA and certain other investors named therein (the "Co-Investors"), Allscripts has acquired a convertible secured promissory note in the aggregate principal amount of \$2,100,000 under which Medem may borrow up to \$2,100,000 from Allscripts. Medem has also issued convertible secured promissory notes having an aggregate principal amount of \$1,400,000 million to the Co-Investors under which Medem may borrow up to \$1,400,000 from the Co-Investors. In addition, Medem will issue to the AMA convertible secured promissory notes having an aggregate principal amount of up to \$600,000 in exchange for the value of goods and services to be provided by the AMA to Medem. After the issuance of any such convertible secured promissory notes to the AMA, Allscripts will have the option to purchase additional convertible secured promissory notes in such amounts that will maintain Allscripts' ownership percentage (on a fully-diluted, as-converted basis) of Medem's common stock after giving effect to the issuances and conversion of any such convertible secured promissory notes issued to the AMA. All of the convertible secured promissory notes issued in connection with this transaction are referred to herein as the "Notes."

The Notes, which bear interest at an annual rate of 3.0%, become due and payable upon the earlier to occur of (i) a sale of Medem (whether via a stock or asset sale or merger) or the filing of a registration statement with the SEC for public offering of any class of securities of Medem (a "Liquidity Event"), and (ii) August 12, 2007. The outstanding principal balance and all accrued interest under the Notes may not be prepaid without the prior written consent of the holders of at least 51.0% of Medem's common stock issued or issuable upon conversion of the Notes. In addition, upon consummation of a Liquidity Event, each Note holder will receive, as a premium in addition to the repayment of the outstanding principal and interest due and payable under such Note, an amount equal to two (2) times the maximum amount that Medem may borrow under such Note (i.e., \$4,200,000 with respect to the Note issued to Allscripts).

At any time on or prior to maturity, Allscripts may convert all (but not a portion) of the Notes into 2,100,000 million shares of Medem's Series A Common Stock. Notes issued to the Co-Investors and the AMA are convertible on similar terms. The Note purchased by Allscripts is convertible into approximately 25.2% of all of the capital stock of Medem (calculated on an as-converted, fully-diluted basis) and approximately

47.5% of the voting capital stock. The obligations under the Notes are secured by a first priority security interest in all of Medem's assets.

Borrowings under the Notes are not permitted (i) more than once per calendar quarter, (ii) later than the forty-fifth (45th) day after the end of the previous calendar quarter, and (iii) in amounts greater than \$750,000 per calendar quarter, without the prior written consent of Allscripts and the majority of the Co-Investors. In addition, in order for Medem to make borrowings under the Notes (A) Medem must have satisfied certain revenue targets for each applicable calendar quarter, (B) the Chief Executive Officer of Medem must be Dr. Edward Fotsch, MD, (C) there must be no event of default under the Note Purchase Agreement, and (D) there must be no material adverse change in the business, operations, properties, financial condition or operating results of Medem since the closing. All borrowings under the Notes are to be made proportionately under all of the Notes based on the principal amount of Notes purchased by each of Allscripts and the Co-Investors. Upon the conversion of the Notes issued to Allscripts and the Co-Investors, Medem may draw any remaining unfunded amounts under such Notes immediately prior to the conversion thereof.

Share Purchase

In connection with the transactions described above, Allscripts, J.H. Whitney IV, L.P. ("Whitney") and Medem entered into a Share Purchase Agreement pursuant to which Allscripts purchased 10,082 shares of Medem's Series A Common Stock (which represents approximately 0.1% of all of the capital stock of Medem and approximately 0.2% of the voting capital stock (calculated on an as-converted, fully-diluted basis)) and 90,736 shares of Medem's Series B Common Stock (which represents approximately 1.1% of all of the capital stock of Medem and approximately 2.3% of the non-voting capital stock (calculated on an as-converted, fully-diluted basis)) from Whitney for an aggregate purchase price equal to \$500,000 in cash. Allscripts intends to account for its equity investment under the cost method of accounting.

In addition, pursuant to the terms of such agreement, Allscripts has a three-year option to acquire the balance of Whitney's interest in Medem (the "Whitney Share Option"), represented by 117,897 shares of Series A Common Stock (which represents approximately 1.4% of all of the capital stock of Medem and approximately 2.7% of the voting capital stock (calculated on an as-converted, fully-diluted basis)) and 1,061,077 shares of Series B Common Stock (which represents approximately 12.7% of all of the capital stock of Medem and approximately 27.2% of the non-voting capital stock (calculated on an as-converted, fully-diluted basis)), for an aggregate price of \$600,000. If Allscripts does not exercise the Whitney Share Option prior to its expiration, Medem, has the option to purchase some or all of the shares of common stock underlying the Whitney Share Option for the same price per share and on the same terms. If Medem does not exercise such option, the AMA and the Co-Investors will have the same option.

Share Ownership

If Allscripts converts all of its Notes and exercises the Whitney Share Option, it will own 2,227,979 shares of Medem's Series A Common Stock (voting) and 1,151,814 shares of Medem's Series B Common Stock (non-voting) which represents approximately 40.5% of all of the capital stock of Medem (calculated on an as-converted, fully-diluted basis), approximately 50.4% of the voting capital stock and

approximately 29.5% of the non-voting capital stock.

Item 7(c). Exhibits.

Exhibit 99.1 Press Release dated August 19, 2004.

Signature

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 hereunto duly authorized.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: /s/ William J. Davis

William J. Davis
Chief Financial Officer

Date: August 19, 2004

INDEX TO EXHIBITS

Exhibits

Exhibit 99.1 Press Release dated August 19, 2004.

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FOR IMMEDIATE RELEASE

Allscripts, Medem Initiate Strategic Alliance; Expanding Services to Over 90,000 Physicians

Allscripts Increases Presence in Physician-Patient Communications Market

CHICAGO, IL – August 19, 2004 – Allscripts Healthcare Solutions (Nasdaq: MDRX), the leading provider of clinical software, connectivity and information solutions that physicians use to improve healthcare, today announced the formation of a strategic partnership with Medem, Inc., the nation's premier physician-patient communications network, founded and governed by the American Medical Association and other leading medical societies. The companies will collaborate on distribution and expansion of interactive e-health solutions to physicians and their patients, with a focus on electronic health records and e-prescribing. As part of the agreement, Allscripts has acquired an equity stake in Medem.

"Medem services empower physicians to be the one-stop source for online patient care, education and communication, and Allscripts' products and resources will help us to increase the breadth of services to physicians and their patients, particularly in the areas of electronic health records and e-prescribing," stated Ed Fotsch, MD, Chief Executive Officer of Medem, Inc. "Our partnership with Allscripts will help Medem expand services to our current clients and increase our reach to more physicians and patients."

Through its network of more than 90,000 physicians, Medem provides secure communications and integrated Web-based services to physicians and patients. Medem provides customizable web sites for physician practices with integrated HIPAA-compliant secure email, fee-based online clinical consultation software, and trusted, award-winning clinical content from America's leading medical societies. Consumers can choose a physician who offers Medem's suite of Internet-based services from the online provider directory of most major health plans.

"Our agreement with Medem provides distribution to an additional 90,000 physicians for our TouchScript.NET™ e-prescribing offering, a stronger feature set for physician-patient connectivity in our number one rated TouchWorks™ Electronic Medical Record and better reach for our Physicians Interactive™ physician product education offerings," stated Glen Tullman, Chief Executive Officer of Allscripts Healthcare Solutions. "As the premier physician practice-patient communications network on the Internet, and with the backing of the AMA and associated medical societies, Medem is a highly regarded partner that has taken a leading role in the formation of e-health services connecting physicians and their patients."

Working in collaboration with Medem and its network of physicians and their patients will bring new product and distribution opportunities to Allscripts including:

- **E-Prescribing Distribution:** Medem will offer Allscripts TouchScript.NET e-prescribing as a part of their Internet-based secure messaging tools. Under terms of the agreement, Medem will market Allscripts e-prescribing application to its 90,000 users, providing special pricing to members of affiliated associations.
- **Messaging Integration into EMR:** Allscripts will integrate Medem's secure messaging technology into TouchWorks, its number one rated electronic medical record (EMR), which will further extend its physician-patient communication capabilities. This service enables two-way patient messaging and electronic consultations from thousands of doctors, and will now be a key function in TouchWorks.

"Electronic communication and information technology are becoming increasingly important in today's healthcare environment. The AMA is pleased that Allscripts Healthcare Solutions is partnering with Medem to provide physicians and healthcare professionals with needed services in these areas," AMA Trustee, Joseph M. Heyman, MD, said.

Under terms of the agreement, Allscripts will purchase up to \$2.1 million of convertible secured promissory notes and a 3% equity interest in Medem. At the same time, Medem management, certain related parties and the AMA will purchase up to an additional \$2.0 million of Medem convertible secured promissory notes. Details of the investment will be available in the Company's Form 8-K, which will be filed with the SEC later today.

About Medem, Inc.

Based in San Francisco, Medem incorporated in 1999 and was founded by a group of the nation's leading medical societies, including: the American Academy of Ophthalmology; the American Academy of Pediatrics; the American College of Allergy, Asthma and Immunology; the American College of Obstetricians and Gynecologists; the American Medical Association; the American Psychiatric Association; and the American Society of Plastic Surgeons. There are currently 45 societies partnering with Medem whose combined membership represents more than two-thirds of physicians currently practicing in the United States. Medem has created the nation's premier physician-patient communications network, designed to facilitate online access to information and care for physicians, their practices and their patients, while saving patients time and money and helping physicians generate revenue. Medem's offers customizable practice Web sites including HIPAA-compliant Secure Messaging and Online Consultation (fee-based clinical consultation service), as well as trusted, award winning clinical content from America's leading medical societies. Visit Medem on the Web at www.medem.com.

About Allscripts Healthcare Solutions

Allscripts Healthcare Solutions is the leading provider of clinical software, connectivity and information solutions that physicians use to improve healthcare. The Company's TouchWorks™ software is a modular Electronic Medical Record (EMR) that enhances physician productivity by automating the most common physician activities including prescribing, dictating, capturing charges, ordering labs and viewing results, providing patient education, and documenting clinical encounters. TouchWorks is available on the latest Tablet PCs, wireless handheld devices, desktop workstations and over the Internet. Allscripts also offers electronic document imaging

and scanning solutions through its Advanced Imaging Concepts subsidiary. Additionally, Allscripts provides healthcare product education and market research programs for physicians through its Physicians Interactive business unit and medication fulfillment services through its Allscripts Direct™ unit. Visit Allscripts on the Web at www.allscripts.com.

Strategic partners include IDX Systems; IMS Health ; Microsoft; Hewlett-Packard Company; and Medco Health.

This announcement may contain forward-looking statements about Allscripts Healthcare Solutions that involve risks and uncertainties. These statements are developed by combining currently available information with Allscripts beliefs and assumptions. Forward-looking statements do not guarantee future performance. Because Allscripts cannot predict all of the risks and uncertainties that may affect it, or control the ones it does predict, Allscripts' actual results may be materially different from the results expressed in its forward-looking statements. For a more complete discussion of the risks, uncertainties and assumptions that may affect Allscripts, see the Company's 2003 Annual Report on Form 10-K, available through the Web site maintained by the Securities and Exchange Commission at www.sec.gov.

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